Public Document Pack

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

Date: Wednesday, 20 June 2018
My Ref:
Your Ref:

Committee:
Audit Committee

Date:	**Thursday, 28 June 2018**
Time:	**1.30 pm**
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

Peter Adams (Chairman)
Ioan Jones
Chris Mellings
Brian Williams (Vice Chairman)
Michael Wood

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 1 March and 17 May 2018** (Pages 1 - 12)

The Minutes of the meetings held on the 1 March 2018 and 17 May 2018 are attached for confirmation marked 3 and 3a 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 **First line assurance: Digital Transformation Update**

The report of the Head of Workforce and Transformation is to follow.
Contact: Michele Leith (01743) 254402

6 **First line assurance: Estates Update**

The report of the Head of Business Enterprise and Commercial Services is to follow.
Contact: Tim Smith (01743 258676).

7 **Second line assurance: Annual whistleblowing report** (Pages 13 - 18)

The report of the Head of Workforce and Transformation is attached marked 7.
Contact: Michele Leith (01743) 254402

8 **Third line assurance: Internal Audit Annual report 2017/18** (Pages 19 - 44)

The report of the Head of Audit is attached marked 8.
Contact: Ceri Pilawski (01743) 257739

9 **Overall assurance: Annual Governance Statement and a review of the effectiveness of the Council's internal controls and Shropshire's Code of Corporate Governance 2017/18** (Pages 45 - 92)

The report of the Section 151 Officer is attached marked 9.
Contact: James Walton (01743) 258915

10 **Second line assurance: Financial outturn report 2017/18** (Pages 93 - 142)

The report of the Section 151 Officer is attached marked 10.
Contact: James Walton (01743) 258915

11 **Second line assurance: Statement of Accounts 2017/18** (Pages 143 - 338)

The report of the Section 151 Officer is attached marked 11.
Contact: James Walton (01743) 258915

12 **Third line assurance: Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2017/18** (Pages 339 - 350)

The report of the Section 151 Officer is attached marked 12.
Contact: James Walton (01743) 258915

13 **Third line assurance: Audit Committee Effectiveness** (Pages 351 - 368)

The report of the Section 151 Officer is attached marked 13.
Contact: James Walton (01743) 258915

14 **Third line assurance: Annual Assurance report of Audit Committee to Council 2017/18** (Pages 369 - 386)

The report of the Section 151 Officer is attached marked 14.
Contact: James Walton (01743) 258915

15 **Third line assurance: External Audit: Pension fund audit plan 2017/18** (Pages 387 - 402)

The report of the Engagement Lead is attached marked 15.
Contact: Mark Stocks (0121) 232 5437

16 **Third line assurance: External Audit: Audit fee letter 2018/19** (Pages 403 - 406)

The report of the Engagement Lead is attached marked 16.
Contact: Mark Stocks (0121) 232 5437

17 **Third line assurance: External Audit: Audit progress report and sector update** (Pages 407 - 420)

The report of the Engagement Lead is attached marked 17.
Contact: Mark Stocks (0121) 232 5437

18 **Date and Time of Next Meeting**

The next meeting of the Audit Committee will be held on the 24 July 2018 at 1.30pm.

19 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.

20 Third line assurance: Fraud, Special Investigation and RIPA Update (Exempted by Categories 2, 3 and 7) (Pages 421 - 426)

The report of the Principal Auditor is attached marked 20.
Contact: Katie Williams (01743) 257737

Committee and Date
Audit Committee
28 June 2018

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 1 MARCH 2018
1.30 - 3.20 PM

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

Present
Councillor Peter Adams (Chairman)
Councillors Chris Mellings, Michael Wood and Gerald Dakin (Substitute) (substitute for Brian Williams)

65 **Apologies for Absence / Notification of Substitutes**

65.1 An apology for absence was received from Councillor Brian Williams. Councillor Gerald Dakin substituted for Councillor Williams.

66 **Disclosable Pecuniary Interests**

66.1 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.

67 **Minutes of the previous meeting held on the 30 November 2017**

67.1 **RESOLVED:**

That the minutes of the meeting held on 30 November 2017 be approved and signed by the Chairman as a correct record.

68 **Public Questions**

68.1 No public questions had been received.

69 **Management Report: Highways Permits**

69.1 The Committee received the report of the Highways, Transport and Environmental Manager – copy attached to the signed Minutes – which set out progress against the recommendations made following an audit of the service.

69.2 The Highways, Transport and Environmental Manager explained the role of the Street Works teams and why the audit had been requested. Significant progress had been made to meet the requirements of the recommendations, set out at paragraph 6 of the report.

69.3 In response to a query, the Head of Audit reported that it was planned to revisit the service in 2018/19. In response to a query, the Highways, Transport and Environmental Manager reported that in 2015/16 a total of £730k was generated due to over run works, £1.1m in 2016/17 and £927k so far this year.

69.4 **RESOLVED:**

A. That the contents of the report be endorsed.

B. That Internal Audit revisit the Street Works team once all recommendations have been implemented to review and monitor the controls previously assessed and confirm that they are happy that the management control objectives are now being met satisfactorily.

70 **Management Report: Transport Operations Group**

70.1 The Committee received the report of the Director of Place and Enterprise – copy attached to the signed Minutes – which provided an update on the progress made and actions taken as a result of the audit of the Council's Transport Operations Group (TOG).

70.2 The Transport Commissioning Manager explained that a number of opportunities for savings and efficiencies had been identified including reducing the size of the fleet to 200, a new term maintenance contract and the procurement of a new council fuel contract. In response to a query, the Transport Commissioning Manager explained that Kier would be taking over the management and servicing of some of the vehicles which would remain at the same depot.

70.3 In response to a query, the Head of Finance, Governance and Assurance explained that the new Tranman IT system is for the on-going management of vehicle maintenance processes.

70.4 In response to a query, the Transport Commissioning Manager explained that based on volume, the procurement of a new fuel contract would lead to some savings.

70.5 **RESOLVED:**

That the significant progress and improvements that have been made to the TOG area as detailed in Appendix 1 be noted.

It was agreed to take Agenda Item 8 (Management Report: Income Generation) next.

71 **Management Report: Income Generation**

71.1 The Committee received the report of the Head of Finance, Governance and Assurance – copy attached to the signed Minutes – which set out the budgeted gross income position for the Council for 2018/19. Detailed information was included in

Appendix 1 to enable Members to consider the overall risks and assurances associated with the income and resources received by the Council and also to allow Members to consider areas for direct questioning and further consideration, should this be considered necessary.

71.2 The Head of Finance, Governance and Assurance explained that the report gave a breakdown of the income and resources received in the gross budget which focuses on delivering more income by discretionary means, whilst the Appendix gave a breakdown of all the income received by the Council including Council Tax, Business Rates, grants, fees and charges etc together with an explanation of the key elements of governance and where this was made available to Councillors and the public.

71.3 The Head of Finance, Governance and Assurance drew attention to section 6 of the report which identified areas where the Council's aspirations were, including two areas of income generation: areas where the Council currently collected income (by increasing, extending or charging new rates) and areas which are being looked at in the future as part of the Commercial Strategy.

71.4 A further report was requested in six months' time when further information would be available. In response to a query, the Head of Finance, Governance and Assurance explained that the impact of lower Council Tax payment rates would not be known until the end of the year. The Head of Finance, Governance and Assurance answered a number of queries from Members of the Committee in relation to Service Reviews looking at whether existing services could be sold to external clients, the Council's ability to effectively collect income, in particular around aged debt and sales ledger.

71.5 In response, the Head of Finance, Governance and Assurance explained that it was hoped that the new ERP system would be a solution to some of the collection issues currently experienced. In response to a comment, the Head of Finance, Governance and Assurance agreed to add a further column into the quarterly monitoring reports showing the variants in income collection.

71.6 **RESOLVED:**

That the contents of the report be noted.

72 **Management Report: IT Update**

72.1 The Committee received the report of the Head of Human Resources – copy attached to the signed Minutes – which provided updates on the following areas: Service Improvement and Compliance; DR/BC Project; Infrastructure and Architecture Project; and Digital Transformation.

72.2 The Head of Human Resources informed the Committee that she was pleased with the progress that had been made and with the outcome of the most recent audit, which was reasonable. She explained that a good outcome would not be possible until a live test had been undertaken, which would take place later in the year. Members were pleased with the report and that the whole project was still under budget.

72.3 Turning to the Digital Transformation Programme, the Head of Human Resources informed the Committee that the CRM project was going well with Hitatchi, who were the first organisation who had aligned the Council's vision and strategy with the rollout it wished to achieve. New telephony had been rolled out, the CRM portals would be rolled out in June/July. The Social Care project was also progressing well. The ERP project, however, was a little behind schedule due to a lack of resources available to deliver the project.

72.4 Members were pleased to note that those projects previously rated as red were now amber and that the Governance and Assurance Board who had access to the whole project were not afraid to challenge the process and was working well.

72.5 In response to a query, the Head of Human Resources reported that the new telephony was performing as expected however for that part of the project, other things needed to happen before any cost savings were realised.

72.6 **RESOLVED:**

That progress in the improvement of Shropshire Council's IT function be noted in that the improvements continue to be validated through improved audit report outcomes.

73 **Management Report: Strategic risks update**

73.1 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 following completion of the January 2018 review.

73.2 The Risk and Insurance Manager informed the Committee that there were currently 15 strategic risks, with changes to the scoring having been made for three of the risks, as follows: The reputation risk had increased from a low risk to a high risk; the Failure to Safeguard Vulnerable Adults risk had been reduced from high to medium; whilst the Failure to Safeguard Vulnerable Children had reduced from a 12 to an 8 keeping it at a medium risk level.

73.3 The Risk and Insurance Manager reported that the Council's overall risk exposure was 60% high and 40% medium. The target scores will be reviewed with Directors in April 2018 and set for the next 12 months. Both Children's and Adults' Safeguarding had already hit their targets.

73.4 One new emerging risk had been identified within Safeguarding Children relating to the ongoing service improvements around the new IT system. In response to a query with regards to Vulnerable Adults and the risk around the deprivation of liberty, the Risk and Insurance Manager confirmed that she was comfortable with the current level of risk.

73.5 In response to a further query, the Risk and Insurance Manager explained that staff sickness absence was monitored and reasons for work related stress had been considered. The Risk and Insurance Manager confirmed that the impact of GDPR had been considered with Terms and Conditions being updated in light of the new requirements.

73.6 **RESOLVED:**

That the position as set out in the report be accepted.

74 Internal audit report of the review of Risk Management 2017/18

74.1 The Committee received the report of the Principal Auditor – copy attached to the signed Minutes – which summarised the detailed findings identified in the Internal Audit review of Risk Management. She informed the Committee that the overall control environment for the Risk Management system had been assessed as good, the highest rating that could be given.

74.2 **RESOLVED:**

That the findings from the review of Risk Management by Internal Audit be endorsed.

75 Draft Audit Committee annual work plan and future training requirements

75.1 The Committee received the report of the Head of Audit – 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 they were well informed and appropriately skilled to fulfil their role.

75.2 The Head of Audit drew attention to Paragraph 5.3 which set out information which may be helpful for Members when considering the proposals for changes set out in Appendix A. The Head of Audit explained that three half day training sessions were being proposed for the next 12 months. She reported that, as requested by Members, an associate of CIPFA would be facilitating the Committee in reviewing its own effectiveness at the next training session due to take place on 8 March.

75.3 **RESOLVED:**

a) That the Audit Committee work plan for 2018/19 be approved.

b) That a learning and development plan for members of the committee taking into account information in Appendices A and B be approved.

76 Management Report: Treasury Strategy 2018/19

76.1 The Committee received the report of the Head of Finance, Governance and Assurance – copy attached to the signed Minutes – which proposed the Treasury Strategy for 2018/19 and recommended Prudential and Treasury Indicators for 2018/19 to 2020/21.

76.2 Although the Audit Committee usually had sight of the Treasury Strategy beforehand, it was confirmed that on this occasion the Treasury Strategy had already been presented to Cabinet and Council. Members of the Audit Committee requested that in future the Strategy be reported to them prior to Cabinet and Council.

76.3 The Head of Finance, Governance and Assurance drew Members attention to the key points set out at paragraph 1.1 and in particular the Council's recent purchase of the Shrewsbury Shopping Centres.

76.4 **RESOLVED:**

A) That the Treasury Strategy 2018/19 be endorsed.

B) That the changes to the CIPFA Treasury Management Code of Practice and Prudential Code and outstanding consultation exercises be noted.

77 Internal Audit performance report and revised annual audit plan 2017/18

77.1 The Committee received the report of the Head of Audit – 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 2017.

77.2 The Head of Audit informed the meeting that the team were on track to deliver the target of 90% by year end. She drew Members' attention to the Audits completed since October, the Assurance levels awarded and the overall spread of recommendations set out in Paragraphs 5.6, 5.7 and 5.8 respectively. The unsatisfactory and limited assurance opinions were set out in table 3 of the report. The Head of Audit informed Members that two recommendations had been rejected by management (set out at paragraph 5.16 of the report).

77.3 Turning to Direction of Travel, the Head of Audit explained that the number of lower level assurances (41%) were lower than the outturn for 2016/17 of 49%, however there was no one area giving cause for concern.

77.4 In response to a query, the Head of Audit explained that if Members were concerned about the lower assurance levels in Commissioning, they could invite the Head of Commissioning to a future meeting in order to address their concerns. Concern was raised in relation to Adult Services which had received its third limited assurance.

77.5 **RESOLVED:**

A) That the performance to date against the 2017/18 Audit Plan set out in this report be endorsed.

B) That the adjustments required to the 2017/18 plan to take account of changing priorities set out in **Appendix B** be endorsed.

C) That the action to be taken by the Audit Committee in response to the limited and unsatisfactory areas reported and the residual control environment where a recommendation has been rejected, as detailed in the report, be noted.

D) That the Director of Adult Services be invited to a future meeting in order to explain the issues within the control environment and how these could be improved.

78 Draft Internal Audit risk based plan 2018/19

78.1 The Committee received the report of the Head of Audit – copy attached to the signed Minutes – which provided Members with the proposed risk based Internal Audit Plan for 2018/19. The Head of Audit drew attention to the summarised Internal Audit Plan set out at Appendix A which confirmed that 1,764 days had been planned for Shropshire Council audit work and 226 days for external clients.

78.2 The Head of Audit also drew attention to Appendix C which set out those audit areas of high priority for which no provision had been made in this year's internal audit plan. The Head of Audit informed the Committee that they could seek the necessary assurances from Management on these areas and also on those areas considered to be low risk.

78.3 **RESOLVED:**

That the approach taken to create the proposed Internal Audit Plan for 2018/19 be endorsed and that its adoption be approved.

79 **External Audit: Certification summary report**

79.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – detailing the Certification Work for 2016/17 relating to the Housing Benefit subsidy claim. It was explained that due to two issues that had been identified, the claim had been qualified. Details of the errors were set out on page 2 of the report.

79.2 **RESOLVED:**

That the contents of the report be noted.

80 **External Audit: Audit Plan**

80.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – which provided an overview of the planned scope and timing of the statutory audit of Shropshire Council for those charged with governance.

80.2 The External Auditor drew attention to page 3 of the report which set out the key areas looked at. In response to a query the External Auditor explained why the Management over-ride of controls was a risk. In relation to the Council's resilience and use of reserves, the External Auditor felt that the Council had a reasonable level of reserves with a good history of savings plans in place however as it was unknown how long this could continue and with changes to funding happening in 2020/2021, External Audit needed to look at what that would mean for the financial stability of the Council.

80.3 **RESOLVED:**

That the Audit Plan for Shropshire Council be noted.

81 **External Audit: Informing the risk assessment**

81.1 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'.

81.2 The External Auditor drew Members' attention to the responses received from the Council's Management to the questions raised on those areas where External Audit were required to gain an understanding of management processes and the Audit Committee's oversight of those areas. The Committee were required to consider whether the responses were consistent with its understanding of the Council.

81.3 **RESOLVED:**

That the contents of the report be noted.

82 **External Audit: Audit Committee update**

82.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – which provided Members with a progress report.

82.2 The External Auditor drew Members' attention to the findings from their interim audit which were summarised on pages 6 to 9 of their report. He confirmed that he was happy with the Council's control environment and reported that the initial risk assessment in relation to the Value for Money Conclusion had been undertaken.

82.3 In response to a query about whether it was good practice for the Portfolio Holder for Finance to meet with External Audit, it was confirmed that this would be discussed with the Head of Finance, Governance and Assurance and the Chief Executive.

82.4 **RESOLVED:**

That the contents of the report be noted.

83 **Date and Time of Next Meeting**

83.1 Members were reminded that the next meeting of the Audit Committee would be held on the 28 June 2018 at 1.30pm.

84 **Exclusion of Press and Public**

84.1 **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.

85 **Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 2, 3 and 7)**

85.1 The Committee received the exempt report of the Principal Auditor – copy attached to the signed Minutes – which provided an update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

85.2 **RESOLVED:**

That the contents of the report be noted.

Signed .... (Chairman)

Date: ....

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Committee and Date
Audit Committee
28 June 2018

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 17 MAY 2018
11.50AM – 11.53AM

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

Present
Councillors Ioan Jones, Christian Lea (Substitute for Peter Adams), Chris Mellings, Brian Williams and Michael Wood

1 **Election of Chairman**

It was proposed, seconded and duly

RESOLVED: That Councillor Peter Adams be elected Chairman for the ensuing municipal year.

2 **Apologies**

Apologies for absence were received from Councillor P Adams (Councillor C Lea substituted).

3 **Appointment of Vice-Chairman**

It was proposed, seconded and duly

RESOLVED: That Councillor Brian Williams be appointed Vice-Chairman for the ensuing municipal year.

4 **Date and Time of Next Meeting**

RESOLVED: That it be noted that the next scheduled meeting be held on Thursday 28 June 2018 at 1.30 pm.

Signed .... (Chairman)

Date: ....

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Committee and Date	Item
Audit Committee 28 June 2018	

2017/2018 Review of Whistleblowing - 'Speaking Up About Wrongdoing'

Responsible Officer Michele Leith, Head of Workforce & Transformation

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 approve, with appropriate comments 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
- a miscarriage of justice

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.

5.3 In 2017/18, there were 16 cases reported under the whistleblowing arrangements for Shropshire Council, of those 16, 4 were employees.

2017/18 Whistleblowing Reports

Route in	Allegation	Procedure Used	Outcome
Verbal	Illegal Eviction	No Investigation	Referred to Legal
Verbal	Time Abuse	Management Investigation	NCTA[1]
Verbal	Council Tax Fraud	Management Investigation	NCTA
Written	Protection of Data	No Investigation	Referred to Information Governance
Verbal	Planning Process	Management Investigation	NCTA
Verbal	Corruption	Audit Investigation	NCTA
Written	Financial Abuse	Audit Investigation	Referred to HMRC
Written	Housing Allocation Process	Audit Investigation	NCTA
Written	Housing Benefit Fraud	Audit Investigation	Passed to SFIS[2]
Verbal	Council Tax Fraud	Audit Investigation	Council Tax reinstated and backdated to date of occupancy
Verbal	Unoccupied Social Housing	No Investigation	Passed to South Shropshire Housing Association
Verbal	Blue Badge and PIP abuse	Audit Investigation	Passed to SFIS
Verbal	Safeguarding Allegations – Adult	Safeguarding	Case with Safeguarding
Verbal	Theft	Audit Investigation	Employee resigned
Verbal	Theft/Fraud	Disciplinary investigation	No formal sanction
Verbal	Theft/Fraud	Disciplinary Investigation	No formal sanction

6. Comparison to previous years

6.1 There have been a slight increase in number of incidents reported than in the preceding years. In 2016/17 there were fifteen cases reported and the majority

[1] NCTA – No Case to Answer
[2] SFIS – Single Fraud Investigation Service (Department of Work and Pensions)

of those allegations were relating to finance abuse and fraud. Whereas 2017/18 allegations are wide ranging from finance abuse, planning process to corruption with the preferred route of "blowing the whistle" being verbal compared to written.

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) Peter Nutting (Leader of the Council) and Peter Adams (Chair of Audit Committee)
Local Member- N/A

Committee and Date	Item
Audit Committee	
28 June 2018	
13:30pm	Public

INTERNAL AUDIT ANNUAL REPORT 2017/18

Responsible Officer Ceri Pilawski
e-mail: ceri.pilawski@shropshire.gov.uk Telephone: 01743 257739

1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2018. It informs on delivery against the approved annual audit plan and includes the Head of Audit'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. Seventy good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 12% increase in the higher levels of assurance compared to the previous year, offset by a 12% decrease in limited and unsatisfactory opinions.

Given the high-level assurances related to key financial systems and results of audit reviews across the control environment, an unqualified Head of Audit's Year-end opinion can result. This reflects significant improvements in key areas of internal control and focus should continue to ensure these are maintained and built upon.

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 2018.

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 2017/18.

c) The Head of Audit's unqualified year end opinion on the Council's internal control environment for 2017/18 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, poor value for money 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 Corporate 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 2017/18 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 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.

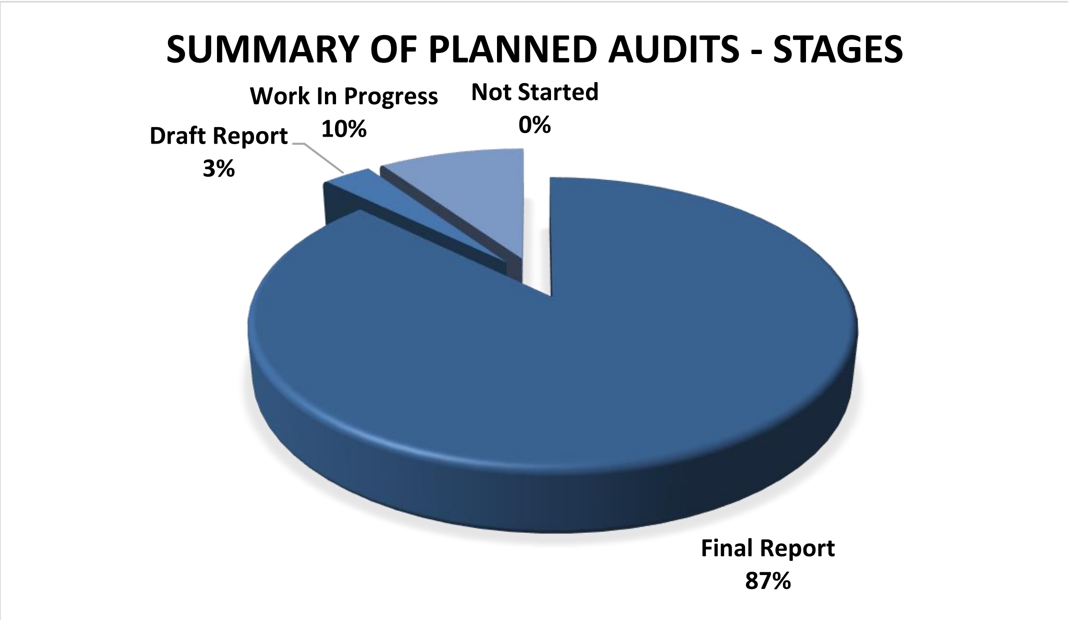
5.5 The purpose of Internal Audit is to provide the Council, through the Audit Committee, the Chief Executive and the Section 151 Officer, with an independent and objective opinion on risk management, control and governance processes and their effectiveness in achieving the Council's agreed objectives.

Internal Audit work undertaken

5.6 The Internal Audit Plan 2017/18 was considered and approved by Audit Committee at its meeting on the 22 February 2017. The Plan provided for a total of 2,046 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to a target of 2,032 days. The Head of Audit can confirm that the service has been free from interference throughout the year. 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 year. In total 110 final reports have been issued in 2017/18. These are listed with their assurance rating and broken down by service area at **Appendix A, Table 2**.

5.8 The following chart shows performance against the approved Internal Audit Plan for 2017/18:

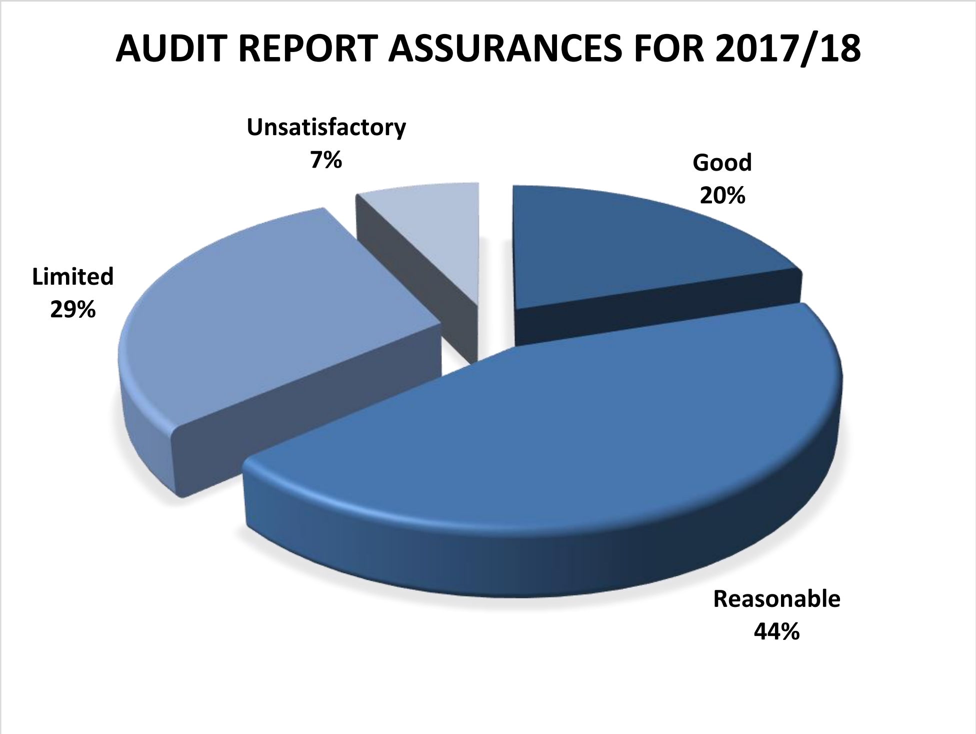


5.9 The following tables compare the assurance levels (where given) and categorisation of recommendations made at the Council to demonstrate a direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)

Assurances	Good	Reasonable	Limited	Unsatisfactory	Total
2017/18	20%	44%	29%	7%	100%
2016/17	7%	45%	31%	17%	100%
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%

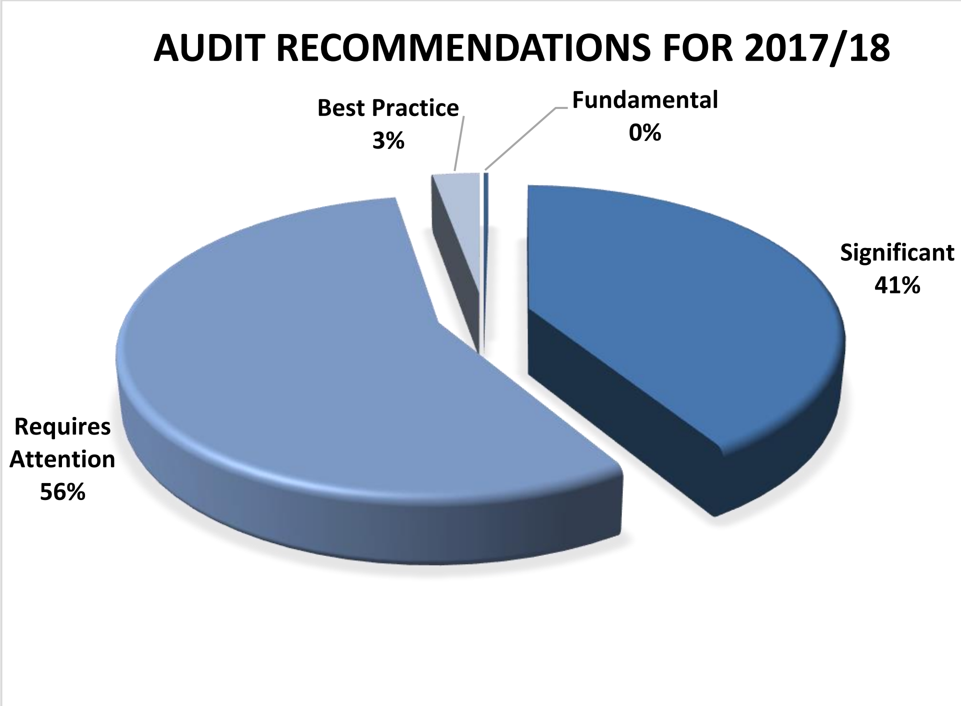
The assurance levels awarded to each completed audit area for 2017/18 appear in the following graph:



Comparison of recommendation by categorisation

Categorisation	Best practice	Requires attention	Significant	Fundamental	Total
2017/18	3%	56%	41%	0%	100%
2016/17	4%	50%	46%	0%	100%
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 overall spread of recommendations agreed with management following each audit review for 2017/18 appear in the attached graph:



5.10 Seventy good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 12% increase in the higher levels of assurance compared to the previous year, offset by a 12% decrease in limited and unsatisfactory opinions. Eight unsatisfactory opinions and 32 limited assurance opinions were issued, 36% in total, compared to 48% last year. This demonstrates an improving control environment, a positive direction of travel.

5.11 Further consideration of the assurance levels reveals:

- There have been no material changes in the Council's activities and no limitations have been placed on the scope of the audit.
- Twenty-eight 'high' risk systems within the Council attracted a good or reasonable level of assurance and ten limited or unsatisfactory.
- Governance, risk management and five of the fundamental systems, through which a significant amount of the Council's financial business is transacted, attract a high level of assurance. The Payroll audit assurance level is Good. These results combine to provide a high level of confidence in the robustness of the data reflected in the accounts. **Appendix A, table 3.**
- Three high risk related IT systems and projects also attracted higher level assurances.
- Fundamental recommendations were and are being implemented and non-were rejected by management.
- A level of concern has previously been expressed in relation to IT systems and processes. IT Services have continued to invest in and implement required control improvements and this has been evidenced by improving assurance levels as management controls are embedded. Business continuity and disaster recovery controls have strengthened (limited to reasonable) as have hardware replacement controls (unsatisfactory to reasonable).
- Lower levels of assurance are not focused on any one area but improvements are required in social care processes, some IT applications and processes, debt recovery aspects of the purchase ledger, transport operations and estate

management. Whilst not significant enough to sway the opinion, managers are advised to target these areas for improvement.

5.12 Given the overall impact of the points above, an unqualified Head of Audit's Year-end opinion can result. This reflects significant improvements in key areas of internal control and focus should continue to ensure these are maintained and built upon.

5.13 Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.

5.14 A summary of the reviews resulting in limited assurance since the last report, in February 2018 is included at **Appendix A, Table 4**. There have been no areas of unsatisfactory assurances identified. 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**.

Audit Committee are asked to advise what action they wish to follow in relation to the limited areas reported?

5.15 A total of 1,121 recommendations have been made in the 110 final audit reports issued in the year; these are broken down by audit area and appear at **Appendix A, Table 7**.

5.16 The number of fundamental recommendations has decreased from six in 2016/17 to three in 2017/18; overall this represents less than 1% of the total number of recommendations made. Fundamental recommendations were made on the following audits in relation to compliance with contract rules, IT systems and licensing checks for hackney and taxi drivers:

- **Estate Management**
- **St Giles CE Primary School**
- **Children's Social Care Management Controls**

Some control improvements are reported as implemented, others are underway but delayed due to recruitment and associated resourcing issues. Where delays are experienced after a revised implementation date, this will be reported to the Audit Committee.

The percentage of significant and fundamental recommendations has decreased slightly from 46% to 41% compared to last year with a corresponding fall in requires attention and best practice recommendations.

5.17 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 8 sets out the approach adopted to following up recommendations** highlighting Audit Committees involvement.

5.18 Five recommendations, equivalent to less than 1% of all recommendations made, have been rejected by management. All recommendations have been discussed with the managers concerned.

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 and will be reported to Audit Committee. There are none since the last report in March 2018

5.20 During 2017/18, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI). This involved following up on progress following the data matching exercise in 2016/17 and preparing for the 2018/19 exercise. The full details of which were reported to your November Committee.

5.21 In the current year, several 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:

- Adult social care financial assessments
- Appointeeships/ court of protection and deputyships
- Building control
- Card holder management system for blue badges
- Cash office reviews
- Concessionary Fares
- Council tax collection
- Debt recovery
- Disposal of IT equipment
- Grant claims
- Highways permits
- Housing options
- Imprest
- Income collection
- Parking IT system
- Payroll
- Purchase ledger
- Purchasing and contract arrangements
- Salary sacrifice schemes
- Sales ledger
- Various comforts funds and trading accounts

5.22 The above were further supported by specific counter fraud work in relation to arrears, leavers payments, procurement cards, travel and expense payments. In addition, every investigation where internal control weaknesses have been identified, results in a management report which lists areas to be improved to help reduce a repeat of any inappropriate activity.

5.23 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 since the last report include:

- Linked to the counter fraud work noted above, the Audit service receives updates through various networking groups of potential fraud areas. Following one of these an Auditor shared an alert with Shropshire schools. The fraud was where an email purporting to be from the Head Teacher would be sent to a Business

Manager requesting immediate payment to be made to a company for delivery of services. Following the alert being shared a School Business Manager received such an alert and questioned it further, saving the school a potential fraudulent payment of £9,000. They thanked Audit for the pre-warning.

- A review of training agreements to ensure that where the Council invests in trainees, if they leave with an agreed period they repay their training expense. The policy was found not to be consistently applied throughout the Council and managers were reminded of this.
- A potential security issue was raised in respect of bank automated card payments (BACS) this led to a full review of the BACS process and an improvement in key controls.

An annual opinion on the adequacy of the governance arrangements

5.24 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.

5.25 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.

5.26 In arriving at her opinion, the Head of Audit has taken the following matters into account:

- Results of all audits undertaken during the year ended 31 March 2018;
- 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.

5.27 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.

Based on the Internal Audit work undertaken and management responses received; the Council's framework for governance, risk management and internal control is sound and working effectively and the Head of Audit can deliver an unqualified year end opinion for 2017/18.

Audit performance

5.28 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 2017/18	Actual 2017/18
Percentage of revised plan delivered	90%	98%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	90%

5.29 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 2017/18. In addition, an external assessment conducted by CIPFA and reported on to a February 2017 meeting of this Committee demonstrated compliance with the PSIAS, the external assessment will be repeated in five years.

5.30 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.

5.31 Customers are asked for feedback on their audit experience after most audit reviews. Feedback is provided on the quality of the service and helps to ensure that audit work meets client expectations and the quality of audit work is maintained. The percentages of excellent and good responses for the last three years are detailed in **Appendix A, Table 9**.

5.32 The percentage of customers scoring the service as high or excellent has increased slightly. 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 remains a positive reflection of the service.

5.33 During the last year several compliments and comments have been received in respect of the service from both questionnaires and directly, these appear at **Appendix A, Table 10**. 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.

5.34 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.

5.35 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.

5.36 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

5.37 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

5.38 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.

5.39 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.

5.40 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 few reports. Examples of audit work and remedial action that have been scrutinised by the Audit Committee include reports on strategic risks; IT and digital transformation updates, estates, adult services peer review, Children's services - Ofsted, highways permits, council tax and national non-domestic rates performance, housing benefit overpayment performance, income generation and transport operations group.

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 2017/18 - Audit Committee February 2017
Internal Audit Plan 2017/18 – Performance Report - Audit Committee September 2017
Internal Audit Plan 2017/18 – Performance Report - Audit Committee November 2017
Internal Audit Plan 2017/18 – Performance Report - Audit Committee March 2018
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)
Peter Nutting, Leader of the Council and Peter M Adams, Chairman of Audit Committee

Local Member: All

Appendices

Appendix A
Table 1: Summary of actual audit days delivered against plan 2017/18
Table 2: Final audit report assurance opinions issued in 2017/18
Table 3: Audit opinion and recommendations made on fundamental systems 2017/18
Table 4: Unsatisfactory and limited assurance opinions since February 2018 listed by service area
Table 5: Audit assurance opinions
Table 6: Audit recommendation categories
Table 7: Audit recommendations made in 2017/18
Table 8: Customer Feedback Survey Forms
Table 9: Summary of compliments and comments 2017/18

Appendix B - Audit plan by service – annual report 2017/18

APPENDIX A

Table 1: Summary of actual audit days delivered against plan 2017/18

	Original Plan	Revised Plan	March Actual	% of Original Complete	% of Revised Complete
Chief Executive	548	548	526.6	96%	96%
Finance, Governance and Assurance	204	186	184.8	91%	99%
Governance	18	25	15.9	88%	64%
Human Resources	305	316	304.9	100%	96%
Legal and Democratic	21	21	21.0	100%	100%
Adult Services	156	190	181.5	116%	96%
Commissioning	261	277	238.6	91%	86%
Children's Services	185	180	163.9	89%	91%
Public Health	110	87	87.3	79%	100%
S151 Planned Audit	1,260	1,282	1,197.9	95%	93%
Contingencies and other chargeable work	563	512	539.6	96%	105%
Total S151 Audit	1,823	1,794	1,737.5	95%	97%
External Clients	223	238	247.7	111%	104%
Total	2,046	2,032	1,985.2	97%	98%

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 2017/18

Summary

Audits 2017/18	Assurance	%	Direction of travel[1]
22	Good	20	↑
48	Reasonable	44	↔
70	Sub total	64	↑
32	Limited	29	↔
8	Unsatisfactory	7	↓
40	Sub total	36	↓
110	Overall total	100	

Audits 2016/17	%	Audits 2015/16	%
7	7	11	14
44	45	29	36
51	52	40	50
30	31	35	44
16	17	5	6
46	48	40	50
97	100	80	100

Full details

	Audit	Assurance
1.	Governance	Good
2.	Refugee action grant	Good
3.	Private Sector Housing	Good
4.	Land Charges	Good
5.	Assessments and Looked After Children Budget Monitoring Arrangements 2016/17	Good
6.	CareFirst Application Review	Good
7.	Risk Management	Good
8.	Strengthening Families Q1	Good
9.	Strengthening Families Q2	Good
10.	Strengthening Families Q3	Good
11.	Strengthening Families Q4	Good
12.	Food Safety	Good
13.	Budget Management and Control - Corporate 2016/17	Good
14.	Imprest Administration System	Good
15.	Capital Accounting System	Good
16.	Treasury Management	Good
17.	Medium Term Financial Strategy	Good
18.	National Non-Domestic Rates (NNDR)	Good
19.	Cardholder Management System for Blue Badges (CMS)	Good
20.	Third Party Audits for Hosted Systems	Good
21.	Apprenticeship Levy	Good
22.	Enterprise Resource Planning ERP Design Phase	Good
23.	Disability facility grants	Reasonable
24.	Energy Grants	Reasonable
25.	CM2000 Electronic Homecare Monitoring - non-IT side 2016/17	Reasonable
26.	Enable	Reasonable
27.	The Meres Day Centre Closure	Reasonable
28.	Housing Options	Reasonable
29.	Liquid Logic Design Phase	Reasonable
30.	Purchasing Domiciliary, Residential and Nursing Care: Adults, ALD Mental Health	Reasonable
31.	Maesbury Metals 2017/18 Follow Up Audit	Reasonable
32.	Building Control	Reasonable
33.	Public Transport - Concessionary Fares 2016/17	Reasonable
34.	Property Repair and Maintenance	Reasonable
35.	Special Transport / Routing Arrangements	Reasonable
36.	Special Transport Contract Arrangements	Reasonable
37.	Crowmoor Primary School	Reasonable
38.	Cockshutt CE (Controlled) Primary School	Reasonable
39.	Criftins CE (controlled) Primary School	Reasonable
40.	Children's Social Care Management Controls 2016/17	Reasonable/ fundamental rec
41.	PAMs Assessments 2016/17	Reasonable
42.	Strengthening Families Grant - December Claim	Reasonable
43.	Purchasing and Contract Arrangements (Children’s Placement and Joint Adoption)	Reasonable

	Audit	Assurance
44.	Bereavement Services Contract	Reasonable
45.	Environmental Service 2016/17	Reasonable
46.	Income Collection 2016/17	Reasonable
47.	Purchase Ledger	Reasonable
48.	Cash Office Regularity - Shrewsbury Museum, Art Gallery and Visitor Information Centre	Reasonable
49.	General Ledger	Reasonable
50.	Council Tax Collection	Reasonable
51.	Lone Working Arrangements	Reasonable
52.	Payroll System 2016/17	Reasonable: 2017/18 draft is good
53.	Salary Sacrifice Schemes (Childcare, AL etc)	Reasonable
54.	Antivirus Controls	Reasonable
55.	Digital Transformation Programme: Governance and Pre Contract Stage Assurance 2016/17	Reasonable
56.	Disposal of IT Equipment	Reasonable
57.	Hardware Replacement Programme	Reasonable
58.	IT Strategy 2016/17	Reasonable
59.	Landesk	Reasonable
60.	Patch Management	Reasonable
61.	Physical and Environmental Controls	Reasonable
62.	Remote Access, Citrix & VPN	Reasonable
63.	Back-up Arrangements	Reasonable
64.	IT Business Continuity and Disaster Recovery	Reasonable
65.	Internet Security 2017-18	Reasonable
66.	Network Perimeter Defences	Reasonable
67.	PC Replacement Programme	Reasonable
68.	Data Protection / Freedom of Information	Reasonable
69.	IT Security Policy	Reasonable
70.	Transparency Agenda	Reasonable
71.	CM2000 Electronic Homecare Monitoring - Application Review	Limited
72.	Adult Social Care - Financial Assessments	Limited
73.	DOLS Deprivation of Liberty Safeguards	Limited
74.	CONFIRM - Highways Management System	Limited
75.	Tranman Version 8.1.8.4	Limited
76.	Much Wenlock Leisure Centre	Limited
77.	Galaxy - Libraries System	Limited
78.	Waste - Veolia Contract	Limited
79.	Local Enterprise Partnership	Limited
80.	Shrewsbury Library	Limited
81.	Saffron Menu Planning (Shire Services)	Limited
82.	Theatre Ticketing and Online Booking Application	Limited
83.	Theatre Severn	Limited
84.	The Meadows Primary School	Limited
85.	St Giles CE Primary School	Limited/ fundamental rec
86.	ONE - Education Management System	Limited
87.	Chipside Parking System Application Review 2016/17	Limited

	Audit	Assurance
88.	Private Water Supplies	Limited
89.	Cash Office Regularity - Acton Scott Working Farm	Limited
90.	Social Media	Limited
91.	Payroll - Self Service Facility	Limited
92.	Recruitment Arrangements	Limited
93.	Redeployment Arrangements	Limited
94.	ResourceLink - HR Application Review	Limited
95.	IT Registration and Deregistration Procedures	Limited
96.	Print Unit Operations	Limited
97.	Remote Servers	Limited
98.	Remote Support	Limited
99.	Corporate Networking - Active Directory	Limited
100.	Digital Transformation Programme: Governance and Pre-contract stage assurance follow-up	Limited
101.	EDRM Sharepoint	Limited
102.	ICT Project Financing and Recharges	Limited
103.	Maesbury Metals Trading Account	Unsatisfactory
104.	Highways Permits	Unsatisfactory
105.	Estate Management 2016/17	Unsatisfactory/ fundamental rec
106.	TOG	Unsatisfactory
107.	Brockton CE Primary School	Unsatisfactory
108.	Greenacres Primary School	Unsatisfactory
109.	Inspire to Learn	Unsatisfactory
110.	Debt Recovery	Unsatisfactory

Key

Text in blue	High risk from an audit perspective

Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Chief Executive	12	25	14	1	52
Finance, Governance and Assurance	7	5	1	1	14
Governance	1	0	0	0	1
Human Resources	4	17	13	0	34
Legal and Democratic	0	3	0	0	3
Adult Services	2	9	3	1	15
Commissioning	1	5	10	3	19
Children's Services	6	7	3	3	19
Children's Services: Schools	0	3	2	2	7
Children's Services: Others	6	4	1	1	12
Public Health	1	2	2	0	5
Total for 2017/18 ➢ **Numbers**	**22**	**48**	**32**	**8**	**110**
➢ **Percentage**	**20%**	**44%**	**29%**	**7%**	**100%**

Percentage 2016/17	**7%**	**45%**	**31%**	**17%**	**100%**
Percentage 2015/16	**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 2017/18

Fundamental system	Direction of travel	Level of assurance given	Number of recommendations made			
			BP	RA	S	F
Debt Recovery	N/A	Unsatisfactory	0	16	10	0
Purchase Ledger	=	Reasonable	0	6	0	0
Capital Accounting System	=	Good	0	1	0	0
General Ledger	↓	Reasonable	0	6	0	0
Council Tax	=	Reasonable	1	6	0	0
Treasury Management	=	Good	0	4	0	0
NNDR Collection	=	Good	1	3	0	0
Sales Ledger (draft)	=	Limited	0	7	5	0
Payroll System (draft issued 24/04/18)	↑	Good				
Risk Management	=	Good	5	2	0	0
Previous assurances provided on fundamental systems						
Income Collection	2016/17	Reasonable				
Housing Benefits	2016/17	Good				

Table 4: Unsatisfactory and limited assurance opinions since March 2018 listed by service area[2]

Unsatisfactory assurance

None

Limited assurance

Human Resources - ICT project financing and recharges (2016/17 audit limited).

1. To ensure that recommendations made in previous audits in relation to the following areas have been implemented as per the original management responses:
   a. An ICT Project Management policy exists with clear procedures documented outlining the project definition and approval process.
   b. ICT Project financial management is clearly defined and documented. Clear procedures exist and operate to set out to finance projects in a prudent manner.

Commissioning – Theatre Severn

[2] Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

1. Previous audit recommendations have been implemented.
2. Budget income is identified, collected and banked in accordance with procedures.
3. Purchases are appropriate, authorised, recorded correctly and comply with Financial Regulations and Contract Procedure Rules.
4. The imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
5. Payment is made to bona fide employees only for the work performed through the Payroll system.
6. Appropriate procedures are in place for the security of staff and material assets.
7. Electronically held data is secure and can be restored in the event of IT failure.

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 2017/18

Service area	**Number of recommendations made**				
	Best practice	Requires attention	Significant	Fundamental	Total
Chief Executive	18	177	119	0	314
Finance, Governance and Assurance	9	76	28	0	113

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Governance	0	0	0	0	0
Human Resources	9	93	90	0	192
Legal and Democratic	0	8	1	0	9
Adult Services	8	85	59	0	152
Commissioning	2	175	163	1	341
Children's Services	3	149	98	2	252
Children's Services: Schools	3	133	82	1	219
Children's Services: Others	0	16	16	1	33
Public Health	1	41	20	0	62
Total for 2017/18 ➢ **Numbers**	**32**	**627**	**459**	**3**	**1,121**
➢ **Percentage**	**3%**	**56%**	**41%**	**0%**	**100%**
Percentage 2016/17	**4%**	**50%**	**46%**	**0%**	**100%**
Percentage 2015/16	**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: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

Table 9: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2015/ 2016	2016/ 2017	2017/ 2018	Direction of Travel
Pre-audit arrangements	90%	84%	87%	↑
Post-audit briefing	81%	84%	88%	↑
Audit coverage/scope of the audit	97%	81%	89%	↑
Timeliness of production of report	68%	83%	92%	↑

Accuracy and clarity of report	87%	85%	89%	↑
Practicality of recommendations	73%	78%	82%	↑
Professionalism of approach	89%	95%	95%	←→
Communication skills	95%	95%	98%	↑
Timeliness, competence, manner	87%	85%	88%	↑
Number of forms returned	65	60	56	↓
% of forms scored as excellent and good	85%	89%	90%	↑

Table 10: Summary of compliments and comments 2017/18

Compliments

I was impressed with the quick understanding of what is a very complex cross departmentally delivered and prescribed (in statute) service area by the Auditor. Many of the recommendations will help support future amendments to the scheme in Shropshire, where there is a need to engage politically to review locally funded enhancements to the statutory minimum scheme.

I would like to mention how polite, professional and friendly the Auditor was whilst undertaking this audit. He made the experience (!) much more enjoyable and is a credit to the audit team.

The Auditor was very fair, polite and approachable during the entire audit process. The audit did cover the scope of recent Inter Authority Audit activity conducted by Peer Authorities on a rolling programme, however this information was taken into account by the auditor.

Audit are always very supportive developing best practice for the payment by results element of our programme. We are due a spot check from the DCLG in the near future and I feel that the audit element of the check is robust.

I was very pleased to have the audit team visit and was impressed that we could work together on suggestions for improvements etc. I was also pleased that matters I had previously identified now have the back up from the audit team. I found it a very positive process, the whole team were pleased with the interaction they received when the auditors visited them on site. Thanks!

We approached the audit as a learning curve to find out if there is anything we can improve upon. We were grateful to be highlighted areas we can work on, although some of them are out of our control due to budget restrictions on staffing levels.

The Auditor was very professional and produced a timely report with practical recommendations and best practice for improvement.

Much better experience of audit than I have had in the past. The team were very thorough, but as a new Head to the setting this was a very supportive start for me and gave me a signpost for moving forward. Thank you.

As a lot of the administrative tasks are a new addition to my role I found the audit process very informative. I learned a lot that will help me in my job.

All good and very flexible in their approach.

The Auditor involved with this internal audit was very supportive throughout the entire process. They also had a very good understanding of how the service operates on a day to day basis.

I am writing to thank you and your staff for once again conducting the audit of the Association's Accounts for 2016/17 which is very much appreciated. Please pass on our thanks to your staff for their help.

Thank you for the draft report which I am very happy with - from the point of view that this is an excellent piece of audit work.

Well I'd made a good start on it, but thank you, it is genuinely reassuring to know that you and your department are able to listen and respond in this way.

Very supportive process and considered the time available to the office staff in a small school. The recommendations will only ensure the processes are even tighter in the future…..Thank you for all your hard work.

This audit has been useful and the auditor has been necessarily persistent in following up matters with officers. He always conducts himself professionally and is able to explain and rationalize any recommendations that he has made.

Comments

We had limited notice of the DFG audit and it would have been beneficial if we could have had 3 months' notice to diarize it and organize staff / leave accordingly.

Although the audit was carried out in a timely manner and consideration was given to other work priorities the timing of the audit did clash with the revenue budget closedown which made it difficult to co-operate with the timescales the audit team were working to. In saying this, I'd like to thank the audit team for their patience during the process.

My view would be that this audit would have been more beneficial later in 2017, given that the levy only came into effect in April 2017 and there have only been a few applications received so far and no draw down of any levy monies yet.

I have marked the timeliness of the report as reasonable because there was a delay in the promised report and I did follow up to enquire.

Nothing further to add, other than maybe I would suggest the opportunity in future to brief the whole team with regards as to the importance of auditing a service.

Audit is an important function for our service. The challenge put forward helps improve our controls and processes. Dialogue and plenty of notice is important to ensure the audit runs smoothly against BAU.

By way of explanation following some of the comments above:

Every attempt is made to inform customers of planned audits and to work around them where possible. Details of all planned audits are circulated to Directors at the beginning of the year. The list provides a 'heads up' to managers of areas on the list but not when they will be audited within the next 12 months. Prior to the start of the audit the Auditor then contacts the business and if there are key issues that may impact on delivery of the audit at that time, these can be discussed with a view to resolving them.

It is acknowledged that timings of audits are not easy to get right. Do you go in before a new system is in place? During or after? If an audit is left too long what benefit can it add? This review would look at the controls in place to manage risks going forward to ensure that when more applications are received the process will work.

APPENDIX B

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2017/18

	Original Plan Days	Revised Plan Days	31 March 2018 Actual	% Original	% Revised Plan
CHIEF EXECUTIVE					
Governance	**18**	**25**	**15.9**	**88%**	**64%**
Finance Governance & Assurance					
Finance Transactions	37	42	45.5	123%	108%
Finance and S151 Officer	73	50	51.2	70%	102%
Financial Management	31	25	19.0	61%	76%
Revenues and Benefits	35	22	22.9	65%	104%
Risk Management and Business Continuity	5	8	7.7	154%	96%
Treasury	23	39	38.5	167%	99%
	204	**186**	**184.8**	**91%**	**99%**
Human Resources					
Human Resources	104	85	88.0	85%	104%
Customer Services	15	13	12.6	84%	97%
ICT	186	218	204.3	110%	94%
	305	**316**	**304.9**	**100%**	**96%**
Legal and Democratic					
Information Governance	**21**	**21**	**21.0**	**100%**	**100%**
CHIEF EXECUTIVE	**548**	**548**	**526.6**	**96%**	**96%**
ADULT SERVICES					
Social Care Operations					
Long Term Support	86	107	96.8	113%	90%
Provider Services - Establishments	0	7	7.1	0%	101%
Provider Services - Group Homes	8	0	0.5	6%	0%
Provider Services - Trading Accounts	4	15	15.5	388%	103%
Housing Services	43	50	50.2	117%	100%
	141	**179**	**170.1**	**121%**	**95%**
Social Care Efficiency and Improvement					
Developmental Support	**15**	**11**	**11.4**	**76%**	**104%**
ADULT SERVICES	**156**	**190**	**181.5**	**116%**	**96%**
COMMISSIONING					

	Original Plan Days	Revised Plan Days	31 March 2018 Actual	% Original	% Revised Plan
Places and Enterprise					
Corporate Performance Management	**10**	**10**	**0.0**	**0%**	**0%**
Business, Enterprise and Commercial Services					
Commercial Services	5	5	1.0	20%	20%
Property Services	8	12	12.2	153%	102%
Estates & Facilities	5	2	1.4	28%	70%
Shire Services	12	13	13.3	111%	102%
Business, Enterprise and Commercial Services	**30**	**32**	**27.9**	**93%**	**87%**
Economic Growth					
Business & Enterprise	19	18	13.0	68%	72%
Development Management	18	18	17.7	98%	98%
Planning & Corporate Policy	8	0	0.0	0%	0%
Project Development	8	5	4.3	54%	86%
	53	**41**	**35.0**	**66%**	**85%**
Infrastructure and Communities					
Public Transport	10	0	0.0	0%	0%
Highways	60	84	63.3	106%	75%
Library Services	12	14	14.1	118%	101%
Public Transport	26	37	36.7	141%	99%
Theatre Severn and OMH	13	24	24.4	188%	102%
Visitor Economy	7	0	0.0	0%	0%
Waste & Bereavement	10	10	10.3	103%	103%
	138	**169**	**148.8**	**108%**	**88%**
Procurement	**30**	**25**	**26.9**	**90%**	**108%**
COMMISSIONING	**261**	**277**	**238.6**	**91%**	**86%**
CHILDREN'S SERVICES					
Safeguarding					
Children's Placement Services & Joint Adoption	29	19	10.3	36%	54%
Safeguarding	6	19	19.7	328%	104%
	35	**38**	**30.0**	**86%**	**79%**
Education, Improvement and Efficiency					
Business Support	7	7	7.0	100%	100%
Education Improvements	31	3	3.5	11%	117%

	Original Plan Days	Revised Plan Days	31 March 2018 Actual	% Original	% Revised Plan
Primary/Special Schools	112	122	123.3	110%	101%
Secondary Schools	0	10	0.1	0%	1%
	150	**142**	**133.9**	**89%**	**94%**
CHILDREN'S SERVICES	**185**	**180**	**163.9**	**89%**	**91%**
PUBLIC HEALTH					
Environmental Protection and Prevention	10	11	11.0	110%	100%
Public Health	37	18	22.9	62%	127%
	47	**29**	**33.9**	**72%**	**117%**
Public Protection					
Community Safety	8	0	0.0	0%	0%
Environmental Health	15	2	1.6	11%	80%
Environmental Protection and Prevention	20	39	34.6	173%	89%
Health Protection and Prevention	15	12	11.8	79%	98%
	58	**53**	**48.0**	**83%**	**91%**
Bereavement	**5**	**5**	**5.4**	**108%**	**108%**
PUBLIC HEALTH	**110**	**87**	**87.3**	**79%**	**100%**
Total Shropshire Council Planned Work	**1,260**	**1,282**	**1,197.9**	**95%**	**93%**
CONTINGENCIES					
Advisory Contingency	40	40	38.5	96%	96%
Fraud Contingency	200	125	161.5	81%	129%
Unplanned Audit Contingency	47	12	12.2	26%	102%
Other non audit Chargeable Work	276	335	327.4	119%	98%
CONTINGENCIES	**563**	**512**	**539.6**	**96%**	**105%**
Total for Shropshire	**1,823**	**1,794**	**1,737.5**	**95%**	**97%**
EXTERNAL CLIENTS	**223**	**238**	**247.7**	**111%**	**104%**
Total Chargeable	**2,046**	**2,032**	**1,985.2**	**97%**	**98%**

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Committee and Date	Item
Audit Committee	
28th June 2018	
1:30pm	Public

Annual Governance Statement (AGS) and a review of the effectiveness of the Council's Internal Controls and Shropshire Council's Code of Corporate Governance 2017/18

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

1. Summary

Shropshire Council is committed to the principles of good corporate governance. It is required, under the Accounts and Audit Regulations 2015, Regulation 6, to produce an Annual Governance Statement (AGS) 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.

As part of the review of the effectiveness of the Council's system of internal controls, Shropshire Council's Code of Corporate Governance has been examined, the results of which have informed the AGS. The Code is compiled based on guidance provided by the Charted Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) and identifies how the Council achieved effective corporate governance in 2017/18.

Members have been asked prior to, by email, and at this Committee to consider the proposed Annual Governance 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 2017/18.

2. Recommendations

A. The Committee is asked to consider, with appropriate comment, the Annual Governance Statement 2017/18 at **Appendix A**.

B. The Committee is asked to receive and comment on 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 B.**

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1. Risk management is part of the overall arrangements for internal control and contributes to the Council's position of strong governance. Corporate Governance is part of the overall internal control framework and contributes to the Council's strong governance arrangements. 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 and 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. Currently there are no financial implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.

4.2. By maintaining a system of good governance and managing and mitigating risks where practicable Shropshire Council can ensure that it gets the best value from its assets. The AGS also has a focus on value for money outcomes.

5. Background

5.1 Shropshire Council is required to prepare an Annual Governance Statement (AGS), **Appendix A**. The AGS is an accountability statement from the Council to stakeholders on how well it has delivered on governance over the course of the previous year. The Council demonstrates how it complies with the principles of corporate governance set out in the CIPFA and Solace governance framework; *Delivering Good Governance in Local Government: Framework*, in April 2016, containing seven governance principles. Whilst CIPFA has not established any 'set text' for authorities to use in acknowledging their responsibility for the governance framework, by adopting the framework, the Council ensures that its governance arrangements accord with best practice.

5.2 The framework is a discretionary code against which the Council is judged against. In addition to the Council acknowledging its responsibility for ensuring governance is effective, the AGS should:

- focus on outcomes and value for money;

- evaluate against the local code and principles;
- be in an open and readable style;
- include an opinion on whether arrangements are fit for purpose;
- include identification of significant governance issues and an action plan to address them;
- be signed by the chief executive and leading member in a council.

5.3 The framework also requires a section to be included in the AGS that accounts for actions taken in the year to address the significant governance issues identified in the previous year's AGS. This has been integrated within each of the relevant principles.

5.4 The Audit Committee play a very valuable role in the development of the AGS and in the finished look of the statement. The Committee's terms of reference include a requirement to review and report on the adequacy of the Council's Corporate Governance arrangements. Compliance with the Code helps 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 to achieve desired outcomes for service users and communities.

5.5 This report looks at those governance arrangements in place for last year to enable the Audit Committee to deliver its year end assurance report. The Committee should also understand the process that has been undertaken to review governance and so should be able to see how the conclusions in the AGS have been arrived at. There should be no real surprises for the Committee allowing it to provide a valuable reality check for the Statement.

5.6 The Committee can send an important message about the value and importance of the AGS, which will assist those providing assurance to support its conclusions. Once the AGS has been received and commented upon, the Committee can review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for governance improvements.

5.7 Shropshire Council's Code of Corporate Governance, which forms part of the Constitution, is based on the seven core principles referred to in the CIPFA framework:

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

B. Ensuring openness and comprehensive stakeholder engagement.

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

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

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

F. Managing risks and performance through robust internal control and strong public financial management.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.8 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 publicly through Audit Committee which allows for further member and officer challenge. The results of this review are included in the Head of Audit's annual report and will form part of the overall assurance for the Annual Governance Statement.

5.9 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.

5.10 The Council's formally adopted Code of Corporate Governance is compliant with CIPFA/SOLACE guidance. The Code was reviewed by Internal Audit to determine whether the Council complied with the approved Code of Corporate Governance; the evidence in **Appendix B** demonstrates strong compliance and no material breaches of the Code were identified.

5.11 The Annual Governance Statement**, Appendix A,** is meaningful and written as an open and honest reflection of the Council's governance and current challenges. It identifies areas for improvement in an action plan and explains how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015. It is structured to reflect each of the principles in turn. Compliance with the Council's existing Code of Corporate Governance has been reviewed and assessed and is reported in Appendix B. Significant Governance Issues are identified within the AGS for targeted improvement activities with identified lead officers and time frames.

5.12 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.

5.13 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 (AGS) Assurance Framework 2017/18 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 Services, Monitoring Officer.

v) Head of Audit.

vi) Performance and risk management officers and

vii) External Audit and other review agencies.

5.14 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).

5.15 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**.

5.16 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 2018/19 and the remaining funding gap of 27m by 2022/23 as identified as part of the Corporate Plan and Financial Strategy. To ensure services are delivered to acceptable standards whilst achieving the budget savings required and managing strategic risks, the Council will strive to achieve the following outcomes:

- Services review, identify and deliver efficiency savings, financial assumptions become more refined and budget plans are in place to deliver services within the resources available.

- The workforce requirements are met by a sustainable source of people resources, flexible enough to reflect the changing needs of the Council.

- Staff are healthy and happy in the workforce and therefore perform to a high standard.

- Adults are safeguarded to the highest standards.

- Children are safeguarded to the highest standards.

- Improved business processes with embedded controls providing enhanced access to customers, better service delivery to clients and business continuity in the event of a disaster.

- Increased pressures on social and health services are known and managed in the most effect way within budget provisions.

- A clear long-term budget is identified allowing for certainty in the delivery of future services.

- The public are confident in the delivery of Council services.

- Contracts are well managed and maximum impact is obtained.

- Strategies deliver outcomes that support the overall direction of the Council.

- Well managed Council demonstrating all the qualities of an excellent public body, showing accountability, transparency, integrity, openness in line with all the Nolan principles.

- IT systems work effectively and efficiently allowing service delivery to be on time, accurate, safeguarding data and beneficial to all users.

- A clear plan of action for the Council and delivery against this is demonstrated by all parties.

- To minimise any economic impact that Brexit may have on the Shropshire economy.

5.17 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. In all cases, Directors have targeted where the risk appetite is to be directed for the end of the year.

5.18 Action plans and programmes of monitoring and evaluation are in place and are regularly updated to support both issues over the current and future years. An overall outcome report will be made to the Audit Committee at the end of the year.

5.19 The action plan attached to the 2017/18 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) Accounts and Audit Regulations 2015. International Framework: Good governance in the Public Sector: International Federation of Accountants and CIPFA, July 2014 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) Peter Nutting, Leader of the Council and Peter Adams, Chairman of Audit Committee.

Local Member: N/A
Appendices Appendix A - Annual Governance Statement 2017/18 Appendix B– Code of Corporate Governance

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Shropshire Council
Annual Governance Statement
2017/18

Good Governance in the Public Sector comprises the arrangements (political, economic, social, environmental, administrative, legal, etc.) in place to ensure that the intended outcomes for all interested parties are defined and achieved. In delivering good governance, both the Council, and individuals working for and with the Council, aim to achieve the Council's objectives while acting in the public interest.

The Council's Code of Corporate Governance, located in the Constitution[1], summarises the Council's good governance principles and details the actions and behaviours required to demonstrate good governance. The seven core principles are:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
B. Ensuring openness and comprehensive stakeholder engagement;
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
F. Managing risks and performance through robust internal control and strong public financial management; and
G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

Senior managers have provided assurances as to the application of these principles throughout the 2017/18 financial year. In so doing, this demonstrates that the Council is doing the right things in the right way for the right people, in a timely, inclusive, open and accountable manner. These arrangements take into consideration all the systems, processes, the culture and values which direct and control the way the Council works and through which it is accountable to, engages with, and leads its communities. **Annex A demonstrates the overall Assurance Framework**.

This statement explains how the Council has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. This is supported by a 2017/18 Code of Governance audit which provides a good level of assurance.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Members and officers recognise the importance of compliance with the Constitution, specifically Financial and Contract Rules; Procurement Regulations, Scheme of Delegation and Codes of Conduct. All of which are reviewed and updated regularly. Officers also comply with their professional organisations' codes of conduct in delivering services (E.g. HCPC[2], PSIAS[3], Faculty of Public Health), against which assessments are conducted to confirm compliance and identify any improvements required. Adult Social Care

[1] http://staff.shropshire.gov.uk/committee-services/ecSDDisplay.aspx?NAME=SD405&ID=405&RPID=40777&sch=doc&cat=13331&path=13331
[2] Registered body for qualified social workers
[3] Public Sector Internal Audit Standards

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
(ASC) receive regular focused audits which monitor their compliance with the law e.g. Mental Capacity Act, Deprivation of Liberty; Safeguards, Care Act and the Mental Health Act. Officers lead by example, both directly with their teams and in undertaking their duties across the Council. Areas of concern are identified, reported through appropriate channels and managed effectively under established policies and processes. Integrity, open involvement and honest communication surround changes as demonstrated in both Planning and Digital Transformation Services. Both Adult and Children's Social Care have a dedicated Principal Social Worker whose role is to raise the quality of ethical social work practice and ensure values and integrity of social work are improved. The Deprivation of Liberty Safeguards Team works daily to ensure the least restrictive care possible is being received by someone lacking capacity living in a care home or hospital. Civil Enforcement Officers use video badges when undertaking parking enforcement, which ensures a high level of integrity is maintained by them whilst protecting the public, the service and the Council. Human Resource and recruitment policies and processes ensure that the Council is fully compliant with employment law and that no discrimination exists, these are refreshed regularly. This year guidance updates developed and communicated included: IR35 legislation[4], General Data Protection Regulations (GDPR) and the Modern Slavery Act. Staff are well supported, receiving training and development opportunities. Senior officers meet regularly and work closely with Members to ensure that they understand and can undertake their respective roles effectively and legally. Work is ongoing to strengthen the investment in the joint Directors/ Cabinet meetings to help deliver better outcomes and model desired culture, engaging Members earlier in developing financial and other strategies. Members and officers are advised on and promote accurate reporting, and recognise the importance of data quality, rules and standards. Feedback from service users is received as part of this process and acted upon. Decisions are documented transparently. Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place (Monitoring[5], Section 151[6] Officer and the Head of Paid Service, Director of Children's Services, Director of Adult Services, Senior Information Risk Owner (SIRO)). Examples of statutory responsibilities delivered include, LGPS[7] Regulations, CIPFA[8] Code of Practice, Freedom of Information (FOI), Elections, Coroner and Registrars' Services. Statutory responsibilities for Special Educational Needs, Education Access, Early Years and place planning, sufficiency and admissions are discharged openly, proactively and in full compliance with Admission Codes. Responses to parents' and carers' concerns are consistent timely, clear, informative and compliant with legal requirements. The moderation of school assessments of pupils' performance at the end of key stages one and two is a statutory responsibility of the local authority. Arrangements and procedures for moderation are undertaken thoroughly and in a timely manner. The national assessment framework is applied fairly and rigorously.

[4] tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are called 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).
[5] The Monitoring Officer has three main roles: 1. To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration; 2. To be responsible for matters relating to the conduct of Councillors and officers; and 3. To be responsible for the operation of our Constitution.
[6] Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs, this is the Section 151 Officer
[7] Local Government Pension Scheme
[8] Chartered Institute of Public Finance Managers

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Internal Audit produces a risk based plan each year, working closely with directors and heads of service to ensure that appropriate standards are maintained or areas of concern highlighted and acted upon. The Council has a zero tolerance to fraud and corruption. Identified concerns are acted upon in a timely manner, which can lead to specific outcomes, learning points and improvements. There is a high level of success in criminal legal proceedings, licensing and parking appeals, which provides external judiciary/tribunal assurance that the decision making within the Council is robust. The Council undertakes a self-assessment of its fraud risks, to identify and understand them. It acknowledges issues and puts in place plans which demonstrate that action is being taken and outcomes are visible. This process is transparent and reports are taken to senior management and to those charged with governance. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is available to staff, Members, the public and contractors. Any irregularities identified will be investigated by Internal Audit or the appropriate officers within services. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and receive an annual report. An Equality and Social Inclusion Impact Assessment (ESIIA) and a thorough analysis of consultation methods and responses is undertaken when changing operating models, policies or contracting with other parties. One was undertaken as part of both the Economic Growth Strategy and the Local Plan Review. The draft Economic Growth Strategy was consulted upon during the first quarter of 2017/18. This insight report formed part of the documentation reported to Cabinet in May 2018 when the final strategy was agreed.

Ensuring openness and comprehensive stakeholder engagement
Openness and transparency, as one would expect with a large public body, is demonstrated throughout. All service areas feed into transparent reporting processes, both internally through officer and director groups, and publicly through Council committee meetings. This is further supported by compliance to the Transparency and Freedom of Information agenda, managed in large parts by services and, although sometimes delayed, the Council is compliant with the legislation and steps to improve quality and timeliness are demonstrating improvement. Key decisions are reported, and trialled where necessary, through the senior team and then to Members via Party Leads, Groups, Cabinet and Director meetings. Examples include: Cabinet and Council reports, policy approvals, and minutes of meetings (FGAT[9], Information Governance, Commissioning and Assurance Board, Digital Transformation Programme Board). The Council engages positively and always sets out to work in a collaborative open partnership approach with several strategic partners including Central Government departments (Cities and Local Growth Unit, Homes and Communities Agency, Broadband Delivery UK), the Marches Local Enterprise Partnership (LEP) and neighbouring local authorities. It is a non-constituent member of the West Midlands Combined Authority; has a proactive Business Board which it services and engages with on key initiatives and policies, this has led to development of the Economic Growth Strategy and helped to launch and promote the Shropshire Growth Hub (part of the wider Marches Growth Hub). The

[9] Finance Governance and Assurance Team

Ensuring openness and comprehensive stakeholder engagement
management of One Public Estate is underway with other public-sector partners. A multi-agency high cost placement-funding panel with Children's Services, Education Services and the Clinical Commissioning Group (CCG) has been established to manage high cost placements efficiently. Many of our services are delivered in partnership with other organisations such as the Fire Service, STaR[10] Housing, West Mercia Energy, Shropshire County Pension Fund, town and parish councils and voluntary bodies and trusts. The Council coordinates the multi-agency Emergency Planning Group (With Telford and Wrekin Council). Examples of our work with local partnerships in commissioning, procurement and contract activity include the Mental Capacity Act Lead working with the Shropshire Clinical Commissioning Group; and working with Local Joint Committees on consultations on service changes, e.g. youth locality commissioning changes and development of a new Cultural Strategy for Shropshire. Annually the public is consulted on the budget for the forthcoming year. Other one off examples include; the car parking strategy; transfer of local services to Town and Parish councils and other community organisations; and development of the Shrewsbury Big Town Plan, a piece of work that has extensively engaged with organisations, businesses, and residents of Shrewsbury and Shropshire. This has been done in partnership with Shrewsbury Business Improvement District (BID) and Shrewsbury Town Council. Regular interface meetings take place between Children's Services and key partner agencies including the police, CCG, education, health and families to promote effective partnership working. Children's services actively seek the views of partner agencies when working with individual children, for the purposes of assessment, decision making and planning. Regular multi-agency meetings take place to promote the best interests of the child and family and to improve outcomes. Children's Services engage with Shropshire Safeguarding Children Board. Monitoring of and challenge to academies is provided in line with the Shropshire Protocol for Monitoring the Performance of Academies. Recent support for the governors of a federation and the brokering of interim leadership arrangements resulted in the sustaining of good education provision at both schools. Adult Social Care utilises several communication and engagement channels, these include; First Point of Contact; Keeping Adults Safe in Shropshire Board; Shropshire Accident and Emergency Delivery Board; Shropshire Partnership In Care (SPIC) and learning from complaints. A major achievement this year of the Making it Real Board, has been the identification of what the 'essential ingredients' of excellent adult social care are. These 'ingredients' have been used as the basis for training on 'Excellent Customer Service' and for a Peer Review of services provided by Let's Talk Local. The Council works with the Voluntary and Community Sector Assembly including continuing to recognise and promote the Compact[11]. Furthermore, a partnership with Citizens Advice provides fair access to consumers for civil advice, which would otherwise not be available to them. Regular engagement between Public Health, CCG and Adult Social Care for the future provision of services is in place. This includes the agreement of Continuing Health Care

[10] Shropshire Towns and Rural Housing

[11] The Shropshire Compact is an agreement that sets out the "rules of engagement" for how Shropshire Council and the voluntary and community sector (VCS) should work together for the benefit of the people they serve.

Ensuring openness and comprehensive stakeholder engagement
funding on a case by case basis through to service redesign and commissioning as part of the Better Care Fund (BCF), the Transforming Care Partnership (TCP) and the Strategic Transformation Plan (STP) in conjunction with the Health and Wellbeing Board. The Public Health directorate is exploring options for alternative provision of services as well as considering joint commissioning options with other authorities. An example is mobile clinic development to support local access to services in rural communities, therefore reducing client travel time. The local authority and local Members of Parliament (MPs) are engaging with Government to lobby for fairer long-term funding. A Local Government Association (LGA) Peer review, conducted in April 2018 but relevant to 2017/18, recognised an increased focus on economic growth and infrastructure. This is welcomed by business partners who recognise this as the start of a journey. It reported partners would like to do more, be involved earlier and jointly shape and own priorities and solutions and that improved clarity over Shropshire Council's priorities, focus and pipeline of projects would facilitate this.

Defining outcomes in terms of sustainable economic, social, and environmental benefits.
Development of the Council's Corporate Plan and Strategic Action Plans ensures views across outcomes and actions for the longer, medium and shorter terms. The Council is targeting Economic Growth, Commercial Activity, Digital Transformation and Culture Change in improving delivery of services. The Commercial Strategy approved by Council at the beginning of March 2017 set out clear visions, objectives and outcomes which include financial, economic, social and environmental issues. Similarly, the Economic Growth Strategy supported by the Commercial Strategy, the key objective of which is to support and drive increased economic productivity, will deliver financially and socially driven outcomes and maximise environmental benefits. A Financial Strategy is drawn up aligned to service outcomes and the long-term sustainability of the Council. All documents provide a direct or in-direct flow from the Council's Corporate Plan and the strategic objectives. The Financial Strategy sets out the short and long-term implications for service delivery across the Council. A new Financial Strategy was developed over the 2017/18 financial year, and by February 2018 a five-year plan was approved by Council. This revised Strategy created a balanced budget within two years and a contingency of £18m to help balance the preliminary 2020/21 financial year (which is expected to change significantly under fair funding introduced that year). The Sustainable Business Plan developed in late 2015 remains, a valid interpretation of the implications for the Council of the current funding formula and sets an approach to deliver a balanced budget, albeit at the expense of most services currently being delivered. All council reports are required to consider financial implications, risk and opportunity, alongside economic, social and environmental concerns. A key action for 2018/19 will be to consider strategic investment into the future, putting together the key elements of an investment strategy with the existing Commercial Strategy. This will most likely be form part of a new Capital Strategy that the Council is required to have in place by 1 April 2019. Savings delivery is a key part of ensuring a sustainable budget going forward and delivery progress is monitored very carefully by Finance officers, reported to Cabinet quarterly and to directors more frequently. Finance Business Partners regularly advise officers on the long term financial impact of their proposals as well as any conflicts with regulatory requirements or policies.

Defining outcomes in terms of sustainable economic, social, and environmental benefits.
Economic Growth has developed and shared at business events a survey to collate business intelligence to inform the impact of Brexit decisions going forward. The topic of Brexit is a standing item on the Marches ESIF (European Structural Investment Funds) Committee Advisory Group, ensuring information is shared across the Marches Local Authorities and LEP. Staff are engaged in workshops on Shared Prosperity Fund proposals (replacing EU funds post Brexit). Council officers have liaised with partners within the Combined Authority for any information on current Brexit assessment work to allow comparisons and sharing of approaches. Members Overview and Scrutiny Task and Finish Group continue to look at Brexit from an economic growth, social and environmental perspective. Late 2017/18 further development of local economic growth strategies and area masterplans were driven by the need to understand the specific economic, social and environmental characteristics of each of Shropshire's key market towns. The purpose of which, is to define clear actions in collaboration with the local town council and stakeholders that support the overall objectives for sustainable economic, social and environmental growth that will be set out in the Local Plan Review informed by the county wide Economic Growth Strategy. Outcomes and outputs are defined and managed through robust project management and contract governance in all service areas as illustrated by the Digital Transformation Programme, Capital Investment Board and Commissioning Assurance and Performance Board. The Boards have become further embedded providing assurance, identifying risks and exploring mitigations required to ensure delivery of key projects. The Council and its partners have a shared Social Value Framework and Social Value Charter. It promotes and embeds social value through research and by organising and delivering awareness raising and development events. Social Value has been embedded within commissioned services, examples include: WSP (Engineering Services Consultancy), Veolia and Serco contracts. The business case for the North West Relief Road, submitted to Government is awaiting a decision. It models transport and links to the LEP in support of this key piece of infra structure. Most education outcomes are in line with or above national averages, 93% of all Shropshire schools are judged to be good or outstanding by Ofsted. 85% of Secondary schools are good or outstanding. Shropshire data (using different methodology) identifies 89% of all Shropshire schools as good or outstanding. Adult Social Care is primarily concerned with the social benefits of improving the well-being of those it provides support to, including carers, but such services will also assist Shropshire economically and environmentally in areas such as sustained supported employment, training and enabling resilient communities to develop.

Determining the interventions necessary to optimise the achievement of the intended outcomes.
The LGA Peer review conducted in April 2018 identified that the Council had a strong sense of identity and commitment with ambitious leaders. There was evidence of delivering good services at low cost including some significant projects. There is an opportunity to seize working with the new Administration and clarify the narrative (vision and what the Council stands for) and translate this into specific deliverables building on moving from an operational to a strategic focus whilst working to secure financial sustainability.

Determining the interventions necessary to optimise the achievement of the intended outcomes.
All decisions are taken correctly either through delegating to officers or by Cabinet or Council. Reports are considered by Legal Services before decisions are made to make sure they present the information required for members to make a reasoned decision. This year saw continuation of Strategic Action Plans led by directors and supported by the Corporate Performance Management Framework for staff. All service areas produce performance and budgetary information for planning purposes and act on the implications of this information. Where this suggests inadequate performance, this is acted upon quickly. All new developments are considered, formally or informally, by Risk Management staff and Finance Business Partners before reaching decision points. Budget Consultation is undertaken annually, and consultation with Members through party groups and leaders as requested. The Financial Strategy identifies the short and longer-term approaches to managing the budget and considering the options for delivering a self-sufficient council in the future, aligned to the Council's Corporate Plan. Implications for delivery of services and/or increases in resources are reported throughout the Council and through the support of, for example Business Partners, understood and acted upon. Services do not overspend without appropriate action being taken and where this is not possible, appropriate justification provided. Service structures map organisational structures where necessary, ensuring appropriate alignment with Council priorities. Capital Investment Board chaired by s151 Officer oversees significant future investments aligned to Council priorities and key strategic objectives (income generation, reduction in costs, and achievement of social value). The adoption of a business case methodology, an investment prioritisation process known as the "Hopper process and Pipeline," introduced throughout the Council will help to ensure due diligence before Cabinet take any key investment decisions. Projects this year include: Shrewsbury Shopping Centre, investment JPUT[12]; Tannery, student accommodation; and continuing work at Meole Brace/ gyratory projects and Oxen Link Road (design stage). In Place and Enterprise, the development of the Highways Asset Management Strategy, led to the Council attaining a level three rating to ensure the maximum capital funding from the Department for Transport; Following completion of the roll out of Waste Recycling with the collection of cardboard and food waste collected at the kerbside, extra dry recycling (30%) was collected. The use of a sticker on the residual bin, reminded residents of the options for recycling, this resulted in a 17% increase in the requests for recycling containers during the summer. National Accreditation for the Archives Service will drive up standards and lead to better outcomes for customers; Connecting Shropshire, the commercial deployment of superfast broadband, demonstrates the need for public intervention to reach the targets set for superfast broadband speeds for premises, by both the Council and Central Government; The Local Plan Review is in full accordance with national planning policy guidance and governing rules with regular engagement with Elected Members through the Local Plan Working Group. Given the high demand for adult care services, processes must ensure services are allocated fairly to those who meet the criteria for eligibility. It allocates its limited resources fairly in accordance with statutory eligibility criteria by utilising several mechanisms including: brokerage, robust systems connecting users and providers in the care market; contract management, (robust quality assurance processes to ensure support is appropriate and

[12] Jersey Property Unit trust

proportionate to promote independence); focus on quantitative and quality performance; and Shropshire Choices Information Portal Public Factsheets. In addition to statutory performance data submitted for the safeguarding adult return, local performance measures are being developed to monitor activity and provide qualitative information on safeguarding risks.

As the decision maker for an adult lacking capacity to make the decisions for themselves, it is the Council's duty to work in their best interests and consider the least restrictive alternative for that person. This involves consultation with all relevant parties and the consideration of any previously expressed wishes by the person. Partners on the Keeping Adults Safe in Shropshire Board, work collectively to oversee the effectiveness of safeguarding arrangements in Shropshire. There is a Strategic Plan in place with each partner explaining through the Annual Report, how they work to deliver the strategy.

IT solutions and systems continue to have improved controls embedded within them to ensure business continuity in the event of a disaster. Improved Wi-Fi across the Council is in place. The Business Continuity/Disaster Recovery project has continued to develop a robust service delivery plan and individual business areas have been consulted, with localised plans developed to support the IT service in prioritising work in the event of an incident. Delivery of Digital Transformation Programme (DTP) systems is critical to the end of contract life of legacy systems, any delays to the ERP will be critical to the stability of the finance system going forwards. Governance structures around the DTP are embedded and assurance on these is working well. However, the risk to the projects remain resources and getting the right number of people with the appropriate skills is difficult. Design and build processes are underway for the ERP[13] and Social care systems. As the Council transitions from one set of systems to another, particularly given the pressure on resources, levels of assurance may temporarily dip. Every effort to put in additional controls to mitigate this will be taken.

As new projects are entered requiring different skill sets to those established, the Council has invested in bringing in learning from field experts, as demonstrated by engaging consultants for both DTP and a property investment vehicle JPUT to hold the Shopping centre on behalf of the Council with legal and due diligence work undertaken by private sector partners.

The Strengthening Families Programme outcome plan has been refreshed in line with national programme changes and following the LGA Peer review, the Council needs to decide on the future role it plays with Health and in the STP. Health interventions are based on standards set by Public Health England; NICE and the Environment Agency. Public Health has an intelligence led, risk based approach to service activity. Operational team plans are in place with priorities and targets set using a risk, harm and vulnerability 'test'. Key performance indicators are included in team plans.

Progress against staffing and work-related stress risks has been marginal. The Council continues to find it hard to recruit staff with the correct skills, knowledge or experience. This impact is now wider than the positions that have traditionally been hard to recruit to and extends to generic posts in support services, the pay policy is to be reviewed in 2018 to address this. To help mitigate work related stress, a range of wellbeing events have been held over the year and have been well attended, the 'Health MOT sessions have been fully booked. Currently the 'Step up to feel good,' initiative is encouraging staff to get more active during the working week. Absence for stress has dropped but remains high.

[13] Enterprise Resource Planning System incorporating Finance, HR and Payroll systems

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

The LGA Peer review identified enthusiastic staff, engaged with plans for transformation which are ambitious, challenging and have pace. They recognised the need for the Council to consider how staff deliver business as usual as well as transformation. The Future Leaders and Managers Programme had clearly been valued and is having an impact. Recruitment and retention challenges are affecting capacity to deliver some services but there are opportunities to harness business and other partners (e.g. VCSA) to add capacity e.g. research, digital skills inclusion, volunteering. Basic IT skills training for staff and members was continuing and the focus on broadband and mobile access as an enabler maintained.

Officers and Members understand their respective roles, these are set out in job descriptions, the Constitution, Part 8 Delegations, Contract and Finance Rules. These responsibilities and accountabilities are understood and reviewed on a regular basis. In addition, all members continue to receive training throughout their four-year term and performance appraisals are in place for officers. Members are briefed on new and emerging local government initiatives and a DVD is on the learning portal regarding the code for members, as are other pieces of helpful training, e.g. the new GDPR. (for staff and members). Portfolio Holder roles are clearly established (and challenged where this is not the case) and reporting through senior management and members identifies accountability.

Section 151 update meetings and governance meetings with Head of Workforce and Transformation, Monitoring Officer, s151 Officer and Head of Audit are established and undertaken regularly to consider governance issues as they arise. An external facilitator (CIPFA) was engaged to aid the Audit Committee in assessing its effectiveness. Most principles were found to be in place and embedded and an action plan is to be adopted for minor tweaks to the Committee's delivery.

Tools in place to support the clarity of officer roles and the development opportunities provided to them include; Workforce Development Strategy; team and service plans; risk management reporting through to Cabinet, Audit and Scrutiny Committees; Learning Pool[14]; performance management process; renewed focus on sickness absence; lunch and learn sessions; CPD[15] programmes; regular reporting to Health, Safety and Welfare group; knowledge sharing systems; team meetings and one to ones; improved strategies (IT, Asset, Financial, Commercial, Communications, etc.); and mentoring and sounding boards for the support and development of staff.

Further modules have been developed on Leap into Learning the e-learning tool support the development of our staff. A Leadership Programme has been successfully delivered across the Council, further cohorts are planned alongside recognised management professional qualification delivery.

In addition to the Corporate approach, service initiatives include:

Investment in IT services to help support delivery of the Digital Transformation Programme (DTP) and governance structure around the project have aided its delivery and ensured specialist resource availability; However, the large size of the project means there is a continuing resource issue but this is now easier to quantify, report on and look at options to manage it appropriately. The service is working towards the Industry best practice of ITIL and officers are undertaking courses to support the DTP, such as SQL training, CRM, ERP, WiFi amongst others.

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[14] E learning package

[15] Continuing professional development

Developing the Council's capacity, including the capability of its leadership and the individuals within it.
NEC[16] contracts, project management and procurement strategy training across the Highways team. and wider training and development across the Property Services management team, which has resulted in an increase in contracts won; National accreditation programme for Highways Inspectors as part of the new Code of Practice for Highways; and officers undertaking recognised management qualifications (MBA). Local Governance Boards are in place for high value re-commissioned contracts e.g. Highways, Broadband. Adult Social Care have a skills matrix across the whole Adult Social Care workforce; joint working, partnerships, i.e. SPIC[17], joint training with Telford and Wrekin Council; and leading regional workforce development work for ADASS[18] Removal of the Education support Grant has resulted in loss of funding for EIS, EAS and HR services to schools. The reduction in funding has resulted in substantial loss of capacity to meet statutory requirements. This presents increased risk to the effectiveness of services across Learning and Skills. The Schools Forum have agreed to top slice part of the DSG to contribute to funding for these services in 2018/2019. Children's Services has a robust training programme, and a good AYSE programme in place which evaluates and provides newly qualified social workers with the support and development they need in their first year of practice. Shropshire are part of both Frontline and Step Up to Social Work, which are graduate programmes to ensure recruitment of good quality newly qualified social workers. The service has increased numbers of Team Managers in recognition of need to increase management oversight on cases and to ensure that cases progress in a timely manner and is providing opportunities for Service and Team managers to seek a management qualification through the apprenticeship levy. The Peer Review in December 2016 and Ofsted Inspection in 2017 reported strong leadership across Children's Services. Extensive training has been provided in Public Protection including: Preparing Prosecution Files, Advocacy Skills and Food Standards training.

Managing risks and performance through robust internal control and strong public financial management
Services report routinely and regularly through to Council Committees such as Cabinet, Audit, Pension and Scrutiny Committees. They pro-actively input into the annual audit programme, strategic and operational risk reviews. Both strategic and operational risks are reviewed regularly by senior managers and directors for learning points and action, and are reported through to Cabinet and Audit Committee. Risks are also identified and managed in service and team plans. There is promotion of the Opportunity Risk Management Strategy across the Council and, through its application, a positive approach to managing risk is delivered when focusing on achieving the required outcomes and objectives. Large projects, such the Digital Transformation Programme (DTP) and Shrewsbury Shopping Centre, are supported with the compilation of their risk registers. DTP business risks are further challenged by the DTP Assurance Board which adds a further layer of governance to this well managed programme.

[16] New engineering contract
[17] Shropshire Partners in Care
[18] Association of Directors of Adult Social Services

Managing risks and performance through robust internal control and strong public financial management

A risk matrix is operated by the Contracts team in relation to Adult Social Care contractors. Risks are identified with investments in commercial activity and a thorough evaluation of opportunity, risk and impact is undertaken when managing and disposing of assets and bringing forward new commercial models and partnerships. Regular financial credit assessments are also conducted on key suppliers.

All financial decisions are reported through to Cabinet, Council and Scrutiny Committee in an appropriate and transparent basis and challenge welcomed from members and officers. All budgets, actuals and variances are reported regularly with supporting information trails. The Financial Strategy identifies a short-term budget plan and a long-term aspirational plan linked to the Corporate Plan for a self-sustaining Council. A full risk assessment is undertaken in support of this. Final Accounts are produced on time and in-line with best practice and have an unqualified audit opinion. It was recognised that there were some issues with debt collection processes however, plans were in place to address these with the introduction of new digital solutions. Based on the work performed by the External Auditor to address the significant risks, they concluded that; 'the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources'.

The Council is now under extreme financial pressure, having saved £198 million since 2009/10 and with a funding gap remaining, after delivery of agreed savings, of £27 million by 2022/23. This funding gap is caused by two key elements; demand pressures and reductions in government funding. Demand pressures are largely caused by demographic growth in Adult Social Care. This is an annual rate of 30% above the national average. Unit costs (per head of population) for Adult and Children's Social Care are benchmarked as Low and Very Low respectively. To address the funding gap, the Council aspirations are to:

- Reduce support costs by 50% from £20 million to £10 million through Digital Transformation.
- Generate £15 million of additional income per annum by investing £300 million at an average gross ratio of at least 10% and net return of at least 5%.
- Reduce further growth in costs in Adult and Children's Social Care through innovation and prevention.
- Consolidate our Estate through the 'One Public Estate' Programme.

It is acknowledged that these aspirations are not without risk and significant investment in time and resource to develop detailed project plans within an overarching Capital Strategy is necessary, over the 2018/19 Financial Year, to bring appropriate rigour and due diligence to this approach. As previously described, all major projects will be considered via the Hopper process. Processes and procedures are in place to ensure management information is available to enable effective decision making across the Council. Key staff are placed on organisational working groups and Finance Business Partners are important members of directorate management teams, guiding and informing decision making. Control totals and reconciliations are a standard approach to working and information is not released until the integrity of data can be assured. Authorisers once identified are inducted and supported in the use of the internal system for payments. Forecasting of projected spend and income is thorough and budget holders understand the risks that need to be managed in their own budget areas. In addition, services hold regular one to ones and performance appraisals for staff to ensure their delivery meets individual, team, service and corporate objectives, for example within the Finance Governance and Assurance Service.

Information management training is undertaken by all staff and senior staff report this through to the SIRO. All data has assigned owners, these are regularly reviewed. Plans are in place to ensure early compliance with the new General Data Protection Regulation (GDPR) (Regulation

(EU) 2016/679). In addition, Information Asset Owners complete annual Information Governance Assurance Statements.

The local authority has conducted its own business continuity management and emergency planning exercises and participated in multi-agency exercises. This has provided appropriate assurance and learning points for future development.

Quarterly Corporate Performance Reporting using the Performance Portal is delivered, making information more accessible to members, officers and the public. Key information is data quality checked, for example by applying the Data Quality Toolkits for Adults and Children's Social Care, and the checking carried out on statutory return data. Services manage their performance through several methods: quarterly Quality and Performance meetings with team managers and service managers to review feedback from case file audits, complaints, service user feedback, performance data and the use of dashboards. Quality and performance is a standing agenda item on team meeting agendas and exceptions are escalated up through management structures. Adult social Care, Children's Service and corporately the Council received 23 Local Government Enquiries, two were upheld and six are ongoing, the others were not upheld or not investigated.

Data is held across many systems by different teams. It is stored on secure drives and databases that are protected in accordance with approved policies.

Internal Audit sets a balanced and risk assessed programme each year identifying the key areas for review and the need for assurance. High risk areas not subject to review are identified to enable senior management and members to gather and seek their own assurance as necessary. Audit Committee undertakes a regular self-assessment, challenged by officers and External Audit, and undertakes regular training sessions based on the identification of areas for improvement and key risks and fundamental knowledge-based needs. Over the year service managers have been required to attend Audit Committee to provide assurance not otherwise secured. Improvements in the IT control environment have been demonstrated with improved levels of assurance. The most significant improvement is the IT Disaster Recovery/ Business Continuity audit assurance level; after several years where assurance levels have been unsatisfactory, including fundamental recommendations, this is now considered reasonable. It is anticipated that if the live testing planned for later this year is successful at the next review the assurance level will be good. Lower levels of assurance are not focused on any one area but improvements are required in social care processes, some IT applications and processes, debt recovery aspects of sales ledger, transport operations and estate management. Whilst not significant enough to influence the Head of Audit's opinion, managers are advised to target these areas for improvement.

Based on the work undertaken and management responses received; the Council's framework for governance, risk management and internal control is sound and working effectively and the Head of Audit can deliver an unqualified year end opinion for 2017/18.

Following a Peer review by the Local Government Association and Centre for Public Scrutiny February 2017, the Council have revisited the remit of the committees. Scrutiny now has an increased focus on pre-decision (overview) work, providing the opportunity for non-executive Members to inform the development of policies and decisions. A strategic work programme is in place, developed with Scrutiny members directly linked to the Council's medium-term outcomes and objectives set out in the Strategic Action Plans which form part of the Corporate Plan. Committee work programmes provide a mix of meetings and task and finish groups which create opportunities to carry out in depth scrutiny. Investment has been made in Overview and

Managing risks and performance through robust internal control and strong public financial management
Scrutiny: with well received Member Development Sessions delivered by INLOGOV[19]; and employment of an experienced Overview and Scrutiny Officer. The Pest Control team in Public Protection achieved CEPA certification en16636, which is the European Standard for Professional Pest Management Companies.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability
As a public body, the Council has a high level of transparency in its activities and reporting and complies with the relevant legislation. Information is reported and shared through various routes including Council, Cabinet, Scrutiny Committees and with partners, via for example the Local Enterprise Partnership and Management Committee. Regular briefings are held with portfolio holders and ward members are engaged on local matters. Scrutiny committees and meetings, such as Shropshire Children's Trust consider new strategies, plans and performance outcomes are discussed. In Economic Growth performance of developer spending contributions have been the subject of a detailed cross-party member task and finish group reporting to Performance Management Scrutiny Committee with recommended changes. The Commissioning and Assurance Board continues to embed and has been integral in managing key decisions, such as the Shrewsbury Shopping Centre Project. The Information Governance Group is implementing and monitoring progress of General Data Protection Regulations and improved Freedom of Information processes have impacted positively on resulting statistics. Reports are written and communicated to the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate. The Council's communication team works with officers and members to ensure key messages are conveyed in plain English and appropriate formats which do not discriminate against any member of society. Both Children's and Adult Social Care have a high level of transparency in decision making and involving service users in the process. The services are often challenged and held to account for the decisions made which are supported by employing a variety of techniques which include: performance reporting and dashboards; financial modelling (e.g. Adult Social Care Growth Model); liaison meetings with CQC held jointly with Telford and Wrekin Council and Healthwatch. Through ongoing reporting and auditing of hospital discharges, Adult Social Care has been able to constructively challenge hospital data where necessary and apportion correct accountability between organisations. This work has also been instrumental in the monitoring of the Council's own internal processes to improve good practice. Detailed Children's Trust reports have focused on school performance, elective home education, pupil exclusions, special educational needs and gaps between the performance of specific groups of pupils (such as those who are disadvantaged) and their peers. Quarterly performance reports are provided from Connecting Shropshire to the Marches LEP for the growth deal funding. These are then reported at LEP management group and to the LEP Board which both have representatives of Shropshire Council. Data reports are produced to comply with transparency requirements. In addition, the benefits of the Performance Portal to support improved benchmarking activity for the Council by using

[19] Institute of Local Government Studies

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

CFO Insights[20] via Grant Thornton; and a Council wide contract register and reference system are being realised.

All service areas are subject to internal audit review with significant key systems falling under annual review given their status. Internal Audit recommendations are considered by the senior team on a regular basis for good housekeeping and to identify additional learning. The information also provides a position statement on the risk appetite of the control environment and its resilience to any challenges.

In their Audit Findings for the year ended 31 March 2017, the External Auditor provided an unqualified opinion on the financial statements and an unqualified Value for Money (VFM) conclusion.

Both Internal and External Audit can be invited to review issues once they have gone through the appropriate management review processes to provide a level of independence, an example of this is the management and control of the Market Town Revitalisation Programme due to be reported in 2018/19.

Public Protection is subject to inter authority audits of Food Standards Service and statutory returns are submitted annually for Food Safety, Food Hygiene, Permitted Processes and Private Water Supplies.

The Local Government Association conducted a Corporate Peer Challenge early 2018/19 to allow the Council to learn from others and target future improvements. Findings relevant to 2017/18 have been included in this statement and a further improvement plan will be considered on receipt of the full report. The LGA Peer review identified the Council as having a good track record of delivering services within budget and reasonable non-ring-fenced reserves. It recognised a shift in financial planning from shorter-term to strategic and that the five-year financial plan clearly outlines the size of the challenge. The Strategy has moved to focus more on innovation and commercially-driven income; both can be higher risk and take time to deliver leaving the Council reliant on using reserves to balance the budget, which is unsustainable. There is a lot of ambition and opportunity e.g. digitalisation, commercialisation, use of data in partnerships. However, given the risks, it is recognised that there needs to be more detailed plans to provide assurance.

Significant governance issues

The main challenges facing the Council appear in the **Appendix** below and are set in the context of delivering services to acceptable standards whilst achieving the budget savings required in 2018/19 and the remaining funding gap of 27m by 2022/23 as identified as part of the Corporate Plan and Financial Strategy.

Leader

CEO/ Head of the Paid Service

[20] An online analysis tool that gives instant access around the financial performance, socio-economic context and service outcomes for every council in England, Scotland and Wales.

Appendix: Significant governance issues

To ensure services are delivered to acceptable standards whilst achieving the budget savings required whilst manging strategic risks, the Council will strive to achieve the following outcomes:

	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
1.	Services review, identify and deliver efficiency savings, financial assumptions become more refined and budget plans are in place to deliver services within the resources available.	High	Sustainable Budget: Inability to ensure income exceeds expenditure for the years 2019/20 and beyond for outcomes to be delivered.	Continual review of the Financial Strategy, approved by Council 22 February 2018, as part of existing processes and annual budget setting and development of detailed implementation plans. "Hopper" approach rolled out to all projects, with strengthened senior management and Member involvement. Generate plans to deliver £15 million of additional income per annum by investing £300 million at an average gross ratio of at least 10% and net return of at least 5%. Capital Strategy to clarify outcomes and help prioritise investment opportunities	James Walton Gemma Davies Clive Wright (Tim Smith) James Walton/ Tim Smith	February 2019 April 2018 February 2019 September 2018
2.	The workforce requirements are met by a sustainable source of people resources, flexible enough to reflect the changing needs of the Council.	High	Staffing: Inadequate retention and recruitment of experienced and qualified staff results in insufficient capacity and	Revise Pay Policy New commercial structure being implemented to include the requisite skills and experience along with services and resource contracted in to help deliver the high priority projects.	Clive Wright Clive Wright	May 2018 June 2018

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	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
			experience to sustain Council's service provision.			
3.	Staff are healthy and happy in the workforce and therefore perform to a high standard.	High	Work Related Stress: Increases in work related stress impacts the ability to deliver Council outcomes.	Strengthen staff engagement and recognition to support the culture required to deliver transformation. Policy change regarding sickness absence	Michele Leith	December 2018
4.	Adults are safeguarded to the highest standards.	Medium	Failure to Safeguard Vulnerable Adults: Failure to safeguard adults with care and support needs including adhering to legislation in relation to DoLs.	Reduce further growth in costs in Adult Social Care through innovation and prevention. New Social Care system.	Andy Begley	September 2018 December 2018
5.	Children are safeguarded to the highest standards	Medium	Failure to Safeguard Vulnerable Children: Failure to safeguard vulnerable children and meet the recommendations of Ofsted.	Reduce further growth in costs in Children's Social Care through innovation and prevention. New Social Care system	Karen Bradshaw	September 2018 November 2018
6.	Improved business processes with embedded controls	Deleted	Digital Transformation Programme: Failure	Continue to review and address resource requirements	Michele Leith	November 2018

	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
	providing enhanced access to customers, better service delivery to clients and business continuity in the event of a disaster.		to implement the Digital Transformation Programme within planned timescales to provide ICT solutions to support business applications and benefits realisation.	Go live with ERP incorporating Finance, HR and Payroll systems Reduce the cost of service provision by 50% from £20 million to £10 million using the tools delivered through Digital Transformation. This includes changes to working practices, processes and methods. Develop more detailed implementation plans to provide assurance that the proposals are achievable particularly in the short term i.e. 2018/19 and 2019/20.	James Walton Michele Leith Michele Leith	October 2018 April 2019 April 2019
7.	Increased pressures on social and health services are known and managed in the most effect way within budget provisions.	Medium	Health & Social Care: Failure of the STP to deliver transformation and integration of Health & Social Care and the subsequent impact on managing demand and cost across the economy.	Determine the Council's future role with Health and the STP	Rod Thomson/ Andy Begley	September 2018
8.	A clear long-term budget is identified allowing for certainty in the delivery of future services.	High	Future Funding Levels: Lack of clarity from Central Government on the	Central Government Funding mechanism reviewed as it emerges and financial plans adopted to meet these requirements within the timescales allowed.	James Walton	April 2020

	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
			future funding levels and changes to Local Government powers and financing, plus increased uncertainty re: local resources which inhibits the ability to calculate future budgets (including funding methodology)			
9.	The public are confident in the delivery of Council services.	Very Low	Reputation: Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.	Communications strategy produced for review by Directors. Celebrate success. Define and develop the Council's reputation and brand. Plan cohesively all communications and marketing.	Michele Leith (Andrew Boxall)	November 2018
10.	Contracts are well managed and maximum impact is obtained.	Low	Contract Management: Inconsistency within contract management and monitoring results in failure to support our outcomes.	Ensure that data and intelligence requirements are identified and set out in contracts. Review of current contracts and grants from across the Council (costs, measures and monitoring arrangements). Establish and embed provider complaints reporting requirements within all contracts and implement an IT solution which enables	Michele Leith (Tom Dodds)	September 2018

	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
				providers to log the complaints they receive with the Council's complaints system. Put in place arrangements to identify, record and address issues relating to adult safeguarding referrals which are not taken forward as safeguarding investigations, but should be taken as a complaint.		
11.	Strategies deliver outcomes that support the overall direction of the Council	Low	Delivery of Key Corporate Strategies: Failure to deliver key corporate strategies (i.e. Commercial and Economic Growth) prevents the Council from meeting the corporate outcomes.	Develop, review refresh strategies for: • The Council's specific priorities and outcomes, communicate them and focus resources accordingly as part of the new Corporate Plan 2019/20 onwards. • Consolidate our Estate through the 'One Public Estate' Programme	Michele Leith (Tom Dodds) Clive Wright (Tim Smith)	December 2018 December 2018
12.	Well managed Council demonstrating all the qualities of an excellent public body, showing accountability, transparency, integrity, openness in line with all the Nolan principles.	Medium	Governance: Failure of individuals to adhere to governance policy and procedures results in an increased risk of fraud, corruption and inappropriate use of resources (assets,	Review of constitution by Constitution Working Group including several council policies. Strengthen the investment in the joint Cabinet/Senior Management Team to help deliver improved outcomes and model the desired culture. Adopt a whole Council approach.	Claire Porter Clive Wright	December 2018 December 2018

	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
			buildings, finance, people)	Develop a package of training and development opportunities for Cabinet Members to undertake if they so wish.	Claire Porter	February 2019
13.	IT systems work effectively and efficiently allowing service delivery to be on time, accurate, safeguarding data and beneficial to all users.	Medium	ICT Provision: Failure of existing ICT provision (infrastructure, systems, services and support) could result in significant impact on service delivery and disruption to business activities.	IT adopt the best practice methodology of ITIL to improve their service. This work is being complimented by a restructure, which will ensure the right roles are in place to offer a first-class IT service. The restructure will consider the requirements of Digital Transformation, both immediate and foreseeable. Digital Transformation will deliver the tools needed for the Council to work differently, all of which will be implemented on robust and tested platforms.	Michele Leith (Andrew Boxall)	July 2018 April 2019
14.	A clear plan of action for the Council and delivery against this is demonstrated by all parties.	Medium	Strategic Vision and Strategy: Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes.	More detailed implementation plans to provide assurance that the proposals are achievable particularly in the short term i.e. 2018/19 and 2019/20. See actions for 1 and 11		
15.	To minimise any economic impact that	Medium	Economic Impact of Brexit: Potential impacts on Shropshire's	Strengths Weaknesses Opportunities and Threats (SWOT) analysis in place and updated when more information available.	Clive Wright (Gemma Davies)	December 2018

	Targeted outcome	Risk Target	Strategic Risk	Activity	Lead Officer	Completion date
	Brexit may have on the Shropshire economy.		economy need to be further explored for the level of risk at a macroeconomic level to be further understood. At present, much of the evidence is anecdotal but officers are aware of some investment decisions being affected and some sectors could be more vulnerable (for example agriculture, food and drink).	Review EU funding programme and resource needs. Discussions with LEP and DCLG to identify opportunities.		

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK 2017/18

Key documents/functions/ process guidelines

- **Local code of corporate governance**
- **Corporate plan and financial strategy**
- **Council constitution**
- **Opportunity risk management strategy**
- **Commissioning strategy**
- **HR policies, procedures and codes of conduct**
- **Anti-fraud and corruption and whistleblowing (Speaking up about wrong doing) policies**

Annual Governance Statement

Signed by the Leader of the Council and the CEO to accompany the Statement of Accounts

Audit Committee

Independent review and approval

Council and Directorate policies, plans and risk registers

Draft Annual Governance Statement
Senior management with responsibility for drafting AGS after evaluating assurances and supporting evidence and identifying areas for improvement

IA to evaluate the effectiveness of the risk management, control and governance processes

(Required by the Accounts and Audit Regulations 2015)

Provision of ongoing assurance on adequacy and effectiveness of controls over key risks

Policy and performance boards	**External inspections** (e.g. Ofsted, Care Quality Commission)	**Financial control assurance** (Section 151 Officer)	**Legal and regulatory assurance** (Monitoring Officer)	**Members' assurance**	**Internal Audit**	**External Audit**	**Risk management and performance management**

Key to levels of assurance
First line of defence
Second line of defence
Third line of defence

Appendix B

Shropshire Council Local Code of Corporate Governance

LOCAL CODE OF CORPORATE GOVERNANCE
INTRODUCTION

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance as follows:
“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”

The International Framework also states that:
“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times”.
Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”

GOOD CORPORATE GOVERNANCE

Shropshire Council is committed to achieving good corporate governance and this Local Code describes how the Council intends to achieve this in an open and explicit way. The local code is based upon the CIPFA SOLACE framework “Delivering Good Governance in Local Government” (April 2016) which replaced the document published in 2007. As laid out in the guidance it “*is intended to assist authorities individually in reviewing and accounting for their own unique approach. 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”.* Consequently, the local Code has been written to reflect the Council’s own structure, functions, and the governance arrangements in existence.

*The local code is based on the following seven principles, the first two of which underpin the remaining five with the overall aim of “**Achieving the intended outcomes while acting in the public interest at all times”.***

The principles are as follows:

Acting in the public interest requires a commitment to and effective arrangements for:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Many of the requirements of the code are included in the Council's constitution and the Council's key strategies and policies.

Library folder - Shropshire Council Constitution — Shropshire Council

MONITORORING AND REVIEW

The Code of Corporate Governance is subject to annual review. This review includes an assessment as to the effectiveness of the processes contained within the Code. This includes annual assessments such as:

- Annual review of the Constitution
- Annual reports of the Scrutiny Committees
- Head of Internal Audit Annual Report
- Audit Committee Annual Report
- Council Customer Feedback Report – Complaints, Compliments and Comments
- External Audit Annual Letter

The outcome of this review is reported in the Annual Governance Statement.

The following details how the Council meets the core principles and the systems, policies and procedures it has in place to support this.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Rational: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	**Shropshire Council's commitment to achieving good governance is demonstrated below:** **Behaving with integrity** • Developed a Code of Conduct for members to ensure that high standards of conduct are maintained. • The Monitoring Officer will review any breaches of the Member Code of Conduct. • The Localism Act 2011 abolished the requirement for the Council to have a statutory Standards committee though the Council has retained a non-statutory committee that can meet if required. There have been no meetings in 2017/18 other than the appointment of Members to sit on the Committee. • An Employee Code of Conduct that sets down standards of behaviour and conduct the Council expects of its employees. • Standard decision-making reporting format to ensure that all those responsible for taking decisions have the necessary information on which to do so. • There is a Code of Conduct in relation to the acceptance of gifts and hospitality and all instances must be recorded. Advice and guidance is provided to staff and members on the intranet. • In accordance with the Localism Act 2011 Registers of Members' pecuniary interests are recorded and published on the Council's website. • Members' declaration of interests are a standing item on all agendas. Minutes show declarations of interest were sought and appropriate declarations made. • Protocols for members on Council Representation on various outside bodies. • A Corporate Feedback Policy that is published on the Council's website and is supported by a Complaints, Compliments and Suggestion on-line form. • A Policy for raising a concern "Speaking Up About Wrong Doing" (Incorporating the Whistleblowing Policy) is in place to protect individuals. **Demonstrating strong commitment to ethical values** • A Constitution which sets out delegations of the executive, committees and senior officers, and the decision-making process to be applied. It also emphasises that the Council will act within the law. • Terms of Reference exist for all committees. • The Council have both Contract Procedure Rules defining the Council's process for all contracts

	and Financial Rules defining the safeguards and controls in place for managing public money and assets, these are reviewed on a regular basis. • The Council use the "Big Conversation" to consult with stakeholders and other interested parties to seek feedback before developing key operational documents. • 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. **Respecting the rule of law** • The Constitution identifies the Chief Legal Officer as the Council's Monitoring Officer and sets out the role of the Monitoring Officer. • An Anti-Fraud and Corruption Strategy supported by a Counter Fraud, Bribery and Anti-Corruption Policy which includes a Fraud Response Plan and a Speaking Up About Wrongdoing Policy "Whistleblowing Policy". The strategy is supported by a Whistleblowing hotline for use by both the members of staff and the public to report irregularity and fraud. The Audit Committee receive an annual report of whistleblowing activity. • 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.
Core Principle B: Ensuring openness and comprehensive stakeholder engagement	
Rational: Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all	**Shropshire Council's commitment to achieving good governance is demonstrated below:** **Openness** • Adoption of a Publication Scheme that describes the kinds of information available and provides guidance about how to access personal information and submit a Freedom of Information request. • The Council has a small Information Governance team committed to ensuring the principles of Data

groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	Protection, Freedom of Information and Transparency are followed. • Adoption of a standard reporting format in relation to committee reports. The format includes a risk assessment and opportunities appraisal together with the financial implications attached to any recommendations, and appropriate background papers are cited to ensure full transparency. • Agendas, reports and minutes are published on the Council's website. Meetings are open to the public except in the case of exempt items. • Dates for submitting, publishing and distributing timely reports are set and adhered to. • The Corporate Plan and Financial Strategy set out the Council's mission and priorities. • 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. **Engaging comprehensively with institutional stakeholders** • The Council recognises the importance of communicating its vision and uses several channels to this effect. • The Council aims for a consistent approach to communication, 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 that where the Council use delivery terms such as Inspire to Learn or Help to Change there remains clear reference back to Shropshire Council. 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.

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The Council uses the Voluntary and Community Sector (VCS) Assembly weekly news bulletin to promote consultations, policy news, engagement opportunities and partnership working opportunities across the voluntary and community sector.

Engaging stakeholders effectively including individual citizens and service users

The Council seeks the views from individuals, organisations and businesses on a number of areas. All Council surveys are delivered online using the corporate approved consultation portal. Links to current consultations are published on the website. Some recent examples of consultations undertaken in 2017/18 are Economic Growth Strategy, Business rate discretionary relief scheme, Domestic Abuse Strategy and Budget Proposals 2018/19. The full list of consultations undertaken is available on the Council website.
Shropshire's Making it Real partnership was set up by Shropshire Council in response to the national 'Think Local Act Personal' initiative and Making it Real Framework. The aim of 'Making it Real' is for personalisation to be a reality for people who use adult social care services. This approach is driven through a series of 'I' statements outlining how adult social care should best meet people's needs; enabling people to live full and independent lives. The partnership works with the local authority to ensure this approach is adopted locally, through influencing and shaping adult social care services in Shropshire.
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.

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<tr><td colspan="2">Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefit</td></tr>
<tr><td>Rationale: The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable.</td><td>
Shropshire Council's commitment to achieving good governance is demonstrated below:

Defining Outcomes

The Corporate Plan and Financial Strategy set out the Council's vision and priorities together with its aims and actions.

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Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	• Core strategic plans (such as Economic Growth Strategy, Commercial Strategy, Commissioning Strategy and Sustainability Policy) set out specific aims in detail and compliment the overall Corporate Plan. • 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. monthly, 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 have established robust project management arrangements to monitor outcomes and outputs on projects such as the Digital Transformation Board, Capital Investment Board and Commissioning and Assurance Board. **Sustainable economic, social and environmental benefits** • The Council has an Environmental Policy Statement highlighting its commitment to sustainable environment. • The Council has an Economic Growth Strategy which lays out its approach to sustainable development. • The Council has a Commercial Strategy which lays out its approach to becoming a more commercially focused organisation embracing commercial culture in terms of how the Council acts to ensure the delivery of High Quality Services as efficiently and effectively as possible. • A Social Value Charter is in place that is designed to assist commissioners and procurers to maximise opportunities to improve the social, economic and environment condition of our local area through effective commissioning and procurement. The Charter has three principles which commissioners, service providers voluntary, community and social enterprise organisations commit to with the aim of improving the social, economic and environmental wellbeing of Shropshire.
Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Rationale: Local government achieves its intended outcomes by providing a mixture of legal,	**Shropshire Council's commitment to achieving good governance is demonstrated below:** **Determining interventions**

regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.	• A standardised format of decision making reports is used to ensure that all relevant information is considered such as analysis of options, resource implications, and outcomes of Equality and Social Inclusion Impact Assessment etc. Options are clearly defined and analysed to ensure decisions are based on the best possible information. • The Commissioning Strategy is applied to ensure clear alignment to need and improving outcomes. **Planning interventions** • The Council launched the Big Conversation in 2015/16; an engagement approach to develop a sustainable mechanism to communicate with and hear from communities, businesses, partners and providers. The consultation was undertaken again between November 2016 and March 2017 with results released in July 2017 for consideration as part of the development of the Financial Strategy. The next phase of the Big Conversation will involve smaller consultations on specific issues such as the Financial Strategy. • 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'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. **Optimising achievement of intended outcomes** • The annual budget is prepared in line with agreed priorities. The Council publishes its Financial Strategy annually to set an indicative three year financial plan to fit the longer term strategic vision as well as a detailed one year budget. This is intended to include realistic estimates of revenue and capital expenditure. • Resources to assist commissioners and procurers to demonstrate the range and amount of social value generated or the financial value to society as a result of the social value they generate.
Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	

Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	**Shropshire Council's commitment to achieving good governance is demonstrated below:** **Developing the entity's capacity** • 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. The member induction programme was re-run following the May 2017 local elections. • A Workforce Strategy 2016/17-2020/21 was adopted in 2016/17 to ensure the Council has the right people with the right skills in the right place, at the right level and cost to enable the Council to meet its strategic objectives. • A management development programme commenced in February 2016. This has been designed to meet the needs of organisational change at the Council. Core topics include managing absence, handling redundancy, managing capability and managing grievances and disciplinaries. • The Council actively promotes the use of Learning Pool an online learning and training platform that allows courses to be tailored to individual officers. **Developing the capability of the entity's leadership and other individuals** • A Protocol on Member/Officer Relations that assists both members and officers achieve good working relationships in the conduct of Council business. • A Scheme of Delegation that is reviewed annually in light of legal and organisational changes. • A Constitution that sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules. • Member Development is managed via the Group Leaders and training is provided as needed. Members are updated on legal and policy changes etc. as required. • Induction programmes for all members and employees. • Training for employees is made available through Leap Into Learning which provides all employees with access to online training courses that can be tailored to the individual, dependent upon role undertaken. • Staff are annually appraised which includes the identification of training and development needs

	and drawing up of training action plans to address these. • Development of an Apprenticeship Programme offering training, skills and experience in Local government. • Graduates on the Shropshire Graduate Development Programme continue to develop their skills and knowledge; contributing to succession planning for the future of Shropshire Council. • Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored. • 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.
Core Principle F: Managing risks and performance through robust internal control and strong public financial management	
Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.	**Shropshire Council's commitment to achieving good governance is demonstrated below:** **Managing risk** • Risk management arrangements that are embedded across all service areas and help inform decision making. • Risk and Opportunity Management Framework that is subject to annual review and reported to the Audit Committee on an annual basis. • Responsibilities for managing individual risks are contained within the Risk and Opportunities Framework. • The Senior Management Team, regularly reviews the strategic risk register, and seeks assurances that it is kept up to date and actions to mitigate risks are implemented. • Operational risks are reviewed by risk owners on a regular basis. • 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. **Managing performance** • The Council has five established overview and scrutiny committees which operate under clear

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.	terms of reference and rules of procedures laid down in the Constitution. Scrutiny Committee chairs and members have clearly laid down accountabilities in the Constitution. Members may not participate in the scrutiny of decisions they were involved in. • The Scrutiny set up was updated following the Scrutiny Peer review completed in February 2017 by the Local Government Association. • 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 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. • Reports and minutes and decisions under member consideration are published on the website and are available in hard copy in a variety of formats on request. • Contract Procedure Rules and Financial Regulations set out the Council's arrangements and ensure that processes continue to operate consistently. • An effective internal audit service is resourced and maintained. Internal Audit prepares and delivers a risk based audit plan in line with Public Sector Internal Auditing Standards which is kept under review to reflect changing priorities and emerging risks. • 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 **Robust internal control** • 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 (CIPFA's) Guidance.

	• The Audit Committee, which is independent of cabinet, oversees the management of governance issues, risk management framework, internal control environment, financial reporting and Treasury Management. Its performance is subject to annual self-assessment. • An annual report is produced by Internal Audit which provides an opinion on the Council's control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA's guide to the role of the Head of Internal Audit. • Anti-Fraud and Corruption Strategy which is subject to regular review and is approved by the Audit Committee. • Quarterly fraud reports summaries anti-fraud activity in the year. • An Annual Governance Statement (AGS) that is subject to review by the Audit Committee. • Training is provided to Audit Committee members on areas relevant to their role. • There are frameworks in place in relation to child and adult safeguarding. **Managing data** • The Council has a small Information Governance team committed to ensuring the principles of Data Protection, Freedom of Information and Transparency are followed. • Information governance and security awareness including individual responsibilities and good practice is raised and embedded with officers and elected members through the mandatory information governance training. • The Council's Information Management Strategy provides guidance on the arrangements that must be in place to ensure personal data is kept protected and secure. • Effective information sharing is undertaken in accordance with the Data Protection Act and the Council's Data Protection Policy. • Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the Council's overall Privacy Notices published on our website and individual Privacy Statements on forms, in booklets etc. • A formal Data Sharing Framework Protocol between Shropshire and Telford and Wrekin Partnership in respect of jointly delivered health services. • Data verification and validation processes are integrated within systems and processes. **Strong public financial management** • 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. • Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015), is reviewed annually. • Financial procedures are documented in the Financial Regulations. • Financial Strategy in place. • The financial position is reported quarterly to Cabinet.
Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	**Shropshire Council's commitment to achieving good governance is demonstrated below:** **Implementing good practice in transparency** • Agendas, reports and minutes are published on the Council's website. • Adoption of a style guide document that outlines how to communicate more effectively and to ensure communications are consistent and clear. • Adoption of the National Transparency Code. • 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. **Implementing good practices in reporting** • Annual Financial Statements are compiled, published to timetable and included on the Council's website. • 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. • Completion of an Annual Governance Statement (AGS). • A Business Plan and Financial Strategy setting out the Council's mission and priorities. **Assurance and effective accountability** • The AGS sets out the Council's governance framework and the results of the annual review of the effectiveness of the Council's arrangements. The AGS includes areas for improvement. • An effective internal audit service is resourced and maintained. The Service has direct access to members and provides assurance on governance arrangements via an annual report containing an opinion on the Council's internal control arrangements. • External Audit provides an annual opinion on the Council's financial statements and arrangements for securing Value for money. • The Council actively welcomes peer challenge, reviews and inspections from regulatory bodies. • 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.

Appendix B – Shropshire Council’s Corporate Governance Framework

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council’s objectives while acting in the public interest at all times.

Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	The Constitution	Corporate Plan	Committee Reports	Forward plan	The Constitution	The Constitution	Audit Committee
	Schemes of delegation	Members role and expectations	Corporate Plan	Budget Consultation	Member and staff development	Audit Committee	Committee Framework
	Audit Committee	Local Joint Committees	Committee Framework	Stakeholder Engagement	Member Induction Programme	Committee Framework	Councillors and decision making
	Councillors and decision making	Public Meetings and decisions recorded	Councillors and decision making	Option Appraisals	Recruitment and Selection process	Financial Procedure Rules Contract Procedure Rules	External audit of accounts and value for money opinion (No. 36)
	Statutory Officers Roles: Chief Executive, Chief Financial Officer, Monitoring Officer, Head of Paid Service. HR policies.	Annual Statement of Accounts and Annual Governance Statement published	Procurement Strategy (36)	Annual Governance Statement / Assurance Framework	Staff Appraisal Process	External audit of accounts and value for money opinion (No. 36) Annual Statement of Accounts Financial Strategy (No. 9)	Annual Governance Statement / Assurance Framework
	Financial Procedure Rules Contract Procedure Rules	Council website records all council meetings and key decisions	Public Sector Social Value Act 2012	Financial Strategy (No. 15)	Peer Reviews / External Inspection	Opportunity Risk Management Strategy	Annual Statement of Accounts
	Members (E1) and Employees Codes of Conduct	Corporate performance, financial and risk reporting framework	Commissioning Strategy (36)	Councillors and decision making	Benchmarking	Open Data and Transparency Code	Internal Audit Service Head of Audit’s Annual Opinion / Report (No. 14)
	Members / Officers Register of Interests / Register of Gifts and Hospitality	Open Data and Transparency Code		Opportunity Risk Management Strategy	Internally led reviews / independent challenge	Strategic and Operational Risk Registers	
	Protocol for Member Officer Relations (E85)	Customer feedback / Complaints Policy		Alternative Service Delivery Models	Alternative Service Delivery Models	Risk Based Internal Auditing Service / Plan (No 14)	Strategic performance, financial and risk reporting framework
	Counter Fraud, Bribery and Anti-Corruption Policy and Strategy (E67)	FOI Publication Scheme	Opportunity Risk Management Strategy	Corporate performance, financial and risk reporting framework		Internal Audit Service Head of Audit’s Annual Opinion / Report (No. 14)	Open Data and Transparency Code
	Whistleblowing Policy and hotline	Public Consultations	Corporate performance, financial and risk reporting framework	Service Plans	Continuing Professional Development Programmes	Corporate performance, financial and risk reporting framework	Website

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council’s objectives while acting in the public interest at all times.

Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
	Opportunity Risk Management Strategy	Shropshire Compact	Corporate Climate Change Strategy	Project Management	Safety, Health and Wellbeing Internal health and safety	Counter Fraud, Bribery and Anti-Corruption Policy and Strategy (E67) Anti-Money Laundering Policy	FOI Publication Scheme
	Customer feedback / Complaints Policy	Voluntary and Community Sector Assembly		Whistleblowing Policy and hotline		Emergency / Business Continuity Management	Complaints Annual Report
	Open Data and Transparency Code			Corporate Plan			

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Committee and date	Item
Audit Committee 28th June 2018	

FINANCIAL OUTTURN 2017/18 - REVISED

Responsible Officer James Walton
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1. Summary

1.1 This report provides details of the revenue and capital outturn position for Shropshire Council for 2017/18 and provides a summary of:

- The revenue outturn for each service area with a commentary of the main variations and an outline of how the position has changed since Quarter 3.
- The movements in the Council's General Fund balance.
- The Council's reserves and provisions.
- The capital outturn for each service area with a commentary of the main variations and the budget slipped for 2017/18.

1.2 Please note that the position has changed from the final outturn reported at Cabinet on 23rd May 2018. At this point an overall underspend of £0.738m was reported. This report now sets out a revised overall underspend of £0.613m. The movement is due to a revised distribution figure in relation to the Shrewsbury Shopping Centres. This updated position is reflected in the Statement of Accounts which were published in draft on 31st May 2018. Furthermore, the Portfolio Holder for Finance informed Cabinet on 23 May that the final position may change before 31 May, and this was accepted. This finalised position has been reported to Cabinet, informally, and will be reported to Full Council on 26 July 2018.

1.3 The Council's revenue position for 2017/18 has improved by £0.471m when compared to projections made at Quarter 3 resulting in a net underspend of £0.529m, a variance of 0.09% on the gross budget. This improvement has been delivered as a result of variances across a number of Council services although the majority of these are not within the base budget and therefore will not be available to reduce the funding gap in future years. It should be noted however, that within this position expenditure on Environmental Maintenance as a result of severe weather in the last month of the financial year far exceeded expectations.

1.4 The outturn on non controllable insurance is a small over recovery of £0.083m. When added to the overall underspend the total adjustment to the general fund is a contribution of £0.613m

1.5 The outturn capital expenditure for 2017/18 is £49.608m, representing 83% of the re-profiled budget of £59.748m. All £10.140m of this underspend has been carried forward to the 2018/19 programme.

2. Recommendations

Audit Committee is asked to consider and comment on the contents of the Financial Outturn Report before it is taken to Council where the following recommendations will be made.

It is recommended that Council:

A. *Note that the Outturn for the Revenue Budget for 2017/18 is an underspend of £0.529m, this represents 0.09% of the original gross budget of £563.3m.*

B. *Note that the level of general balance after adjusting for the underspend and insurance position stands at £15.311m, which is above the anticipated level assessed in February 2017.*

C. *Note that the Outturn for the Housing Revenue Account for 2017/18 is an underspend of £0.007m and the level of the Housing Revenue Account reserve stands at £8.225m (2016/17 £9.031m).*

D. *Note the increase in the level of Earmarked Reserves and Provisions (excluding delegated school balances) of £8.026m in 2017/18 and the reasons for this.*

E. *Note that the level of school balances stand at £5.381m*

F. *(2016/17 £6.280m).*

G. *Approve net budget variations of £1.472m to the 2017/18 capital programme, detailed in Appendix 5/Table 11 and the re-profiled 2017/18 capital budget of £59.748m.*

H. *Approve the re-profiled capital budgets of £61.795m for 2018/19, including slippage of £10.140m from 2017/18, £25.986m for 2019/20 and £15.568m for 2020/21 as detailed in Appendix 5 /Table 15.*

I. *Accept the outturn expenditure set out in Appendix 5 of £49.608m, representing 83% of the revised capital budget for 2017/18.*

J. *Approve retaining a balance of capital receipts set aside of £20.857m as at 31st March 2018 to generate a one-off Minimum Revenue Provision saving of £0.485m in 2018/19.*

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 revenue and capital budget for 2017/18 and therefore considers the effect that the underspend has on the Council's balances.

5. Background

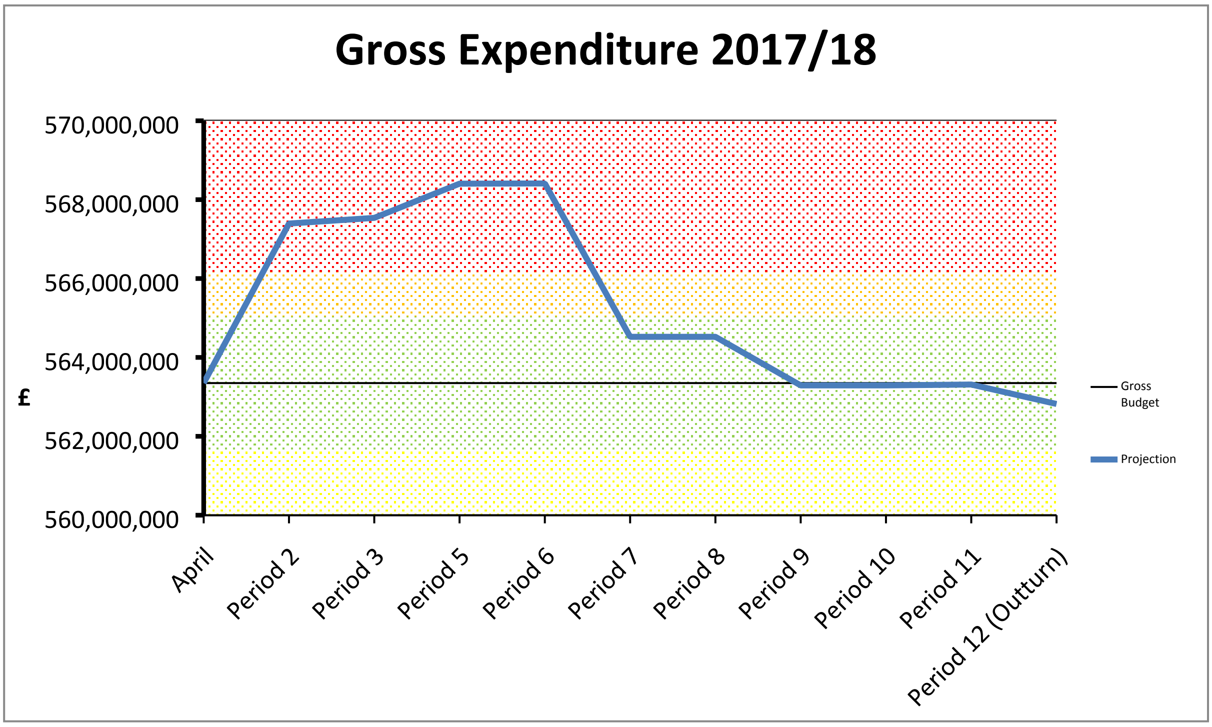
5.1 Cabinet has received quarterly monitoring reports on the revenue and capital budget during the course of the year. This has meant that Service Areas have identified problem areas as they have arisen and management have been able to take the action necessary to deal with the issues arising.

6. Revenue Outturn Position

6.1 The final outturn for 2017/18 shows overall net controllable revenue expenditure of £205.544m and a controllable underspend of £0.529m. The overall position for Service areas and Schools' balances is detailed in Table 1 below.

Table 1 – Final Controllable Outturn

	£'000
Original Budget	206,073
Controllable Outturn for 2017/18	205,544
Controllable Underspend for 2017/18	**(529)**



6.2 The controllable underspend of £0.529m for 2017/18 is presented below by Service Area in Table 2. End of year entries include items of non-controllable spend (e.g. insurance) 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 2: 2017/18 Budget Variations Analysed by Service Area (£'000)

Service Area	Revised Budget £'000	Controllable Outturn £'000	Controllable (Under) / Overspend £'000	RAGY Classification
Adult Services	92,188	91,963	(225)	Y
Children's Services	46,691	51,260	4,569	R

Service Area	Revised Budget £'000	Controllable Outturn £'000	Controllable (Under) / Overspend £'000	RAGY Classification
Place & Enterprise	82,948	83,853	905	R
Public Health	5,553	4,736	(816)	Y
Resources & Support	3,584	2,328	(1,256)	Y
Corporate	(24,892)	(28,597)	(3,706)	Y
TOTAL	206,072	205,544	(529)	**Y**

6.3 Services have worked hard throughout the year to deliver a balanced council position overall through the implementation of a spending freeze in the early part of the financial year.

6.4 The outturn position has improved by £0.471m since Quarter 3 as a result of further underspends achieved across all service areas within the Council which have offset areas of increased cost. The most significant changes were in the following areas:

- (£0.883m) Customer Involvement – Increased income and cost reduction on IT contracts above that previously advised and savings on MRP expenditure.
- (£0.395m) Legal, Democratic & Strategy – Reduced cost of elections, additional income and spending freeze savings above that previously advised.
- (£0.302m) Human Resources – additional income above that previously advised.
- (£0.384m) Public Protection – Increased income, savings on vacancy management and spending freeze savings above that previously advised.

Offset by:

- £0.814m Environmental Maintenance – significant additional expenditure on winter maintenance and street lighting in the final month of the financial year.
- £0.679m Social Care Operations – Reduced application of iBCF grant against purchasing overspend. iBCF will be carried forward and used against commitments in future years.

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

7. Savings Delivery

7.1. During the year the savings projections are RAG rated in order to establish the deliverability of the savings and any potential impact on the outturn projection for the 2017/18 financial year. The RAG ratings are categorised as follows:

Red – Savings are not solved on an ongoing basis, nor have they been achieved in the current financial year. These are reflected as unachieved within this monitoring report.

Amber – Savings have been identified on an ongoing basis in the current financial year, however there is no clear evidence to support the delivery as yet. The projected outturn within this report assumes these savings will be delivered (see 5.3. below).

Green – Savings have been identified on an ongoing basis in the current financial year, with evidence of delivery.

The final outturn for savings delivery for 2017/18 is shown in Table 3.

Table 3: 2017/18 Savings Proposals – Final outturn

Service Area	Red £'000	Amber £'000	Green £'000	Total Savings £'000
Adult Services	-	-	-	-
Children's Services	1,192	-	998	2,191
Place & Enterprise	884	-	3,191	4,075
Public Health	48	-	321	369
Resources & Support	423	-	2,100	2,524
Corporate	-	-	5,868	5,868
Total Savings	**2,547**	**-**	**12,479**	**15,026**

The figures presented above show that 83% of the 2017/18 savings target were achieved and rated green with the remainder unachieved and rated Red. Paragraph 6.2 below provides further detail on the Red savings.

7.2. Table 4 provides further analysis of savings delivery impact on final position for each service area.

7.3. The £2.548m 2017/18 Red savings not delivered are within Educational Support Services, Home to School Transport, Short Breaks and Children's Centres in Children's Services. In Place & Enterprise they are within Corporate Landlord, Car Parks, the Energy Company and the Grey Fleet saving from Transport. In Resources & Support, savings projected not be delivered are within Revenues and Benefits, and are also the result of delays to a restructure within Customer Involvement. More detail on these is provided within the relevant service sections in Appendix 1.

7.4. Some of these savings will continue to create pressures in future years and will be added to the relevant Directorate's Savings Delivery target where they will be scrutinised at regular Savings Challenge meetings scheduled to take place with Directors throughout 2018/19. These carried forward targets are listed in table 5 below and their current 2018/19 RAG delivery status is also shown.

7.5. In addition to the Red savings pressures a number of ongoing pressures were identified within service areas during the year. £0.463m of these ongoing pressures have arisen as a result of previous years' unachieved savings. £0.735m is within Children's Services and relates to Home to School

Transport and Early Help savings where savings cannot be made until 2019/20 at the earliest despite plans in place to achieve the full savings. £0.219m within Resources & Support relates to Multi-Functional Device contracts, Lync telephones and Credit Union savings.

7.6. Other ongoing pressures include increased purchasing pressures within social care; residential and foster placements and agency social worker costs within Children's safeguarding; Home to School Transport costs relating to SEND pupils and loss of grant and traded income within Learning & Skills; increased property costs and reduced income within Corporate Landlord; pressures within Environmental Maintenance reactive maintenance, Highways & Transport bus subsidies and concessionary fares costs; corporate licensing, support and maintenance costs within IT Services, and costs of the Lync system; and income inflation that is not achievable on Corporate budgets.

7.7. Some ongoing savings have been identified to mitigate these pressures and some have been resolved through growth allocations following the growth modelling exercise in the summer of 2017. Table 6 below shows which pressures are likely to continue to impact in 2018/19

Table 4 – Reconciliation of outturn to savings delivery

	Outturn Position 2017/18	Savings Pressure in 2017/18	Ongoing Monitoring Pressures Identified	Ongoing Monitoring Savings Identified	One Off Monitoring Pressures Identified	One Off Monitoring Savings Identified
	£000	£000	£000	£000	£000	£000
Adult Business Support & Development	(679)	-				(679)
Contracts & Provider	(216)	-			117	(333)
Social Care Operations	1,307	-	2,026		8	(727)
Adult Services Management	(174)	-			176	(350)
Housing Health & Wellbeing	(463)	-			112	(575)
Adult Services	**(225)**	**-**	**2,026**	**-**	**413**	**(2,664)**
Learning & Skills	1,390	525	966	(140)	389	(351)
Children's Safeguarding	3,178	667	2,606	-	594	(688)
Children's Services Management	1				1	
Children's Services	**4,569**	**1,192**	**3,572**	**(140)**	**984**	**(1,039)**
Director of Place & Enterprise	13	-	-	-	13	-
Business Enterprise & Commercial Services	287	380	1,233	-	823	(2,150)
Commissioning Support	(140)	-	-	-	-	(140)
Procurement & Contracts	(38)	-	-	-	-	(38)
Economic Development	164	-	-	-	214	(49)
Infrastructure & Communities	619	504	638	-	1,718	(2,241)
Place & Enterprise	**905**	**884**	**1,871**	**-**	**2,768**	**(4,618)**
Public Health	**(817)**	**48**	**15**	**-**	**15**	**(895)**
Customer Involvement	(175)	223	958	-	152	(1,508)
Finance, Governance & Assurance	185	200	199	(80)	391	(525)
Human Resources	(427)	-	54	-	143	(624)
Legal, Democratic & Strategy	(602)	-	-	-	85	(687)
SMB	(237)	-	-	-	-	(237)
Resources & Support	**(1,256)**	**423**	**1,211**	**(80)**	**771**	**(3,581)**
Corporate	(3,705)	-	456	-	1,395	(5,556)
Corporate	**(3,705)**	**-**	**456**	**-**	**1,395**	**(5,556)**
Council	**(529)**	**2,548**	**9,151**	**(220)**	**6,346**	**(18,352)**

Table 5: 2017/18 Carried Forward Savings Targets

Service	Savings Area	£'000
Childrens Services	Home to School Transport	188
	Early Help Hubs	547
Place & Enterprise	Car Parks	200
	Energy Company	10
	Grey Fleet - Council Wide	304
Public Health	Community Safety	48
Resources & Support	Customer Services	223
	Revenues & Benefits	200
TOTAL CARRIED FORWARD SAVINGS TARGETS 2017/18		**1,720**

Table 6: 2017/18 Pressures arising which are likely to impact in 2018/19

Service	Ongoing Pressure	£'000
Adults Services	Social Care Operations - Purchasing	2,000
Childrens Services	Safeguarding - Placements	311
	Safeguarding - UASCs	176
	Safeguarding - Agency Social Workers	313
	L&S - Loss of DSG Contributions	86
	L&S - Home to School Transport SEN cohort	287
	L&S - Governor Services	28
	L&S - EIS - Elective Home Education Recharge	31
Place & Enterprise	Business Enterprise & Commercial Services - Student Accommodation	185
	Business Enterprise & Commercial Services - Rents Paid and Service Charge Pressures	65
	Business Enterprise & Commercial Services - Corproate Landlord Income Shortfalls	133
	Business Enterprise & Commercial Services - Repairs & Maintenance Pressures	283
Public Health	CCTV	15
Resources & Support	Revs & Bens Agency Staffing	199
Corporate	WME Profit Share Reduction	119
	Inflation costs	338
TOTAL CARRIED FORWARD PRESSURES		**4,569**

7.8. The Council operates two internal funds to help deliver savings now and into the future. The Invest to save Fund was established in 2014 enabling business cases to be put forward with the aim to generate savings and repay the investment back into the fund with interest. From an opening balance of £2.0m in 2014, additional investment into and repayments to the fund since have resulted in an opening balance of £3.342m in 2017. In total since the fund was created investment of £1.484m has been approved, of which £0.7m has been spent to date, and repayments totaling £0.711m have been made from projects. The Development Fund was established for similar purposes, but where a proposal would not deliver a direct or short-term return on investment. Spend in year has totaled £0.656m, leaving remaining funds at £1.7m by year end. These funds are an important enabler in helping to deliver savings and relieve demand pressures in 2018/19 and beyond.

8. General Fund Balance

8.1. The effect of the forecast outturn position 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 0.5% and 2% of the gross revenue budget. For 2017/18, the minimum balance required would therefore be £2.817m, although this is no longer considered to be an acceptable guide. The more appropriate risk based target balance for the General Fund, as last calculated for 2017/18 in the Robustness of Estimates and Adequacy of Reserves reported to Council on 23 February 2017, was £13.289m. This figure had been revised downwards reflecting the fact that the Council has undertaken a strategy of only pursuing robust and deliverable savings proposals for this financial year and 2018/19, and has chosen to finance the remaining funding gap through the use of one-off resources.

8.2. Based on the current monitoring position, the General Fund balance will be above the required 2017/18 target, as shown in Table 7 below.

Table 7: General Fund Balance as at 31 March 2018

	(£'000)
General Fund Balances as at 1 April 2017	14,698
Over recovery of insurance costs	83
2017/18 Revenue Outturn	529
General Fund Balance at 31 March 2018	**15,311**

8.3. NB: The Financial Strategy approved by Council on February 22 2018 further reviews appropriate risk based targets for the General Fund however, this report focusses on 2018/19 onwards.

9. Housing Revenue Account (Appendix 2)

9.1. The Housing Revenue Account (HRA) outturn for 2017/18 shows a deficit of £806k against the target of £814k, giving a £7k variance against the approved budget which represent 0.04% of the gross turnover of £18.1m. During the year the HRA made a direct contribution of £3.2m to part finance the capital works programme for major repairs and building new affordable homes as part of a planned use of the HRA reserve. As at 31 March 2018 the HRA reserve stood at £8.2m and these funds are available to finance future HRA capital works or for the repayment of HRA debt.

9.2. Significant variance in the year included increased collection rate for housing rent which now stands at 99.3% and this has contributed to a favourable variance of £122k (0.7%) of income above target and a consequential saving of £30k against the budgeted bad debt provision. In 2016/17 the HRA adopted component based depreciation in accordance with Government requirements and this has created greater volatility in the depreciation calculation. For

2017/18 the actual depreciation charge was £3.8m which was £171k (4.7%) above the budget. This money is paid into the Major Repairs Reserve and can be utilised to finance HRA capital works.

10. Reserves and Provisions (Appendix 4)

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

10.2. The overall position for reserves and provisions is set out in the Statement of Accounts 2017/18, 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 are detailed in table 8 below.

Table 8: Movement in Reserves and Provisions 2017/18

Balance Held	Reserves £000	Provisions £000	Bad Debt Provisions £000	Total Reserves & Provisions £000
As at 31 March 2017 As at 31 March 2018	63,859 69,839	9,815 11,423	11,811 11,344	85,485 92,606
Increase/(Decrease)	**5,980**	**1,608**	**(467)**	**7,121**
Delegated School Balances Movement	(899)	0	0	(899)
Increase/(Decrease) (excluding Delegated School Balances)	**6,879**	**1,608**	**(467)**	**8020**

10.3. In accordance with the financial strategy the Council will be using one off funding to close the funding gap between 2018/19 and 2020/21. This will result in the Financial Strategy Reserve reducing to zero by 2020/21 unless an alternative strategy is followed. Other Earmarked Reserves are expected to fall over the coming years for a number of reasons. It is difficult to project use with any accuracy but balances would not be expected to fall to below £18m in the long term. The estimated future balances on earmarked reserves are as shown in table 9 below:

Table 9: Estimated Future Balances on Earmarked Reserves

£'000	Balance c/f 2017/18	Estimated Closing Balance 2018/19	2019/20	2020/21
Financial Strategy Reserve	24,556	17,423	18,572	0
Other Earmarked Reserves	45,283	36,713	23,781	15,850
Provisions	22,767	22,767	22,767	22,767
Total	**92,606**	**76,903**	**65,120**	**38,617**

Delegated School Balances

10.4. The movement in delegated schools' balances are detailed in table 10.

Table 10: Movement in delegated schools' balances 2017/18

	2016/17 £000	2017/18 £000	Increase/ (Decrease) £000
Schools:			
- Revenue Balances	4,801	4,051	(750)
- Invested Balances	996	919	(77)
- Extended Schools Grant Balance	699	534	(165)
Sub Total within Schools	**6,496**	**5,504**	**(992)**
Purchasing IT equipment	(185)	(129)	56
Carbon efficiency measures	(31)	0	31
Total Delegated School Balances	**(216)**	**(129)**	**87**

10.5. Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion. Of the 116 schools with balances, 104 schools have surplus balances and 12 have deficit balances.

10.6. The Extended Schools Grant allocations for schools were paid over during 2016/17, these balances have been ringfenced to each individual school within School Balances.

10.7. 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 2017/18 £0.129m of the £5.504m was being used in this way.

11. Original and Final Capital Programme for 2017/18

11.1. The capital budget for 2017/18 is subject to change, the largest element being slippage from 2016/17 and re-profiling into future years. In Quarter 4 there has been a net budget increase of £1.472m, compared to the position reported at Quarter 3. Table 11 summarises the overall movement, between that already approved, and changes for Quarter 4 that require approval.

Table 11: Revised Capital Programme Quarter 4 2016/17

Service Area	Agreed Capital Programme - Council 23/02/17	Slippage and budget changes approved to Quarter 3 2017/18	Quarter 4 budget changes to be approved	Revised 2017/18 Capital Programme Quarter 4
General Fund				
Place & Enterprise	38,301,000	(1,123,767)	847,899	38,025,132
Adult Services	2,369,825	2,356,830	133,042	4,859,697
Public Health	500,000	(214,968)	269,283	554,315
Children's Services	9,978,855	(3,976,352)	38,253	6,040,756
Resources & Support	9,256,230	(7,511,492)	-	1,744,738
Total General Fund	**60,405,910**	**(10,469,749)**	**1,288,477**	**51,224,638**
Housing Revenue Account	5,562,467	2,687,398	183,438	8,523,303
Total Approved Budget	**66,058,377**	**(7,782,351)**	**1,471,915**	**59,747,941**

11.2. Full details of all budget changes are provided in Appendix 5 to this report. A summary of the significant changes for 2017/18 and future years are detailed below:

Budget Increases

- Confirmation of final 17/18 Highways Maintenance Funding of £0.618m.
- Confirmation of additional Disabled Facilities Grant funding for 2017/18 of £0.275m.
- Further S106 funding of £0.154m in 2017/18, £0.154m for Shifnal Highways Development Planning.
- Revenue contributions of £0.377m have been added to the capital programme. The major areas are Public Health contribution for digital and scanning equipment and HRA contribution to the HRA Major Repairs programme.

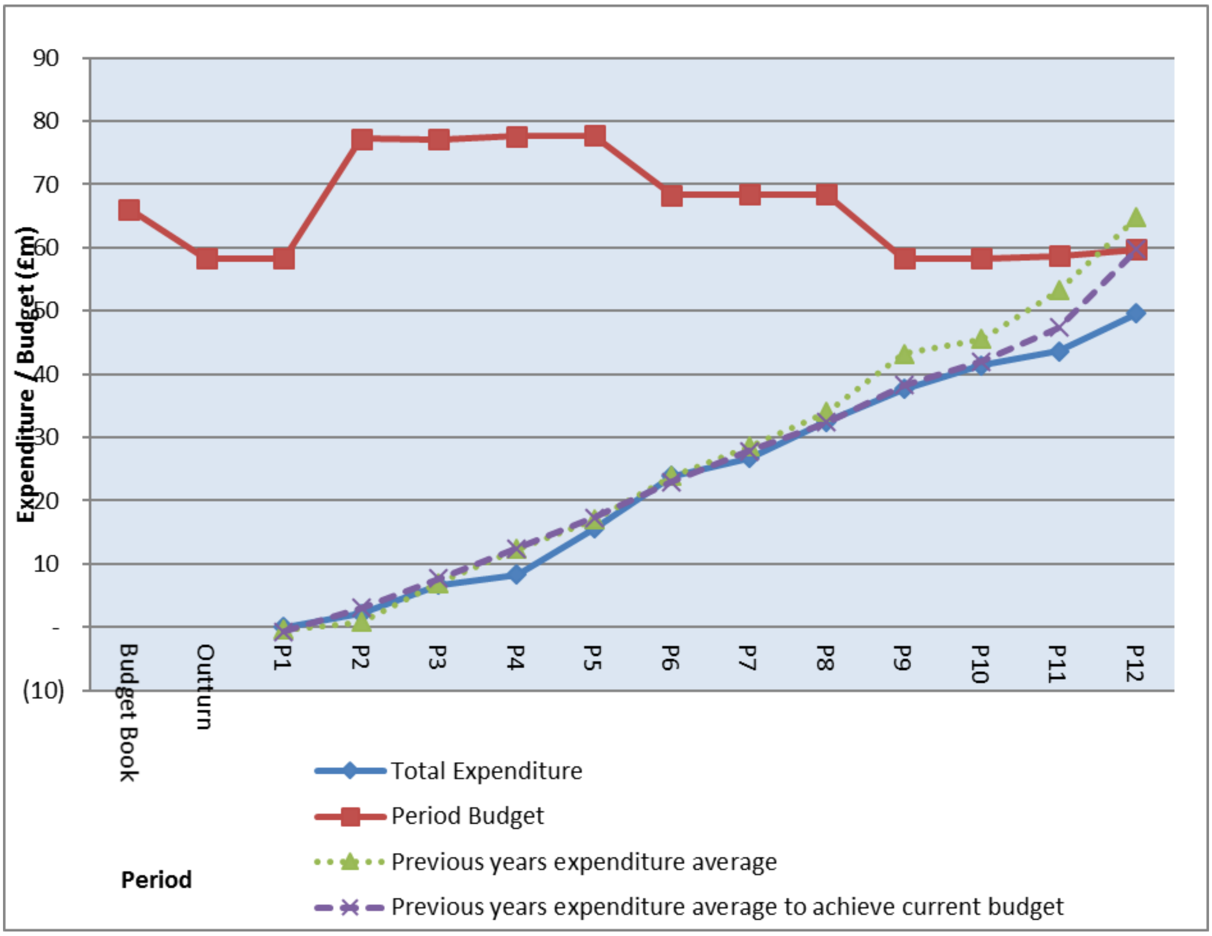
12. Capital Outturn Position

12.1. 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 12 summarises the outturn position for 2017/18.

Table 12: Capital Programme Outturn Position by Service area 2017/18

Service Area	Revised Capital Programme – Outturn 2017/18	Actual Expenditure 29/03/18	Variance	Spend to Budget %
General Fund				
Place & Enterprise	38,025,132	33,666,874	4,358,258	89%
Adult Services	4,859,697	2,004,340	2,855,357	41%
Public Health	554,315	409,523	144,792	74%
Children's Services	6,040,756	5,024,051	1,016,705	83%
Resources & Support	1,744,738	1,645,979	98,759	94%
Total General Fund	**51,224,638**	**42,750,768**	**8,473,870**	**83%**
Housing Revenue Account	8,523,303	6,857,580	1,665,723	80%
Total Approved Budget	**59,747,941**	**49,608,348**	**10,139,594**	**83%**

12.2. Total capital expenditure for 2017/18 was £49.608m, which equated to 83% of the re-profiled capital programme of £59.748m. The graph below shows actual expenditure by period and also tracks the period by period changes to the budget.



12.3. There was a total variance of £10.140m between the revised Outturn Budget and the Outturn Expenditure. All of this underspend will be slipped to 2018/19, to facilitate completion of projects commenced in 2017/18. Full details of expenditure variances at scheme level are in Appendix 5. A summary of significant variances by service area are provided below.

12.4. **Place & Enterprise** – Total under spend against the Place & Enterprise capital programme was £4.358m. The most significant area of underspend was £4.008m against the Broadband programme due to a lower than profiled claims from Contractors in the final the Quarter. There were minor underspends on projects across other areas of Place & Enterprise but with Highways maintenance fully spending to their budget allocation.

12.5. **Adult Services** – Total underspend against Adult Services was £2.855m, all of which is committed to be spent in 2018/19. This was £0.776m on Social Care schemes despite significant re-profiling and £2.079m on Housing Health & Wellbeing.

12.6. **Children's Services** – The total underspend against the Children's Services capital programme was £1.017m. This was spread through-out the different areas of the programme despite significant re-profiling in year.

12.7. **Housing Revenue Account** – Total underspend against the HRA programme of £1.666m, of which £1.476m was on the Major Repairs Programme.

13. Financing of the capital programme

13.1. Appendix 5 provides a full summary of the financing of the 2017/18 capital programme. Table 13 summarises the financing sources and changes made to Quarter 3 and to be approved to Quarter 4.

Table 13: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 23/02/17	Slippage and budget changes approved to Quarter 3 2017/18	Quarter 4 budget changes to be approved	Revised 2017/18 Capital Programme Quarter 4
Self-Financed Prudential Borrowing*	300,000	-	-	300,000
Government Grants	39,314,074	605,066	849,681	40,768,821
Other Grants	-	56,886	4,600	61,486
Other Contributions	382,750	278,205	296,593	957,548
Revenue Contributions to Capital	709,040	3,854,160	(2,246,840)	2,316,360
Major Repairs Allowance	4,833,074	(39,591)	-	4,793,483
Corporate Resources (expectation - Capital Receipts only)	20,519,439	(12,537,077)	2,567,881	10,550,243
Total Confirmed Funding	**66,058,377**	**(7,782,351)**	**1,471,915**	**59,747,941**

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

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

14.1. The updated capital programme is summarised by year and financing in Table 14 below:

Table 14: Capital Programme 2018/19 to 2020/21

Service Area	2018/19	2019/20	2020/21
General Fund			
Place & Enterprise	34,892,764	17,058,017	15,401,000
Adult Services	1,509,968	-	-
Public Health	300,000	-	-
Children's Services	9,195,874	166,667	166,667
Resources & Support	6,060,200	5,000,000	-
Total General Fund	**51,958,806**	**22,224,684**	**15,567,667**
Housing Revenue Account	9,836,075	3,760,950	-
Total Approved Budget	**61,794,881**	**25,985,634**	**15,567,667**
Financing			
Self-Financed Prudential Borrowing*	8,197,000	-	-
Government Grants	32,669,257	20,272,359	15,453,379
Other Grants	2,541	-	-
Other Contributions	304,815	-	-
Revenue Contributions to Capital	3,892,225	-	-
Major Repairs Allowance	4,878,010	3,760,950	-
Corporate Resources (expectation - Capital Receipts only)	11,851,033	1,952,325	114,288
Total Confirmed Funding	**61,794,881**	**25,985,634**	**15,567,667**

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

14.2. The Corporate Resources financing line above is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. Current expectation is these will all be through capital receipts, see section 14 for the current projected position. Proposals are currently been considered through the Capital Investment Board for new schemes for the Council to invest in, with an emphasis on invest to save schemes or schemes that create revenue generation.

15. Capital Receipts Position

15.1. 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 15 below, summarises the current allocated and projected capital receipt position across 2017/18 to 2020/21. 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.

15.2. Capital receipts of £18.370m were brought forward from 2016/17 and £10.436m was generated in 2017/18. As previously reported, following the re-profiling in the capital programme and mid-year review of the programme, sufficient receipts had been generated to finance this year's capital programme without any corporate prudential borrowing. Of the receipts generated in year, £2.843m has been used to finance both redundancy costs and the Digital Transformation Programme under the new flexibilities around the use of Capital Receipts for transformational revenue purposes.

Table 15: Projected capital receipts position

Detail	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Corporate Resources Allocated in Capital Programme	5,106,613	17,867,351	1,952,325	114,288
Capital Receipts used to finance redundancy costs	2,842,544			
To be allocated from Ring Fenced Receipts		11,025,580	2,914,688	-
Total Commitments	**7,949,157**	**28,892,931**	**4,867,013**	**114,288**
Capital Receipts in hand/projected:				
Brought Forward in hand	18,370,400	20,857,133	-	-
Generated 2017/18 YTD	10,435,890		-	-
Projected - 'Green'	-	2,996,205	22,050	-
Total in hand/projected	**28,806,290**	**23,853,338**	**22,050**	
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**(20,857,133)**	**5,039,594**	**4,844,963**	**114,288**
Further Assets Being Considered for Disposal	**-**	**15,354,345**	**520,000**	**-**

15.3. Following the underspend position for the capital programme for 2017/18 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 £20.857m in capital receipts in hand at 31/03/18. These will be set-aside, enabling the Council to achieve an additional MRP saving of £0.485m in 2018/19. These capital receipts are required to finance schemes they are allocated to in the future years capital programme.

15.4. Based on the current approved position, across the life of the programme there is a shortfall in capital receipt projections of £5.040m in 2018/19 and £4.845m in 2019/20 based in receipts rated green in the RAG analysis to fund the required budget in the capital programme. There is, therefore, the requirement to progress the disposals rated amber and red which total £15.874m to ensure they are realised, together with realising the revenue running cost savings from some of the properties. Considerable work is required to realise these receipts, with generally a lead in in time of at least 12 to 18 months on larger disposals. In addition to the current expenditure commitments, the programme will also grow as new schemes are approved through the Capital Investment Board or as the Council utilises the new flexibilities around the use of Capital Receipts for transformational revenue purposes over the 3 year period 2016/17 to 2018/19.

15.5. It is important that work progresses, to avoid a funding shortfall in 2018/19 and future years. Failure to generate the required level of capital receipts will result in the 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.

16. Unsupported borrowing and the revenue consequences

16.1. The Council can choose what level of unsupported (prudential) borrowing to undertake to fund the capital programme, based on affordability under the prudential code. There is an associated revenue cost to fund the cost of the unsupported borrowing. This consists of the Minimum Revenue Provision (MRP) charge for the repayment of the principal amount, based on the asset life method and the interest charge associated with the borrowing. The current PWLB borrowing rate over 25 years is around 2.7% and currently only projected to rise by 0.3% across the next two years. As covered in section 13 above there are sufficient receipts in hand/projected to finance the existing approved programme. If there were to be a requirement for new schemes financed from borrowing, this could be accommodated from within existing borrowing and current cash balances in the short term, without the requirement to undertake new borrowing. This would, however, create an additional MRP cost, which would need to be met from the revenue budget.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Revenue & Capital Budget 2017/18 Financial Rules Financial Monitoring Report – Quarter 1 2017/18 Financial Monitoring Report – Quarter 2 2017/18 Financial Monitoring Report – Quarter 3 2017/18
Cabinet Member (Portfolio Holder) Councillor David Minnery (Finance)
Local Member All
Appendices 1 – Service Area Outturn and Actions 2017/18 2 – Housing Revenue Account 2017/18 3 – Amendments to Original Revenue Budget 2017/18 4 – Reserves and Provisions 2017/18 5 – Capital Budget and Expenditure 2017/18

Appendix 1

Service Area Outturn and Actions 2017/18

Summary

	Full year			RAGBY	FOR INFO ONLY		
	Budget	Controllable Outturn	Controllable Variation		Outturn (incl. Non Controllable items*)	Non Controllable Variation	Total Variation
	£	£	£		£	£	£
Adult Services	92,188,170	91,962,979	(225,191)	B	92,031,748	68,769	(156,422)
Children Services	46,691,490	51,260,311	4,568,821	R	53,044,063	1,783,751	6,352,573
Place & Enterprise	82,948,430	83,853,041	904,611	R	91,762,207	7,909,166	8,813,777
Public Health	5,552,850	4,736,469	(816,381)	Y	4,998,811	262,343	(554,039)
Resources & Support	3,583,950	2,328,211	(1,255,739)	Y	5,093,891	2,765,680	1,509,941
Corporate	(24,891,880)	(28,597,437)	(3,705,557)	Y	(41,470,547)	(12,873,110)	(16,578,667)
Total	206,073,010	205,543,574	(529,436)	Y	205,460,172	(83,402)	(612,838)

*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			RAGY
	Budget	Controllable Outturn	Controllable Variance	
	£	£	£	
Total	92,188,170	91,962,979	(225,191)	**B**

Adult Business Support & Development	**Portfolio Holder Adult Services**	3,098,420	2,419,193	(679,227)	**Y**

Overall underspend of £0.679m due to a number of managed variances across the service which are not sustainable beyond the short-term, but which are not expected to impact on service delivery in 2017/18. A summary of the variances is:

- £0.267m underspend on project cost centres
- £0.172m underspend on Joint Training and Professional Development Unit
- £0.032m underspend on Enable
- £0.208m underspend on Business Support staffing and costs associated with posts, due to delays in appointing to vacant posts.

ADULT SERVICES		Full year			RAGY
		Budget	Controllable Outturn	Controllable Variance	
		£	£	£	
Contracts & Provider	**Portfolio Holder Adult Services**	6,012,110	5,795,878	(216,232)	**B**
Overall underspend of £0.216m due to a number of variances across the service which are not sustainable beyond the short-term, but which are not expected to impact on service delivery in 2017/18. The variances are: • £0.223m underspend projected across all day services due to various in year vacancies and variances in working budgets such as office costs, equipment and furniture replacement etc. • £0.080m underspend relating to the Start team, now managed from within Provider Services • £0.036m overspend relating to Four Rivers Nursing Home, due to higher than budgeted staff costs • £0.069m one-off cost of decanting Kempsfield whilst the site is developed • £0.030m underspend relating to the Crowmoor contract • A further £0.012m overspend relating to other external contracts and providers.					
Social Care Operations	**Portfolio Holder Adult Services**	75,727,400	77,034,628	1,307,228	**R**
An overspend of £1.307m has been incurred within the Social Care Operations section of Adult Services. Expenditure on adult social care purchasing is exceeding the current growth model estimates and work to analyse and understand where the pressures are arising is continuing. This includes the senior management review of new clients entering the system to ensure that decision making processes with adult social care continue to remain robust. There are still concerns about the disinvestment intentions and actions of the Clinical Commissioning Group (CCG), particularly in relation to the Better Care Fund and Continuing Health Care. The variances are: • £1.510m net overspend on purchasing • £0.516m overspend on supported living properties • £0.008m overspend on assistive technology • £0.034m underspend on transport costs • £0.693m underspend on staff team budgets due to delays in appointing to a number of vacancies. £2.110m of the additional iBCF grant has been utilised on new schemes in 2017/18, with a contribution to reserves of the remaining grant (£3.866m) for use in 2018/19 and 2019/20.					
Adult Services Management	**Portfolio Holder Adult Services**	2,772,300	2,598,661	(173,639)	**B**
Overall underspend of £0.174m, largely due to: • £0.060m refund on PFI insurance received relating to the period June 2015 to June 2017. • £0.116m as the result of utilising grant balances which had previously been carried forward between financial years. • £0.042m as a result of writing off general receipt balances held in suspense. • Managed underspends of £0.132m on supplies and services and staff budgets. This is partly offset by a contribution of £0.176m to the bad debt provision for Adult Services.					
Housing Health	**Portfolio Holder Planning, Housing, Regulatory Services and Environment**	4,577,940	4,114,620	(463,320)	**Y**
Overall underspend of £0.463m due to a number of managed variances across the service which are not sustainable beyond the short-term, and which are not expected to impact on service delivery in 2017/18. The variances are: • £0.025m net underspend in the Housing Options team. This is comprised firstly of an underspend of £0.137m on the homelessness team, prevention and choice based lettings, due to vacancies and managed underspends on working budgets as well as additional grants relating to changes in homelessness legislation. The £0.137m underspend has been offset in part by an overspend on temporary accommodation and bed and breakfasts of £0.112m. • £0.093m underspend on supporting people contract budgets. • £0.014m underspend on supplies and services budgets within Private Sector Housing Initiatives. • £0.331m saving as a result of management actions to reduce the Council's previously forecast overspend.					

CHILDRENS SERVICES		Full year			RAGY
		Budget	Controllable Outturn	Controllable Variance	
		£	£	£	
Total		46,691,490	51,260,311	4,568,821	**R**

Learning & Skills	**Portfolio Holder Children and Young People**	19,686,450	21,076,046	1,389,596	**R**

The final outturn position reflects unachieved 2017/18 savings of £0.525m. Originally savings targets totalling £0.338m were assigned to Education Support Service budgets, however the subsequent removal of the general duties part of the Education Services Grant has rendered it impossible to achieve any further savings in these areas as the budgets have either already been removed, or alternatively schools have agreed to maintain the current level of service on a one-off basis for 2017/18 through a top-slicing of their School Budget Shares. This is for a 12 month period while these services review their structures and service offers, or move to a self-sufficient, fully traded model from 2018/19. The remaining £0.188m of unachieved savings are attributable to "Home to school transport" where proposed savings will not be achieved until the 2019/20 financial year at the earliest.

There is also £0.132m of unachieved savings target carried forward from 2016/17 against Education Support Services.

Besides unachieved savings targets, Learning and Skills' overspend results from reductions in Central Government grants. £0.087m relates to the loss of Education Services Grant and a further £0.319m relates to the loss of Dedicated Schools Grant funding. The latter is a direct result of a baselining exercise undertaken by the Department for Education to remove any Dedicated Schools Grant funding that did not meet strict criteria that constitutes a historic spending commitment.

There are also specific ongoing budget pressures in some services that have resulted in overspends including a £0.050m shortfall against the Education Improvement Service's traded income target and a historic budget pressure totalling £0.033m within Learning and Skills Business Support relating to the high-speed schools network. Additionally, there was an overspend of £0.287m in Home to School Transport as a consequence of an increase in the Special Education Needs cohort. A shortfall of £0.028m in Governor Services income has occurred and this is also likely to be an ongoing pressure as the demand for traditional Governor Support Services has started to reduce as some schools have federated under one governing body, while others join multi-academy trusts (MATs). This shortfall in income has been largely managed in year through one-off vacancy management savings.

In terms of one-off pressures, a 2017/18 savings target attributable to the Information, Advice and Guidance Service will be achieved fully through a major reduction in the size of this team. A difficult decision was made to cease the trading arm of this service with schools, with the Council's net budget reduced to a level sustainable to deliver only the core statutory duties of this team. Due to slippage in the implementation date of the service restructure the savings target was only partly achieved in 2017/18 resulting in a one-off monitoring pressure of £0.192m. An additional overspend of £0.063m was incurred against the Schools' redundancy pot where the cost of redundancies and related pension strain costs have exceeded the budget. These pension strain costs account for the main movement in reported position since quarter 3. The increase in pension strain costs accounts for a £0.147m increase since quarter 3 compared to the £0.120m overall increase in overspend from £1.270m to £1.390m.

The cost pressures above have been partially offset by underspends including an ongoing value of £0.140m in Education Improvement Service on staffing as the service has held posts vacant in year in anticipation of a staffing restructure in 2018/19. Furthermore, a decision has been made to draw down a one-off contribution from reserves of £0.135m. There were some additional in-year one-off savings on supplies and services and vacancy management totalling £0.049m across a number of school support services.

Children's Safeguarding	**Portfolio Holder Children and Young People**	26,591,810	29,770,426	3,178,616	**R**

Unachieved 2017/18 savings targets account for £0.667m of the £3.179m projected overspend. £0.120m of the £0.667m relates to Short Breaks commissioning, where the contracts originally targeted with savings have been

CHILDRENS SERVICES		Full year			RAGY
		Budget	Controllable Outturn	Controllable Variance	
		£	£	£	
Total		46,691,490	51,260,311	4,568,821	R
renewed achieving better service outcomes and greater value for money but with no reduction in contract value due to increased demand in the service. The remaining £0.547m relates to the Early Help service area where only £0.443m of a total savings target of £1.000m has been achieved; this being through a staff restructure and reduced premises and contract costs. An Early Help Family Hubs report was approved by Cabinet on 17th January proposing to consult formally with the public, key stakeholders and staff on a new delivery model for Early Help Services. The proposed delivery model will deliver the outstanding savings in Early Help by March 2019. There is a projected overspend of £1.616m on external residential care and all foster care placements. The service is satisfied that the children and young people coming into the care of Shropshire Council in this financial year are children that need to be in the care system. The service has experienced an increase in the breakdown of some fostering placements, meaning children are leaving placements with Shropshire foster carers to be placed in higher cost residential placements. This breakdown of fostering placements is a result of the increasing complexity of Shropshire's looked after children. 10 children have moved from foster to residential placements in year. The average weekly increase of these placement moves are £2,770 per week, which has resulted in a total additional cost in year of £0.881m. There is a continued drive to reduce higher cost residential placements for children where it is appropriate and this will have a positive impact on the budget. It is notable that this is a volatile area where costs can change significantly in year. In addition to the above there is a new ongoing pressure of £0.456m relating to Unaccompanied Asylum Seeking Children (UASC). Central Government funds a proportion of these costs through a weekly value based on the child's age. Previously the Council has managed to fund these costs within the grant funding available but due to some complex safeguarding needs and high flight risks there has been a need to place some children in high cost placements that are not fully funded, placing a pressure on the service. There are 3 UASC currently in high cost residential placements which will mean an on-going cost pressure to the service in 2018/2019 however plans are in hand to reduce the cost of the high cost placements. In order to try to reduce the ongoing pressure on Children's Safeguarding in the medium to long term, officers are exploring options to reduce placement costs through a range of measures such as increasing the cohort of internal foster carers. A review of Early Help provision is also underway, as described above. There is an on-going budget pressure of £0.455m caused by agency staffing costs in the social work teams. This pressure continues to reduce year on year through managing recruitment effectively. However, this is volatile in year as the need to ensure that children who are looked after, on a Child Protection Plan or in need of a plan are adequately supported in line with statutory timescales and this will dictate that any sickness, maternity or temporary vacancy must be covered in the interim through agency staff. There is also a heavy reliance on agency social workers due to challenges in recruiting to vacant posts. Historically, there has been no budget assigned to cover the need for agency staff. There is also an ongoing pressure of £0.079m due to the introduction of a new service manager post which was temporarily covered by an agency worker. Finally, there are some smaller in year one-off savings on contracts and vacancy management, offset by one-off in year monitoring pressures, which net to an in year saving of £0.094m.					
Children's Services Management	**Portfolio Holder Children and Young People**	413,230	413,839	609	G
Minor variation from budget at Outturn.					

PLACE & ENTERPRISE	Full year			RAGY
	Budget	Controllable Outturn	Controllable Variance	

		£	£	£	
Total		**82,948,430**	**83,853,041**	**904,611**	**R**

Director of Place & Enterprise	**Portfolio Holder Leisure and Culture**	665,630	678,457	12,827	**G**
Minor variation from budget at Outturn.					
Director of Place & Enterprise Total		**665,630**	**678,457**	**12,827**	

Head of Business Enterprise & Commercial Services	**Portfolio Holder Corporate Support**	185,530	208,731	23,201	**G**
Minor variation from budget at Outturn.					
Strategic Asset Management	**Portfolio Holder Corporate Support**	487,130	35,782	(454,738)	**Y**
The main reason for the overall underspend of (£0.455m) is due to shopping centre related income, which was unbudgeted. £465k of estimated income was reported to Cabinet however, the final position now reports that the net distribution will be £340k in relation to the 17/18 financial year. In addition to this, vacancy management within the service area generated an underspend of (£0.113m) and savings in controllable budgets totalled (£0.017m). These in-year underspends offset redundancy costs of £0.106m and an income shortfall of £0.036m.					
Corporate Landlord	**Portfolio Holder Corporate Support**	1,968,930	2,428,229	459,299	**R**
Of the £0.459m total overspend within Corporate Landlord, £0.370m is attributable to an unachieved saving regarding accommodation income in relation to Chester University's occupation of Guildhall. A number of conflicting pressures and savings make up the remainder of the overspend. There was a £0.283m overspend on repairs and maintenance, owing to the amount of essential works required across the estate. A more structured plan has been introduced in 2018/19 to establish the priority works and manage the budget accordingly to reduce the overspend. Budget pressures from rates due to revaluations totalled £0.268m, however backdated rates refunds were obtained totalling (£0.647m). There was a budget shortfall on Mardol House of £0.185m, primarily due to a shortage of student numbers resulting in a lack of rental income. A historic pressure on the Wide Area Network bill charges contributed an overspend of £0.151m, and overspends on cleaning budgets and supplies and services totalled £0.061m and £0.047m respectively. Income collection through rents and service charges totalled (£0.190m) owing to a number of backdated rental agreements being billed for. Further underspends were identified on utilities charges to the amount of (£0.093m). A £0.305m contribution from the R&M reserve was made to fund essential works that took place during the year.					
Enterprise Initiatives	**Portfolio Holder Economic Growth**	(7,390)	1,318	8,708	**G**
Minor variation from budget at Outturn.					
Premises Services	**Portfolio Holder Corporate Support**	97,720	533,848	436,128	**R**
PSG suffered a reduced level of income in 2017/18 which created a pressure of £0.384m. Circumstances contributing to the lack of income include reduced capital expenditure council-wide resulting in less fees, revenue spending freezes on all non-essential works, and changes in the internal recharging model within Corporate Landlord and PSG. Staffing budgets within the team created a further over-spend of £0.061m.					
Shire Services	**Portfolio Holder Corporate Support**	537,210	537,210	0	**G**
No variation from budget at Outturn.					
Theatre Services	**Portfolio Holder Leisure, Libraries and Culture**	262,550	76,634	(185,916)	**B**
The Theatre continues to maximise income from admissions and other sources and reduce operating costs resulting in a reduction in the overall net cost.					
One Public Estate	**Portfolio Holder Corporate Support**	530	530	0	**G**

No variation from budget at Outturn.					
Business Enterprise & Commercial Services Total		**3,532,210**	**3,693,575**	**161,365**	**A**

Commissioning Support	**Portfolio Holder Corporate Support**	50	(139,648)	(139,698)	**B**
The team held a number of posts vacant throughout the year and as such produced a saving on staffing budgets of (£0.110m) in addition to savings on supplies & services budgets of (£0.030m).					
Commissioning Support Total		**50**	**(139,648)**	**(139,698)**	

Procurement & Contracts	**Portfolio Holder Corporate Support**	180,680	141,993	(36,687)	**G**
Savings within staffing budgets totalled (£0.033m) in addition to savings on supplies and services budgets of (£0.06m).					
Procurement & Contracts Total		**180,680**	**141,993**	**(36,687)**	

Head of Economic Development	**Portfolio Holder for Business and Economy**	122,400	121,735	(665)	**G**
Minor variation from budget at Outturn.					
Development Management	**Portfolio Holder Planning, Housing, Regulatory Services and Environment**	905,070	1,116,127	211,057	**A**
Planning application fees are set nationally by Central Government. In 2017/18 a fee increase was anticipated early in the year, however delays in the Parliamentary process meant that there was a delay in fee increases. In other areas, there is evidence of a slow-down in the housing sales market, with a drop in the number of searches being requested, and finally, there have been issues around recruiting to a number of key posts within the service, resulting in high cost agency staff being required to maintain service delivery.					
Economic Growth	**Portfolio Holder for Business and Economy**	839,870	811,676	(28,194)	**G**
A new structure has been implemented for this service area. The budget was set to enable the restructure to take place, however there have been a number of vacancies during the recruitment process leading to a small underspend.					
Broadband	**Portfolio Holder for Business and Economy**	162,380	165,050	2,670	**G**
Minor variation from budget at Outturn.					
Planning Policy	**Portfolio Holder Planning, Housing, Regulatory Services and Environment**	498,150	477,649	(20,501)	**G**
Minor variation from budget at Outturn.					
Economic Development Total		**2,527,870**	**2,692,237**	**164,237**	**A**

Head of Infrastructure & Communities	**Portfolio Holder Highways and Transportation**	183,210	181,483	(1,727)	**G**
Minor variation from budget at Outturn.					
Arts	**Portfolio Holder Leisure and Culture**	90,430	86,853	(3,578)	**G**
Minor variation from budget at Outturn.					
Community Working	**Portfolio Holder for Rural Services and Communities**	787,420	772,905	(14,515)	**G**

Minor variation from budget at Outturn.					
Environmental Maintenance	**Portfolio Holder Highways and Transportation**	27,769,970	29,069,072	1,299,102	**R**
There were a number of areas of additional expenditure as managers responded to urgent safety related works whilst attempting to reschedule programmed maintenance to mitigate the unforeseen expenditure as far as possible (the service redesign and severe winter has identified increased expenditure on a higher number of defects that the Council has a duty to fix). In addition we have experienced a particularly difficult winter period which has led to variances across Winter Maintenance, some of which have been covered by a draw from the severe weather reserve.					
Highways & Transport	**Portfolio Holder Highways and Transportation**	2,841,260	3,222,028	380,768	**R**
There are a number of significant variations within H&T: £0.304m relates to an assumed saving from a Grey Fleet scheme (staff mileage and vehicles) which was not achieved, but is undergoing trials and assessment; ongoing budget pressures of £0.226m for subsidies to bus operators for current routes; additional costs of £0.412m for concessionary fares (a Central Government initiative with uncontrollable demand) and a significant increase in the numbers and amounts of Highways Part 1 claims (compensation claims resulting from changes to the highway network) of £0.118m. These variances are to some extent mitigated by additional income within the Streetworks team of (£0.619m) and in-year savings in the Structures team (£0.079m) resulting from a part-year spending freeze leading to fewer design commissions.					
Outdoor Partnerships	**Portfolio Holder Leisure and Culture**	1,340,230	1,284,032	(56,198)	**G**
Savings resulting from the spending freeze implemented earlier on in the financial year.					
Leisure	**Portfolio Holder Leisure and Culture**	3,446,980	3,530,914	83,934	**G**
Variance caused by staffing overspends and income shortfalls at our in-house leisure facilities, one-off repairs and maintenance works required, and the extension of support provided to an outsourced leisure facility.					
Libraries	**Portfolio Holder Leisure and Culture**	3,827,900	3,811,326	(16,574)	**G**
Minor variation from budget at Outturn.					
Locality Commissioning	**Portfolio Holder for Rural Services and Communities**	471,330	447,342	(23,988)	**G**
Minor variation from budget at Outturn.					
Passenger Transport	**Portfolio Holder Highways and Transportation**	518,350	182,480	(335,870)	**Y**
During 2017/18 there has been a restructure and review of systems within the team. As part of that process a number of charges to external clients relating to previous years was identified (£0.226m), in addition there have been significant reductions in lease hire costs.					
Visitor Economy	**Portfolio Holder Leisure and Culture**	1,655,060	1,672,813	17,753	**G**
Minor variation from budget at Outturn.					
Waste	**Portfolio Holder Planning, Housing, Regulatory Services and Environment**	33,040,300	32,303,793	(736,507)	**Y**
The overall underspend is due to the final agreement of the 2015/16 annual reconciliation at £0.650m; an overachievement of £0.204m, revision of the estimate for 2017/18 resulting in an overachievement of £0.107m and a small overachievement of £0.008m on the 2016/17 reconciliation. Furthermore, an underspend of £0.268m was realised in relation to landfill tax and gate fee expenditure due to rebasing of the contract for actual tonnages. Further underspends have been identified: £0.056m in relation to vacancy management, a decrease in the bad debt provision £0.025m and net underspends of £0.069m across various supplies and services budgets primarily in relation to ancillary charges, pass through payments, performance deductions and unavailability and overachievement of income.					

Culture & Heritage Manager	**Portfolio Holder Economic Growth**	69,550	96,068	26,518	**G**
One-off contribution to provide support to community centre.					
Infrastructure & Communities Total		**76,041,990**	**76,661,109**	**619,119**	**R**

PUBLIC HEALTH	**Full year**			**RAGY**
	Budget	Controllable Outturn	Controllable Variance	
	£	£	£	
Total	**5,552,850**	**4,736,468**	**(816,381)**	**Y**

Coroners & Bereavement	**Portfolio Holder Health & Wellbeing**	213,680	141,962	(71,718)	**G**
Overall underspend of £0.072m due to a number of small and managed variances across the service which are not sustainable beyond the short-term, but which are not expected to impact on service delivery in 2017/18. The underspend is made up of: • £0.076m one-off saving in Coroners due to lower than expected fees and costs. Fees and costs are dependent on the number of coroners' cases. • An overspend of £0.004m in Bereavement Services due to a number of small variances on supplies & services budgets.					
Multi Agency	**Portfolio Holder Health & Wellbeing**	971,490	918,886	(52,604)	**G**
Overall underspend of £0.053m due to a number of variances across the service which are not sustainable beyond the short-term, but which are not expected to impact on service delivery in 2017/18. The major variances are: • £0.007m underspend on the LINks service* • £0.042m underspend on Targeted Mental Health in Schools and Healthy Child Development Programme • £0.014m underspend in Emergency Planning • £0.011m overspend in Community Safety, £0.048m as a result of unachieved savings for 2017/18, which is offset by one-off recovery of contracted costs. The service is looking at ways of claiming funding towards the cost of management posts and other delivery models in order to try to achieve the required savings from 2018/19. *This is the Healthwatch service which aims to give patients, services users, carers and the wider pubic a say in the way that health and social care services are run.					
Public Health	**Portfolio Holder Health & Wellbeing**	92,700	92,700	0	**G**
The ring fenced element of Public Health has achieved all required savings as per the Financial Strategy, as well as savings achieved in order to deal with the reduction in ring fenced grant. £0.146m was drawn down from the Public Health reserve to support the ring fenced services on a one-off basis within 2017/18. Public Health is working on a number of savings initiatives in order to bring the overall cost of the ring fenced services down to within available funds in future years.					
Public Protection	**Portfolio Holder Health & Wellbeing**	4,070,030	3,463,639	(606,391)	**Y**
Overall underspend of £0.606m due to a number of variances across the service which are not sustainable beyond the short-term. The underspend is made up of: • £0.289m underspend in Regulatory Services • £0.317m underspend in Trading Standards and Licensing The underspend is due to a combination of slippage on recruitment, leading to significant in-year vacancy management savings, underspends on supplies and services budgets such as equipment purchase and equipment maintenance, and increased income in trading standards, licensing and health protection.					
Registrars	**Portfolio Holder Health & Wellbeing**	204,950	119,282	(85,668)	**G**
Overall underspend of £0.086m, which is largely the result of higher than expected income from sources such as registration fees and advanced ceremony bookings, as well as in-year savings made on supplies and services budgets.					

RESOURCES & SUPPORT		**Full year**			**RAGY**
		Budget	Controllable Outturn	Controllable Variance	
		£	£	£	
Total		**3,583,950**	**2,328,211**	**(1,255,739)**	**Y**
Customer Involvement	**Portfolio Holder Corporate Support**	498,860	324,138	(174,722)	**B**
The identified budgets pressures within Customer Involvement we able to be managed at year end from a variety of different sources resulting in an underspent position at year-end of (£0.178m). The identified budget pressures relating to corporate licensing, and support and maintenance contracts was reduced to £0.299m as a result of some contracts not being renewed and others costing less due to renegotiation. The outstanding historic savings targets of £0.120m relating to Lync telephony systems, £0.041m for the MFD fleet, £0.223m for the redesign of Customer Access, and £0.057m relating to Credit Union were largely offset at year end by the achievement of additional income being secured within IT Services (£0.353m). This was generated by additional trading with schools for IT services (£0.072m), and (£0.281m) from a combination of the ceasing of some telephony contracts relating to legacy systems which have been decommissioned, and income generation relating to additional mobile kit provision. The in year savings of (£0.187m) identified relating to staffing efficiencies and contract management were delivered as planned, and an additional (£0.124m) was secured from the completion of the service restructure within Customer Access. Additional savings were identified at year end relating to reduced MRP expenditure in year (£0.250m).					
Finance, Governance & Assurance	**Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan**	1,614,500	1,799,438	184,938	**A**
Corporate Finance has out turned £0.185m over budget, the area's largest overspend is £0.281m within revenues and housing benefits. This was due to a savings target of £0.218m not being met and collection of benefits overpayments reducing £0.198m, partially being offset by increased grant income (£0.127m) and savings on staffing costs (£0.017m). Finance also reports an overspend, of £0.012m, one-off software costs related to the implementation of the new ERP totalled £0.136m over budget. This unbudgeted expenditure has been most offset through savings in staff costs (£0.106m) and in controllable budgets (£0.018m). Areas that underspent include Audit & Consultancy (£0.062m) and Treasury & Exchequer (£0.045m). The underspend within Audit can be attributed to staffing savings of £0.044m, increased income of £0.010m and savings on controllable budgets totalling £0.008m. Within Treasury, staffing savings total £0.007m and savings on controllable budgets total £0.044m to offset an income shortfall of £0.009m. Small variances within service areas include Pension Services reporting £0.007m over budget, Corporate Head of Finance reporting (£0.008m) under budget.					
Human Resources & Development	**Portfolio Holder Corporate Support**	140,230	(286,791)	(472,021)	**Y**
The efficiencies within Human Resources and Communications teams relating to in year vacancy management delivered the expected savings of (£0.101m). The identified pressure relating to the reduced income for the Communications team of £0.055m was offset at year end by additional income received within the Business Design team and Occupation Health services of (£0.047m). Funding was secured in year from the Digital Transformation Programme to cover costs incurred of (£0.110m), and corporate funding was secured to cover the costs of (£0.058m) for the Senior Leaders and Future Leaders programmes. The spending freeze delivered in year savings of (£0.052m), and additional income was received above that projected by (£0.092m) across Healthy and Safety, Payroll, and HR Advice services.					

RESOURCES & SUPPORT	Full year			RAGY
	Budget	Controllable Outturn	Controllable Variance	
	£	£	£	
Total	**3,583,950**	**2,328,211**	**(1,255,739)**	**Y**

Legal, Democratic & Strategy	**Portfolio Holder Corporate Support**	1,275,610	673,754	(601,856)	**Y**
The underspend at year end within Legal and Democratic services was delivered as projected. Savings from planned vacancy management across Committee Services and Legal Services totalled (£0.079m), and additional income generation was secured from the provision of election services to another local authority (£0.025m), and Section 106 agreement (£0.054m). The final spend to deliver the Council elections lead to an overall underspend of (£0.339m). The spending freeze delivered savings of (£0.054m), and efficiencies on supplies and services within both Committee Services and Member Services delivered an additional (£0.105m). Legal disbursement relating to Child Care cases continue to rise, and there was an overspend of £0.025m in 17/18, how these continuing pressures will be managed in the future is currently being reviewed.					
Strategic Management Board	**Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan**	54,750	(182,329)	(237,079)	**B**
The underspend within SMB was delivered from a combination of vacancy management within the Personal Assistant team of (£0.060m), and efficiencies identified for the spend freeze from the release of budgets held for service development and freezing vacant posts of (£0.162m).					

CORPORATE	Full year			RAGY
	Budget	Controllable Outturn	Controllable Variance	
	£	£	£	
Total	**(24,891,880)**	**(28,597,437)**	**(3,705,557)**	**Y**

Corporate Budgets	**Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan**	(24,891,880)	(28,597,437)	(3,705,557)	Y
A planned underspend was identified from an early review of existing budgets of (£0.834m) from budgets held but not fully committed in the 2017/18 financial year. This was made available to resolve on a one-off basis existing pressures in year such as delays in the achievement of savings within other services. At year end the final budgets following year end adjustments confirmed as no longer required in year as a result of the spending freeze totalled (£1.936m), these budgets will be required in future years to fund changes in the national minimum wage, apprentice levy, employer's nation insurance costs. In year pressures were identified of £0.118m relating to the reduced trading surplus from West Mercia Energy, and £0.338 from inflationary pressures within Corporate Budgets. Additional in year pressures of £0.700m occurred regarding the disbursements in relation to the acquisition of the Shrewsbury shopping centres through the purchase of units within three Jersey Property Unit Trusts, and £0.050m for MRP Review consultancy fees. Ongoing reviews throughout the year of corporate budgets identified an additional (£1.048m) as a one-off surplus, generating an underspend in year to offset most of the identified pressures. A reduction in MRP requirements was identified in year of (£0.876m), additional interest received and reductions in interest payable of (£0.770m) from Treasury management activity, alongside savings relating to non-distributable costs of (£0.046m). Finally, additional expenditure of £0.600m has been incurred at year end. This is comprised of £0.448m and					

CORPORATE	**Full year**			**RAGY**
	Budget	Controllable Outturn	Controllable Variance	
	£	£	£	
£0.152m, amounts originally intended to be funded from reserves, however the year end position has enabled these requirements to be funded from revenue.				

Appendix 2

Housing Revenue Account 2017/18

As at March 2018	Original Estimate £	Projected Outturn £	Variance Adverse/ (Favourable) £
Income			
Dwellings Rent	(17,467,840)	(17,521,554)	(53,714)
Garage Rent	(146,070)	(134,570)	11,500
Other Rent	(17,000)	(28,691)	(11,691)
Charges for Services	(427,240)	(495,247)	(68,007)
Total Income	**(18,058,150)**	**(18,180,062)**	**(121,912)**
Expenditure			
ALMO Management Fee	7,703,650	7,703,645	(5)
Supplies and Services	359,870	397,944	38,074
Capital Charges - Dwelling Depreciation	3,656,310	3,826,840	170,530
Capital Charges - Depreciation Other	155,710	166,570	10,860
Interest Paid	2,993,940	2,991,963	(1,977)
Repairs charged to revenue	500,000	484,817	(15,183)
Revenue Financing Capital Expenditure	3,237,610	3,237,610	0
New development feasibility	100,000	49,611	(50,389)
Increase in Bad Debt Provision	50,000	20,000	(30,000)
Corporate & Democratic Core	137,780	168,930	31,150
Total Expenditure	**18,894,870**	**19,047,930**	**153,060**
Net Cost of Services	**836,720**	**867,868**	**31,148**
PWLB Premium amortised			
Interest Received	(23,000)	(61,469)	(38,469)
Net Operating Expenditure	**813,720**	**806,399**	**(7,321)**
Net Cost of Service/(Surplus) for Year	**813,720**	**806,399**	**(7,321)**
HRA Reserve			
B/fwd 1 April	9,031,220	9,031,220	
Surplus/(Deficit) for year	(813,720)	(806,399)	
Carried Forward 31 March	8,217,500	8,224,821	

Earmarked Reserves for the HRA

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2017/18 (£'000)	Income in 2017/18 (£'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.	2,369	(1,849)	3,993	4,514
	Total	**2,369**	**(1,849)**	**3,993**	**4,514**

Appendix 3

Amendments to Original Budget 2017/18

	Total £'000	Adult Services £'000	Children's Services £'000	Place & Enterprise £'000	Public Health £'000	Resources & Support	Corporate £'000
Original Budget as agreed by Council	**206,073**	91,976	47,528	82,733	5,600	3,511	(25,275)
Quarter 1							
National Minimum Wage and National Living wage budget allocation	-	11	2	13	1	3	(30)
Transfer of posts between Business Development & Improvement and Planning	-			73	(73)		
Quarter 2							
Transfer of remaining Education Services Grant as approved Q1	-		(751)				751
Transfer of all Assistive Services budgets to Adults	-	113	(113)				
Allocation of Better Care Fund Monies to Children's Services	-	11	(11)				
Transfer of a property budget to Adult Services	-	20	(20)				
Allocation of Apprenticeship Levy budget to Services	-	55	61	124	25	69	(334)
Quarter 3							
Transfer of START team from Social Care Operations to Contracts & Provider to align with revised management structure. Overall impact on Adults Services budget is nil.	**(936)** **936**	(936) 936					
Transfer of budget for outsourced Day Services from Contracts &Provider to Social Care Operations. Overall impact on Adults Services budget is nil.	**(206)** **206**	(206) 206					
Transfer of budget from Learning & Skills to Corporate Landlord for WT Centre			(4)	4			
Quarter 4							
Reallocation of Apprenticeship Levy budget to reflect actual cost.	-	2	1			1	(4)
Revised Budget	**206,073**	**92,186**	**46,693**	**82,947**	**5,553**	**3,584**	**(24,892)**

Appendix 4

Reserves and Provisions 2017/18

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2017/18 (£'000)	Income in 2017/18 (£'000)	Balance Carried Forward (£'000)
Reserves						
Sums set aside for major schemes, such as capital developments, or to fund major reorganisation						
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. *£6.9m of this fund was released conditionally in 2016/17 and is repayable from capital receipts in the future. £0.6m of redundancies were funded directly from capital receipts in 2017/18 so the figure owing back this reserves from capital receipts is reduced to £6.4m*	0	0	0	0	0
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.	3,889	0	(65)	3,366	7,191
Development Reserve	Required to fund development projects or training that will deliver efficiency savings. *£3.5m of this fund was released conditionally in 2016/17 and is repayable from capital receipts in the future.*	1,740	0	(37)	0	1,703
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	3,342	0	0	211	3,553
University	Required to meet the revenue costs arising from the setup of the university project and student accommodation development.	197	0	0	0	197
		9,168	**0**	**(102)**	**3,577**	**12,644**
Insurance Reserves						
Fire Liability	Required to meet the cost of excesses on all council properties.	2,786	0	0	287	3,072

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2017/18 (£'000)	Income in 2017/18 (£'000)	Balance Carried Forward (£'000)
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,064	0	(4)	32	1,093
		3,850	**0**	**(4)**	**319**	**4,165**
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.	635	0	(56)	122	701
		635	**0**	**(56)**	**155**	**701**
Reserves retained for service departmental use						
Building Control	Required to manage the position regarding building control charges.	76	0	0	89	165
Care Act & IBCF 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. Plus unspent 17/18 IBCF monies required to fund the IBCF programme in future years.	284	0	(5)	3,888	4,168
Economic Development Workshops Major Maintenance	Established to meet the costs of major maintenance of Economic Development Workshops.	160	0	0	20	180
External Fund Reserve	Reserves held where the Council is the administering body for trust funds or partnership working.	489	0	(54)	121	556
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	28,601	0	(5,891)	1,847	24,556
Savings Management - Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	0	0	0	5,625	5,625
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	517	0	(503)	0	14

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2017/18 (£'000)	Income in 2017/18 (£'000)	Balance Carried Forward (£'000)
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	4,788	0	(8,675)	7,809	3,922
Public Health Reserve	This reserve includes balances committed to specific public health projects.	1,073	0	(146)	0	927
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	1,461	0	(345)	0	1,116
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.	740	0	(429)	111	422
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2018/19.	1,348	0	(296)	459	1,510
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.	2,155	0	(659)	0	1,496
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	300	0	0	0	300
		41,993	**0**	**(17,004)**	**19,969**	**44,957**
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.	6,280	0	(1,906)	1,002	5,375
Education – Staff Sickness Insurance	Schools' self-help insurance for staff sickness with premiums met from delegated budgets.	0	0	0	2	2
Education – Theft Insurance	Schools' self-help insurance scheme to cover equipment damage and losses.	68	0	0	0	68

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2017/18 (£'000)	Income in 2017/18 (£'000)	Balance Carried Forward (£'000)
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.	1,866	0	0	61	1,927
		8,213	**0**	**(1,907)**	**1,065**	**7,372**

Total Reserves	**63,859**	**0**	**(19,073)**	**25,053**	**69,839**

Provisions						
Provisions - Short Term						
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.	2,488	0	0	120	2,609
Other Provisions - Short Term	Includes a number of small provisions including Environmental Maintenance contract commitments and Shopping Centre rental payments	0	0	(62)	907	845
Provisions - Long Term						
Other Provisions - Long Term	Includes a number of small provisions including S106 Accrued Interest, profit share agreements and Shopping Centre rental payments.	297	0	0	168	465
Liability Insurance	Provision to meet the estimated actuarial valuation of claims for public liability and employers' liability	3,564		(142)	402	3,824
NDR Appeals	Represents the Council's share of the provision held for successful appeals against business rates.	3,324	0	(7,703)	7,914	3,535
Council Tax Bad Debt	Held for potential write offs of Council tax debtor balances.	4,113	0	(115)	606	4,605
NNDR Bad Debt	Held for potential write offs of NNDR debtor balances.	887	0	(374)	425	938

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2017/18 (£'000)	Income in 2017/18 (£'000)	Balance Carried Forward (£'000)
Tenancy Deposit Clawbacks	This represents deposits held for the economic development workshops that may be repaid at some point in the future.	142		(15)	18	145
General Fund Bad Debts	Held for potential write offs of debtor balances for General Fund Services including Housing Benefits.	6,420	0	(1,250)	267	5,437
HRA Bad Debts	Held for potential write offs of debtor balances for Housing Revenue Account rents and other debtor balances.	391		(46)	20	365
Total Provisions		**21,626**	**0**	**(9,707)**	**10,848**	**22,767**

Total Reserves & Provisions	**85,485**	**0**	**(28,780)**	**35,901**	**92,606**

HRA Earmarked Reserves						
Major Repairs Reserve	Required to meet the costs of major repairs to be undertaken on the Council's housing stock.	2,369		(1,849)	3,993	4,514
		2,369	**0**	**(1,849)**	**3,993**	**4,514**

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Appendix 5

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Programme Summary - Quarter 4 2017/18

Scheme Description	Revised Budget Q3 17/18 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 17/18 £	Actual Spend 29/03/18	Spend to Budget Variance £	% Budget Spend	Outturn Projection	Outturn Projection Variance £	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
General Fund													
Place & Enterprise	37,177,233	-	847,899	-	38,025,132	33,666,874	4,358,258	89%	33,666,874	-	34,892,764	17,058,017	15,401,000
Adult Services	4,726,655	-	133,042	-	4,859,697	2,004,340	2,855,357	41%	2,004,340	-	1,509,968	-	-
Public Health	285,032	-	269,283	-	554,315	409,523	144,792	74%	409,523	-	300,000	-	-
Children's Services	6,002,503	-	38,253	-	6,040,756	5,024,051	1,016,705	83%	5,024,051	-	9,195,874	166,667	166,667
Resources & Support	1,744,738	-	-	-	1,744,738	1,645,979	98,759	94%	1,645,979	-	6,060,200	5,000,000	-
Total General Fund	**49,936,161**	**-**	**1,288,477**	**-**	**51,224,638**	**42,750,768**	**8,473,870**	**83%**	**42,750,768**	**-**	**51,958,806**	**22,224,684**	**15,567,667**
Housing Revenue Account	8,339,865	-	183,438	-	8,523,303	6,857,580	1,665,723	80%	6,857,580	-	9,836,075	3,760,950	-
Total Approved Budget	**58,276,026**	**-**	**1,471,915**	**-**	**59,747,941**	**49,608,348**	**10,139,594**	**83%**	**49,608,348**	**-**	**61,794,881**	**25,985,634**	**15,567,667**

Potfolio Holder	Revised Budget Q3 17/18 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 17/18 £	Actual Spend 29/03/18	Spend to Budget Variance £	% Budget Spend	Outturn Projection	Outturn Projection Variance £	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
General Fund													
Culture & Leisure - Lezley Picton	574,660	-	60,981	-	635,641	483,682	151,959	76%	483,682	-	55,307	-	-
Communities - Joyce Barrow	60,114	-	(10,911)	-	49,203	23,839	25,364	48%	23,839	-	330,858	-	-
Planning & Regulation - Robert Macey	867,313	-	-	-	867,313	728,587	138,726	84%	728,587	-	1,550,921	-	-
Highways & Transport - Steve Davenport	26,010,165	-	793,275	-	26,803,440	26,478,118	325,322	99%	26,478,118	-	15,680,526	12,550,017	14,901,000
Economic Growth - Nicholas Laurens	9,655,675	-	-	-	9,655,675	5,938,788	3,716,887	62%	5,938,788	-	17,275,152	4,508,000	500,000
Deputy Leader, Coporate Support - Steve Charmley	1,744,738	-	-	-	1,744,738	1,645,979	98,759	94%	1,645,979	-	6,060,200	5,000,000	-
Finance - David Minnery	9,306	-	-	-	9,306	9,306	0	100%	9,306	-	-	-	-
Health & Adult Social Care - Lee Chapman	5,011,687	-	402,325	-	5,414,012	2,413,863	3,000,149	45%	2,413,863	-	1,809,968	-	-
Children's Services & Education - Nicholas Bardsley	6,002,503	-	42,807	-	6,045,310	5,028,605	1,016,705	83%	5,028,605	-	9,195,874	166,667	166,667
Total General Fund	**49,936,161**	**-**	**1,288,477**	**-**	**51,224,638**	**42,750,768**	**8,473,870**	**83%**	**42,750,768**	**-**	**51,958,806**	**22,224,684**	**15,567,667**
Housing Revenue Account - Lee Chapman	8,339,865	-	183,438	-	8,523,303	6,857,580	1,665,723	80%	6,857,580	-	9,836,075	3,760,950	-
Total Approved Budget	**58,276,026**	**-**	**1,471,915**	**-**	**59,747,941**	**49,608,348**	**10,139,594**	**83%**	**49,608,348**	**-**	**61,794,881**	**25,985,634**	**15,567,667**
					-	-	-	-	-		-	-	

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 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
Place & Enterprise																						
Infrastructure & Communities																						
Leisure																						
Sports Equipment Phase 2	KCL01	Lezley Picton	P Davis	300,000	-	300,000		300,000		-	-	-	300,000	274,239	25,761	25,761	0.00	Green	Green	-	-	
Total						**300,000**	-	**300,000**	-	-	-	-	**300,000**	**274,239**	**25,761**	**25,761**	**0.00**			-	-	-
Libraries																						
Much Wenlock Library Refurbishment	KCR02	Lezley Picton	R Parslow	33,874	-	25,000		25,000		-	8,874	-	33,874	33,874	-0	0	-0.34	Green	Green			
Total						**25,000**	-	**25,000**	-	-	**8,874**	-	**33,874**	**33,874**	**-0**	**0**	**-0.34**			-	-	-
Local Commissioning																						
Whitchurch Civic Centre	KST48	Joyce Barrow	N Willcox	846,386	826,831	30,466		30,466		-	(10,911)	-	19,555	19,555	-0	0	-0.08	Green	Green	-	-	
Total						**30,466**	-	**30,466**	-	-	**(10,911)**	-	**19,555**	**19,555**	**-0**	**0**	**-0.08**			-	-	-
Waste Management																						
In Vessel Composting Facility	K6WM0	Robert Macey	P Beard	325,000	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	325,000	-	
Total						-	-	-	-	-	-	-	-	**0**	**0**	**0**	**0.00**			**325,000**	-	-
Highways & Transport - LTP																						
Structural Maintenance of Bridges & Structures																						
Bridgeguard - Unallocated	KBG01	Steve Davenport	T Sneddon	Ongoing	-	36,856		36,856		(12,031)	-	-	24,825	7,029	17,796	0				1,500,000	-	
Bridgeguard - Consultancy Fees	KBG03	Steve Davenport	T Sneddon	883,698	408,698	475,000		475,000		-	-	-	475,000	422,088	52,912	0				-	-	
Bridgeguard - Hadnall Culvert	KBG05	Steve Davenport	T Sneddon	232,204	87,204	145,000		145,000		-	-	-	145,000	115,341	29,659	0				-	-	
Bridgeguard - Snailbeach Retaining Wall	KBG07	Steve Davenport	T Sneddon	5,703	2,385	3,318		3,318		-	-	-	3,318	3,318	-0	0				-	-	
Bridgeguard - Corve Footbridge	KBG21	Steve Davenport	T Sneddon	-	-					-	-	-	-	9,793	-9,793	0						
Bridgeguard - Boreton Road Bridge	KBG28	Steve Davenport	T Sneddon	-	-			-		-	-	-	-	400	-400	0				-	-	
Bridgeguard - Eaton No3 Bridge	KBG32	Steve Davenport	T Sneddon	-	-									2,355	-2,355	0				-	-	
Bridgeguard - Sandyford Bridge	KBG33	Steve Davenport	T Sneddon	132,294	345	131,949		131,949		-	-	-	131,949	127,159	4,790	0				-	-	
RoW - Morville No 1 Footbridge	KBG39	Steve Davenport	T Sneddon	52,055	5,410	46,645		46,645		-	-	-	46,645	46,645	-0	0				-	-	
Bridgeguard - Brickwalls Canal Bridge	KBG44	Steve Davenport	T Sneddon	-	-	-				-	-	-		-318	318	0						
Bridgeguard - Bridgnorth Bypass	KBG45	Steve Davenport	T Sneddon	2,292,156	18,897	2,273,259		2,273,259		-	-	-	2,273,259	2,284,003	-10,744	0				-	-	
Bridgeguard - Dark Lane Broseley	KBG46	Steve Davenport	T Sneddon	205,457	-	205,457		205,457		-	-	-	205,457	203,807	1,650	0				-	-	
Bridgeguard - Dudlestone School West Bridge	KBG47	Steve Davenport	T Sneddon	-	-	-		-		-	-	-	-	14	-14	0						
Bridgeguard - Winterburn Bridge	KBG49	Steve Davenport	T Sneddon	3,769	-	2,500		2,500		1,269	-	-	3,769	1,269	2,500	0				-	-	
Bridgeguard - Dean Culvert Bridge	KBG50	Steve Davenport	T Sneddon	7,421	-	1,500		1,500		5,921	-	-	7,421	5,920	1,501	0				-	-	
Bridgeguard - Harpswood No 2 Culvert	KBG51	Steve Davenport	T Sneddon	328	-	-		-		328	-	-	328	328	-0	0				-	-	
Bridgeguard - Castlewalk Footbridge Shrewsbury	KBG52	Steve Davenport	T Sneddon	20,000	-	20,000		20,000		-	-	-	20,000	15,068	4,932	0				-	-	
Bridgeguard - Smithy Bridge	KBG59	Steve Davenport	T Sneddon	-	-	-		-		-	-	-	-	257	-257	0						
Bridgeguard - Windmill Lane Canal Bridge	KBG61	Steve Davenport	T Sneddon	100,577	-	100,577		100,577		-	-	-	100,577	101,467	-890	0				-	-	
Bridgeguard - Gasworks Bridge	KBG63	Steve Davenport	T Sneddon	12,000	-	12,000		12,000		-	-	-	12,000	7,764	4,236	0				-	-	
Bridgeguard - Betton Street Footbridge	KBG64	Steve Davenport	T Sneddon	-	-	-		-		-	-	-	-	4,129	-4,129	0				-	-	
Bridgeguard - Inwood Cattle Grid	KBG66	Steve Davenport	T Sneddon	16,088	-	16,088		16,088		-	-	-	16,088	16,192	-104	0				-	-	
Bridgeguard - Ledwyche Bridge	KBG67	Steve Davenport	T Sneddon	15,000	-	15,000		15,000		-	-	-	15,000	16,967	-1,967	0				-	-	
Bridgeguard - Condover Bridge	KBG68	Steve Davenport	T Sneddon	30,000	-	30,000		30,000		-	-	-	30,000	18,392	11,608	0				-	-	
Bridgeguard - Llanyblodwel No 1 Bridge	KBG70	Steve Davenport	T Sneddon	50,000	-	50,000		50,000		-	-	-	50,000	23,559	26,441	0				-	-	
Bridgeguard - Llanymynech Station Bridge	KBG71	Steve Davenport	T Sneddon	25,000	-	25,000		25,000		-	-	-	25,000	300	24,700	0				-	-	
Bridgeguard - Broad Bridge	KBG73	Steve Davenport	T Sneddon	20,000	-	20,000		20,000		-	-	-	20,000	210	19,790	0				-	-	
Bridgeguard - Soulton Bridge	KBG74	Steve Davenport	T Sneddon	20,000	-	20,000		20,000		-	-	-	20,000	0	20,000	0				-	-	
Bridgeguard - B6954 Brockton Bridge	KBG75	Steve Davenport	T Sneddon	328	-	-		-		328	-	-	328	328	-0	0					-	
Bridgeguard - B5742 Westcott No 2 Bridge	KBG77	Steve Davenport	T Sneddon	559	-	-		-		559	-	-	559	559	-0	0					-	
Bridgeguard - B5308 Aylesford Bridge	KBG78	Steve Davenport	T Sneddon	615	-	-		-		615	-	-	615	615	1	0					-	
Bridgeguard - B4387 Rectory Road Bridge	KBG79	Steve Davenport	T Sneddon	1,476	-	-		-		1,476	-	-	1,476	1,476	0	0					-	
Bridgeguard - B6412 Whitcott Evan Bridge	KBG80	Steve Davenport	T Sneddon	449	-	-		-		449	-	-	449	449	-0	0					-	
Bridgeguard - B5733 Malehurst No 1 Bridge	KBG81	Steve Davenport	T Sneddon	328	-	-		-		328	-	-	328	328	-0	0					-	
Bridgeguard - B1707 Maesbury Hall South Bridge	KBG82	Steve Davenport	T Sneddon	430	-	-		-		430	-	-	430	430	0	0					-	
Bridgeguard - B2475 Ellerton East Bridge	KBG83	Steve Davenport	T Sneddon	328	-	-		-		328	-	-	328	328	-0	0					-	
Bridgeguard -	KBG90	Steve Davenport	T Sneddon	-	-	-		-		-	-	-	-	111,698	-111,698	0					-	
Row - Mill Meadow Footbridge	KBG54	Steve Davenport	T Sneddon	69,851	-	69,851		69,851		-	-	-	69,851	69,801	50	0				-	-	
Total						**3,700,000**	-	**3,700,000**	-	-	-	-	**3,700,000**	**3,619,489**	**80,631**	**0**	**0.00**	Green	Green	**1,500,000**	-	-
Structural Maintenance of Roads																						
Structural Maintenance of Principal Roads		Steve Davenport	T Sneddon	Ongoing		2,526,434		2,526,434		-	175,000	-	2,701,434	2,788,125	-86,691	0		Green	Green	-		-
Structural Maintenance of Secondary Roads		Steve Davenport	T Sneddon	Ongoing		7,632,680		7,632,680		-	204,666	-	7,837,346	9,667,221	-1,829,875	0		Green	Green	-		-
Structural Maintenance of all Roads		Steve Davenport	T Sneddon	Ongoing		4,469,494		4,469,494		-	-	-	4,469,494	2,576,757	1,892,737	0		Green	Green	7,953,447	8,275,000	13,275,000
Total						**14,628,608**	-	**14,628,608**	-	-	**379,666**	-	**15,008,274**	**15,032,103**	**-23,829**	**0**	**0.00**			**7,953,447**	**8,275,000**	**13,275,000**
Street Lighting																						
Programme of structural replacement of lighting columns	K6SL1	Steve Davenport	J Hughes	Ongoing		600,000		600,000		(20,000)	-	-	580,000	532,924	47,076	0		Green	Green	690,000	-	
Street Lighting LED Conversions	K6SL2	Steve Davenport	J Hughes	Ongoing		-		-		-	-	-	-	16,005	-16,005	0		Green	Green	100,000	-	
Part Night Lighting	K6SL3	Steve Davenport	J Hughes	Ongoing		-		-		-	-	-	-	2,539	-2,539	0		Green	Green	10,000	-	
Total						**600,000**	-	**600,000**	-	**(20,000)**	-	-	**580,000**	**551,467**	**28,533**	**0**	**0.00**			**800,000**	-	-
Local Transport Plan - Integrated Transport Plan																						
Pedestrian & Cycle Facilities																						
Central																						
ITP Central - Spring Gardens Cyclepath / St Michaels Street	KST09	Steve Davenport	V Merrill	20,927	17,427	3,500		3,500		-	-	-	3,500	603	2,897	0				-	-	
ITP Central - Minor Footpath Improvements	KST19	Steve Davenport	V Merrill	-	-			-						41,928	-41,928	0						
North																						
ITP North - Station Rd Whitchurch Pedestrian Crossing	KTC36	Steve Davenport	V Merrill	15,000	-	15,000		15,000					15,000	9,759	5,241	0						
South																						
ITP South - Pontesbury to Minsterley Cycle Path	KST03	Steve Davenport	V Merrill	-	-	-		-					-	4,541	-4,541	0						
ITP South - Broseley Rd Bridgnorth Pedestrian Improvements	KTC12	Steve Davenport	V Merrill	4,000	-	4,000		4,000		-	-	-	4,000	1,494	2,506	0						
ITP South - B4373 Wenlock Road & Wgate Crossing	KTC13	Steve Davenport	V Merrill	6,000	-	6,000		6,000		-	-	-	6,000	3,569	2,431	0						
ITP South - B4379 Sherrifhales Pedestrian Improvements	KTC15	Steve Davenport	V Merrill	76,801	19,301	57,500		57,500		-	-	-	57,500	126,503	-69,003	0				-	-	
ITP South - A464 Park Street Shifnal Pedestrian Crossing	KTC16	Steve Davenport	V Merrill	74,706	72,268	2,438		2,438		-	-	-	2,438	498	1,940	0				-	-	
ITP South - B4373 Cross Lane, Cantreyn, Footway	KTC23	Steve Davenport	V Merrill	63,760	9,260	54,500		54,500		-	-	-	54,500	0	54,500	0				-	-	
ITP South - Salop Road Bridgnorth Pedestrian Crossing (S106)	KTC29	Steve Davenport	V Merrill	87,096	83,096	4,000		4,000		-	-	-	4,000	-895	4,895	0				-	-	
ITP South - Bromfield Road Ludlow, Pedestrian Crossing	KTC31	Steve Davenport	V Merrill	101,907	96,305	5,602		5,602		-	-	-	5,602	0	5,602	0				-	-	
ITP South - Sandpits Road Ludlow Pedestrian Crossing	KTC35	Steve Davenport	V Merrill	15,000	-	15,000		15,000		-	-	-	15,000	19,356	-4,356	0						
Total						**167,540**	-	**167,540**	-	-	-	-	**167,540**	**207,357**	**-39,817**	**0**	**0.00**	Green	Green	-	-	-
Signal Enhancements																						
Countywide																						

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
ITP Countywide - Future years Signal Scheme Designs	KTS14	Steve Davenport	V Merrill	39,858	39,858	-		-		-	-	-		4,159	-4,159	0				-	-	
Central																						
ITP Central - Whitchurch Rd (Morrisons) Jnctn	KTS01	Steve Davenport	V Merrill	5,000	-	5,000		5,000		-	-	-	5,000	4,881	119	0				-	-	
ITP Central - Shelton/Welshpool Road Signal Enhancement	KTS15	Steve Davenport	V Merrill	22,000	-	22,000		22,000		-	-	-	22,000	14,065	7,935	0				-	-	
ITP Central - Belle Vue/Trinity Street Signals	KTS16	Steve Davenport	V Merrill	8,000	-	8,000		8,000		-	-	-	8,000	7,546	454	0				-	-	
ITP Central - Longden/Coleham Shrewsbury	KTS24	Steve Davenport	V Merrill	-	-	-		-		-	-	-		7,546	-7,546	0				-	-	
North																						
ITP North - A495 Scotland Street Ellesmere	KTS09	Steve Davenport	V Merrill	103,268	101,768	1,500		1,500		-	-	-	1,500	1,457	43	0				-	-	
ITP North - A495 Willow Street Ellesmere Pedestrian Crossing	KTS10	Steve Davenport	V Merrill	41,706	4,706	37,000		37,000		-	-	-	37,000	3,859	33,141	0				-	-	
ITP North - A495 Mereside Ellesmere Pedestrian Crossing	KTS12	Steve Davenport	V Merrill	44,023	42,523	1,500		1,500		-	-	-	1,500	1,457	43	0				-	-	
ITP North - Alexandra Road Market Drayton	KTS17	Steve Davenport	V Merrill	37,000	-	37,000		37,000		-	-	-	37,000	609	36,391	0				-	-	
ITP North - Brownlow Street/ St John Street Whitchurch	KTS18	Steve Davenport	V Merrill	37,000	-	37,000		37,000		-	-	-	37,000	4,120	32,880	0				-	-	
ITP North - Brownlow Street/Deermoss Lane Whitchurch	KTS19	Steve Davenport	V Merrill	37,000	-	37,000		37,000		-	-	-	37,000	3,859	33,141	0				-	-	
ITP North - Frogmore Road Market Drayton	KTS20	Steve Davenport	V Merrill	4,000	-	4,000		4,000		-	-	-	4,000	7,546	-3,546	0				-	-	
ITP North - Beatrice St/Whittington Rd Oswestry	KTS21	Steve Davenport	V Merrill	-	-	-		-		-	-	-		7,546	-7,546	0				-	-	
South																						
ITP South - A41 Cosford junction signal Refurbishmentishment	KTS07	Steve Davenport	V Merrill	472,960	472,960	-		-		-	-	-		0	0	0				-	-	
ITP South - Bull Ring Jctn Refurb Ludlow	KTS08	Steve Davenport	V Merrill	10,812	9,312	1,500		1,500		-	-	-	1,500	1,457	43	0				-	-	
ITP South - A442 Hospital Steet, Bridgnorth - Pedestrian Cross	KTS11	Steve Davenport	V Merrill	78,101	41,101	37,000		37,000		-	-	-	37,000	3,902	33,098	0				-	-	
ITP South - Broadway Shifnal	KTS22	Steve Davenport	V Merrill	-	-			-						7,546	-7,546	0				-	-	
ITP South - Underhill Rd Bridgnorth	KTS23	Steve Davenport	V Merrill	-	-			-						0	0	0				-	-	
Total						228,600	-	228,600	-	-	-	-	228,600	81,657	146,943	0	0.00	Green	Green	-	-	-
Safety/Speed Reductions																						
Countywide																						
ITP Countywide - VAS Replacement Programme	KTR46	Steve Davenport	V Merrill	56,918	56,918	-		-		-	-	-		1,153	-1,153	0				-	-	
Central																						
ITP Central - Featherbed Lane Shres, Traffic Management	KTR32	Steve Davenport	V Merrill	135,920	125,962	9,958		9,958		-	-	-	9,958	1,301	8,657	0				-	-	
ITP Central - Coleham School Safety Scheme	KTR33	Steve Davenport	V Merrill	88,861	80,681	8,180		8,180		-	-	-	8,180	901	7,279	0				-	-	
ITP Central - B4380 Leighton Speed Management	KTR34	Steve Davenport	V Merrill	27,292	10,292	17,000		17,000		-	-	-	17,000	0	17,000	0				-	-	
ITP Central - Priory & Meole Brace Schools Safety Scheme	KTR35	Steve Davenport	V Merrill	122,213	112,198	10,015		10,015		-	-	-	10,015	552	9,463	0				-	-	
ITP Central - Acton Burnell Crossroads	KTR36	Steve Davenport	V Merrill	17,695	9,695	8,000		8,000		-	-	-	8,000	2,626	5,374	0				-	-	
ITP Central - A488 Hanwood Speed Management	KTR37	Steve Davenport	V Merrill	23,038	11,038	12,000		12,000		-	-	-	12,000	0	12,000	0				-	-	
ITP Central - Meadow Farm Drive Speed Management	KTR39	Steve Davenport	V Merrill	37,652	20,652	17,000		17,000		-	-	-	17,000	0	17,000	0				-	-	
ITP Central - B4380 Buildwas Speed Management	KTR41	Steve Davenport	V Merrill	-	-	-		-						2,592	-2,592	0				-	-	
ITP Central - Uffington Speed Management	KTR42	Steve Davenport	V Merrill	-	-	-		-						4,937	-4,937	0				-	-	
ITP Central - B5062 Sundorne Road Medical Centre Junction	KTR43	Steve Davenport	V Merrill	28,177	6,177	22,000		22,000		-	-	-	22,000	8,145	13,855	0				-	-	
ITP Central - Hubert Way Shrews SP Mgmt	KTR44	Steve Davenport	V Merrill	-	-	-		-		-	-	-	-	1,757	-1,757	0				-	-	
ITP Central - A488 Main Road Pontesbury Speed & Safety Imp	KTR55	Steve Davenport	V Merrill	-				-		-	-	-	-	0	0	0				-	-	
ITP Central - New Park Rd Shrewsbury - School Safety	KTR61	Steve Davenport	V Merrill	20,000	-	20,000		20,000		-	-	-	20,000	11,778	8,222	0				-	-	
North																						
ITP North - A525 Broughall Xroads - Nantwich Road	KTR05	Steve Davenport	V Merrill			-							-	3,924	-3,924	0						
ITP North - B5069 Moors Bank St Martins speed reduction	KTR06	Steve Davenport	V Merrill	6,341	5,741	600		600		-	-	-	600	498	102	0				-	-	
ITP North - Prees Lower Heath speed reduction	KTR07	Steve Davenport	V Merrill	1,501	901	600		600		-	-	-	600	3,843	-3,243	0				-	-	
ITP North - B4397 Baschurch speed reduction	KTR08	Steve Davenport	V Merrill	13,231	12,631	600		600		-	-	-	600	-128	728	0				-	-	
ITP North - B4396 Knockin Village speed reduction	KTR09	Steve Davenport	V Merrill	1,272	672	600		600		-	-	-	600	3,632	-3,032	0				-	-	
ITP North - A49 Hadnall to Preston Brock safety	KTR10	Steve Davenport	V Merrill	40,960	37,460	3,500		3,500		-	-	-	3,500	14,803	-11,303	0				-	-	
ITP North - Chirk Road Gobowen speed reduction	KTR11	Steve Davenport	V Merrill	3,932	3,932	-		-		-	-	-	-	498	-498	0				-	-	
ITP North - Soulton Road Wem Speed Reduction	KTR12	Steve Davenport	V Merrill	-	-	-				-	-	-	-	164	-164	0						
ITP North - A49 Prees Higher Heath speed reduction	KTR13	Steve Davenport	V Merrill	29,269	25,769	3,500		3,500		-	-	-	3,500	1,574	1,926	0				-	-	
ITP North - B5063 The Blamer speed reduction	KTR14	Steve Davenport	V Merrill	24,244	20,744	3,500		3,500		-	-	-	3,500	1,420	2,080	0				-	-	
ITP North - A528 Speed Reduction Cockshutt	KTR27	Steve Davenport	V Merrill	45,962	13,962	32,000		32,000		-	-	-	32,000	0	32,000	0				-	-	
ITP North - A529 Hinstock Safety Measures	KTR45	Steve Davenport	V Merrill	2,650	2,650			-						2,746	-2,746	0				-	-	
ITP North - A51 Pipegate To Woore Speed Reduction	KTR54	Steve Davenport	V Merrill	9,496	996	8,500		8,500		-	-	-	8,500	852	7,648	0				-	-	
ITP North - Ellesmere Town Centre 20mph Speed Limit	KTR56	Steve Davenport	V Merrill	6,750	6,750			-						5,006	-5,006	0				-	-	
ITP North - A41 Sandford Speed Reduction	KTR57	Steve Davenport	V Merrill	24,730	7,730	17,000		17,000		-	-	-	17,000	6,566	10,434	0				-	-	
ITP North - Weston Speed Reduction	KTR59	Steve Davenport	V Merrill	12,000	-	12,000		12,000		-	-	-	12,000	8,563	3,437	0				-	-	
ITP North - Myddle Primary School Safety	KTR62	Steve Davenport	V Merrill	16,000	-	16,000		16,000		-	-	-	16,000	10,569	5,431	0				-	-	
ITP North - Ash Parva 30mph Speed Reduction	KTR66	Steve Davenport	V Merrill	5,000	-	1,500		1,500		-	3,500	-	5,000	0	5,000	2,983				-	-	
South																						
ITP South - A442 Norton	KTR15	Steve Davenport	V Merrill	58,928	57,928	1,000		1,000		-	-	-	1,000	-11,104	12,104	0				-	-	
ITP South - A456 Burford Speed Reduction	KTR16	Steve Davenport	V Merrill	85,815	70,815	15,000		15,000		-	-	-	15,000	19,894	-4,894	0				-	-	
ITP South - B4176 Upper Aston Jct	KTR19	Steve Davenport	V Merrill	-	-	-		-		-	-	-	-	7	-7	0						
ITP South - A458 Morville Road Safety Improvements	KTR21	Steve Davenport	V Merrill	7,973	2,973	5,000		5,000		-	-	-	5,000	7,998	-2,998	0				-	-	
ITP South - Hope Valley Speed Reduction	KTR22	Steve Davenport	V Merrill	40,212	13,712	26,500		26,500		-	-	-	26,500	30,083	-3,583	0				-	-	
ITP South - Chorley speed limit	KTR23	Steve Davenport	V Merrill	2,000	-	2,000		2,000		-	-	-	2,000	0	2,000	0				-	-	
ITP South - B4378 Shipton Speed Limit	KTR24	Steve Davenport	V Merrill	1,853	1,853	-		-		-	-	-	-	146	-146	0				-	-	
ITP South - Ironbridge Road Broseley Speed Reduction	KTR25	Steve Davenport	V Merrill	58,310	11,810	46,500		46,500		-	-	-	46,500	607	45,893	0				-	-	
ITP South - A4169 Sheinton Street Much Wenlock	KTR26	Steve Davenport	V Merrill	146,542	145,542	1,000		1,000		-	-	-	1,000	33,172	-32,172	0				-	-	
ITP South - A454 Spoonleygate Crossroads Improvement	KTR29	Steve Davenport	V Merrill	1,000	-	1,000		1,000		-	-	-	1,000	0	1,000	0				-	-	
ITP South - A41 Stanton Road Junction Improvement Tong	KTR30	Steve Davenport	V Merrill	95,134	17,134	78,000		78,000		-	-	-	78,000	28,592	49,408	0				-	-	
ITP South - Coalport Road Traffic Management, Broseley	KTR31	Steve Davenport	V Merrill	104,211	100,412	3,799		3,799		-	-	-	3,799	498	3,301	0				-	-	
ITP South - B4373 Bridgnorth Rd Speed Reduction, Broseley	KTR38	Steve Davenport	V Merrill	70,177	8,677	41,500		41,500		20,000	-	-	61,500	109,079	-47,579	0				-	-	
ITP South - Dark Lane Broseley Road Safety	KTR40	Steve Davenport	V Merrill	85,011	15,011	70,000		70,000		-	-	-	70,000	116,756	-46,756	0				-	-	
ITP South - B4194 Button Oak - Spped Limit Alterations	KTR48	Steve Davenport	V Merrill	64,873	63,873	1,000		1,000		-	-	-	1,000	1,438	-438	0				-	-	
ITP South - A442 VAS	KTR50	Steve Davenport	V Merrill	6,391	5,391	1,000		1,000		-	-	-	1,000	4,101	-3,101	0				-	-	
ITP South - Redstone Drive Highley Road Safety Review	KTR51	Steve Davenport	V Merrill	41,601	10,101	31,500		31,500		-	-	-	31,500	0	31,500	0				-	-	
ITP South - Much Wenlock, Barrow & Broseley Hgv Mgmt	KTR53	Steve Davenport	V Merrill	67,684	16,184	51,500		51,500		-	-	-	51,500	11,520	39,980	0				-	-	
ITP South - Henley Road, Ludlow sign scheme	KST15	Steve Davenport	V Merrill	12,749	7,749	5,000		5,000		-	-	-	5,000	0	5,000	0				-	-	
ITP South - B4176 Royal Oak Speed Mgmt	KTR58	Steve Davenport	V Merrill	10,000	-	10,000		10,000		-	-	-	10,000	20,885	-10,885	0					-	
ITP South - Clun Road Craven Arms Speed Mgmt	KTR60	Steve Davenport	V Merrill	20,000	-	20,000		20,000		-	-	-	20,000	18,782	1,218	0					-	
ITP South - A456 Burford Speed Reduction	KTR63	Steve Davenport	V Merrill	17,000	-	17,000		17,000		-	-	-	17,000	19,634	-2,634	0					-	
ITP South - Tenbury Road Cleobury Mortimer Jct	KTR64	Steve Davenport	V Merrill	25,000	-	25,000		25,000		-	-	-	25,000	9,935	15,065	0					-	
ITP South - Coppice Green Lane (Idsall School) Road Widening	KTR65	Steve Davenport	V Merrill	-	-			-						479,178	-479,178	0						
Total						677,362	-	677,362	-	20,000	3,500	-	700,862	1,001,474	-300,822	2,983	0.00	Green	Green	-	-	-
Traffic Management																						
Central																						
ITP Central - Racecourse Lane, Shrewsbury	KTM03	Steve Davenport	V Merrill	33,025	29,525	3,500		3,500		-	-	-	3,500	2,033	1,467	0				-	-	
ITP Central - Cross Street Bridge, Shrewsbury, Warning Sign	KTM12	Steve Davenport	V Merrill	16,531	3,531	13,000		13,000		-	-	-	13,000	0	13,000	0				-	-	
South																						

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
ITP South - A464 Upton Crossroads Shifnal	KTM09	Steve Davenport	V Merrill	-	-	-				-	-	-	-	29,936	-29,936	0						
ITP South - Albrighton cross road	KTM10	Steve Davenport	V Merrill	3,000	-	3,000		3,000		-	-	-	3,000	0	3,000	0				-	-	
Total						18,500	-	18,500	-	-	-	-	18,500	31,989	-12,489	0	0.00	Green	Green	-	-	-
Parking Infrastructure																						
South																						
ITP South - The Innage Shifnal Parking	KTP01	Steve Davenport	V Merrill	21,880	19,880	2,000		2,000		-	-	-	2,000	0	2,000	0				-	-	
ITP Countywide - Parking Machine Replacement Programme	KTP02	Steve Davenport	V Merrill	125,000	-	125,000		125,000		-	-	-	125,000	123,900	1,100	0					-	
Total						127,000	-	127,000	-	-	-	-	127,000	123,900	3,100	0	0.00	Green	Green	-	-	-
Accident Clusters																						
Countywide Accident Cluster Sites	KTA00	Steve Davenport	V Merrill	51,762	-	70,000		70,000		(18,238)	-	-	51,762	324	51,438	0						
ITP South - A5 Crackley Bank - Marsh Lane Jctn	KTA01	Steve Davenport	V Merrill	31,332	9,332	22,000		22,000		-	-	-	22,000	18,402	3,598	0						
ITP Central - Heathgates Rbout	KTA02	Steve Davenport	V Merrill	18,000	3,000	15,000		15,000		-	-	-	15,000	326	14,674	0						
ITP South - A442 Worfe Bridge	KTA03	Steve Davenport	V Merrill	5,000	-	5,000		5,000		-	-	-	5,000	0	5,000	0						
ITP North - A529 40mph end to Mount Pleasant Crossroads	KTA05	Steve Davenport	V Merrill	25,310	14,310	11,000		11,000		-	-	-	11,000	0	11,000	0						
ITP Central - Column Roundabout	KTA06	Steve Davenport	V Merrill	30,686	8,686	22,000		22,000		-	-	-	22,000	6,420	15,580	0						
ITP Central - Smithfield Road	KTA07	Steve Davenport	V Merrill	17,306	8,306	9,000		9,000		-	-	-	9,000	2,081	6,919	0						
ITP South - A41 Tong	KTA10	Steve Davenport	V Merrill	2,026	-	-		-		2,026	-	-	2,026	2,026	-0	0						
ITP North - A525 Woore	KTA11	Steve Davenport	V Merrill	2,026	-	-		-		2,026	-	-	2,026	2,026	-0	0						
ITP Central - A5112 Telford Way	KTA12	Steve Davenport	V Merrill	2,026	-	-		-		2,026	-	-	2,026	2,026	-0	0						
ITP Central - Ditherington Road	KTA13	Steve Davenport	V Merrill	2,026	-	-		-		2,026	-	-	2,026	2,026	-0	0						
ITP South - A442 Brockton, Sutton Maddock	KTA14	Steve Davenport	V Merrill	2,026	-	-		-		2,026	-	-	2,026	2,026	-0	0						
ITP South - Shrewsbury Road, Much Wenlock	KTA15	Steve Davenport	V Merrill	2,027	-	-		-		2,027	-	-	2,027	2,026	1	0						
ITP South - A442 Cann Hall Road	KTA16	Steve Davenport	V Merrill	2,027	-	-		-		2,027	-	-	2,027	2,026	1	0						
ITP South - A458 Wootton Crossroads	KTA17	Steve Davenport	V Merrill	2,027	-	-		-		2,027	-	-	2,027	2,026	1	0						
ITP South - B4363 Wolverhampton Road, Bridgnorth	KTA18	Steve Davenport	V Merrill	2,027	-	-		-		2,027	-	-	2,027	2,026	1	0						
Total						164,000	-	164,000	-	-	-	-	164,000	46,791	108,209	0	0.00	Green	Green	-	-	-
Network Improvements																						
Countywide																						
ITP Countywide - Bus Shelters	KTN02	Steve Davenport	V Merrill	55,483	40,483	15,000		15,000		-	-	-	15,000	2,596	12,404	0				-	-	
South																						
ITP South - Shifnal Network Improvement (S106)	KTN03	Steve Davenport	V Merrill	155,743	148,304	-		-		-	7,439	-	7,439	7,439	-0	0				-	-	
ITP South - Shifnal Bradford Street Enhancement	KTN05	Steve Davenport	V Merrill	142,075	-	-		-		-	142,075	-	142,075	142,075	0	0						
Total						15,000	-	15,000	-	-	148,514	-	164,514	162,110	12,404	0	0.00	Green	Green	-	-	-
Integrated Transport Unallocated																						
Countywide																						
ITP Countywide - Unallocated	KT000	Steve Davenport	V Merrill	Ongoing		-		-		-	-	-	-	0	0	0	0.00			1,000,000	1,126,000	1,442,761
Total						-	-	-	-	-	-	-	-	0	0	0	0.00	Green	Green	1,000,000	1,126,000	1,442,761
Total Integrated Transport Plan						1,388,882	-	1,388,882	-	20,000	163,014	-	1,581,906	1,644,168	-82,262	2,883	0.00			1,000,000	1,126,000	1,442,761
Total Highways & Transport - LTP						20,317,600	-	20,317,600	-	-	532,880	-	20,850,180	20,847,197	2,983	2,983				11,263,447	9,401,000	14,717,761
LEP Schemes																						
LEP Oxon Relief Road Project	KOX01	Steve Davenport	M Johnson	4,350,475	471,458	610,000		610,000		-	-	-	610,000	1,089,483	-479,483	-479,483	0.00	Green	Green	690,000	2,579,017	
LEPSITP - Project Management/Design	KIT01	Steve Davenport	M Johnson	8,444,985	2,516,782	3,749,124		3,749,124		-	-	-	3,749,124	3,404,297	344,827	344,827	0.00	Green	Green	1,679,079	500,000	183,239
Total						4,359,124	-	4,359,124	-	-	-	-	4,359,124	4,493,780	-134,656	-134,656	0.00			2,369,079	3,079,017	183,239
Flood Defences & Water Management																						
Much Wenlock - Flood & Water Management	K6FW1	Steve Davenport	T Sneddon	2,571,016	1,543,361	654,211		654,211		-	238,444	-	892,655	892,655	-0	0	-0.12	Green	Green	135,000	-	
Craven Arms - Flood & Water Management	K6FW2	Steve Davenport	T Sneddon	70,000	43,951	26,049		26,049		-	-	-	26,049	0	26,049	26,049	0.00	Green	Green	-	-	
Church Stretton - Flood & Water Management	K6FW3	Steve Davenport	T Sneddon	35,000	-	35,000		35,000		-	-	-	35,000	0	35,000	35,000	0.00	Green	Green	-	-	
Shifnal - Flood & Water Management	K6FW4	Steve Davenport	T Sneddon	582,000	46,252	113,748		113,748		-	-	-	113,748	27,518	86,230	86,230	0.00	Green	Green	422,000	-	
Oswestry - Flood & Water Management	K6FW5	Steve Davenport	T Sneddon	91,640	85,648	5,992		5,992		-	-	-	5,992	0	5,992	5,992	0.00	Green	Green	-	-	
Shrewsbury - Flood & Water Management	K6FW6	Steve Davenport	T Sneddon	158,262	125,400	32,862		32,862		-	-	-	32,862	0	32,862	32,862	0.00	Green	Green	-	-	
The Grove, Minsterley IPP Scheme	K6FW8	Steve Davenport	T Sneddon	66,000	61,008	4,992		4,992		-	-	-	4,992	0	4,992	4,992	0.00	Green	Green	-	-	
Shropshire IPP Scheme Phase 1	K6FWA	Steve Davenport	T Sneddon	187,585	92,778	94,807		94,807		-	-	-	94,807	36,557	58,250	58,250	0.00	Green	Green	-	-	
Shropshire Slow the Flow Project	KEF01	Steve Davenport	T Sneddon	350,000	104,821	105,179		105,179		-	-	-	105,179	74,974	30,205	30,205	0.00	Green	Green	70,000	70,000	
Westbury - Surface Water Flood Alleviation Scheme	KEF02	Steve Davenport	T Sneddon	58,000	-	58,000		58,000		-	-	-	58,000	0	58,000	58,000	0.00	Green	Green	-	-	
Wesley Brook, Shifnal - Flood Alleviation Scheme	KEF03	Steve Davenport	T Sneddon	95,000	-	95,000		95,000		-	-	-	95,000	0	95,000	95,000	0.00	Green	Green	-	-	
Westwood Quarry - Shropshire Wildlife Trust ERDF Project	KEF04	Steve Davenport	T Sneddon	22,151	-	-		-		-	22,151	-	22,151	22,151	0	0	0.00	Green	Green	-		
Hopstone Flood Alleviation Scheme	KEF05	Steve Davenport	T Sneddon	10,000	-	10,000		10,000		-	-	-	10,000	5,042	4,958	4,958	0.00	Green	Green			
Hunters Gate Surface Water Flood Alleviation	KEF06	Steve Davenport	T Sneddon	10,000	-	10,000		10,000		-	-	-	10,000	0	10,000	10,000	0.00	Green	Green	-	-	
Total						1,245,840	-	1,245,840	-	-	260,596	-	1,506,436	1,068,897	447,638	447,638	-0.12			627,000	70,000	-
Environmental Maintenance - Depots																						
Depot Redevelopment - Unallocated	K6H03	Steve Davenport	S Brown	184,457	100,457	839		839	(839)	(839)	-	-		0	0	0	0.00	Green	Green	84,000	-	
Depot Redevelopment - Longden Road	K6H04	Steve Davenport	S Brown	26,720	-	26,290		26,290	430	430	-	-	26,720	26,720	0	0	0.26	Green	Green	-	-	
Depot Redevelopment - Craven Arms	K6H08	Steve Davenport	S Brown	1,048,082	1,034,161	1,942		1,942	11,979	11,979	-	-	13,921	13,921	0	0	0.39	Green	Green		-	
Depot Redevelopment - Stourbridge Road, Bridgnorth	K6H09	Steve Davenport	S Brown	210,227	163,167	58,630		58,630	(11,570)	(11,570)	-	-	47,060	37,604	9,456	9,456	0.00	Green	Green	-	-	
Depot Redevelopment - Stourbridge Road Bridgnorth - Salt Dome	K6H10	Steve Davenport	S Brown	100,000	-	-		-			-	-	-	0	0	0	0.00	Green	Green	100,000	-	
Depot Redevelopment - Manor House Lane Store	K6H11	Steve Davenport	S Brown	50,000	-	-		-			-	-		0	0	0	0.00	Green	Green	50,000	-	
Total						87,701	-	87,701	-	-	-	-	87,701	78,245	9,456	9,456	0.65			234,000	-	-
Environmental Maintenance - Car Parks Major Works																						
Parking Stratgey - Car Park Machines	KEC03	Steve Davenport	Z Mortimer	1,197,000	-									0	0	0	0.00	Green	Green	1,197,000		
Total						-	-	-	-	-	-	-	-	0	0	0	0.00			1,197,000	-	-
Visitor Economy																						
Museums																						
Music Hall Refurbishment	KSHA9	Lezley Picton	S Law	10,107,494	10,081,844	-		-		-	-	-		0	0	0	0.00	Green	Green	25,650	-	
Heritage Assets Acquisition	KSHAA	Lezley Picton	E-K Lanyon	8,600	-	-		1,500		-	8,600	-	8,600	8,600	0	0	0.00	Green	Green	-	-	
Ludlow Museum Capital Improvement	KBM01	Lezley Picton		23,797	-	-		-		-	23,797	-	23,797	23,797	-0	0	-0.07	Green	Green			
Venues & Programmes																						
Theatre Severn - Major Maintenance Improvement Works	KBT01	Lezley Picton	S Law	114,613	38,455	76,158		76,158		-	-	-	76,158	24,416	51,742	51,742	0.00	Green	Green			
Total						76,158	-	77,658	-	-	32,397	-	108,555	56,813	51,742	51,742	-0.07			25,650	-	-
Outdoor Partnerships																						
Snailbeach Lead Mine Higher Level Stewardship	KST53	Lezley Picton	C Dean	197,761	196,368	1,393		1,393		-	-	-	1,393	0	1,393	1,393	0.00	Green	Green	-	-	
Nesscliffe - Higher Level Stewardship	KST55	Lezley Picton	C Dean	25,471	15,768	9,703		9,703		-	-	-	9,703	0	9,703	9,703	0.00	Green	Green	-	-	
Mere Wardens Bungalow Refurbishment	KBR05	Lezley Picton	M Blount	95,374	88,818	6,556		6,556		-	-	-	6,556	6,556	0	0	0.00	Green	Green	-	-	
Broseley BMX & Outdoor Gym (S106)	KBR06	Lezley Picton	S McCarthy	40,000	33,513	6,487		6,487		-	-	-	6,487	2,438	4,049	4,049	0.00	Green	Green	-	-	
Shelton Recreation Ground Pavilion (S106)	KBR07	Lezley Picton	M Blount	8,993	-	8,993		8,993		-	-	-	8,993	503	8,490	8,490	0.00	Green	Green	-	-	
Nags Head Engine House	KBR08	Lezley Picton	J Howells	111,836	62,112	47,183		47,183		-	-	-	47,183	47,183	-0	0	-0.14	Green	Green	2,541	-	

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
Severn Valley Country Park Vistor Centre Improvements	KBR09	Lezley Picton	M Blount	49,745	-	49,745		49,745		-	-	-	49,745	48,324	1,421	1,421	0.00	Green	Green	-	-	
Whitchurch Skate Park (S106)	KBR10	Lezley Picton	S McCarthy	67,958	-	43,442		43,442		-	-	-	43,442	3,876	39,566	39,566	0.00	Green	Green	24,516	-	
Severn valley Country Park RPA Extension	KBR11	Lezley Picton	M Blount	15,000	-	-		-		-	15,000	-	15,000	5,166	9,834	9,834	0.00	Green	Green	-	-	
The Mere Ellesmere - S106 Public Realm Improvements	KBR12	Lezley Picton	S Burkey	6,880	-	-		-		-	4,280	-	4,280	4,280	0	0	0.00	Green	Green	2,600		
Total						173,602	-	173,602	-	-	19,280	-	192,782	118,327	74,456	74,456	-0.14			29,867	-	-
Total Infrastructure & Communities						26,615,291	-	26,616,791	-	-	842,916	-	27,458,206	26,980,926	477,280	477,280	-0.10			18,060,833	12,550,017	14,901,000
Economic Development																						
Physical Regeneration																						
Food Enterprise Centre - Construction (Battlefield)	KER38	Nicholas Laurens	G Davies	6,658,534	6,630,045	-		-		-	-	-	-	4,826	-4,826	-4,826	0.00	Green	Green	28,489	-	
Marches Centre of Manufacturing and Technology	KBE04	Nicholas Laurens	G Davies	499,931	-	499,931		499,931		-	-	-	499,931	499,931	0	0	0.00	Green	Green	-	-	
Growth Point																						
Flaxmill Project - Implementation	K5FM1	Nicholas Laurens	G Davies	1,000,000	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	-	1,000,000	
Shrewsbury Vision - New Riverside Development	K5HR1	Nicholas Laurens	G Davies	298,265	136,072	162,193		162,193		-	-	-	162,193	80,962	81,231	81,231	0.00	Green	Green	-	-	
Total						662,124	-	662,124	-	-	-	-	662,124	585,719	76,406	76,406	0.00			28,489	1,000,000	-
Natural & Historical Environment																						
Historic Environment Grants	K5HE1	Robert Macey	A Cooper	Ongoing	12,480	-		-		-	-	-	-	0	0	0	0.00	Green	Green	33,682	-	
S106 Project Grants	KBN00	Robert Macey	A Cooper	Ongoing	-	25,444		25,444		-	-	-	25,444	25,444	0	0	0.00	Green	Green	-	-	
Old Rectory, Whitchurch Section 106	KBN01	Robert Macey	A Cooper	250,000	42,301	-		-		-	-	-	-	1,774	-1,774	-1,774	0.00	Green	Green	207,699	-	
Total						25,444	-	25,444	-	-	-	-	25,444	27,218	-1,774	-1,774	0.00			241,381	-	-
Planning Policy - Affordable Housing																						
Affordable Housing - Rolling Fund	K5AHG	Robert Macey	N wood	Ongoing	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	200,346	-	
Shrewsbury Self Build Scheme	K5AHT	Robert Macey	N wood	300,000	33,102	-		-		-	-	-	-	0	0	0	0.00	Green	Green	266,898	-	
Ellesmere Rd, Shrewsbury - Extra Care Scheme	KBH01	Robert Macey	N wood	200,000	170,000	30,000		30,000		-	-	-	30,000	30,000	0	0	0.00	Green	Green	-	-	
Community Housing Grant - Much Wenlock Scheme	KBH02	Robert Macey	N wood	156,000	-					-	-	-	-	0	0	0	0.00	Green	Green	156,000	-	
Community Housing Grant - Wem Independent Living Scheme	KBH03	Robert Macey	N wood	52,000	-					-	-	-	-	0	0	0	0.00	Green	Green	52,000	-	
Community Housing Grant - Site Acquisition Fund	KBH04	Robert Macey	N wood	309,296	-					-	-	-	-	0	0	0	0.00	Green	Green	309,296	-	
Community Led Affordable Housing Grant Scheme	K5AHV	Robert Macey	N wood	2,210,000	1,868,000	342,000		342,000		-	-	-	342,000	342,000	0	0	0.00	Green	Green	-	-	
Affordable Housing Contributions Grant Scheme (S106)	K5AHW	Robert Macey	N wood	1,033,042	592,542	440,500		440,500		-	-	-	440,500	300,000	140,500	140,500	0.00	Green	Green	-	-	
Total						812,500	-	812,500	-	-	-	-	812,500	672,000	140,500	140,500	0.00			884,640	-	-
Community Infrastructure Levy																						
CIL Project Grants	KBC01	Robert Macey	A Cooper	Ongoing		29,369		29,369		-	-	-	29,369	29,369	0	0	0.00	Green	Green	-	-	
Total						29,369	-	29,369	-	-	-	-	29,369	29,369	0	0	0.00			-	-	
Broadband																						
Broadband Project - Milestone 0	KB000	Nicholas Laurens	C Taylor	874,700	844,003	30,697		30,697		-	-	-	30,697	63,474	-32,777	-32,777	0.00	Green	Green	-	-	
Broadband Project - Milestone 1	KB001	Nicholas Laurens	C Taylor	9,957,509	7,251,540	905,969		905,969		-	-	-	905,969	276,312	629,657	629,657	0.00	Green	Green	1,800,000	-	
Broadband Project - Milestone 2	KB002	Nicholas Laurens	C Taylor	4,912,390	4,142,743	769,647		769,647		-	-	-	769,647	1,857,492	-1,087,845	-1,087,845	0.00	Green	Green	-	-	
Broadband Project - Milestone 3	KB003	Nicholas Laurens	C Taylor	1,749,657	239,009	1,510,648		1,510,648		-	-	-	1,510,648	-239,009	1,749,657	1,749,657	0.00	Green	Green	-	-	
Broadband Project - Phase 2 - Milestone 0	KB004	Nicholas Laurens	C Taylor	472,521	39,969	432,552		432,552		-	-	-	432,552	680,121	-247,569	-247,569	0.00	Green	Green	-	-	
Broadband Project - Phase 2 - Milestone 1	KB005	Nicholas Laurens	C Taylor	538,335	-	538,335		538,335		-	-	-	538,335	118,083	420,252	420,252	0.00	Green	Green	-	-	
Broadband Project - Phase 2 - Milestone 2	KB006	Nicholas Laurens	C Taylor	3,478,092	-	2,335,988		2,335,988		-	-	-	2,335,988	442,084	1,893,904	1,893,904	0.00	Green	Green	1,142,104	-	
Broadband Project - Phase 2 - Milestone 3	KB007	Nicholas Laurens	C Taylor	236,261	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	236,261	-	
Broadband Project - Phase 3	KB008	Nicholas Laurens	C Taylor	9,820,000	-	1,445,000		1,445,000		-	-	-	1,445,000	762,000	683,000	683,000	0.00	Green	Green	4,367,000	3,508,000	500,000
Broadband Project - Phase 4	KB009	Nicholas Laurens	C Taylor	1,856,791	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	1,856,791	-	
Total						7,968,838	-	7,968,838	-	-	-	-	7,968,838	3,960,557	4,008,279	4,008,279	0.00			9,402,156	3,508,000	500,000
Total Economic Development						9,498,273	-	9,498,273	-	-	-	-	9,498,273	5,274,863	4,223,410	4,223,410	0.00			10,858,588	4,508,000	500,000
Business Enterprise & Commercial Services																						
Strategic Asset Services																						
Corporate Landlord																						
18/19 Shoplatch - toilet facilities	KRP04	Nicholas Laurens	S Law	36,000	8,132	27,868		27,868		-	-	-	27,868	26,712	1,156	1,156	0.00	Green	Green	-	-	
Ellesmere Remediation - Land Release Funds	KRP05	Nicholas Laurens	S Law	544,507	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	544,507		
The Tannery Development	KRP06	Nicholas Laurens	S Law	8,000,000	3,153	996,847		996,847		-	-	-	996,847	1,365,800	-368,953	-368,953	0.00	Green	Green	7,000,000	-	
Shirehall - Renovation	KRP08	Nicholas Laurens	S Law	300,000	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	300,000	-	
Total						1,024,716	-	1,024,716	-	-	-	-	1,024,716	1,392,512	-367,797	-367,797	0.00			7,844,507	0	0
Energy & Sustainability																						
Bishops Castle Primary Solar PV	KRV03	Nicholas Bardsley	S Law	40,847	39,874	-		-		-	973	-	973	973	0	0	0.47	Green	Green	-	-	
Weston Rhyn Primary Solar PV	KRV04	Nicholas Bardsley	S Law	33,109	32,321	-		-		-	788	-	788	788	-0	0	-0.33	Green	Green	-	-	
Harlescott Junior Solar PV	KRV06	Nicholas Bardsley	S Law	35,191	34,353	-		-		-	838	-	838	838	0	0	0.13	Green	Green	-	-	
Mount Pleasant Primary Solar PV	KRV07	Nicholas Bardsley	S Law	39,085	38,154	-		-		-	931	-	931	931	0	0	0.41	Green	Green	-	-	
Ludlow Youth Centre Solar PV	KRV11	Nicholas Bardsley	S Law	43,060	42,036	-		-		-	1,024	-	1,024	1,024	-0	0	-0.38	Green	Green	-	-	
Severn Valley Country Park Solar PV	KRV14	Lezley Picton	S Law	18,046	17,616	-		-		-	430	-	430	430	0	0	0.35	Green	Green	-	-	
Shirehall - Solar PV	KRV17	David Minnery	S Law	199,273	189,967	9,306		9,306		-	-	-	9,306	9,306	0	0	0.48	Green	Green	-	-	
Total						9,306	-	9,306	-	-	4,984	-	14,290	14,289	1	0	1.13			-	-	-
Small Holdings																						
The Clamp - Smallholding Refurbishment	KCS03	Joyce Barrow	S Law	149,830	15,830	4,000		4,000		-	-	-	4,000	3,884	116	116	0.00	Green	Green	130,000	-	
Total						4,000	-	4,000	-	-	-	-	4,000	3,884	116	116	0.00			130,000	-	-
Gypsy Sites																						
Travellers Sites Unallocated Grant (Phase 1&2 HCA)	K5T00	Joyce Barrow	S Law	55,858	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	55,858	-	
Gypsy Sites - Whittington Phase 2	K5T04	Joyce Barrow	S Law	692,522	671,522	21,000		21,000		-	-	-	21,000	0	21,000	21,000	0.00	Green	Green	-	-	
Boars Den Gypsy Transit Site	K5T06	Joyce Barrow	S Law	149,648	-	4,648		4,648		-	-	-	4,648	400	4,248	4,248	0.00	Green	Green	145,000	-	
Total						25,648	-	25,648	-	-	-	-	25,648	400	25,248	25,248	0.00			200,858	-	-
Total Strategic Asset Services						1,063,668	-	1,063,668	-	-	4,984	-	1,068,653	1,411,085	-342,432	-342,433	1.13			8,175,465	-	-
Total Business Enterprise & Commercial Services						1,063,668	-	1,063,668	-	-	4,984	-	1,068,653	1,411,085	-342,432	-342,433	1.13			8,175,465	-	-
Total Place & Enterprise						37,177,233	-	37,178,733	-	-	847,899	-	38,026,132	33,666,874	4,358,258	4,358,257	1.03			34,882,764	17,058,017	15,401,000
Adult Services																						
Social Care																						
Community Capacity Grant	KA000	Lee Chapman	T Miles	Ongoing	-	261,052		261,052		(261,052)	-	-	-	0	0	0	0.00	Green	Green	-	-	
Mount Pleasant - Shared Development Site	K5B60	Lee Chapman	T Miles	470,253	454,960	15,293		15,293		-	-	-	15,293	0	15,293	15,293	0.00	Green	Green	-	-	

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
IT Mobile Flexible Working	K5B89	Lee Chapman	T Miles	243,774	229,179	14,595		14,595		-	-	-	14,595	14,595	0	0	0.29	Green	Green	-	-	
Development Trust Development - Raven Site, Market Drayton	K5B94	Lee Chapman	T Miles	2,056,417	1,992,254	49,053		49,053		-	15,110	-	64,163	46,769	17,394	17,394	0.00	Green	Green	-	-	
Baschurch Assisted Living Bungalow - Phase 3	K5B04	Lee Chapman	T Miles	441,653	382,696	97,304		97,304		(42,247)	3,900	-	58,957	0	58,957	58,957	0.00	Green	Green	-	-	
London Road Assisted Living Bungalow - Phase 4	K5B05	Lee Chapman	T Miles	570,000	361,005	208,995		208,995		-	-	-	208,995	109,647	99,348	99,348	0.00	Green	Green	-	-	
Kempsfield/Aquamira Gas Installation	KA001	Lee Chapman	T Miles	16,489	13,309	2,044		2,044		1,136	-	-	3,180	3,180	-0	0	-0.47	Green	Green	-	-	
Refurb The Meres for Library Services	KA005	Lee Chapman	T Miles	81,063	-	82,500		82,500		-	(1,437)	-	81,063	81,063	-0	0	-0.06	Green	Green	-	-	
The Rowans Refurbishment Works	KA019	Lee Chapman	T Miles	35,000	-	35,000		35,000		-	-	-	35,000	35,000	0	0	0.00	Green	Green	-	-	
Hearne Way Caretakers Bungalow Refurbishment	KA022	Lee Chapman	T Miles	55,174	-	20,000		20,000		-	35,174	-	55,174	30,475	24,699	24,699	0.00	Green	Green	-	-	
Plas Newydd - Bath Replacement	KA023	Lee Chapman	T Miles	12,931	-	12,931		12,931		-	-	-	12,931	12,931	-0	0	-0.20	Green	Green	-	-	
Hook Lea, Hook Farm Road, Bridgnorth - Refurbishment	KA024	Lee Chapman	T Miles	55,000	-	55,000		55,000		-	-	-	55,000	0	55,000	55,000	0.00	Green	Green	-	-	
Specialist Equipment (Additional DFG funding)	KA025	Lee Chapman	L Fisher	66,350	-	-		-		-	66,350	-	66,350	0	66,350	66,350	0.00	Green	Green			
West Lodge Shelton Adaptations	KA026	Lee Chapman	T Miles	43,640	33,640	10,000		10,000		-	-	-	10,000	6,457	3,543	3,543	0.00	Green	Green	-	-	
Aquamira - New Pool Cover/ additional changing rooms	KA027	Lee Chapman	T Miles	60,000	-	60,000		60,000		-	-	-	60,000	5,923	54,077	54,077	0.00	Green	Green	-	-	
Portland Crescent	KA031	Lee Chapman	T Miles	10,000	-	10,000		10,000		-	-	-	10,000	0	10,000	10,000	0.00	Green	Green			
2 Pine View Minsterley	KA032	Lee Chapman	T Miles	5,000	-	5,000		5,000		-	-	-	5,000	0	5,000	5,000	0.00	Green	Green			
Oswestry Blackfriars	KA033	Lee Chapman	T Miles	50,000	-	50,000		50,000		-	-	-	50,000	0	50,000	50,000	0.00	Green	Green			
Four Rivers Bed Replacement & Fire Safety	KA034	Lee Chapman	T Miles	11,600	-	1,632		1,632		-	-	-	1,632	1,632	-0	0	-0.09	Green	Green	9,968		
Greenacres Farm - Farm Buildings Upgrade	KA035	Lee Chapman	T Miles	298,923	-	-		-		298,923	-	-	298,923	0	298,923	298,923	0.00	Green	Green			
Aquamira - New Sensory Equipment	KA028	Lee Chapman	T Miles	12,000	-	12,000		12,000		-	-	-	12,000	8,585	3,415	3,415	0.00	Green	Green	-	-	
Blackfriars Oswestry - Specialist Bath Replacement	KA029	Lee Chapman	T Miles	13,945	-	-		-		-	13,945	-	13,945	0	13,945	13,945	0.00	Green	Green			
67/69 Whitehouse Gardens Adaptations	KA030	Lee Chapman	T Miles	23,240	-	20,000		20,000		3,240	-	-	23,240	23,241	-1	0	-0.59	Green	Green	-	-	
Total						**1,022,389**	-	**1,022,389**	-	-	**133,042**	-	**1,166,441**	**379,499**	**775,842**	**775,843**	**-1.12**			**9,968**	-	-
Housing Health & Wellbeing																						
Disabled Facilities Grants - Fast track system	K5P02	Lee Chapman	A Begley	Ongoing	-	936,187		936,187		-	-	-	936,187	97,991	838,196	838,196	0.00	Green	Green	-	-	
Disabled Facilities Grants	K5P03	Lee Chapman	A Begley	Ongoing	-	1,853,069		1,853,069		-	-	-	1,853,069	1,270,466	582,603	582,603	0.00	Green	Green	-	-	
HOLD Project	K5P04	Lee Chapman	A Begley	2,415,000	-	915,000		915,000		-	-	-	915,000	256,385	658,615	658,615	0.00	Green	Green	1,500,000	-	
Total						**3,704,256**	-	**3,704,256**	-	-	-	-	**3,704,256**	**1,624,841**	**2,079,415**	**2,079,415**	**0.00**			**1,500,000**	-	-
Total Adult Services						**4,726,655**	-	**4,726,655**	-	-	**133,042**	-	**4,859,697**	**2,004,340**	**2,855,357**	**2,855,358**	**-1.12**			**1,509,968**	-	-
Public Health																						
Substance Misuse																						
Willowdene Capital Grant	KSM01	Lee Chapman	J Randall	380,000	378,049	1,951		1,951		-	-	-	1,951	1,951	-0	0	-0.34	Green	Green			
Total						**1,951**	-	**1,951**	-	-	-	-	**1,951**	**1,951**	**-0**	**0**	**-0.34**			-	-	-
Help 2 Change																						
Help 2 Change Monitor Equipment	KHC03	Lee Chapman	J Pearce	205,548	-	-		-		-	205,548	-	205,548	205,548	0	0	0.00	Green	Green			
Help 2 Change Ford Transit DX66 ZYT	KHC04	Lee Chapman	J Pearce	14,235	-	-		-		-	14,235	-	14,235	14,235	0	0	0.00	Green	Green			
Help 2 Change Liver Scanning Equipment	KHC05	Lee Chapman	J Pearce	49,500	-					-	49,500	-	49,500	45,900	3,600	3,600	0.00	Green	Green			
Total						-	-	-	-	-	**269,283**	-	**269,283**	**265,683**	**3,600**	**3,600**	**0.00**			-	-	-
Private Sector Housing																						
Whitchurch Area Empty Property Incentive Grant	K5P17	Lee Chapman	K Collier	263,970	210,406	53,564		53,564		-	-	-	53,564	1,080	52,484	52,484	0.00	Green	Green	-	-	
Shropshire County Empty Property Incentive Grant	KPS01	Lee Chapman	K Collier	529,517	-	229,517		229,517		-	-	-	229,517	140,809	88,708	88,708	0.00	Green	Green	300,000	-	
Total						**283,081**	-	**283,081**	-	-	-	-	**283,081**	**141,889**	**141,192**	**141,192**	**0.00**			**300,000**	-	-
Total Public Health						**285,032**	-	**285,032**	-	-	**269,283**	-	**554,315**	**409,523**	**144,792**	**144,792**	**-0.34**			**300,000**	-	-
Resources & Support																						
Customer Involvement																						
ICT Digital Transformation																						
ICT Digital Transformation - Unallocated	KIC00	Steve Charmley	M Leith	9,448,062	-	48,062		48,062		-	-	-	48,062	0	48,062	48,062	0.00	Green	Green	4,400,000	5,000,000	
ICT Digital Transformation - Wi-Fi Installation	KIC02	Steve Charmley	M Leith	222,523	-	222,523		222,523		-	-	-	222,523	108,476	114,047	114,047	0.00	Green	Green	-	-	
ICT Digital Transformation - IVANTI (LAN Desk)	KIC03	Steve Charmley	M Leith	37,945	-	37,945		37,945		-	-	-	37,945	34,824	3,121	3,121	0.00	Green	Green	-		
ICT Digital Transformation - Social Care Project	KIC04	Steve Charmley	M Leith	804,007	-	304,007		304,007		-	-	-	304,007	990,998	-686,991	-686,991	0.00	Green	Green	500,000		
ICT Digital Transformation - Contact Centre Unified Comms	KIC05	Steve Charmley	M Leith	372,865	-	222,865		222,865		-	-	-	222,865	229,948	-7,083	-7,083	0.00	Green	Green	150,000		
ICT Digital Transformation - ERP	KIC06	Steve Charmley	M Leith	1,699,536	-	689,336		689,336		-	-	-	689,336	281,733	407,603	407,603	0.00	Green	Green	1,010,200		
ICT Digital Transformation - CRM	KIC07	Steve Charmley	M Leith	220,000	-	220,000		220,000		-	-	-	220,000	0	220,000	220,000	0.00	Green	Green			
Total						**1,744,738**	-	**1,744,738**	-	-	-	-	**1,744,738**	**1,645,979**	**98,759**	**98,759**	**0.00**			**6,060,200**	**5,000,000**	-
Total Resources & Support						**1,744,738**	-	**1,744,738**	-	-	-	-	**1,744,738**	**1,645,979**	**98,759**	**98,759**	**0.00**			**6,060,200**	**5,000,000**	-
Children's Services																						
Children's Safeguarding																						
Children's Residential Care																						
Children's Residential Care - Buildings Conversion	K3A47	Nicholas Bardsley	K Bradshaw	35,334	15,986	19,348		19,348		-	-	-	19,348	17,776	1,572	1,572	0.00	Green	Green	-	-	
Total						**19,348**	-	**19,348**	-	-	-	-	**19,348**	**17,776**	**1,572**	**1,572**	**0.00**			-	-	-
Youth Work																						
Total Children's Safeguarding						**19,348**	-	**19,348**	-	-	-	-	**19,348**	**17,776**	**1,572**	**1,572**	**0.00**			-	-	-
Learning & Skills																						
Early Years																						
Early Years Unallocated	KLE00	Nicholas Bardsley	N Ward	Ongoing	5,000	-		3,748	4,767	14,566	-	-	14,566	0	14,566	14,566	0.00	Green	Green	59,042	-	
Ludlow Junior Demountable Reconfiguration	KLE02	Nicholas Bardsley	N Ward	84,918	-	84,918		84,918		-	-	-	84,918	84,918	-0	0	-0.33	Green	Green	-	-	
Brockton Primary Early Years	KLE06	Nicholas Bardsley	N Ward	50,000	-	50,000		50,000		-	-	-	50,000	2,115	47,885	47,885	0.00	Green	Green	-	-	
Holy Trinity EY	KLE07	Nicholas Bardsley	N Ward	2,610	-	8,565		2,610		(5,955)	-	-	2,610	2,610	0	0	0.00	Green	Green	-	-	
Woore EY	KLE10	Nicholas Bardsley	N Ward	7,290	-	12,057		12,057	(4,767)	(4,767)	-	-	7,290	7,290	-0	0	-0.20	Green	Green	-	-	
Bomere EY	KLE11	Nicholas Bardsley	N Ward	34,461	-	30,254		34,461		4,207	-	-	34,461	34,461	-0	0	0.25	Green	Green	-	-	
Wistanstow EY	KLE12	Nicholas Bardsley	N Ward	7,725	-	7,725		7,725		-	-	-	7,725	2,944	4,781	4,781	0.00	Green	Green	-	-	
Cressage EY	KLE13	Nicholas Bardsley	N Ward	15,000	-	15,000		15,000		-	-	-	15,000	0	15,000	15,000	0.00	Green	Green	-	-	
Shrewsbury Cathedral Primary EY	KLE14	Nicholas Bardsley	N Ward	13,949	-	20,000		20,000		(6,051)	-	-	13,949	13,949	0	0	0.27	Green	Green	-	-	
Boony Bundles BN EY	KLE15	Nicholas Bardsley	N Ward	-	-	15,000		15,000		-	-	-	15,000	0	15,000	15,000	0.00	Green	Green	-	-	

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
Burford Pre-School EY	KLE16	Nicholas Bardsley	N Ward	-	-	2,000		-		(2,000)	-	-	-	0	0	0	0.00	Green	Green	-	-	
Broseley John Wilkinson Primary Early Years	K3L11	Nicholas Bardsley	N Ward	433,203	257,124	176,079		176,079		-	-	-	176,079	28,595	147,484	147,484	0.00	Green	Green	-	-	
Total						421,588	-	421,588	-	-	-	-	421,588	176,883	244,716	244,716	-0.01			58,042	-	-
Primary Schools																						
Highley - Reconfigure Office Area & Accessible Toilet	K3A08	Nicholas Bardsley	P Wilson	69,341	1,758	72,392		72,392		(4,809)	-	-	67,583	67,583	-0	0	-0.44	Green	Green	-	-	
Kinlet Primary - Heads Office/PPA/Lobby Works	K3A54	Nicholas Bardsley	P Wilson	137,576	134,284	3,292		3,292		-	-	-	3,292	3,292	0	0	0.19	Green	Green	-	-	
Cockshutt - Secure Lobby	KLP09	Nicholas Bardsley	P Wilson	63,906	-	58,682		58,682		2,834	2,390	-	63,906	63,906	0	0	0.45	Green	Green	-	-	
St Laurence, Ludlow - Entrance Lobby	KLP11	Nicholas Bardsley	P Wilson	124,756	-	105,545		105,545	19,211	19,211	-	-	124,756	124,756	0	0	0.12	Green	Green	-	-	
Brown Clee Secure Lobby	KLP13	Nicholas Bardsley	P Wilson	16,334	-	16,334		16,334		-	-	-	16,334	16,334	0	0	0.35	Green	Green	-	-	
Bicton Eco Classroom	KLP14	Nicholas Bardsley	P Wilson	218,582	211,376	28,624		28,624		-	(21,418)	-	7,206	7,206	-0	0	-0.08	Green	Green	-	-	
Total						284,869	-	284,869	19,211	17,236	(19,028)	-	283,077	283,076	1	0	0.58			-	-	-
Basic Need																						
Basic Need Unallocated	KLB00	Nicholas Bardsley	P Wilson	Ongoing	-	161,465		161,465		(130,000)	-	-	31,465	0	31,465	31,465	0.00	Green	Green	3,985,060	-	
Market Drayton - Basic Need	K3181	Nicholas Bardsley	P Wilson	264,060	225,547	38,513		38,513		-	-	-	38,513	0	38,513	38,513	0.00	Green	Green	-	-	
Shrewsbury Mount Pleasant	KLB01	Nicholas Bardsley	P Wilson	557,274	458,401	98,873		98,873		-	-	-	98,873	47,907	50,966	50,966	0.00	Green	Green	-	-	
Shifnal Primary	KLB03	Nicholas Bardsley	P Wilson	373,636	217,531	156,105		156,105		-	-	-	156,105	123,936	32,169	32,169	0.00	Green	Green	-	-	
Market Drayton Infant/Junior - Site TBC	KLB05	Nicholas Bardsley	P Wilson	400,000	-	50,000		50,000		-	-	-	50,000	0	50,000	50,000	0.00	Green	Green	350,000	-	
Sundorne Infants/Harlescott Junior - Site TBC	KLB07	Nicholas Bardsley	P Wilson	400,000	-	50,000		50,000		-	-	-	50,000	0	50,000	50,000	0.00	Green	Green	350,000	-	
Market Drayton Primary	KLB08	Nicholas Bardsley	P Wilson	400,000	-	50,000		50,000		-	-	-	50,000	0	50,000	50,000	0.00	Green	Green	350,000	-	
Shifnal Primary 2 Class Extension	KLB09	Nicholas Bardsley	P Wilson	30,000	-	-		-		30,000	-	-	30,000	6,500	23,500	23,500	0.00	Green	Green	-	-	
Total						604,956	-	604,956	-	(100,000)	-	-	504,956	178,343	326,613	326,613	0.00			5,035,060	-	-
School Amalgamations																						
School Amalgamations Unallocated	KLA00	Nicholas Bardsley	P Wilson	Ongoing	-	18,334		18,334		-	-	-	18,334	0	18,334	18,334	0.00	Green	Green	100,000	-	
Mount Pleasant	K3200	Nicholas Bardsley	P Wilson	2,865,218	2,840,218	25,000		25,000		-	-	-	25,000	13,298	11,702	11,702	0.00	Green	Green	-	-	
Bishop Hooper	K3094	Nicholas Bardsley	P Wilson	3,440,817	3,402,059	38,758		38,758		-	-	-	38,758	786	37,972	37,972	0.00	Green	Green	-	-	
Shawbury Primary / St Mary's Amalgamation	K3207	Nicholas Bardsley	P Wilson	1,886,763	1,843,723	43,040		43,040		-	-	-	43,040	43,040	0	0	0.15	Green	Green	-	-	
Hope, Worthen & Westbury Amalgamation (Long Mountain)	K3217	Nicholas Bardsley	P Wilson	230,000	-	130,000		130,000		100,000	-	-	230,000	201,128	28,872	28,872	0.00	Green	Green	-	-	
Total						255,132	-	255,132	-	100,000	-	-	355,132	258,252	96,880	96,880	0.15			100,000	-	-
Secondary Schools		Nicholas Bardsley																				
Grove - Science Lab Refurb	KLS09	Nicholas Bardsley	P Wilson	105,610	94,658	21,295		21,295	(10,343)	(10,343)	-	-	10,952	10,952	0	0	0.04	Green	Green	-	-	
Ludlow Secondary - Secure Lobby	KLS10	Nicholas Bardsley	P Wilson	38,740	979	37,761		37,761		-	-	-	37,761	37,761	-0	0	-0.44	Green	Green	-	-	
Total						59,056	-	59,056	(10,343)	(10,343)	-	-	48,713	48,713	-0	0	-0.40			-	-	-
Suitability																						
Farlow Primary- PPA Space & Headteachers Office	KLS11	Nicholas Bardsley	P Wilson	93,763	-	93,763		93,763		-	-	-	93,763	48,056	45,708	45,708	0.00	Green	Green	-	-	
Norbury Primary- PPA Space	KLS12	Nicholas Bardsley	P Wilson	76,300	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	76,300	-	
Stoke On Tern Primary - PPA Space	KLS13	Nicholas Bardsley	P Wilson	34,475	-	32,700		34,555		1,775	-	-	34,475	34,475	0	0	0.00	Green	Green	-	-	
Hodnet - Secure Access	KLS14	Nicholas Bardsley	P Wilson	155,400	-	195		195		-	-	-	195	575	-380	-380	0.00	Green	Green	155,205	-	
Total						126,658	-	128,513	-	1,775	-	-	128,433	83,106	45,328	45,328	0.00			231,505	-	-
Energy Efficiency																						
Various - Boiler Control Replacement	KLG06	Nicholas Bardsley	P Wilson	31,266	-	32,277		32,277	(1,011)	(1,011)	-	-	31,266	31,266	-0	0	-0.15	Green	Green	-	-	
Whitchurch Infants - phase 2 single pipe heating system	KLG07	Nicholas Bardsley	P Wilson	32,344	-	32,588		32,344		(244)	-	-	32,344	32,344	0	0	0.47	Green	Green	-	-	
Morda - Boiler replacement	KLG08	Nicholas Bardsley	P Wilson	22,729	-	22,729		22,729		-	-	-	22,729	22,729	-0	0	-0.19	Green	Green	-	-	
Bomere Heath - Boiler Replacement	KLG09	Nicholas Bardsley	P Wilson	98,100	-	-		-						0	0	0	0.00	Green	Green	98,100	-	
Greenacres - Boiler & Controls	KLG10	Nicholas Bardsley	P Wilson	70,850	-	-		-						0	0	0	0.00	Green	Green	70,850	-	
Lower Heath - Boiler & Controls	KLG11	Nicholas Bardsley	P Wilson	21,800	-	-		-						0	0	0	0.00	Green	Green	21,800	-	
Meole Primary - Boiler & Controls	KLG12	Nicholas Bardsley	P Wilson	32,700	-	-		-						0	0	0	0.00	Green	Green	32,700	-	
Bicton - Replace Boiler	KLG13	Nicholas Bardsley	P Wilson	109,000	-	-		-						0	0	0	0.00	Green	Green	109,000	-	
St Laurence Ludlow - Boiler & Controls	KLG14	Nicholas Bardsley	P Wilson	81,750	-	-		-						0	0	0	0.00	Green	Green	81,750	-	
Woodfield - Repipe Heating Phase 1	KLG15	Nicholas Bardsley	P Wilson	54,500	-	-		-						0	0	0	0.00	Green	Green	54,500	-	
Woodlands Boiler & Controls	KLG16	Nicholas Bardsley	P Wilson	98,100	-	-		-						0	0	0	0.00	Green	Green	98,100	-	
Mereside Primary - Boiler & Controls Upgrade	KLG03	Nicholas Bardsley	P Wilson	51,832	-	51,832		51,832		-	-	-	51,832	51,832	-0	0	-0.25	Green	Green	-	-	
Stiperstones - Boiler & Controls Upgrade	KLG04	Nicholas Bardsley	P Wilson	45,187	-	48,657		48,657	(3,470)	(3,470)	-	-	45,187	45,187	-0	0	-0.31	Green	Green	-	-	
Trinity, Ford - Replace Heating Boiler	KLG05	Nicholas Bardsley	P Wilson	52,019	-	52,689		52,019		(670)	-	-	52,019	52,019	-0	0	-0.19	Green	Green	-	-	
Total						240,772	-	239,858	(4,481)	(5,395)	-	-	235,377	235,378	-1	0	-0.82			566,800	-	-
Universal Infant Free School Meals																						
St John the Baptist, Ruyton X1 Towns - Extend Kitchen	KLK05	Nicholas Bardsley	P Wilson	144,908	144,859	49		49		-	-	-	49	50	-1	0	-1.05	Green	Green	-	-	
Total						49	-	49	-	-	-	-	49	50	-1	0	-1.05			-	-	-
Condition																						
Condition Unallocated	KL000	Nicholas Bardsley	P Wilson	Ongoing	-	27,305		100,767	34,045	140,624	-	-	167,929	0	167,929	167,929	0.00	Green	Green	312,670	-	
Beckbury School House - Felt Underside of Roof & Replace	KL049	Nicholas Bardsley	P Wilson	13,378	-	13,378		13,378		-	-	-	13,378	13,378	0	0	0.28	Green	Green	-	-	
Stoke on Tern - Replacement Windows to Rear Elevation	KL060	Nicholas Bardsley	P Wilson	30,673	29,496	1,177		1,177		-	-	-	1,177	1,177	0	0	0.49	Green	Green	-	-	
Moreton Say - Re-Roofing of Original Main Building	KL071	Nicholas Bardsley	P Wilson	90,152	88,190	1,962		1,962		-	-	-	1,962	981	981	981	0.00	Green	Green	-	-	
Hinstock - Replace Windows	KL142	Nicholas Bardsley	P Wilson	12,129	11,018	1,111		1,111		-	-	-	1,111	1,111	-0	0	-0.47	Green	Green	-	-	
Bomere Heath - Phase 3 Rewire & Kitchen Replacement	KL150	Nicholas Bardsley	P Wilson	141,406	139,527	1,879		1,879		-	-	-	1,879	1,879	-0	0	-0.17	Green	Green	-	-	
BCCC - English Block Toilets	KL161	Nicholas Bardsley	P Wilson	90,526	56,455	34,366		34,071		(295)	-	-	34,071	34,071	0	0	0.25	Green	Green	-	-	
Grove - Phase 3 Curtain Walling	KL166	Nicholas Bardsley	P Wilson	108,947	108,772	175		175		-	-	-	175	175	0	0	0.00	Green	Green	-	-	
Moreton Say - Windows Replacement	KL167	Nicholas Bardsley	P Wilson	11,123	9,339	1,784		1,784		-	-	-	1,784	1,784	0	0	0.00	Green	Green	-	-	
Selattyn - Phase 1&2 Heating	KL187	Nicholas Bardsley	P Wilson	43,041	40,411	2,630		2,630		-	-	-	2,630	2,629	1	0	0.61	Green	Green	-	-	
Prees - Reroof Main School	KL199	Nicholas Bardsley	P Wilson	12,795	12,492	309		309		(6)	-	-	303	302	1	0	0.72	Green	Green	-	-	
Shifnal St Andrews - KS2 Toilets	KL207	Nicholas Bardsley	P Wilson	70,723	62,962	17,899		17,899		(10,138)	-	-	7,761	7,761	0	0	0.00	Green	Green	-	-	
Community College Bishops Castle - Replace Boiler & Controls	KL214	Nicholas Bardsley	P Wilson	103,872	67,282	51,210		51,210	(14,620)	(14,620)	-	-	36,590	36,590	-0	0	-0.07	Green	Green	-	-	
Meole Brace Secondary - Replace External Stairs to B1 Quad	KL216	Nicholas Bardsley	P Wilson	14,448	-	16,350		16,350	(1,902)	(1,902)	-	-	14,448	14,448	-0	0	-0.23	Green	Green	-	-	
Selattyn - Demolition of Outside Store and make good	KL217	Nicholas Bardsley	P Wilson	33,362	95	33,267		33,267		-	-	-	33,267	33,267	-0	0	-0.44	Green	Green	-	-	
Belvidere Primary - Re-fenestration and asbestos removal	KL300	Nicholas Bardsley	P Wilson	22,916	-	27,250		23,127		(4,334)	-	-	22,916	22,916	-0	0	-0.16	Green	Green	-	-	
Belvidere Secondary - Re-roof Hall	KL301	Nicholas Bardsley	P Wilson	71,228	-	77,900		77,900	(6,672)	(6,672)	-	-	71,228	71,228	0	0	0.12	Green	Green	-	-	
Coleham Primary - Phase 1 re-wire	KL302	Nicholas Bardsley	P Wilson	23,492	-	23,492		23,492		-	-	-	23,492	23,492	0	0	0.32	Green	Green	-	-	
Crowmoor Primary - Re-fenestration to Hall & Kitchen	KL303	Nicholas Bardsley	P Wilson	86,088	-	86,088		86,088		-	-	-	86,088	86,088	-0	0	-0.22	Green	Green	-	-	
Bishops Castle Primary - Demountable re-roof	KL304	Nicholas Bardsley	P Wilson	16,181	-	16,181		16,181		-	-	-	16,181	16,181	0	0	0.29	Green	Green	-	-	
Bishops Castle CC - Block A re-roof	KL305	Nicholas Bardsley	P Wilson	84,885	-	89,254		84,885		(4,369)	-	-	84,885	84,885	0	0	0.05	Green	Green	-	-	
Belvidere Secondary - Phase 5 re-wire	KL306	Nicholas Bardsley	P Wilson	54,122	-	58,501		54,122		(4,379)	-	-	54,122	54,122	-0	0	-0.39	Green	Green	-	-	
St Marys Albrighton - Renewal of fan convectors	KL364	Nicholas Bardsley	P Wilson	27,836	-	28,417		27,836		(581)	-	-	27,836	27,836	-0	0	-0.10	Green	Green	-	-	
Gobowen Primary - Replace Kitchen Windows	KL307	Nicholas Bardsley	P Wilson	8,272	-	10,209		8,272		(1,937)	-	-	8,272	8,272	-0	0	-0.42	Green	Green	-	-	
Mary Webb Secondary - Phase 2 Replacement Windows	KL308	Nicholas Bardsley	P Wilson	56,781	-	56,781		56,781		-	-	-	56,781	56,781	-0	0	-0.35	Green	Green	-	-	
Mary Webb Secondary - Humanities Block re-wire	KL309	Nicholas Bardsley	P Wilson	29,929	-	29,929		29,929		-	-	-	29,929	29,929	0	0	0.02	Green	Green	-	-	
Coleham Primary - Phase 3 Walls, Windows & Doors	KL310	Nicholas Bardsley	P Wilson	48,957	-	48,957		48,957		-	-	-	48,957	48,957	0	0	0.05	Green	Green	-	-	
Weston Rhyn Primary - Replace Corridor Windows	KL311	Nicholas Bardsley	P Wilson	24,039	-	24,565		24,565		(526)	-	-	24,039	24,039	0	0	0.49	Green	Green	-	-	
Whitchurch Infants - Phase 2 re-wire	KL312	Nicholas Bardsley	P Wilson	21,163	-	21,163		21,163		-	-	-	21,163	21,163	0	0	0.41	Green	Green	-	-	
Market Drayton Infant - Replacement Windows & Doors	KL313	Nicholas Bardsley	P Wilson	46,636	-	48,640		48,640	(2,004)	(2,004)	-	-	46,636	46,636	0	0	0.13	Green	Green	-	-	
St Giles Primary - Phase 3 Re-wire	KL314	Nicholas Bardsley	P Wilson	117,982	-	118,088		118,088	(106)	(106)	-	-	117,982	117,982	0	0	0.26	Green	Green	-	-	

Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
Thomas Adams - Kitchen Fan & Canopy replacement	KL315	Nicholas Bardsley	P Wilson	51,891	-	51,891		51,891		-	-	-	51,891	51,891	0	0	0.00	Green	Green	-	-	
Woore Primary - Phase 1 re-wire	KL316	Nicholas Bardsley	P Wilson	26,927	-	29,109		26,927		(2,182)	-	-	26,927	26,927	-0	0	-0.39	Green	Green	-	-	
Coleham Primary - Replace Gas Meter & Pipework	KL317	Nicholas Bardsley	P Wilson	16,720	-	19,628		16,720		(2,908)	-	-	16,720	16,720	-0	0	0.42	Green	Green	-	-	
Meole Brace Primary - Re-roof KS2	KL318	Nicholas Bardsley	P Wilson	113,417	-	113,417		113,417		-	-	-	113,417	113,417	-0	0	-0.18	Green	Green	-	-	
Brockton Primary - Phase 1 re-wire	KL319	Nicholas Bardsley	P Wilson	15,168	-	15,168		15,168		-	-	-	15,168	15,168	-0	0	-0.44	Green	Green	-	-	
Sundorne Infants - Phase 3 window replacement	KL320	Nicholas Bardsley	P Wilson	25,908	-	25,877		25,877		31	-	-	25,908	25,908	-0	0	0.04	Green	Green	-	-	
Pontesbury Primary - Phase 2 window replacement	KL321	Nicholas Bardsley	P Wilson	21,622	-	21,622		21,622		-	-	-	21,622	21,622	-0	0	-0.33	Green	Green	-	-	
Whitchurch Infants - Classroom Floors	KL322	Nicholas Bardsley	P Wilson	29,643	-	29,800		29,800	(157)	(157)	-	-	29,643	29,643	0	0	0.36	Green	Green	-	-	
Hinstock Primary - Re-roof	KL323	Nicholas Bardsley	P Wilson	41,105	-	41,105		41,105		-	-	-	41,105	40,077	1,028	1,028	0.00	Green	Green	-	-	
Trinity,Ford - Final re-wire	KL324	Nicholas Bardsley	P Wilson	28,417	-	28,417		28,417		-	-	-	28,417	28,417	0	0	0.17	Green	Green	-	-	
Hadnall Primary -Main Toilet Refurbishment	KL326	Nicholas Bardsley	P Wilson	29,022	-	29,022		29,022		-	-	-	29,022	29,022	0	0	0.17	Green	Green	-	-	
Cheswardine Primary - Demountable Window Replacement	KL327	Nicholas Bardsley	P Wilson	21,450	-	22,523		21,450		(1,073)	-	-	21,450	21,450	-0	0	-0.11	Green	Green	-	-	
Bishops Castle CC - Phase 2 re-wire	KL328	Nicholas Bardsley	P Wilson	39,148	-	44,507		39,148		(5,359)	-	-	39,148	39,148	-0	0	-0.45	Green	Green	-	-	
Kinnerley Primary - Phase 1 Heating	KL329	Nicholas Bardsley	P Wilson	85,585	-	93,126		93,126	(7,541)	(7,541)	-	-	85,585	81,341	4,244	4,244	0.00	Green	Green	-	-	
Lower Heath Primary -Phase 2 Window Replacement	KL330	Nicholas Bardsley	P Wilson	23,505	-	23,505		23,505		-	-	-	23,505	23,505	-0	0	-0.10	Green	Green	-	-	
Mereside Primary - Phase 1 re-wire	KL331	Nicholas Bardsley	P Wilson	31,355	-	32,410		31,355		(1,055)	-	-	31,355	31,355	-0	0	-0.30	Green	Green	-	-	
Pontesbury Primary - KS2 Girls Toilet Refurbishment	KL332	Nicholas Bardsley	P Wilson	49,677	-	49,677		49,677		-	-	-	49,677	49,677	-0	0	-0.46	Green	Green	-	-	
St Laurence, Ludlow - Hall & Corridor re-wire	KL333	Nicholas Bardsley	P Wilson	16,144	-	16,144		16,144		-	-	-	16,144	16,144	0	0	0.01	Green	Green	-	-	
Cockshutt Primary - Toilet refurbishment	KL336	Nicholas Bardsley	P Wilson	26,981	-	30,501		26,981		(3,520)	-	-	26,981	26,981	-0	0	-0.28	Green	Green	-	-	
Hinstock Primary - Toilet refurbishment	KL337	Nicholas Bardsley	P Wilson	12,756	-	19,614		19,614		(6,858)	-	-	12,756	12,756	-0	0	-0.26	Green	Green	-	-	
Market Drayton Junior - Phase 1 Windows	KL338	Nicholas Bardsley	P Wilson	15,840	-	15,898		15,898		(58)	-	-	15,840	15,840	-0	0	0.12	Green	Green	-	-	
Much Wenlock - KS2 Toilet refurbishment	KL339	Nicholas Bardsley	P Wilson	16,326	-	17,143		16,326		(817)	-	-	16,326	16,326	-0	0	-0.29	Green	Green	-	-	
Newtown Primary - Toilet refurbishment	KL340	Nicholas Bardsley	P Wilson	28,561	-	33,072		33,072		(4,511)	-	-	28,561	28,561	0	0	0.01	Green	Green	-	-	
St Georges Junior - Phase 2 Toilet refurbishment	KL341	Nicholas Bardsley	P Wilson	51,731	-	55,377		51,731		(3,646)	-	-	51,731	51,731	0	0	0.20	Green	Green	-	-	
Myddle - Kitchen Re-wire	KL342	Nicholas Bardsley	P Wilson	70,677	-	75,079		75,079		(4,402)	-	-	70,677	70,677	0	0	0.38	Green	Green	-	-	
Stiperstones Primary - Toilet refurbishment	KL343	Nicholas Bardsley	P Wilson	43,600	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	43,600	-	
Trinity,Ford - Junior Toilet refurbishment	KL344	Nicholas Bardsley	P Wilson	72,195	-	71,443		71,443		752	-	-	72,195	72,195	-0	0	-0.47	Green	Green	-	-	
Woore Primary - Toilet refurbishment	KL345	Nicholas Bardsley	P Wilson	38,510	-	38,643		38,643		(133)	-	-	38,510	38,510	0	0	0.45	Green	Green	-	-	
St Peters Wem, Phase 3 slate re-roof	KL346	Nicholas Bardsley	P Wilson	73,950	-	86,717		73,950		(12,767)	-	-	73,950	73,950	0	0	0.44	Green	Green	-	-	
Castlefields Primary - replacement windows	KL347	Nicholas Bardsley	P Wilson	13,801	-	13,801		13,801		-	-	-	13,801	13,801	-0	0	-0.07	Green	Green	-	-	
Thomas Adams - window repalcement	KL348	Nicholas Bardsley	P Wilson	34,687	-	37,593		34,687		(2,906)	-	-	34,687	34,687	-0	0	-0.29	Green	Green	-	-	
Grove - Window fenestration 3 storey block	KL349	Nicholas Bardsley	P Wilson	126,381	-	143,518		126,381		(17,137)	-	-	126,381	126,381	-0	0	-0.45	Green	Green	-	-	
Hinstock Primary - window repalcement	KL350	Nicholas Bardsley	P Wilson	17,160	-	18,591		18,591		(1,431)	-	-	17,160	17,160	-0	0	-0.47	Green	Green	-	-	
Woodfield Primary - replace kitchen roof	KL365	Nicholas Bardsley	P Wilson	72,491	-	76,766		76,766	(4,275)	(4,275)	-	-	72,491	70,996	1,495	1,495	0.00	Green	Green	-	-	
Thomas Adams - Phase 3 re-wire	KL351	Nicholas Bardsley	P Wilson	50,792	-	53,674		50,792		(2,882)	-	-	50,792	50,792	0	0	0.20	Green	Green	-	-	
Bryn Offa Primary - Phase 3 re-wire	KL352	Nicholas Bardsley	P Wilson	21,541	-	21,800		21,541		(259)	-	-	21,541	21,541	0	0	0.42	Green	Green	-	-	
Brockton Primary - replace front elevation windows	KL353	Nicholas Bardsley	P Wilson	12,523	-	12,523		12,523		-	-	-	12,523	12,523	0	0	0.25	Green	Green	-	-	
Brockton Primary - part re-wire, asbestos removal	KL354	Nicholas Bardsley	P Wilson	29,614	-	29,614		29,614		-	-	-	29,614	29,614	0	0	0.14	Green	Green	-	-	
Much Wenlock - rotten timber replacement	KL355	Nicholas Bardsley	P Wilson	31,308	-	31,308		31,308		-	-	-	31,308	31,308	-0	0	-0.08	Green	Green	-	-	
Meole Brace Secondary - replacement of timber to south	KL357	Nicholas Bardsley	P Wilson	153,127	-	159,241		159,241	(5,916)	(6,114)	-	-	153,127	153,127	-0	0	-0.08	Green	Green	-	-	
Minsterley Primary - Phase 1 re-wire	KL360	Nicholas Bardsley	P Wilson	48,201	-	48,201		48,201		-	-	-	48,201	48,201	0	0	0.37	Green	Green	-	-	
Meole Brace Primary - Phase 3 re-wire	KL361	Nicholas Bardsley	P Wilson	32,409	-	37,877		37,877	(5,468)	(5,468)	-	-	32,409	32,409	0	0	0.34	Green	Green	-	-	
Chirbury Primary - Demountable Toilet refurbishment	KL362	Nicholas Bardsley	P Wilson	26,505	-	28,481		26,505		(1,976)	-	-	26,505	26,505	-0	0	-0.04	Green	Green	-	-	
Stiperstones Primary - remove render & repair stone	KL363	Nicholas Bardsley	P Wilson	21,039	-	27,250		22,203		(6,211)	-	-	21,039	21,039	0	0	0.26	Green	Green	-	-	
Albrighton Primary - Installation of Solid KS2 Hall Floor	KL366	Nicholas Bardsley	P Wilson	28,085	-	26,861		28,085		1,224	-	-	28,085	28,085	-0	0	-0.38	Green	Green	-		
Sheriffhales Primary - Insulate Roof	KL367	Nicholas Bardsley	P Wilson	9,684	-			10,578	(894)	9,684	-	-	9,684	9,684	-0	0	-0.44	Green	Green			
Lighting Projects Phase 1	KL400	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
BCCC - Window Replacement Phase 2	KL401	Nicholas Bardsley	P Wilson	49,050	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	49,050		
BCCC - Reroof Demountable	KL402	Nicholas Bardsley	P Wilson	27,250	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	27,250		
Church Preen - Replace Sewage Pump	KL403	Nicholas Bardsley	P Wilson	16,350	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	16,350		
Church Preen - Rewire Phase 3	KL404	Nicholas Bardsley	P Wilson	10,900	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	10,900		
Clive Primary - Rewire Phase 1	KL405	Nicholas Bardsley	P Wilson	21,800	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	21,800		
BCCC - Rewire Phase 3	KL406	Nicholas Bardsley	P Wilson	54,500	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	54,500		
Crowmoor - Reroof Block 3	KL407	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Crowmoor - Flooring Final Phase	KL408	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Greenacres - Refenestration	KL409	Nicholas Bardsley	P Wilson	27,250	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	27,250		
Grove - Fenestration	KL410	Nicholas Bardsley	P Wilson	130,800	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	130,800		
Highley - Windows Phase 3	KL411	Nicholas Bardsley	P Wilson	19,620	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	19,620		
Hinstock - Kitchen Refurbishment	KL412	Nicholas Bardsley	P Wilson	49,050	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	49,050		
Kinnerley - Window Replacement Phase 1	KL413	Nicholas Bardsley	P Wilson	65,400	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	65,400		
Belvidere Secondary - Kitchen Ventilation and ASB	KL414	Nicholas Bardsley	P Wilson	76,300	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	76,300		
Longnor - Floor Replacement	KL415	Nicholas Bardsley	P Wilson	26,160	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	26,160		
Mary Webb - Phase 2 Toilet Refurbishment	KL416	Nicholas Bardsley	P Wilson	87,200	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	87,200		
Market Drayton Infant - Toilet Reconfiguration	KL417	Nicholas Bardsley	P Wilson	65,400	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	65,400		
Meole Brace Secondary - Replace Hall Windows	KL418	Nicholas Bardsley	P Wilson	27,250	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	27,250		
Market Drayton Junior - Year 6 Toilet Refurbishment	KL419	Nicholas Bardsley	P Wilson	41,420	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	41,420		
Martin Wilson - Replace Floor	KL420	Nicholas Bardsley	P Wilson	21,800	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	21,800		
Oswestry Meadows - Rewire Phase 2	KL421	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Meole Brace - Primary Replace Ramp Demount	KL422	Nicholas Bardsley	P Wilson	10,900	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	10,900		
Meole Brace Primary - Re-roof Lower KS2	KL423	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Minsterley - Replace Windows Final	KL424	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Minsterley - Playground Alterations	KL425	Nicholas Bardsley	P Wilson	38,150	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	38,150		
Minsterley - Phase 2 re-wire	KL426	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Much Wenlock Primary - Fan Convectors	KL427	Nicholas Bardsley	P Wilson	38,150	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	38,150		
Nesscliffe St Andrews- Fenestration	KL428	Nicholas Bardsley	P Wilson	81,750	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	81,750		
Nortin in Hales - Kitchen Refurbishment	KL429	Nicholas Bardsley	P Wilson	27,250	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	27,250		
Norton in Hales - Replace Demountable Windows	KL430	Nicholas Bardsley	P Wilson	23,980	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	23,980		
Oxon Primary - Refenestration	KL431	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Pontesbury Primary - Window Replacement Phase 3	KL432	Nicholas Bardsley	P Wilson	32,700	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	32,700		
Selattyn - Stone Wall	KL433	Nicholas Bardsley	P Wilson	38,150	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	38,150		
St Giles - Re-roof Phase 1	KL434	Nicholas Bardsley	P Wilson	130,800	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	130,800		
Meole Brace Secondary - Window Repalcement Drama Block	KL435	Nicholas Bardsley	P Wilson	49,050	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	49,050		
St Peters Wem - Replace Roof Phase 4	KL437	Nicholas Bardsley	P Wilson	65,400	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	65,400		
St Thomas & St Annes - Re-roof	KL439	Nicholas Bardsley	P Wilson	87,200	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	87,200		
Trinity Ford - Re-roof Phase 2	KL440	Nicholas Bardsley	P Wilson	65,400	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	65,400		
Welshampton - Re-wire Phase 1	KL441	Nicholas Bardsley	P Wilson	21,800	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	21,800		
Whitchurch Junior - Window Replacement	KL443	Nicholas Bardsley	P Wilson	87,200	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	87,200		
Woore - Electrical Re-wire Phase 2	KL444	Nicholas Bardsley	P Wilson	27,250	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	27,250		
Total						2,867,761	-	2,873,797	(16,610)	(6,200)	-	-	2,882,561	2,686,874	175,877	175,877	-0.14			2,280,600	-	-

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Shropshire Council - Capital Programme 2017/18- 2020/21

Capital Scheme Details Quarter 4 2017/18

Scheme Description	Code	Portfolio Holder	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 £	Reprofile to/from future years P10 £	Revised Budget P10 17/18 £	Budget Virements P11 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 29/03/18 £	Spend to Budget Variance £	Slipped to 2018/19	No longer required/ available	RAG Status Scheme on Budget	RAG Status Scheme Progress	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
Fire Safety Schemes																						
Fire Safety - Market Drayton Infants	KLF08	Nicholas Bardsley	P Wilson	5,504	2,327	3,177		3,177		-	-	-	3,177	3,177	-0	0	-0.43	Green	Green	-	-	
Fire Safety - Beckbury	KLF16	Nicholas Bardsley	P Wilson	13,740	11,736	-		-	2,004	2,004	-	-	2,004	106	1,898	1,898	0.00	Green	Green	-	-	
Fire Safety - Gobowen	KLF19	Nicholas Bardsley	P Wilson	10,305	-	14,493		14,493	(4,188)	(4,188)	-	-	10,305	10,305	-0	0	-0.02	Green	Green	-	-	
Fire Safety - Weston Rhyn	KLF20	Nicholas Bardsley	P Wilson	9,903	-	10,972		9,903		(1,069)	-	-	9,903	9,903	0	0	0.35	Green	Green	-	-	
Fire Safety - Trefonen	KLF21	Nicholas Bardsley	P Wilson	15,927	-	17,224		15,927		(1,297)	-	-	15,927	15,927	-0	0	-0.41	Green	Green	-	-	
Fire Safety - Clive Primary Fire Alarm Replacement	KLF30	Nicholas Bardsley	P Wilson	5,336	-	5,336		5,336		-	-	-	5,336	5,336	0	0	0.45	Green	Green	-	-	
Fire Safety - Bomere Heath New Fire Alarm	KLF31	Nicholas Bardsley	P Wilson	27,250	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	27,250		
Fire Safety - Kinlet New Fire Alarm	KLF32	Nicholas Bardsley	P Wilson	12,673	-			-	13,307	12,673	-	-	12,673	12,673	-0	0	-0.34	Green	Green			
Total						**51,202**	**-**	**48,836**	**11,123**	**8,123**	**-**	**-**	**59,326**	**57,427**	**1,898**	**1,898**	**-0.40**			**27,250.00**	**-**	**-**
Special Education Needs																						
Schools Access Initiative Unallocated	KLD00	Nicholas Bardsley	P Wilson	Ongoing	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	49,050	-	
Special Provision Funds Allocation	KLD06	Nicholas Bardsley	P Wilson	500,001	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	166,667	166,667	166,667
Acorns North - Holy Trinity SEN	KLD07	Nicholas Bardsley	P Wilson	5,770	-	5,158		5,770		612	-	-	5,770	5,770	0	0	0.24	Green	Green			
Acorns South (Woodlands) - Disability Adaptations	KLD08	Nicholas Bardsley	P Wilson	67,950	-	67,950		67,950		-	-	-	67,950	67,950	-0	0	-0.47	Green	Green	-	-	
Market Drayton Junior Toilet Refurb for Accessibility	KLD09	Nicholas Bardsley	P Wilson	669	-	669		669		-	-	-	669	669	-0	0	-0.45	Green	Green			
Highley Primary School - Accessibility Works	KLD10	Nicholas Bardsley	P Wilson	15,661	-	17,236		17,236		(1,575)	-	-	15,661	15,661	0	0	0.10	Green	Green			
Bridgnorth Castlefields - Accessibility Works	KLD11	Nicholas Bardsley	P Wilson	4,216	-	5,404		4,216		(1,188)	-	-	4,216	4,216	-0	0	-0.47	Green	Green			
Kettlemere Centre - Lakelands	K3CX0	Nicholas Bardsley	P Wilson	942,470	940,514	6,001		1,956		(4,045)	-	-	1,956	1,955	1	0	0.54	Green	Green	-	-	
Total						**102,418**	**-**	**97,797**	**-**	**(6,196)**	**-**	**-**	**96,222**	**96,223**	**-1**	**0**	**-0.51**			**216,717**	**166,667**	**166,667**
Devolved Formula Capital				**Current**																		
Devolved Formula Capital - Allocated by schools		Nicholas Bardsley	P Wilson	Ongoing		968,694	-	968,694		-	57,281	-	1,025,975	901,951	124,024	124,024	0.00	Green	Green	700,000	-	-
Total Learning & Skills						**5,883,165**	**-**	**5,883,165**	**-**	**-**	**38,253**	**-**	**6,021,408**	**5,006,276**	**1,015,132**	**1,015,136**	**-2.38**			**8,195,874**	**166,667**	**166,667**
Total Children's Services						**6,002,603**	**-**	**6,002,503**	**-**	**-**	**38,253**	**-**	**6,040,768**	**5,024,051**	**1,016,706**	**1,016,707**	**-2.38**			**8,195,874**	**166,667**	**166,667**
Total General Fund Capital Programme						**49,838,181**	**-**	**49,837,681**	**-**	**-**	**1,288,477**	**-**	**51,224,838**	**42,750,768**	**8,473,870**	**8,473,873**	**-2.82**			**51,958,806**	**22,224,684**	**15,587,667**
Housing Revenue Account																						
Major Repairs Programme - Unallocated																						
Housing Major Repairs Programme	KSP01	Lee Chapman	A Begley	Ongoing	-	-		-		-	-	-	-	0	0	0	0.00	Green	Green	5,358,800	3,760,950	
Total						**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**0**	**0**	**0.00**			**5,358,800**	**3,760,950**	**-**
Major Repairs Programme - STAR Housing Contracts																						
STaR Rewires	KSR02	Lee Chapman	A Begley	1,317,978	993,444	324,534		324,534		-	-	-	324,534	275,658	48,876	48,876	0.00	Green	Green	-	-	
STaR Electrical Remedial Works	KSR04	Lee Chapman	A Begley	997,626	777,626	250,000		220,000		(30,000)	-	-	220,000	167,251	52,749	52,749	0.00	Green	Green	-	-	
STaR Roofing	KSR05	Lee Chapman	A Begley	366,028	219,532	26,496		26,496		-	-	-	26,496	1,434	25,062	25,062	0.00	Green	Green	120,000	-	
STaR Major Works	KSR06	Lee Chapman	A Begley	784,621	456,244	328,577		328,577		-	-	-	328,577	260,252	68,325	68,325	0.00	Green	Green	-	-	
STaR Kitchens & Bathrooms	KSR07	Lee Chapman	A Begley	2,609,193	1,565,640	1,043,553		1,043,553		-	-	-	1,043,553	993,995	49,559	49,559	0.00	Green	Green	-	-	
STaR Fire Safety Works	KSR08	Lee Chapman	A Begley	288,095	146,461	141,634		141,634		-	-	-	141,634	78,206	63,428	63,428	0.00	Green	Green	-	-	
STaR One Off Doors	KSR09	Lee Chapman	A Begley	58,478	44,771	13,707		13,707		-	-	-	13,707	13,707	0	0	0.06	Green	Green	-	-	
STaR External Doors	KSR11	Lee Chapman	A Begley	527,770	326,499	201,271		201,271		-	-	-	201,271	233,166	-31,895	-31,895	0.00	Green	Green	-	-	
STaR External Wall Insulation	KSR12	Lee Chapman	A Begley	909,696	881,763	27,933		27,933		-	-	-	27,933	13,811	14,122	14,122	0.00	Green	Green	-	-	
STaR Disabled Aids & Adaptations	KSR13	Lee Chapman	A Begley	1,062,423	607,666	314,757		314,757		-	140,000	-	454,757	254,922	199,835	199,835	0.00	Green	Green	-	-	
STaR Heating Insulation Works (Liberty)	KSR14	Lee Chapman	A Begley	2,828,313	2,196,636	631,677		631,677		-	-	-	631,677	452,960	178,717	178,717	0.00	Green	Green	-	-	
STaR Sewage Treatment Works	KSH01	Lee Chapman	A Begley	70,465	780	69,685		69,685		-	-	-	69,685	20,587	49,098	49,098	0.00	Green	Green	-	-	
STaR Asbestos Removal	KSH02	Lee Chapman	A Begley	440,112	232,099	233,013		233,013		(25,000)	-	-	208,013	131,270	76,743	76,743	0.00	Green	Green	-	-	
STaR Kitchens & Bathrooms Voids	KSH03	Lee Chapman	A Begley	659,572	334,876	269,696		299,696		55,000	-	-	324,696	309,624	15,072	15,072	0.00	Green	Green	-	-	
STaR Oswestry Castlefields Regeneration	KSH04	Lee Chapman	A Begley	185,840	157,493	28,347		28,347		-	-	-	28,347	5,475	22,872	22,872	0.00	Green	Green	-	-	
STaR Off Grid Properties Investment	KSH05	Lee Chapman	A Begley	593,500	119,495	474,005		474,005		-	-	-	474,005	257,025	216,980	216,980	0.00	Green	Green	-	-	
STaR Heating Works - Reactive	KSH07	Lee Chapman	A Begley	1,010,786	489,771	521,015		521,015		-	-	-	521,015	439,896	81,119	81,119	0.00	Green	Green	-	-	
STaR Communal Door Entry System Replacement	KSH08	Lee Chapman	A Begley	250,000	-	250,000		250,000		-	-	-	250,000	0	250,000	250,000	0.00	Green	Green			
STaR Garage Sites Refurbishments	KSH09	Lee Chapman	A Begley	100,000	-	100,000		100,000		-	-	-	100,000	5,031	94,969	94,969	0.00	Green	Green			
Total						**5,249,800**	**-**	**5,249,800**	**-**	**-**	**140,000**	**-**	**5,389,800**	**3,914,270**	**1,475,830**	**1,475,830**	**0.06**			**120,000**	**-**	**-**
House re-purchases																						
Shared Ownership Buy-back - Rhea Hall	KSRP2	Lee Chapman	A Begley	60,000	-	60,000		60,000		-	-	-	60,000	0	60,000	60,000	0.00	Green	Green	-	-	
New Century Court Oswestry	KSRP3	Lee Chapman	A Begley	413,428	-	320,000		320,000		-	93,428	-	413,428	348,428	65,000	65,000	0.00	Green	Green	-	-	
Purchase - 14 Weston Close, Morda	KSRP4	Lee Chapman	A Begley	-	-	-		-		-	-	-	-	86	-86	-86	0.00	Green	Green	-	-	
Total						**380,000**	**-**	**380,000**	**-**	**-**	**93,428**	**-**	**473,428**	**348,514**	**124,914**	**124,914**	**0.00**			**0**	**0**	**-**
New Build Programme																						
Housing New Build Programme - Phase 1	KSNB1	Lee Chapman	A Begley	7,126,349	7,119,304	57,035		57,035		-	(49,990)	-	7,045	0	7,045	7,045	0.00	Green	Green	-	-	
Housing New Build Programme - Phase 2	KSNB2	Lee Chapman	A Begley	3,470,306	3,434,987	380,994		380,994		(345,675)	-	-	35,319	20,294	15,025	15,025	0.00	Green	Green	-	-	
Housing New Build Programme - Phase 3	KSNB3	Lee Chapman	A Begley	672,350	208,139	452,836		452,836		-	-	-	452,836	452,836	0	0	0.38	Green	Green	11,375	-	
Housing New Build Programme - Phase 4	KSNB4	Lee Chapman	A Begley	2,310,675	-	1,819,100		1,819,100		345,675	-	-	2,164,775	2,121,666	43,109	43,109	0.00	Green	Green	145,900	-	
Housing New Build Programme - Phase 5	KSNB5	Lee Chapman	A Begley	4,200,000	-					-	-	-	-	0	0	0	0.00	Green	Green	4,200,000		
Total						**2,709,965**	**-**	**2,709,965**	**-**	**-**	**(49,990)**	**-**	**2,659,975**	**2,594,796**	**65,179**	**65,179**	**0.38**			**4,357,275**	**-**	**-**
Total Housing Revenue Account						**8,339,865**	**-**	**8,339,865**	**-**	**-**	**183,438**	**-**	**8,523,303**	**6,857,580**	**1,665,723**	**1,665,723**	**0.44**			**9,836,075**	**3,760,950**	**-**
Total Capital Programme						**58,278,026**	**-**	**58,277,526**	**-**	**-**	**1,471,916**	**-**	**59,747,841**	**49,608,348**	**10,139,594**	**10,139,596**	**-2.38**			**61,794,881**	**25,985,634**	**15,587,667**
																				-	-	-

Shropshire Council - Capital Programme 2017/18- 2020/21

Financing	B/F Budget Q3 17/18 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 17/18 £	2018/19 Revised Budget £	2019/20 Revised Budget £	2020/21 Revised Budget £
Self Financed Prudential Borrowing	**300,000**	**-**	**-**	**-**	**300,000**	**8,197,000**	**-**	**-**
Government Grants								
Department for Transport	21,691,000	-	618,110	-	22,309,110	17,253,447	14,901,000	14,901,000
Ministry of Housing, Communities & Local Gov	-	-	-	-	-	544,507	-	-
Department for Health - Better Care Fund	2,736,187	-	-	-	2,736,187	-	-	
Department for Health - HOLD Grant	915,000	-	-	-	915,000	1,500,000	-	
Department for Education								
- Condition Capital Grant	3,109,792	-		-	3,109,792	2,500,000	-	-
- Basic Need Capital Grant	443,491	-	-		443,491	1,340,522	-	-
- Devolved Formula Capital	851,959	-	(42,908)	-	809,051	700,000	-	-
- Special Provision Funds	-	-	-	-	-	166,667	166,667	166,667
Department for Communities and Local Government	-	-	-	-	-			
- Community Housing Fund	-	-	-	-	-	517,296		
Disabled Facilities Grant (Additional)	-	-	274,479	-	274,479			
Education Funding Agency	-	-	-	-	-			
- Early Years Capital Fund	334,300	-	-	-	334,300			
HCA - Travellers	21,000	-	-	-	21,000	55,858	-	-
HCA - New Build	362,500	-	-	-	362,500	370,000	-	-
BDUK - Broadband	4,086,469	-	-	-	4,086,469	5,091,201	1,892,605	269,756
Environment Agency	1,167,489	-	-	-	1,167,489	627,000	70,000	-
DEFRA	-	-	-	-	-	-	-	-
Local Enterprise Partnership (LEP) Fund	4,198,002	-	-	-	4,198,002	2,002,759	3,242,087	115,956
Public Health England	1,951	-	-	-	1,951	-	-	-
	39,919,140	**-**	**849,681**	**-**	**40,768,821**	**32,669,257**	**20,272,359**	**15,453,379**
Other Grants								
Historic England/English Heritage	47,183	-	-	-	47,183	2,541	-	-
Natural England	9,703	-	-	-	9,703	-	-	-
Other Grants	-	-	4,600	-	4,600	-	-	-
	56,886	**-**	**4,600**	**-**	**61,486**	**2,541**	**-**	**-**
Other Contributions								
Section 106	582,433	-	153,794	-	736,227	280,299	-	-
Community Infrastructure Levy (CIL)	29,369	-	-	-	29,369	-	-	-
Other Contributions	49,153	-	142,799	-	191,952	24,516	-	-
	660,955	**-**	**296,593**	**-**	**957,548**	304,815	-	-
Revenue Contributions to Capital	**4,563,200**	**-**	**(2,246,840)**	**-**	**2,316,360**	**3,892,225**	**-**	**-**
Major Repairs Allowance	**4,793,483**	**-**	**-**	**-**	**4,793,483**	**4,878,010**	**3,760,950**	**-**
Corporate Resources (expectation - Capital Receipts only)	**7,982,362**	**-**	**2,567,881**		**10,550,243**	**11,851,033**	**1,952,325**	**114,288**

Shropshire Council - Capital Programme 2017/18- 2020/21

Total Confirmed Funding	**58,276,026**	**-**	**1,471,915**	**-**	**59,747,941**	**61,794,881**	**25,985,634**	**15,567,667**

Shropshire Council - Capital Programme 2017/18- 2020/21

Funding changes - Quarter 4

Budget Increase/Decrease	2017/18	2018/19	2019/20	2020/21	Details
Government Grants					
Department for Transport	618,110	2,352,447	14,901,000	14,901,000	Additional Incentive Element funding £0.175m and Pothole Action Fund funding of £0.443m for 2017/18. Added in Local Transport Capital Block Funding of £1.859m and Pothole Action Fund of £0.494m for 2018/19. Added in indicative Highways maintenance Grants of £14.901m for 2019/20 and 2020/21.
Department for Education - Devolved Formula Capital	(42,908)				Removal of funding for schools transferred to Academy status.
Department for Education - Basic Need		(14,293)			
Ministry of Housing, Communities & Local Gov		544,507			Confirmation of funding allocation for 2018/19 for Land Release Funding of £0.544m.
Homes and Communities Agency		300,000			Allocation of funding for 2018/19 for HRA New Build Phase 5.
DCLG - Disabled Facilities Grant	274,479				Additional confirmed funding in 2017/18 for Disabled Facilities Grants.
DCLG - Community Housing Fund		517,296			Confirmation of funding allocation for 2018/19 for the Community Housing Fund.
Total Government Grants	**849,681**	**3,699,957**	**14,901,000**	**14,901,000**	
Other Grants					
V&A Museum - Local Hoards Grant	2,300				Added in V&A Grant for Heritage Asset Acquisition.
Total Other Grants	**2,300**	**-**	**-**	**-**	
Other Contributions					
Section 106	153,794	72,600			Contribution towards Shifnal Highways network £0.150m and The Mere Public Realm Works £0.004m in 2017/18. Contribution towards HRA New Build phase 5 £0.73 in 2018/19.
External Contributions	145,099	24,516			Additional £6.3k contribution to Heritage Assets Acquisition. £3.5k contributiuon from developer to Ash Parva Speed Reduction Scheme, £24.5k Whitchurch Town Council Contribution to Skate Park Scheme. £93.4k contributtion from STaR Housing re New Century Court Refurbishment. Shropshire WIldlife Trust Contribution to Westwood Quarry scheme £22,151
Total Other Contributions	**298,893**	**97,116**			
Revenue Contributions to Capital	376,958	1,424,588			Added in for 2017/18 Development Fund revenue contribution of £15k re Severn Valley Country park extension project, revenue contribution to fit-out costs of £8,874 re Much Wenlock Library Refurbishment, Help 2 Change contributiuon to capital of £205,548 for digital information displays. School Revenue contributions £81,161 to capital projects. Help 2 Change vehicle purchase £14,235 and scanning equipment £49,500. Added in for 2018/19 £3.2m HRA revenue contribution to New BUild PHase 5 and planned repairs £0.601m. Reduction of £2.624m in 2018/19 as part of £5m savings target.
Major Repairs Allowance		3,780,110	3,760,950		Added in indicative HRA Major Repairs budget for 2018/19 & 2019/20.

Shropshire Council - Capital Programme 2017/18- 2020/21

Prudential Borrowing		8,197,000			Added in Tannery Student Accomodation £7.0m PWLB borrowing approval. £1,197 PWLB borrowing approval for new Parking Machines following parking strategy approval.
Capital Receipts	(55,917)	(1,693,798)	(163,306)		Whitchurch Civic Centre Project completion £6k, Shirehall Phase 2 £300k, Non Poolable Disposals £49,990 completion of Phase 1 New Build. Reduction of £2.376m in 2018/19 as part of £5m Highways Maintenance
	1,471,915	**15,504,973**	**18,498,644**	**14,901,000**	
	-	(0)	-	-	

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Committee and date	Item
Audit Committee 28 June 2018	 Public

STATEMENT OF ACCOUNTS 2017/18

Responsible Officer James Walton
Email: james.walton@shropshire.gov.uk Tel: (01743) 258915

1. Summary

The 2017/18 Statement of Accounts has been prepared in line with the faster closedown timetable introduced in the Accounts and Audit Regulations 2015. Therefore, the Draft Statement of Accounts for 2017/18 has been certified by the Section 151 Officer as a true and fair view of the financial position by 31st May 2018.

The Draft Statement of Accounts for 2017/18 is appended to this report. This report provides an overview of the Accounts and provides details of the reasons for the most significant changes between the 2016/17 Accounts and the 2017/18 Accounts.

The final revenue outturn for 2017/18 is an underspend of £0.529m on a gross budget of £563.3m. The final capital outturn shows a spend of £49.608m, representing 83% of the revised budget.

The authority's earmarked reserves and provisions have increased by £8.026m. The general fund balance has increased by £0.613m. Delegated Schools' balances have decreased by £0.905m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on the Agenda for this meeting.

2. Recommendations

It is recommended that Members:

A. Receive and comment on the draft 2017/18 Statement of Accounts.

B. Receive and note the additional accounting policy included in the Statement of Accounts for 2017/18.

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.

4. Financial Implications

4.1. This report considers the projected outturn position for the 2017/18 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 2017/18 Statement of Accounts is attached at Appendix 1. The external audit by Grant Thornton is currently underway and will be completed in July, 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 2017/18 Statement of Accounts is 31 July 2018.

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 2017/18 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 2017/18 Income and Expenditure Statement reports a surplus for the year of £50.409m, 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 £0.613m which reflects the year end underspend on the revenue budget.

  - **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2018. 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 £439,529m, an increase of £49.702m which is analysed in the Movement in Reserves Statement. Assets have increased as a result of a reduction in the value of the Pensions Liability as a result of the early pension payment for the 2018/19 and 2019/20 pension lump sum deficit and a decrease in the value of pension liabilities as a result of changes in actuarial assumptions. 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 Limited, Shropshire Towns & Rural Housing, West Mercia Energy, Jersey Property Unit Trust and SSC No.1 Limited.

- **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 2017/18 and assets and liabilities as at 31 March 2018.

- **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 2017/18, published by CIPFA (the Code). For 2017/18 there were no significant changes to the Code requirements from those stipulated in previous years.

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. A new accounting policy was included in 2017/18 accounts to reflect the unquoted equity investments relating to the purchase of the shopping centre.

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 2017/18 the materiality threshold (i.e. the level of change between 2016/17 and 2017/18) 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 2017/18
Cabinet Member (Portfolio Holder) Peter Adams, Chair of Audit Committee
Local Member All
Appendices 1. Draft Statement of Accounts 2017/18 (Unaudited) 2. Analytical Review of Statement of Accounts

Analytical Review of Shropshire Council's Statement of Accounts for 2017/18

1. The analytical review for 2017/18 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Adult Social Care**

	2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
Expenditure	132,711	120,962	11,749	9.7
Income	(44,646)	(36,088)	(8,558)	23.7%

Purchasing costs within Adult Service have increased by approximately £9m in 2017/18 in addition to other inflationary pressures. This has been offset by additional income from the improved better care fund of £6m and additional care package income from service users of £2m.

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

2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
0	(28,230)	28,230	100%

The Government agreed a change in the way that Social Housing was valued in 2016/17. The Beacon Factor which determines the basis for valuing dwellings, included an adjustment factor which measured the difference between private open market rented and socially rented property at a regional level. Since 2010 the adjustment factor for Shropshire (West Midlands region) has been 34%, however the new directions now state that the adjustment factor should be 40%. The effect of this change was a revaluation gain within the Council Dwellings figure which was charged to the Housing Revenue Account and was shown as an exceptional item for 2016/17. There have been no further changes in 2017/18 and therefore there is no exceptional item shown in 2017/18.

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

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
4,275	6,578	(2,303)	35%

Corporate Services include any past service costs, curtailments or settlements made in relation to pensions. In 2016/17 the net of these items was -£1.124m in comparison to -£3.751m in 2017/18. The decrease is because of income settlements increasing in 2017/18 due to several academies transferring with a pension deficit. Curtailment costs also reduced by over £1m as a result of reduced redundancy and efficiency retirement costs.

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

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
29,715	43,160	13,444	31%

Losses on disposal of non-current assets have decreased from £35.44m in 2016/17 to £21.15m in 2017/18. The major element of this loss was made up of Schools that transferred to Academies on 125 year leases or transferred to Diocese ownership and were written out of the Council balance sheet. In 2016/17, eight schools (6 Primary, 2 Secondary) previously on the Council balance sheet transferred to Academies/Diocese ownership, whereas in 2017/18, six schools (all Primary) previously on the Council balance sheet transferred to Academies/Diocese ownership.

- **Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
25,689	36,239	(10,551)	29%

(Income) and expenditure in relation to investment properties and changes in their fair value increased from £1.741m in 2016/17 to £9.687m in 2017/18. The net income from investment properties stayed broadly static (£0.981m to £0.949m), the movement was in the capital charges for changes in value of investment properties, for which the movement was £8.737m in 2017/18, compared to £0.760m in 2016/17. This followed revaluations of a number of investment properties in 2017/18 and in particular significant revaluations to 3 land holdings related to change in use. The net interest cost on pensions has reduced by £2.5m. The interest charge on pension liabilities has reduced by £4.9m and the interest on plan assets has reduced by £2.4m as a result of the increase in the discount rate which has offset the £4.9m.

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

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
(13,292)	(35,853)	(22,562)	63%

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 2017/18 the surplus was £22.5m less than in 2016/17. This was mainly in relation to upward revaluations of assets in 2017/18, with the value of upward revaluations £25m lower than in 2016/17. These changes reflect the movement in property values for those revalued each year, compared to their last valuations and the properties revalued each year (valuations are done on a rolling programme) and whether there has been a previous revaluation loss charged to service revenue accounts, which can be reversed if there is a subsequent revaluation increase. The valuations are now on a 3 year cyclical programme (previously 5 year programme), so there is a shorter gap between valuation and property values have remained relatively stable over this period.

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

2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
(40,500)	61,785	(102,285)	166%

Remeasurement of the Net Defined Benefit Liability has changed from a loss of £61.785m in 2016/17 to a gain of £40.500m in 2017/18. The total swing of £102.9m is made up of four 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 £47.04m in 2017/18 compared to a remeasurement loss of £236.48m in 2016/17. The second element a decrease on Experience gains on liabilities of £7.4m. The third element is a decrease on liabilities in relation to demographic assumptions of £19.0m. The fourth element relates to a decrease in the return on plan assets (£154.9m).

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

2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
52,605	400	52,205	13051%

In 2017/18 Shropshire Council purchased an investment in the Charles Darwin, Pride Hill and Riverside Shopping Centres. Shropshire Councils share of this investment totalling £51.8m is included in the accounts as a long term investment.

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

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
59,000	47,921	11,079	19%

Balance Sheet Current Assets – Cash and Cash Equivalents

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
47,042	93,233	46,191	50%

Balance Sheet Current Assets – Bank Overdraft

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
(14,625)	(13,150)	1,475	11%

The decrease 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.

There are six elements that detail the difference in cash:
i. Revenue outturn (movement in usable reserves)
ii. Capital
iii. Movement in debtors/creditors
iv. New loans provided/repaid
v. Purchase of investment
vi. Early Pension Payment

i. There was a £7.9m increase in usable reserves in 2017/18 due to a number of factors including; the Revenue Outturn delivering an underspend and planned contributions to earmarked reserves.

ii. The Capital Grant unapplied account has increased by £9.9m due to CIL payments of £6.6m received in 2017/18 which have not been spent and the receipt of three new grants totalling £3.5m.

iii. Debtors increased during 2017/18 by £4.9m due to an increase in amounts owed by NHS bodies and an increase in grant debtors including Housing Benefits and s31 Business Rates. Creditors in contract reduced by £0.8m.

iv. Cash will have reduced due to the repayment of borrowing that the Council has undertaken of £6m.

v. Cash will have reduced by the value of the investment in the Shopping Centre (£52.2m). This purchase was made using cash balances instead of borrowing in 2017/18

vi. In 2017/18 Shropshire Council paid the lump sum deficit to the Pension Fund in relation to the next 3 years in order to achieve financial savings. The value of this early payment relating to the year 2018/19 and 2019/20 is £14.7m and this will have reduced the cash balance.

- **Balance Sheet Current Liabilities – Deferred Income**

2017/18 £000	**2016/17 £000**	**Increase (Value) £000**	**Increase (%)**
(2,175)	0	(2,175)	(100%)

£2.4m has been placed in an escrow in relation to rent guarantees for the shopping centre. This has been included in temporary investments and deferred income. As the funding is drawn down into revenue the deferred income is reduced. £0.2m has been drawn down in relation to 2017/18 resulting in £2.2m remaining on the balance sheet as deferred income.

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

2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
(3,453)	(2,488)	(965)	(39%)

Short term provisions have increased by £0.965m due to the creation of two new provisions. The Environmental Maintenance provision of £0.578m was created to retain a balancing payment due to the outgoing highways contractors providing that the work completed has been done to a satisfactory quality. If no defects appear within a prescribed timeframe this payment will be released. The Shopping Centre Rent Top Ups provision of £0.267m (short term element) was created to hold a balance of income due to the authority relating to those units which were let with a rent-free period by the previous unitholders. This was compensated for in the completion statement. It is drawn down as and when the rent on the particular unit is due according to a detailed schedule.

- **Balance Sheet Current Liabilities – Grant Receipts in Advance Revenue**

2017/18 £000	2016/17 £000	Decrease (Value) £000	Increase (%)
(4,065)	(4,635)	570	12%

The difference of £0.570m is primarily due to the Council applying the Dedicated Schools Grant (DSG) in excess of the amount received in the year in order to utilise the brought forward balance and therefore reducing the carried forward balance by £0.710m These has been offset by £0.114m being held in relation to Business Rates Retention Scheme Section 31 grants as a result of MHCLG adjustments.

- **Balance Sheet Current Liabilities – Grant Receipts in Advance Capital**

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
(528)	(2,367)	(1,839)	78%

The decrease is due to the allocation of grants received in 2016/17 applied to expenditure incurred in 2017/18. The main grants that this relates to are:

- Department for Transport Pothole action fund - £0.67m
- Department for Education Basic Need Grant - £0.45m
- Environment Agency Flood Alleviation Scheme - £0.65m

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

2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
(419,636)	(461,828)	(42,192)	9%

Pensions Liability has decreased by £42.2m in 2017/18. £14.7m of this relates to the early pension payment for the 2018/19 and 2019/20 lump sum deficit. The remaining decrease in Pension Liability is mainly due to an decrease in the value of pension liabilities due to an increase in the discount rate during the year and a reduction in the CPI inflation assumption.

- **Balance Sheet Long Term Liabilities – Usable Reserves**

2017/18 £000	2016/17 £000	Increase (Value) £000	Increase (%)
119,315	101,532	17,783	18%

The Major Repairs Reserve increased by £2.1m due to slippage in the HRA Capital Programme which reduced the drawdown from the MRR to fund capital expenditure. Capital Grants Unapplied Account has increased by £9.9m. This is due to additional grants being received in 2017/18 which have not been spent and as there are no conditions attached to them they have been transferred to the Capital Grants Unapplied account. This includes DCLG Housing and Technologies grant of £1.66m, pothole action fund of £0.94m, flood resilience grant of £0.94m and CIL of £6.5m. Earmarked Reserves have increased by £6m as a result of planned contributions towards future years savings and unspent grant income which has been carried forward to be spent in future year.

- **Balance Sheet Financing – Unusable Reserves**

2017/18 £000	2016/17 £000	Decrease (Value) £000	Decrease (%)
320,214	288,925	31,919	11%

The increase in Unusable Reserves is due to an increase in the Capital Adjustment Account and Pensions Reserve and a decrease in the Collection Fund Adjustment Account. The Capital Adjustment Account has increased by £12.2m in 2017/18 compared to movement of £9.3m in 2016/17. The movement reflects the movement in asset values, disposals and capital expenditure financing in 2017/18. The most significant areas of decrease were depreciation & impairment and amounts written out on disposals (partly reflecting Academy/Diocese transfers). The most significant areas of increase were capital grants and contributions and capital receipts financing. The Collection Fund Adjustment Account has reduced by £4.9m as a result of the movement from a deficit on the Collection Fund at the end of 2015/16 to a surplus in 2016/17. The Pensions reserve has moved by £27.5m as a result of a decrease in pension liabilities due to an increase in the discount rate and a reduction on the CPI inflation assumption. The movement to the Pension Reserve is different to the pensions liability above due to the early pension payment.

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

2017-2018

ANNUAL STATEMENT OF ACCOUNTS 2017/18

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:

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) 258915, or Cheryl Sedgley on (01743) 258937.

James Walton
Head of Finance, Governance & Assurance

Section 1

Narrative Report

The Statement of Accounts

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

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

The section on accounting policies describes the basis on which the financial information within the statements is prepared. Information is included within the statements having regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

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 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 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 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 2018. 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 summarise the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2017/18 and assets and liabilities as at 31 March 2018.

- **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 2017/18

The revenue budget for 2017/18 was agreed by Council in February 2017. During the course of the year, budgets can move between service areas in line with the Council's approval process, however the Net Budget remains the same, to reflect the funding that the Council receives. Revenue budgets are monitored and reported regularly to Cabinet in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising.

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

	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Service Expenditure			
Adult Services	92,188	91,919	(269)
Children's Services	46,692	51,295	4,603
Place & Enterprise	82,948	83,810	862
Public Health	5,553	4,741	(813)
Resources & Support	3,584	2,312	(1,272)
Corporate	(24,892)	(28,616)	(3,724)
Net Budget	**206,073**	**205,460**	**(613)**
Funded By:			
Revenue Support Grant	20,448	20,448	
Top Up grant	9,481	9,481	
Business Rates	37,761	37,761	
Collection Fund Surplus	4,162	4,162	
Council Tax	134,221	134,221	
Total Funding	**206,073**	**206,073**	

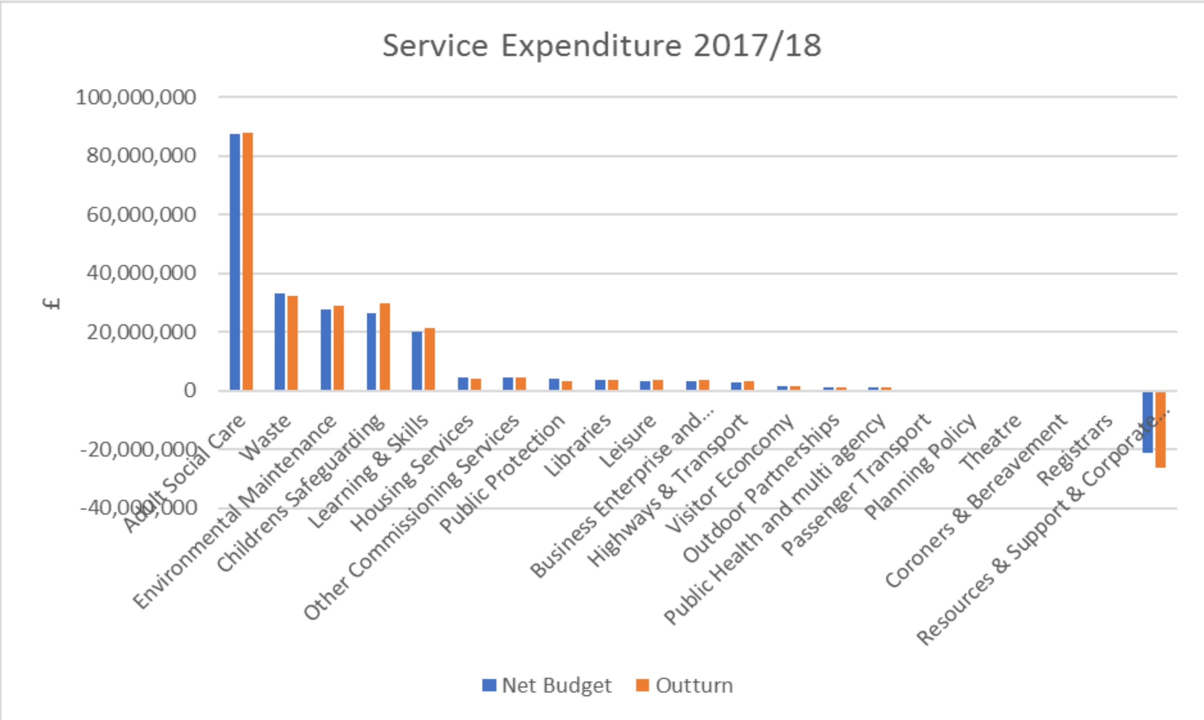
Budget monitoring reports during the course of the year have shown the following position:

Over/(Under)spend Projected	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Adult Services	(66)	(45)	(938)	(269)
Children's Services	3,444	3,948	4,455	4,603
Place & Enterprise	1,062	1,164	62	862
Public Health	(99)	(116)	(294)	(813)
Resources & Support	1,026	1,067	338	(1,272)
Corporate	(1,179)	(957)	(3,682)	(3,724)
TOTAL	**4,188**	**5,061**	**(59)**	**(613)**

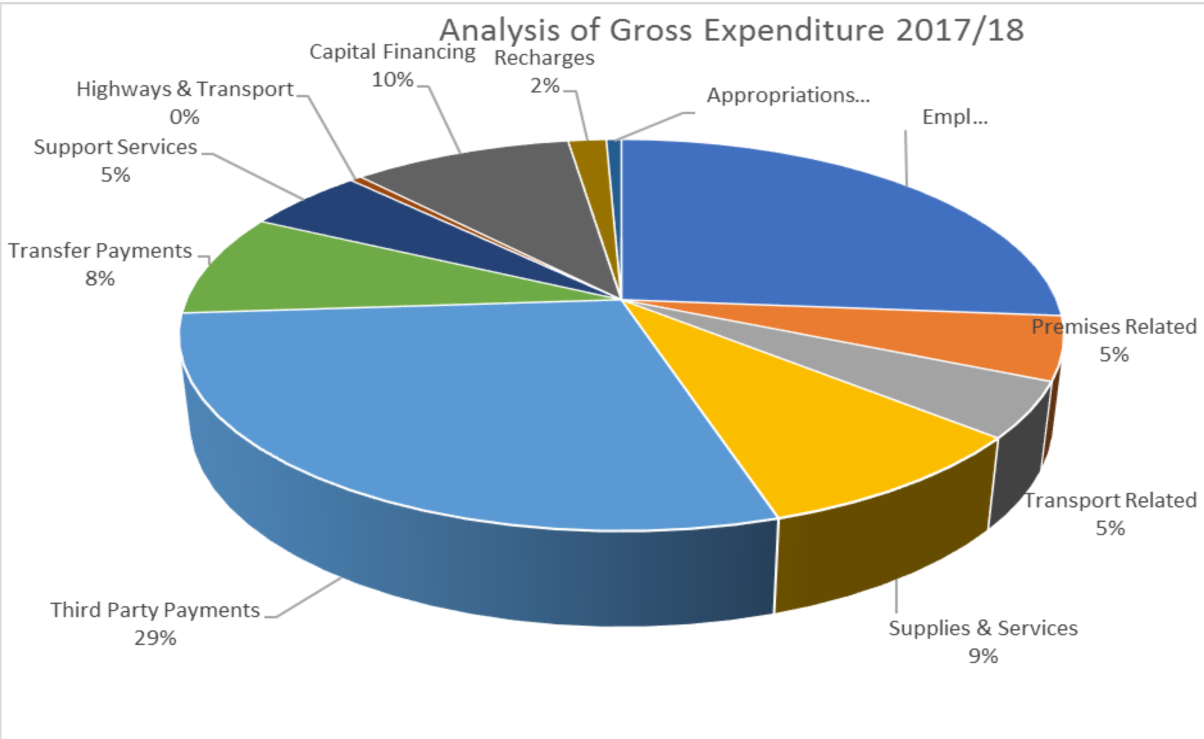
The main areas of overspend identified during the year were in Children's Services and Place & Enterprise. Within Children's Services pressures arose from hard to achieve savings targets, grant losses, cost pressures on Home to School Transport as well as significant pressures on residential and foster care placements, the costs of supporting Unaccompanied Asylum Seeking Children and agency costs in excess of budget. Within

Place & Enterprise significant pressures arose in Environmental Maintenance related to severe weather in the final months of the year. The overall pressure in both Children's Services and Place & Enterprise has been offset by underspends in other directorates achieved through strategies such as applying a spending freeze across many budget headings.

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 £667.8m and this was spent on the following types of expenditure:



The overall underspend of £0.613m against service area's budgets represents 0.11% of the gross budget of £563.350m.

In addition, School balances, including invested sums, have decreased by £0.905m 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. Twelve schools converted to academies during the year.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 6 and 7 to the Accounts.

Capital Outturn for 2017/18

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 2017/18 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.

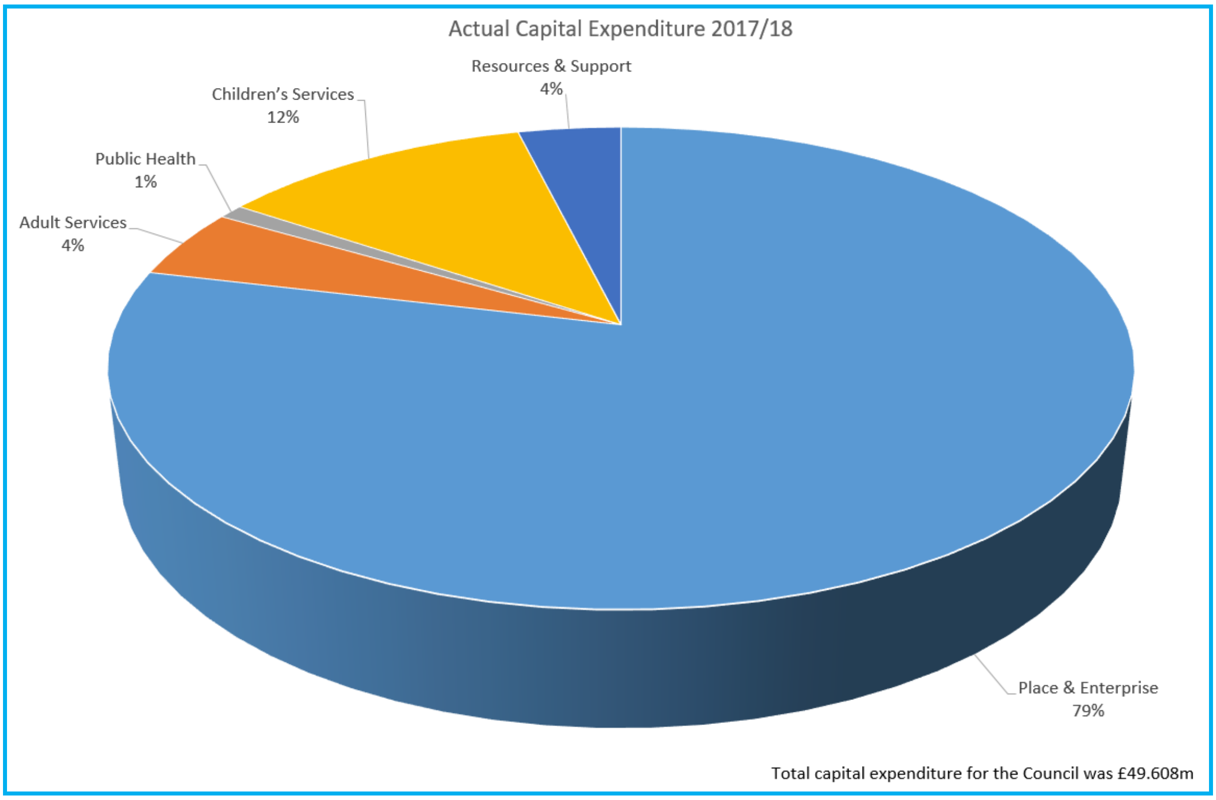
Service Area	Revised Budget 2017/18 £000	Actual Spend 2017/18 £000	Variance 2017/18 £000
General Fund			
Place & Enterprise	38,025	33,667	(4,358)
Adult Services	4,860	2,005	(2,855)
Public Health	554	409	(145)
Children's Services	6,041	5,024	(1,017)
Resources & Support	1,745	1,646	(99)
Total General Fund	**51,225**	**42,751**	**(8,474)**
Housing Revenue Account	8,523	6,857	(1,666)
Total Capital Programme	**59,748**	**49,608**	**(10,140)**

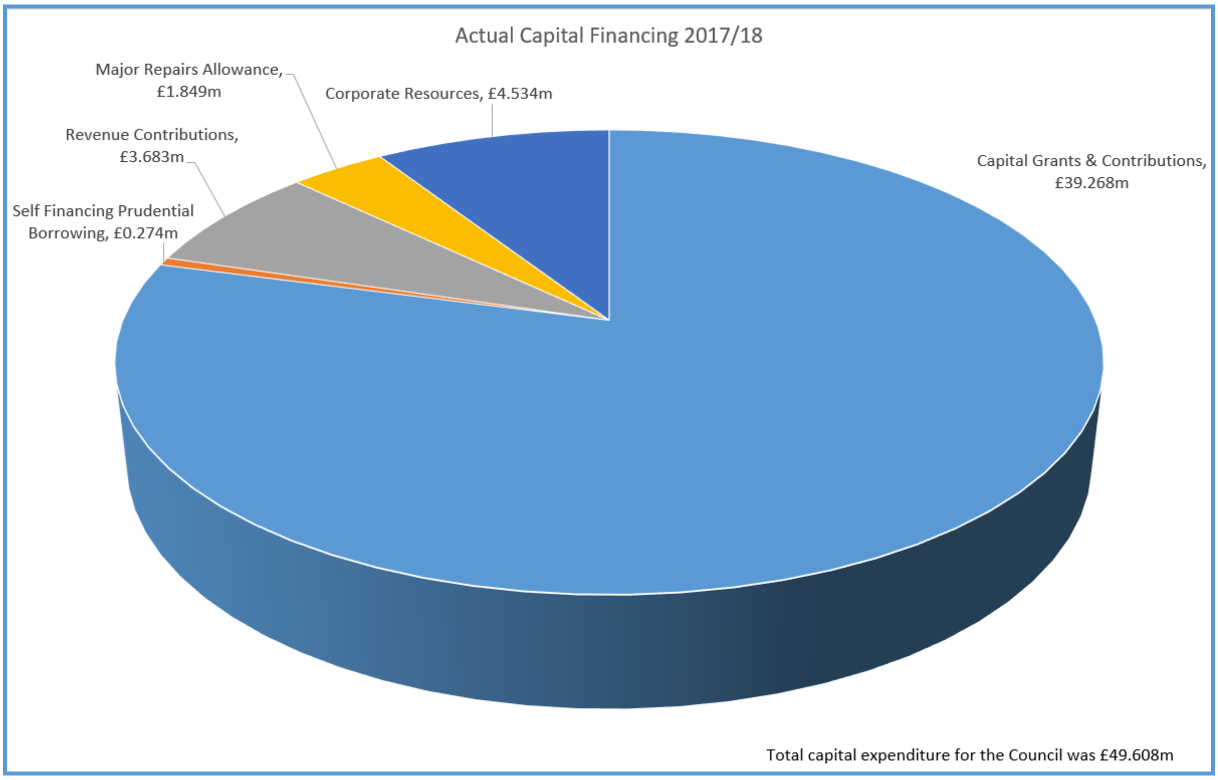
The table below provides a summary of the capital financing for the actual capital expenditure for 2017/18.

Financing	2017/18 £000
Capital Grants & Contributions	39,268
Revenue Contributions	3,683
Major Repairs Allowance	1,849
Self Financing Prudential Borrowing	274
Corporate Resources (Prudential Borrowing/Capital Receipts)	4,534
	49,608

The areas of most significant expenditure for schemes undertaken in 2017/18 are as follows:

	Expenditure 2017/18 £000	Scheme Total Budget £000
Place & Enterprise		
Highways, Bridges & Street Lighting Infrastructure	20,847	Ongoing
LEP Schemes	4,494	12,795
Flood defences and water management	1,059	4,307
Affordable Housing Schemes	672	Ongoing
Broadband	3,961	33,896
Corporate Landlord	1,393	7,881
Adult Services		
Supported Living and improvements to buildings for use by service users	379	Ongoing
Disabled Facilities Grants	1,368	Ongoing
Resources & Support		
Digital Transformation Project	1,646	Ongoing
Children's Services		
Schools Condition Schemes	2,687	Ongoing
Devolved Formula Capital & UIFSM - Allocated by schools	902	Ongoing
Housing Revenue Account		
Housing Major Repairs Programme	3,914	Ongoing
New Build Programme - Phase 2-4	2,595	6,453





Reserves

The general fund balance has increased by £0.613m in 2017/18 to a total of £15.311m. This reflects the underspend within the revenue account during 2017/18 and a small over recovery of insurance costs. This balance lies above the risk assessed level of balances calculated in 2017/18.

Earmarked reserves have increased by £5.980m during 2017/18, which includes a decrease in schools delegated balances of £0.905m. Total earmarked reserves are held at £69.839m including school balances of £7.372m.

The most significant earmarked reserve held is the Financial Strategy Reserve at £24.556m which is held in accordance with the financial strategy where the Council will be using one off funding to close the funding gap. The Council released £5.884m of the balance within the revenue budget in 2017/18, in line with the Council's Financial Strategy. The remaining balance held on the reserve will be used between 2018/19 and 2020/21.

Assets

During 2017/18, facilities at six schools were written out of the Council balance sheet because of the schools transferring to Academy School status or the transfer of the buildings and hardstanding areas to the Diocese was completed, prior to the school transferring to Academy School status. In accordance with the Council's accounting policies, these are now valued at nil value in the Council's balance sheet and as a result of the transfers assets of £18.6m were written out of the balance sheet, accounted for as a loss on disposal.

During the year the Council took the opportunity to make a major investment in Shrewsbury Town Centre. The Council acquired the freehold of the Charles Darwin Shopping Centre including 11 Castle Street, the freehold of the Pride Hill Shopping Centre, the vendor's leasehold interest in the Riverside Shopping Centre and the vendor's leasehold interest in the Riverside Medical Centre the primary objective of this acquisition being to support the economic growth and regeneration of the town centre. It will support the development of Shrewsbury as a 'destination', help provide an improved and attractive retail and leisure offer, and secure employment for Shropshire residents both directly and indirectly. All of the assets acquired were held in Jersey Property Unit Trusts (JPUT) and have remained as such. These are shown on the balance sheet as "unquoted equity investments".

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.

Cashflow

Cashflow forecasts are prepared for the current and future financial year and are monitored on a daily basis. The cashflow forecast is regularly updated to take account of future changes so the cash position of the Council can be managed appropriately. We are satisfied that cashflow levels are sustainable in the short to medium term based on the information we currently have.

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 2017, the Council's net pensions liability amounted to £389m. In comparison, the deficit amounts to £462m at 31 March 2018 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.

During 2017/18, the Council took the opportunity to make an early payment of the Local Government Pension Scheme deficit lump sum for a period of 3 years in order to deliver a revenue saving as a result of lower interest of repaying the deficit.

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 2017/18 is analysed in note 39 to the accounts.

Shropshire County Pension Fund has worked with eight other Funds in the Midlands region to meet the tight deadlines set by Government to pool assets by 1 April 2018. The Shropshire Fund is part of LGPS Central, a multi asset manager, investing approximately £40 billion on behalf of its members from 2018 onwards, on behalf of 893,265 members and 2,441 employers. The aims of LGPS Central will be to deliver cost savings, to build on existing investment expertise of its member funds through increased scale, resilience and sharing of knowledge and has in place strong governance and decision making arrangements. It aims to make the best use of a blend of internal and external investment management. LGPS Central Ltd is jointly owned on an equal share basis by eight Pension Funds and is a Collective Portfolio Management Investment Firm regulated by the Financial Conduct Authority (FCA). The company is a private company limited by shares and was incorporated in October 2016. The majority of assets under management will be structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures.

Performance in 2017/18

The Council adopted its Corporate Plan in December 2016. It has been refreshed for 2018/19 and a new Corporate Plan will be written for 2019/20 to 2021/22. The Plan sets out high-level outcomes and a range of medium term outcomes and objectives for the coming 12 to 24 months. The medium term outcomes and objectives are the basis for the Council's Strategic Action Plans which are thematic and cross cutting.

The Council's corporate performance management framework is structured around the high-level outcomes listed below and incorporates the measures and project delivery milestones from the strategic action plans.

- **Healthy People**
- **Resilient Communities**
- **Prosperous Economy**
- **Operating the Council**

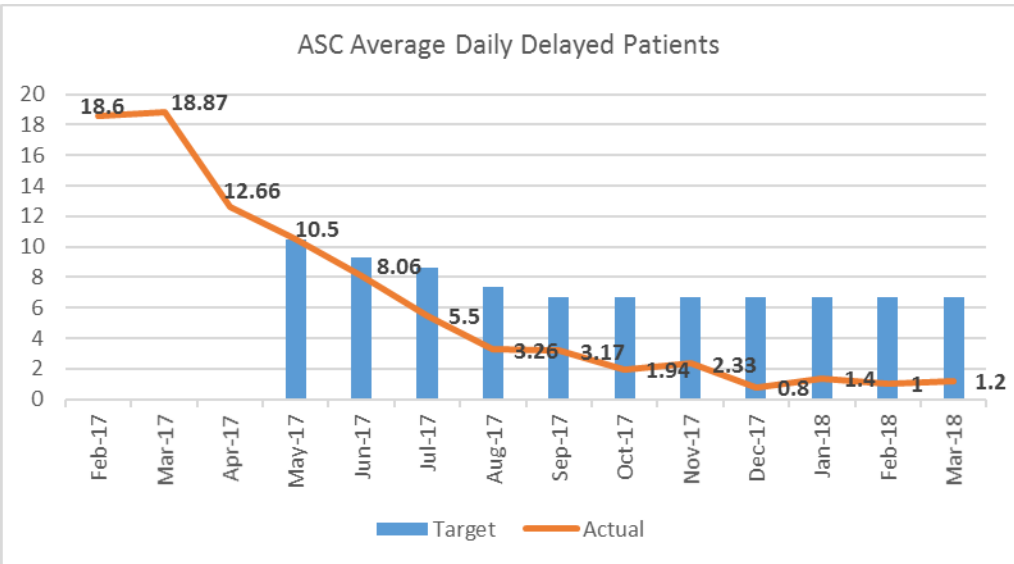
The delivery of the outcomes for Shropshire is monitored on a quarterly basis. It is presented using a performance portal, which enables a drill down into the measure. The information is reported to Cabinet with the report identifying specific measures by exception. The full information for each measure is published on the performance portal when the report goes to Cabinet and this provides Overview and Scrutiny the opportunity to identify any measures which stand out that they would like to understand in greater detail. They can request additional information and receive it to inform whether they would want to add it to their work programme.

2017/18 has seen improvement and stabilisation in performance across a range of services.

The number of visitors to Theatre Severn and the Old Market Hall Cinema have continued to increase. The popularity of Theatre Severn continues to show a long term improvement in the number of attendances, and the Old Market Hall has also had a record year.

Children's services provided by Shropshire Council have been rated as 'good' overall by Government inspectors Ofsted, following a four-week inspection in September and October 2017. The inspection looked at services for children in need of help and protection, looked-after children, and care leavers. Only 46 councils are currently rated as 'good' for their children's services, and only three have achieved the top rating of 'outstanding'. This means that Shropshire Council's children's services are now in the top 30% nationally. The 'good' rating is an improvement from the 'adequate' rating that was awarded following the last Ofsted inspection in November 2012.

Significant progress has been made on delayed transfers of care from hospital. National targets have been set to reduce the number of patients who are delayed in their transfer from hospital. The aim is to reduce bed blocking to less than 3.5% of all available NHS beds. The target set for Shropshire Adult Social Care by the Department of Health was to reduce delays attributed to social care by 60% by September and to maintain that level. This is based on a baseline of delayed patients between February and April 2017. Based on this, from September 2017 the daily number of Shropshire residents who are delayed in hospital due to social care should, on average, be no more than 6.7 patients per day. The latest available data for March 2018 was published on the 10 May 2018 and shows that Shropshire Council has consistently achieved and maintained performance well below its target.



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

The rate of Looked After Children (LAC) per 10,000 children aged under 18 has risen during 2017/18. Shropshire's rate is now similar to statistical neighbour averages, and remains lower than the England average. One of the key factors for the increase during the year is that fewer children have been discharged this year than in the previous year. It is important to reaffirm that the Council's LAC strategy is not about reducing the number of children in care, but is about ensuring the right children are in care, at the right time and for the right duration.

The number of people killed or seriously injured on the roads in Shropshire has continued to increase. The annual average over the past 3 years is for 166.7 people to be seriously or fatally injured.

A new approach to the determining of the severity of casualties was introduced and now relies less on the judgement of Police Officers. This has seen a national increase in the rate of reported severities. It is forecast that the reported number of people killed or seriously injured will continue to rise until December 2018 after which the new methodology for recording casualties will have completed a 3 year cycle. It should be noted that the number of casualties does not reflect the number of accidents which have remained at similar levels throughout the period.

Current and Future Prospects

2018/19 will be the first year of a new five-year plan, as set out in our Financial Strategy. The plan doesn't, as yet, provide a balanced and sustainable budget for the long-term future, but it does meet our immediate challenges over the next two years. There's still a significant amount of uncertainty around the 2020/21 financial year due to the introduction of 75% business rates retention in that year, alongside the fair funding review. Government backed Technical Working Groups continue to develop this approach, representing the greatest change in local government finance for a generation, but at present, no details of how this could operate have been forthcoming. Therefore until further clarity is available from the government regarding the detail of these proposals, and we can evaluate the impact on the resources projected, it's not possible to formulate long-term plans to ensure a sustainable future for the council.

Next year we will be investing over £53million of capital funding into local projects. The capital programme remains priority led, reflecting the need for growth in the Shropshire economy, investment in infrastructure and roads, and significant funding to deliver superfast broadband across much of Shropshire in the coming years. We continue to invest in digital transformation in order to streamline and improve the efficiency and productivity of our back-office services and reduce ongoing costs. Shropshire's residents will begin to see the outcomes of this investment over the coming months as we deliver more services online, in a more accessible and efficient way.

The bottom line is, of course, that we have a statutory duty to set a legal budget. This is becoming increasingly difficult as each year progresses. In 2018/19 we will continue to see the use of significant one-off resources as well as the commencement of a £43m savings plan spanning five years in order to deliver a balanced budget. This gives us more time to review our options and formulate sustainable proposals, but leaves us with some stark choices over the way we deliver services into the future.

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 2017/18 was formally approved at a meeting of the Council on 20 July 2018.

Vince Hunt
Speaker of the Council (Chairman for the purpose of the Local Government Act 1972)
20 July 2018

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 2018.

James Walton
Head of Finance, Governance & Assurance
31 May 2018

Section 3

Audit Opinion & Certificate

AUDIT OPINION & CERTIFICATE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

We have audited the financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Core Financial Statements (Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cashflow Statement), the Notes to the Core Financial Statements, the Group Accounts (the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves 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's Income and Expenditure Statement, the Movement on the Housing Revenue Account's 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 2017/18.

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

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

As explained more fully in the Statement 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 2017/18, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code Of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and the auditor

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

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

AUDIT OPINION AND CERTIFICATE

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

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

The Colmore Building,
20 Colmore Circus,
Birmingham
B4 6AT

XX July 2018

Section 4

Core Financial Statements

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 statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17				2017/18		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 6, 7 and 8)			
120,962	(36,088)	84,874	Adult Services	132,711	(44,646)	88,065
10,224	(18,396)	(8,172)	Local Authority Housing	9,240	(18,180)	(8,940)
(28,230)	0	(28,230)	Exceptional costs relating to revaluation gain on Housing Dwellings	0	0	0
220,505	(167,440)	53,065	Children's Services	213,177	(158,167)	55,010
111,105	(33,311)	77,794	Place and Enterprise	113,970	(36,198)	77,772
23,533	(17,495)	6,038	Public Health	20,522	(16,327)	4,195
79,062	(75,130)	3,932	Resources and Support	74,329	(68,482)	5,847
6,578	(4,650)	1,928	Corporate	4,275	(4,118)	157
543,739	**(352,510)**	**191,229**	**Net Cost of Services**	**568,224**	**(346,118)**	**222,106**
		43,159	Other Operating Expenditure (Note 11)			29,715
		36,240	Financing and Investment Income and Expenditure (Note 12)			25,689
		(268,574)	Taxation and Non Specific Grant Income (Note 13)			(274,507)
		2,054	**(Surplus) or Deficit on Provision of Services**			**3,003**
		(35,853)	(Surplus) or Deficit on Revaluation of Non Current Assets			(13,291)
		759	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			379
		61,785	Remeasurement of the Net Defined Benefit Liability			(40,500)
		26,691	**Other Comprehensive Income and Expenditure**			**(53,412)**
		28,745	**Total Comprehensive Income and Expenditure**			**(50,409)**

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 'unusable 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.

2017/18	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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 2017	**14,698**	**63,860**	**78,558**	**9,031**	**2,369**	**11,574**	**101,532**	**288,295**	**389,827**
Movement in reserves during 2017/18									
Surplus or (deficit) on the provision of services	(9,815)	0	**(9,815)**	6,812	0	0	**(3,003)**	0	**(3,003)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	53,412	**53,412**
Total Comprehensive Income and Expenditure	**(9,815)**	**0**	**(9,815)**	**6,812**	**0**	**0**	**(3,003)**	**53,412**	**50,409**
Adjustments between accounting basis & funding basis under regulations (Note 9)	16,407	0	**16,407**	(7,618)	2,145	9,852	**20,786**	(20,786)	**(0)**
Net Increase/Decrease before Transfers to Earmarked Reserves	**6,592**	**0**	**6,592**	**(806)**	**2,145**	**9,852**	**17,783**	**32,626**	**50,409**
Transfers to/from Earmarked Reserves (Note 10)	(5,979)	5,979	**0**	0	0	0	**0**	(707)	**(707)**
Increase/Decrease in 2017/18	**613**	**5,979**	**6,592**	**(806)**	**2,145**	**9,852**	**17,783**	**31,919**	**49,702**
Balance at 31 March 2018	**15,311**	**69,839**	**85,150**	**8,225**	**4,514**	**21,426**	**119,315**	**320,214**	**439,529**

MOVEMENT IN RESERVES STATEMENT

2016/17	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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 2016	**18,370**	**60,841**	**79,211**	**5,823**	**2,802**	**6,612**	**94,448**	**324,124**	**418,572**
<u>Movement in reserves during 2016/17</u>									
Surplus or (deficit) on the provision of services	(36,300)	0	**(36,300)**	34,246	0	0	**(2,054)**	0	**(2,054)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	(26,691)	**(26,691)**
Total Comprehensive Income and Expenditure	**(36,300)**	**0**	**(36,300)**	**34,246**	**0**	**0**	**(2,054)**	**(26,691)**	**(28,745)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	35,647	0	**35,647**	(31,038)	(433)	4,962	**9,138**	(9,138)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(653)**	**0**	**(653)**	**3,208**	**(433)**	**4,962**	**7,084**	**(35,829)**	**(28,745)**
Transfers to/from Earmarked Reserves (Note 10)	(3,019)	3,019	**0**	0	0	0	**0**	0	**0**
Increase/Decrease in 2016/17	**(3,672)**	**3,019**	**(653)**	**3,208**	**(433)**	**4,962**	**7,084**	**(35,829)**	**(28,745)**
Balance at 31 March 2017	**14,698**	**63,860**	**78,558**	**9,031**	**2,369**	**11,574**	**101,532**	**288,295**	**389,827**

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'.

2016/17		2017/18	
£000		£000	£000
1,106,346	Property, Plant & Equipment (Note 14)	1,104,615	
2,553	Heritage Assets	2,475	
50,935	Investment Property (Note 15)	54,845	
121	Intangible Assets	34	
599	Assets Held for Sale	599	
1,160,554	**Total Non Current Assets**		**1,162,568**
400	Long Term Investment (Note 20)	52,605	
20,898	Long Term Debtors (Note 20)	20,227	
1,181,852	**Total Long Term Assets**		**1,235,400**
	Current Assets		
0	Current Held for Sale Investment Properties (Note 15)	0	
5,514	Assets Held for Sale	3,027	
59,000	Short Term Investments (Note 20)	47,921	
808	Inventories	483	
55,326	Short Term Debtors (Notes 20 & 22)	60,286	
93,233	Cash & Cash Equivalents (Notes 20 & 23)	47,042	
213,881	**Total Current Assets**		**158,759**
1,395,733	**Total Assets**		**1,394,159**
	Current Liabilities		
(13,150)	Bank Overdraft (Notes 20 & 23)	(14,625)	
0	Deferred Income	(2,175)	
(8,482)	Short Term Borrowing (Note 20)	(8,457)	
(67,800)	Short Term Creditors (Notes 20 & 24)	(66,961)	
(2,488)	Provisions (Note 25)	(3,453)	
(4,635)	Grants Receipts in Advance - Revenue (Note 37)	(4,065)	
(2,367)	Grants Receipts in Advance - Capital (Note 37)	(528)	
(98,922)	**Total Current Liabilities**		**(100,264)**
1,296,811	**Total Assets Less Current Liabilities**		**1,293,895**
	Long Term Liabilities		
(684)	Long Term Creditors (Note 20)	(672)	
(317,568)	Long Term Borrowing (Note 20)	(311,568)	
(119,577)	Other Long Term Liabilities (Note 19)	(114,521)	
(461,828)	Pensions Liability (Notes 27 & 39)	(419,636)	
(7,327)	Provisions (Note 25)	(7,969)	
(906,984)	**Total Long Term Liabilities**		**(854,366)**
389,827	**Net Assets**		**439,529**
	Financed by:		
101,532	Usable Reserves (Note 26)	119,315	
288,295	Unusable Reserves (Note 27)	320,214	
389,827	**Total Reserves**		**439,529**

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.

2016/17 £000	Revenue Activities	2017/18 £000	2017/18 £000
2,054	Net (surplus) or deficit on the provision of services	3,003	
(66,342)	Adjust net surplus or deficit on the provision of services for non cash movements	(57,950)	
44,865	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	48,697	
(19,423)	**Net cash flows from Operating Activities (Note 28 and 29)**		**(6,250)**
4,777	Investing Activities (Note 30)	39,741	
(509)	Financing Activities (Note 31)	14,175	
(15,155)	**Net (increase) or decrease in cash and cash equivalents**		**47,666**
64,928	Cash and cash equivalents at the beginning of the reporting period		80,083
80,083	**Cash and cash equivalents at the end of the reporting period (Note 20)**		**32,417**

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 2017/18 financial year and its position at the year end of 31 March 2018. 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, 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.

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

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

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority; and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and 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)
Operational	
Council Dwellings	Existing Use Value – Social Housing (EUV-SH)
Land & Buildings	Existing Use Value (EUV) – determined as the amount that would be paid for the asset in its existing use. 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)
Non-operational	
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 a full valuation every five years and 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, reclassified to short terms investment properties where they are expected to be disposed of within a year of the balance sheet date.

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. For Council Dwellings the depreciation charge is calculated on a componentised depreciation basis, using the Planned Programme Approach. The depreciation charge is calculated based on the stock data at 1st April, using the stock data of the major components at that date, from the housing condition data. The components are depreciated on a straightline basis over their useful life (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.

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 in 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.

<u>Archives</u>

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.

<u>Heritage Assets – Impairment</u>

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 capital expenditure, used to finance expenditure under the new flexibilities around the use of Capital Receipts for transformational revenue purposes over the 3 year period 2017/18 to 2019/20 or are used 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 and unsupported borrowing MRP is calculated based on a straight line basis over the expected life of the asset for which the borrowing was 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 20 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 2017/18. 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 2.6% (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 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. Where works are carried out earlier than planned they are recognised as additions to Property, Plant and Equipment balanced by a temporary increase in the

finance lease liability. When the programmed payment takes place the liability is written down.

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 rises 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.

1.33. Unquoted Equity Investments

The Council holds 99% of the units in a Jersey Property Unit Trust. The other 1% is held by wholly owned subsidiary of the Council - SSC NO.1 LTD a company registered in England and Wales. The units were acquired following a Royal Institution of Chartered Surveyors Red Book valuation from Colliers International during the year and the cost of acquisition associated with it is reflected in the value in the financial statements. The Council and SSC NO.1 LTD are the beneficial owners of the property, through the trust, the nature of the trust is such that the Council has overall control of the trust through reserved matters. The trustees, who have to be resident in Jersey, make all day to day decisions affecting the trust in the best interests of the unit holders. The trust deeds set out that income and expenditure accrues to the unitholders as it arises and it is presented as such within these financial statements.

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 2018/19 Code:

- Amendments to IFRS 9 Financial Instruments
- Amendments to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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.

- 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 41.

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 2018:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation is carried out a minimum of 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.
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.
Dwellings	The value of dwellings held on the balance sheet is subject to impairment due to an estimated increase or decrease in house prices. The Council accounting policy is to use ONS data as the basis for this estimate.	The valuation of dwellings may require a material adjustment in the following year if ONS data is not a reliable estimate.
NDR Appeals Provision	The provision set aside for Non Domestic Rate appeals is estimated based on the number of outstanding appeals as per the Valuation Office and then the percentage rateable value change of successful appeals is applied. An estimate is then calculated for unlodged appeals on the new rating list.	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 which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £21.00m.
Fair value measurements	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. 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). 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.	The authority uses the discounted cash flow model to measure the fair value of some of its investment properties and financial assets. 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). 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates within the accruals processed for debtors and creditors are: • Debtors 6% • Creditors 5%	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 £0.055m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.101m.

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Finance, Governance & Assurance on 31 May 2018. Events taking place after this date are not reflected in the financial statement or notes.

On the 17th May 2018, the Council approved an amendment to the Council's Pay and Reward Policy. The amendment included an increase in pay for all staff from 1st October 2018. The actuarial valuation on the Local Government Pension Scheme uses assumptions for pay awards in order to inform calculations of future pension liabilities contained within the Statement of Accounts. The increase in pay agreed within the Pay and Reward Policy is greater than the 1% pay award used within the actuarial valuation and it is anticipated that this would increase the pension fund liability by approximately £11m or 0.8%. This policy change is considered as a non adjusting event after the reporting period and so the figures in the Statement of Accounts have not been amended to reflect this.

At balance sheet date, Department of Education approval had been granted to eleven schools to convert to Academy status. Two schools have converted to Academy School status in early 2018/19 financial year. One of these schools was in Council freehold ownership and the value of the school and associated facilities in the 2017/18 accounts is £1.30m. This is considered as a non-adjusting event after the reporting date.

6. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17						2017/18				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
85,799	(1,315)	84,484	390	84,874	Adult Services	92,032	(4,699)	87,333	732	88,065
0	(6,123)	(6,123)	(2,049)	(8,172)	Local Authority Housing	0	(2,100)	(2,100)	(6,840)	(8,940)
0	0	0	(28,230)	(28,230)	Exceptional costs relating to revaluation gain on Housing Dwellings	0	0	0	0	0
51,298	(4,568)	46,730	6,335	53,065	Children's Services	53,044	(5,844)	47,200	7,810	55,010
92,335	(42,080)	50,255	27,539	77,794	Place & Enterprise	91,762	(40,863)	50,899	26,873	77,772

2016/17						2017/18				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
6,698	(1,174)	5,524	514	6,038	Public Health	4,999	(1,023)	3,976	219	4,195
2,169	1,756	3,925	7	3,932	Resources & Support	5,094	(1,823)	3,271	2,576	5,847
(34,596)	48,481	13,885	(11,957)	1,928	Corporate	(41,471)	51,119	9,648	(9,491)	157
203,703	**(5,023)**	**198,680**	**(7,451)**	**191,229**	**Net Cost of Services**	**205,460**	**(5,233)**	**200,227**	**21,879**	**222,106**
0	(201,235)	(201,235)	12,060	(189,175)	Other Income and Expenditure	0	(206,013)	(206,013)	(13,090)	(219,103)
203,703	**(206,258)**	**(2,555)**	**4,609**	**2,054**	**Surplus or Deficit**	**205,460**	**(211,246)**	**(5,786)**	**8,789**	**3,003**
		85,034			Opening General Fund and HRA Balance			87,589		
		2,555			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			5,786		
		87,589			**Closing General Fund and HRA Balance at 31 March***			**93,375**		

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18												
Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Capital items reported at Directorate level (note 1)** £000	**Pension items reported at Directorate level (note 1)** £000	**Reserves reported at Directorate level (note 1)** £000	**Interest Payable and Receivable reported at Directorate level (note 2)** £000	**Reallocation of traded services and internal recharges (note 2)** £000	**Investment properties/Levies reported at Directorate level (note 2)** £000	**Other Adjustments (note 3)** £000	**Total to arrive at amount charged to the general fund & HRA** £000	**Adjustments for Capital Purposes** £000	**Net change for the Pensions Adjustments** £000	**Other Differences** £000	**Total Adjustment between funding and accounting basis** £000
Adult Services	78	(832)	(3,935)	3	(13)	0		**(4,699)**	(78)	810	0	**732**
Local Authority Housing	0	0	0	0	0	0	(2,100)	**(2,100)**	(6,840)	0	0	**(6,840)**
Exceptional costs relating to revaluation gain on Housing Dwellings	0	0	0	0	0	0		**0**	0	0	0	**0**
Children's Services	(5,663)	(2,267)	1,695	(152)	381	0	162	**(5,844)**	5,419	2,391	0	**7,810**
Place & Enterprise	(29,772)	(1,099)	785	(11,464)	(58)	723	22	**(40,863)**	25,817	1,056	0	**26,873**
Public Health	(63)	(353)	(22)	1	(586)	0	0	**(1,023)**	(203)	422	0	**219**
Resources & Support	(2,296)	(276)	(12)	0	761	0	0	**(1,823)**	2,298	278	0	**2,576**
Corporate	37,743	5,343	(4,221)	(10,327)	(592)	0	23,173	**51,119**	(5,481)	(3,684)	(325)	**(9,490)**
Net Cost of Services	**27**	**516**	**(5,710)**	**(21,939)**	**(107)**	**723**	**21,257**	**(5,233)**	**20,932**	**1,273**	**(325)**	**21,880**
Other Income and Expenditure from the Expenditure and Funding Analysis	(27)	(516)	(269)	21,939	107	(723)	(226,524)	**(206,013)**	(29,075)	11,136	4,849	**(13,090)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(0)**	**(0)**	**(5,979)**	**0**	**(0)**	**(0)**	**(205,267)**	**(211,246)**	**(8,143)**	**12,409**	**4,524**	**8,790**

2016/17

Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Capital items reported at Directorate level (note 1) £000	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies reported at Directorate level (note 2) £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Adult Services	(663)	97	(1,201)	1	451	0	0	**(1,315)**	550	(160)	0	**390**
Local Authority Housing	0	0	0	0	0	0	(6,123)	**(6,123)**	(2,049)	0	0	**(2,049)**
Exceptional costs relating to revaluation gain on Housing Dwellings	0	0	0	0	0	0	0	**0**	(28,230)	0	0	**(28,230)**
Children's Services	(6,794)	306	1,887	(152)	2	0	183	**(4,568)**	6,137	198	0	**6,335**
Place & Enterprise	(31,810)	127	802	(11,496)	(545)	841	1	**(42,080)**	27,728	(189)	0	**27,539**
Public Health	(657)	48	22	0	(587)	0	0	**(1,174)**	590	(76)	0	**514**
Resources & Support	(7)	26	1,546	0	191	0	0	**1,756**	7	0	0	**7**
Corporate	41,344	(677)	(1,103)	(10,745)	131	0	19,531	**48,481**	(10,501)	(1,136)	(320)	**(11,957)**
Net Cost of Services	**1,413**	**(73)**	**1,953**	**(22,392)**	**(357)**	**841**	**13,592**	**(5,023)**	**(5,768)**	**(1,363)**	**(320)**	**(7,451)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,413)	73	(476)	22,392	357	(841)	(221,327)	**(201,235)**	5,143	12,993	(6,076)	**12,060**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**1,477**	**0**	**0**	**0**	**(207,735)**	**(206,258)**	**(625)**	**11,630**	**(6,396)**	**4,609**

Note 1) For resource management purposes, the authority includes depreciation, pension charges in relation to IAS19 debits and credits in its directorate reporting, however this needs to be removed as it is not included in the net expenditure chargeable to the general fund and HRA balances.

Note 2) The authority includes income and expenditure in relation to investment properties, interest payable and receivable, levies and trading accounts within the Directorates however this is reported in the financial statements below the cost of services line and therefore the above table shows these items being reallocated. The income and expenditure for Corporate Landlord and Passenger Transport is also adjusted within the amendments for trading/internal recharges.

Note 3) Corporate Funding and Housing Revenue Account are not reported to management as part of the Directorate reporting therefore these items have been included as adjustments in the above table.

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
   - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
   - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
   - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
   - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
   - For Financing and investment income and expenditure – the net interest in the defined benefit liability is charged to the CIES.

Other Differences

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

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

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2017/18 £000	2016/17 £000
Expenditure		
Employee benefits expenses	196,715	204,202
Other service expenses	354,234	345,391
Support service recharges	33,449	36,701
Depreciation, amortisation, impairment	35,748	21,125
Interest payments	26,603	27,301
Precepts and levies	7,277	6,780
Payments to Housing Capital Receipts Pool	587	591
Gain on the disposal of assets	21,852	35,789
Total Expenditure	**676,465**	**677,880**
Income		
Fees, charges and other service income	(161,947)	(157,678)
Interest and investment income	(1,733)	(1,974)
Income from council tax, non-domestic rates	(187,932)	(185,696)
Government grants and contributions	(321,850)	(330,478)
Total Income	**(673,462)**	**(675,826)**
Surplus or Deficit on the Provision of Services	**3,003**	**2,054**

9. 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.

2017/18	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:						
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:						
Pension costs	12,289	0	0	0	0	(12,289)
Financial instruments	(325)	0	0	0	0	325
Council tax and NDR	4,849	0	0	0	0	(4,849)
Holiday pay	120	0	0	0	0	(120)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	16,331	(1,497)	3,994	0	10,016	(28,844)
Total Adjustments to Revenue Resources	**33,264**	**(1,497)**	**3,994**	**0**	**10,016**	**(45,777)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(7,466)	(2,930)	0	11,042	0	(646)
Administrative costs of non-current asset disposals	0	47	0	(47)	0	0
Payments to the government housing receipts pool	587	0	0	(587)	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	(7,993)	0	0	0	0	7,993
Capital expenditure financed from revenue balances	(1,985)	(3,238)	0	0	0	5,223
Total Adjustments between Revenue and Capital Resources	**(16,857)**	**(6,121)**	**0**	**10,408**	**0**	**12,570**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(10,436)	0	10,436
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(1,849)	0	0	1,849
Application of capital grants to finance capital expenditure	0	0	0	0	(164)	164
Cash payments in relation to deferred capital receipts	0	0	0	28	0	(28)
Total Adjustments to Capital Resources	**0**	**0**	**(1,849)**	**(10,408)**	**(164)**	**12,421**
Total Adjustments	**16,407**	**(7,618)**	**2,145**	**0**	**9,852**	**(20,786)**

2016/17 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:						
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:						
Pension costs	11,307	0	0	0	0	(11,307)
Financial instruments	(320)	0	0	0	0	320
Council tax and NDR	(6,076)	0	0	0	0	6,076
Holiday pay	323	0	0	0	0	(323)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	48,954	(29,202)	3,549	0	5,178	(28,479)
Total Adjustments to Revenue Resources	**54,188**	**(29,202)**	**3,549**	**0**	**5,178**	**(33,713)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(3,417)	(1,872)	0	5,786	0	(497)
Administrative costs of non-current asset disposals	0	36	0	(36)	0	0
Payments to the government housing receipts pool	591	0	0	(591)	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	(8,009)	0	0	0	0	8,009
Capital expenditure financed from revenue balances	(7,706)	0	0	0	0	7,706
Total Adjustments between Revenue and Capital Resources	**(18,541)**	**(1,836)**	**0**	**5,159**	**0**	**15,218**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(5,184)	0	5,184
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,982)	0	0	3,982
Application of capital grants to finance capital expenditure	0	0	0	0	(216)	216
Cash payments in relation to deferred capital receipts	0	0	0	25	0	(25)
Total Adjustments to Capital Resources	**0**	**0**	**(3,982)**	**(5,159)**	**(216)**	**9,357**
Total Adjustments	**35,647**	**(31,038)**	**(433)**	**0**	**4,962**	**(9,138)**

10. 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 2017/18.

	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	14,036	(12,781)	7,913	9,168	(103)	3,577	12,642
Insurance Reserves	3,411	0	440	3,851	(4)	319	4,166
Reserves of trading and business units	607	(103)	130	634	(56)	122	700
Reserves retained for service departmental use	33,581	(47,506)	55,919	41,994	(17,004)	19,969	44,959
School Balances	9,206	(7,517)	6,524	8,213	(1,907)	1,066	7,372
Total	**60,841**	**(67,907)**	**70,926**	**63,860**	**(19,074)**	**25,053**	**69,839**

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 the Financial Strategy reserve, 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 2017/18 Revenue Outturn report.

11. OTHER OPERATING EXPENDITURE

	2017/18 £000	2016/17 £000
Parish Council Precepts	7,155	6,659
Levies	122	120
Payments to the Government Housing Capital Receipts Pool	587	591
(Gains)/losses on the disposal of non-current assets*	21,149	35,442
(Gains)/losses on change in valuation of non-current assets	702	347
	29,715	**43,159**

* Losses on disposal in 2016/17 and 2017/18 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 14.

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18 £000	2016/17 £000
Interest payable and similar charges	26,603	27,302
Pensions interest cost and expected return on pensions assets	10,590	13,119
Interest receivable and similar income	(1,733)	(1,974)
Income and expenditure in relation to investment properties and changes in their fair value	(9,687)	(1,741)
(Surpluses)/deficits on Trading Activities	(84)	(466)
	25,689	**36,240**

13. TAXATION AND NON SPECIFIC GRANT INCOMES

	2017/18 £000	2016/17 £000
Council tax income	(143,860)	(135,883)
Non domestic rates	(47,818)	(49,813)
Non ringfenced government grants	(40,059)	(51,281)
Capital grants and contributions	(42,770)	(31,597)
	(274,507)	**(268,574)**

14. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2017/18.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £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 2017	**190,088**	**588,580**	**18,079**	**478,771**	**3,650**	**1,935**	**6,096**	**1,287,199**	**132,764**
Additions	6,483	3,076	3,206	24,703	7	0	4,291	**41,766**	2,114
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30	7,223	0	0	0	225	0	**7,478**	1,517
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(225)	2,415	0	0	0	50	0	**2,240**	1,804
Derecognition – disposals	(1,971)	(19,714)	(185)	0	0	0	(458)	**(22,328)**	0
Derecognition – other	(221)	(2,349)	(2,963)	(24)	(84)	0	0	**(5,641)**	(2,369)
Assets reclassified (to)/from Held for Sale	(657)	(1,377)	0	0	0	101	0	**(1,933)**	0
Other movements in cost or valuation	208	439	(17)	3,879	0	0	(4,595)	**(86)**	(7)
At 31 March 2018	**193,735**	**578,293**	**18,120**	**507,329**	**3,573**	**2,311**	**5,334**	**1,308,695**	**135,823**
Depreciation and Impairments									
At 1 April 2017	**0**	**(29,842)**	**(5,452)**	**(143,376)**	**(1,164)**	**(1,019)**	**0**	**(180,853)**	**(14,420)**
Depreciation charge for 2017/18	(3,960)	(16,451)	(2,861)	(14,143)	(191)	(12)	0	**(37,618)**	(5,753)
Depreciation written out to the Revaluation Reserve	133	5,668	0	0	0	13	0	**5,814**	602
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,827	825	0	0	0	0	0	**4,652**	203
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(379)	0	0	0	0	0	**(379)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(823)	0	0	0	0	0	**(823)**	(60)
Derecognition – disposals	0	482	102	0	0	0	0	**584**	0
Derecognition – other	0	141	2,856	24	82	0	0	**3,103**	2,262

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Other movements in depreciation and impairment	0	1,434	7	(0)	0	0	0	**1,440**	7
At 31 March 2018	**0**	**(38,945)**	**(5,349)**	**(157,495)**	**(1,273)**	**(1,018)**	**0**	**(204,080)**	**(17,159)**
NBV at 31 March 2018	**193,735**	**539,348**	**12,771**	**349,834**	**2,300**	**1,293**	**5,334**	**1,104,615**	**118,664**
NBV at 31 March 2017	**190,088**	**558,738**	**12,627**	**335,395**	**2,486**	**916**	**6,096**	**1,106,346**	**118,344**

The comparative movements in 2016/17 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £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 2016	**158,153**	**603,159**	**10,501**	**456,427**	**3,616**	**2,079**	**4,049**	**1,237,984**	**121,624**
Additions	4,878	5,936	10,446	22,463	34	0	4,912	**48,669**	12,775
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(40)	21,694	0	0	0	(350)	0	**21,304**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	26,901	(1,018)	0	0	0	0	0	**25,883**	0
Derecognition – disposals	(1,275)	(35,812)	(413)	0	0	0	0	**(37,500)**	0
Derecognition – other	0	(2,392)	(2,478)	0	0	0	0	**(4,870)**	(1,635)
Assets reclassified (to)/from Held for Sale	(364)	(1,732)	0	0	0	(800)	0	**(2,896)**	0
Other movements in cost or valuation	1,835	(1,255)	23	(119)	0	1,006	(2,865)	**(1,375)**	0
At 31 March 2016	**190,088**	**588,580**	**18,079**	**478,771**	**3,650**	**1,935**	**6,096**	**1,287,199**	**132,764**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Depreciation and Impairments									
At 1 April 2016	**0**	**(27,983)**	**(5,408)**	**(130,816)**	**(983)**	**(10)**	**0**	**(165,200)**	**(7,449)**
Depreciation charge for 2016/17	(3,522)	(16,313)	(2,709)	(12,644)	(181)	(6)	0	**(35,375)**	(5,563)
Depreciation written out to the Revaluation Reserve	145	14,404	0	0	0	0	0	**14,549**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,377	229	0	0	0	0	0	**3,606**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(759)	0	0	0	0	0	**(759)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(3,457)	0	0	0	(1,003)	0	**(4,460)**	(2,969)
Derecognition – disposals	0	2,013	187	0	0	0	0	**2,200**	0
Derecognition – other	0	53	2,478	0	0	0	0	**2,531**	1,561
Other movements in depreciation and impairment	0	1,971	0	84	0	0	0	**2,055**	0
At 31 March 2017	**0**	**(29,842)**	**(5,452)**	**(143,376)**	**(1,164)**	**(1,019)**	**0**	**(180,853)**	**(14,420)**
NBV at 31 March 2017	**190,088**	**558,738**	**12,627**	**335,395**	**2,486**	**916**	**6,096**	**1,106,346**	**118,344**
NBV at 31 March 2016	**158,153**	**575,176**	**5,093**	**325,611**	**2,633**	**2,069**	**4,049**	**1,072,784**	**114,175**

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of 8 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, of which one transfer to the Diocese was completed in 2017/18. The total net book value for these schools still included as at the balance sheet date is £18.81m.

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.

One secondary school is 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. This should also be transferred to the governing body, and is still to be actioned, but may be overtaken by any plans to transfer this school to Academy status. The total net book value for the school still included as at the balance sheet date is £11.04m.

Academy Schools

In 2017/18 twelve further schools became Academies, of which five were in the ownership of the Council. Where the School land and premises are in the freehold ownership of the Council, these 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 2017/18 for schools transferring was £17.16m.

At balance sheet date, Department of Education approval had been granted to eleven schools to convert to Academy status. Two schools have converted to Academy School status in early 2018/19 financial year. One of these schools was in Council freehold ownership and the value of the school and associated facilities in the 2017/18 accounts is £1.30m. This is considered as a non-adjusting event after the reporting date.

Depreciation

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

- Council Dwelling – componentised depreciation basis, using the Planned Programme Approach. The components are depreciated on a straightline basis over their useful life (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.
- 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 2018, 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 2018/19 and future years budgeted to cost £43.313m. Similar commitments at 31 March 2017 were £22.211m. The major commitments were:

- Rural Broadband - £12.503m.
- Highways & Transport schemes - £15.159m.
- HRA Major Repairs Programme - £5.479m.
- Tannery Development - £6.631m.

Revaluations

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

- That the property is free from any undisclosed onerous burdens, outgoings or restrictions and that good title can be shown.
- That the land and property is not contaminated (including Radon Gas).
- The property and its values are unaffected by any matters which could be revealed by local search or inspection of any register and that the use and occupation of the asset are lawful.
- In valuing the property, plant and machinery have been excluded unless forming part of the structure and normally valued with the building.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional, e.g. Capital Gains Tax, or transaction costs, e.g. Stamp Duty.
- Details concerning “title” have been taken from the Council’s Terrier.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- In providing Fair Value (Market Value) valuation assumptions have been made as to what is the “highest and best” use of the asset.
- 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.
- The remaining useful life of each asset has been estimated, these estimates are subject to ongoing planned maintenance programme.

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			12,771		12,771
Valued at Fair Value as at:					
31-Mar-18	193,736	1,045	0	0	194,781
31-Mar-17	0	108,701	0	1,293	109,994
01-Apr-16	0	243,894	0	0	243,894
01-Apr-15	0	185,706	0	0	185,706
Total Cost or Valuation	**193,736**	**539,346**	**12,771**	**1,293**	**747,146**

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

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

	2017/18 £000	2016/17 £000
Schools, Children's Services and other Education Facilities	187,246	210,732
Culture & Heritage Buildings	66,775	62,332
Leisure & Recreation	49,005	50,508
Highways & Car Parks	50,746	52,481
Social Services	35,718	31,576
Administrative Offices	18,954	16,558
Waste Management Site	96,018	99,427
Business / Commercial Sites (including Markets)	15,499	16,105
Housing Services (including Gypsy Sites)	9,672	8,101
Smallholdings	7,493	8,960
Other	2,220	1,958
Total	**539,346**	**558,738**

15. 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.

	2017/18 £000	2016/17 £000
Rental income & service charges from investment property	(1,323)	(1,292)
Direct operating expenses arising from investment property	374	311
Net (gain)/loss	**(949)**	**(981)**

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	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Balance at start of the year	50,935	50,855	0	160
Additions:				
- Purchases	27	0	0	0
Disposals:	(3,500)	0	0	(160)
Net gains/losses from fair value adjustments	8,737	760	0	0
Transfers:				
- To/from Property, Plant and Equipment	(1,354)	(680)	0	0
- To/from Current/Long term	0	0	0	0
Balance at end of the year	**54,845**	**50,935**	**0**	**0**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

2017/18 Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2017 £000
Residential (market rental) properties	4,662	7,215	0	11,877
Office Units	0	35,571	0	35,571
Commercial units	0	7,397	0	7,397
Total	**4,662**	**50,183**	**0**	**54,845**

2016/17 comparatives Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2016 £000
Residential (market rental) properties	0	8,272	0	8,272
Office Units	0	33,690	0	33,690
Commercial units	4,220	4,753	0	8,973
Total	**4,220**	**46,715**	**0**	**50,935**

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.

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.

16. LONG TERM UNQUOTED EQUITY INVESTMENT

The Council held the following unquoted equity investments:

Recurring fair value measurements using:	2017/18 £000	2016/17 £000
Balance at start of the year	0	0
Purchases		
Shrewsbury Retail Unit Trusts	52,205	0
Disposals	0	0
Balance at 31 March 2018	**52,205**	**0**

All of the units in the trusts were previously owned by Standard Life Aberdeen and were sold to the Council on the 24th January 2018. The trust is a registered trust in Jersey and is regulated by the Jersey financial services authority and is also approved by the UK Government as a “Baker trust” for tax purposes.

In order to comply with the rules of the trust 99% of the units are held by the Council directly and 1% of the units are held by SSC NO.1 LTD, a wholly owned subsidiary of the Council.

The trusts are independently controlled by professional trustees who are based in Jersey. They appoint managing agents, collect rents, pay costs and run the trust in the best interests of the unit holders. The trust deed confirms the ability of the Council to remove the trustees and also has the power to remove the majority or all of the investee’s board and therefore has power over the trustee. For this reason the trust will be consolidated into the Council’s financial statements.

In accordance with the trust deeds income and expenditure accrues to the unitholders as it arises and this is recognised in the Council’s financial statements.

The wholly owned subsidiary SSC NO.1 LTD is a company incorporated in England and Wales and was incorporated on the 19th January 2018. It has been consolidated in the group accounts. Its issued share capital at the 31st March 2018 was £1, it holds £0 in cash and owes the Council £0.527m being the value of 1% of the total trust assets.

17. 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.

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	**433,988**	**424,867**
Adjustment for loans for capital purposes not previously included in CFR	**0**	**0**
Adjusted Opening Capital Financing Requirement (including PFI & Finance Lease)	**433,988**	**424,867**
Capital investment		
Property, Plant and Equipment	41,774	48,686
Investment Properties	27	0
Long Term Investment	52,205	0
Intangible Assets	0	103
Revenue Expenditure Funded from Capital under Statute	12,764	11,298
Capital Loans	527	7,820
Sources of finance		
Capital receipts	(10,436)	(5,184)
Capital grants and other contributions	(39,268)	(33,903)

	2017/18 £000	2016/17 £000
Direct Revenue Financing (Including MRA)	(7,072)	(11,688)
Minimum Revenue Provision	(7,993)	(8,009)
Closing Capital Financing Requirement (including PFI & Finance Lease)	**476,516**	**433,988**
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	286,785	242,645
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	84,595	84,595
Closing Capital Financing Requirement – PFI & Finance Lease	105,136	106,748
	476,516	**433,988**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(7,137)	(6,065)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	51,278	5,835
Assets acquired under finance leases	0	0
Assets acquired under PFI contracts	(1,613)	9,351
Increase/(decrease) in Capital Financing Requirement	**42,528**	**9,121**

18. 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.

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 31/03/18 £000	Year Ended 31/03/17 £000	Year Ended 31/03/18 £000	Year Ended 31/03/17 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	13,159	13,428	95,890	99,266
- Depreciation in Period	(353)	(269)	(3,428)	(3,428)
- Additions	0	0	62	3,095
- Revaluation/Impairment	4,128	0	(60)	(2,969)
- Derecognition	0	0	0	(74)
Balance Carried Forward	16,934	13,159	92,464	95,890
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	9,293	1,479
- Depreciation in Period	0	0	(1,972)	(1,866)
- Additions	0	0	2,052	9,680
- Derecognition	0	0	(107)	0
Balance Carried Forward	0	0	9,266	9,293
Prepayments				
Balance Brought Forward	0	0	12,828	21,029
- Planned Capital Expenditure	0	0	(3,443)	(8,201)
Balance Carried Forward	0	0	9,385	12,828
Finance Lease Liability				
Balance Brought Forward	(12,586)	(12,822)	(106,991)	(105,604)
- Additions	0	0	(60)	(3,020)
- Early Lifecycle	0	0	(514)	(1,883)
- Repayment of Principal	257	236	5,373	3,516
Balance Carried Forward	(12,329)	(12,586)	(102,192)	(106,991)

Details of Payments due to be made under PFI contracts

Year	Service Charges * £000	Principal £000	Interest # £000	Total Unitary Charge Payment £000
Amounts Falling Due Within One Year	21,166	5,572	11,190	37,928
Amounts Falling Due Within 2 – 5 Years	85,365	17,798	45,301	148,464
Amounts Falling Due Within 6 – 10 Years	131,841	15,943	50,244	198,028
Amounts Falling Due Within 11 – 15 Years	149,446	28,503	44,174	222,123
Amounts Falling Due Within 16 – 20 Years	167,240	41,670	33,941	242,851
Amounts Falling Due Within 21 – 25 Years	31,664	10,809	6,475	48,948

* comprised of operating costs and lifecycle costs
# comprised of finance lease interest and contingent rental

19. 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 2018 £000	31 March 2017 £000
Buildings	109,398	109,050
Vehicles, Plant and Equipment (PFI)	9,266	9,294
Total	**118,664**	**118,344**

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 2018 £000	31 March 2017 £000
Finance lease liabilities (NPV of minimum lease payments)	120,295	125,350
Finance costs payable in future years	191,325	202,936
Minimum lease payments	**311,620**	**328,286**

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

	Minimum Lease Payments 31 March 2018 £000	Minimum Lease Payments 31 March 2017 £000	Finance Lease Liabilities 31 March 2018 £000	Finance Lease Liabilities 31 March 2017 £000
Not later than one year	16,763	18,329	5,572	6,932
Later than one year and not later than five years	63,098	62,740	17,798	17,558
Later than five years	231,759	247,217	96,925	100,860
Total	**311,620**	**328,286**	**120,295**	**125,350**

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £114.521m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 18 Private Finance Initiative Schemes.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(282)	(5,290)	(5,572)
Lease liability (due after 1 year)	(12,046)	(96,903)	(108,949)
Total	**(12,328)**	**(102,193)**	**(114,521)**

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 2018 £000	31 March 2017 £000
Expiring not later than one year	17	176
Expiring later than one year and not later than five years	553	530
Expiring later than five years	369	373
Total	**939**	**1,079**

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

	31 March 2018 £000	31 March 2017 £000
Lease payments	1,225	1,329
Sub Lease receivable	0	0
Total	**1,225**	**1,329**

Authority as Lessor

Operating Leases

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

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

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

	31 March 2018 £000	31 March 2017 £000
Expiring not later than one year	348	172
Expiring later than one year and not later than five years	313	307
Expiring later than five years	1,638	1,218
Total	**2,299**	**1,697**

20. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31-Mar-18 £000	31-Mar-17 £000	31-Mar-18 £000	31-Mar-17 £000
Investments:				
Loans and receivables	400	400	94,963	152,233
Unquoted Equity Investment	52,205	0	0	0
Total investments	**52,205**	**400**	**94,963**	**152,233**
Debtors:				
Loans and receivables	20,227	20,898	0	0
Financial assets carried at contract amounts	0	0	32,685	29,192
Total Debtors	**20,227**	**20,898**	**32,685**	**29,192**
Borrowing:				
Financial liabilities at amortised cost	(311,568)	(317,568)	(8,457)	(8,482)
Total Borrowings	**(311,568)**	**(317,568)**	**(8,457)**	**(8,482)**
Other Long Term Liabilities:				
PFI and finance lease liabilities	(114,521)	(119,577)	0	0
Total Other Long Term Liabilities	**(114,521)**	**(119,577)**	**0**	**0**

	Long term		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£000	£000	£000	£000
Creditors:				
Financial liabilities carried at contract amount	(672)	(684)	(50,555)	(47,340)
Cash overdrawn	0	0	(14,625)	(13,150)
Deferred Income	0	0	(2,175)	0
Total Creditors	**(672)**	**(684)**	**(67,355)**	**(60,490)**

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

	31-Mar-18	31-Mar-17
	£000	£000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	32,685	29,192
Debtors that are not financial instruments	27,601	26,134
Total Debtors as per Balance Sheet	**60,286**	**55,326**
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(50,555)	(47,340)
Creditors that are not financial instruments	(16,406)	(20,460)
Total Creditors as per Balance Sheet	**(66,961)**	**(67,800)**

Soft Loans

Small Business Loans

Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT Ltd to be used to provide small business loans. As at the balance sheet date a total of £0.750m has been loaned to MRRT Ltd.

Valuation Assumptions

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

Other Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £2.785m 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 £0.304m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

Income, Expense, Gains and Losses

	2017/18			2016/17		
	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	26,603	0	26,603	27,302	0	27,302
Total expense in Surplus or Deficit on the Provision of Services	**26,603**	**0**	**26,603**	**27,302**	**0**	**27,302**
Interest income	0	(1,733)	(1,733)	0	(1,974)	(1,974)
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**	**(1,733)**	**(1,733)**	**0**	**(1,974)**	**(1,974)**
Net (gain)/loss for the year	**26,603**	**(1,733)**	**24,870**	**27,302**	**(1,974)**	**25,328**

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-Mar-18		31-Mar-17	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities – LOBOS	49,200	74,462	49,200	75,571
Financial liabilities – PWLB	268,768	349,341	274,768	361,229
PFI liabilities	114,521	220,468	119,577	241,785

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 2018) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2018 Carrying amount £000	31 March 2018 Fair value £000	31 March 2017 Carrying amount £000	31 March 2017 Fair value £000
Loans and receivables:				
Cash	35,500	35,500	40,000	40,000
Fixed Term Deposits	40,000	40,056	110,260	110,530
Money Market Funds	16,420	16,420	1,710	1,710
Short term investments	2,921	2,921	0	0
Long term debtors	20,227	20,277	20,898	20,898
Long term investments	52,605	52,605	400	400

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) 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-Mar-18			
Recurring fair value measurements using:	Quoted prices in active markets for identical assets(Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	423,803	0	423,803
PFI and finance lease liabilities	0	220,468	0	220,468
Total	**0**	**644,271**	**0**	**644,271**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	91,976	0	92,503
Total	**0**	**91,976**	**750**	**93,253**

	31-Mar-17 Comparative Year			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£000	£000	£000	£000
Financial liabilities				
Financial liabilities held at amortised cost:				
Long term creditors	0	436,800	0	436,800
PFI and finance lease liabilities	0	241,785	0	241,785
Total	**0**	**678,585**	**0**	**678,585**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	152,240	0	152,240
Total	**0**	**152,240**	**750**	**152,990**

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 2018 of 0.25% to 0.97% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2018 of 1.47% to 2.57% 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	

21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

- By approving an investment strategy for the forthcoming year.

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

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

Credit Risk Exposure

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

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

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

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £20.000m.

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 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2018
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AAA	16,420	0.00	0.00	0	0
AA	20,000	0.02	0.03	6	6
A	40,500	0.06	0.08	32	58
BBB	0	0.17	0.19	0	19
Other Local Authorities	15,000	0.00	0.00	0	0
Debtors (Customers)	22,215	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 £20.215m outstanding from customers £11.181m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2017/18 £000	2016/17 £000
Less than 3 months overdue	3,542	3,143
3 to 6 months overdue	1,465	1,544
6 months to 1 year overdue	1,412	1,458
More than 1 year overdue	4,762	6,101
	11,181	**12,246**

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

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

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

The maturity analysis of financial liabilities is as follows:

Age of Debt	2017/18 £000	2016/17 £000
Less than 1 year	6,400	6,400
Between 1 and 2 years	4,000	6,000
Between 2 and 5 years	16,000	20,000
Between 5 and 10 years	6,600	6,600
More than ten years	284,968	284,968
	317,968	**323,968**

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 2018 the Council's total outstanding debt (excluding accrued interest) amounted to £317.994m of which none of these loans were at stepped interest rates. Out of this balance £268.768m relates to fixed rate Public Works Loan Board (PWLB) loans, £49.200m relates to Lenders Option Borrower Option (LOBO) market loans, £0.026m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2018, £51.920m 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.

22. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2018.

	2017/18 £000	2016/17 £000
Central Government Bodies	10,209	6,944
Other Local Authorities	1,937	1,941
NHS Bodies	5,667	4,593
Public Corporations and Trading Funds	1	0
Other Entities and Individuals	33,086	29,020
Waste PFI Prepayments	9,386	12,828
	60,286	**55,326**

23. CASH AND CASH EQUIVALENTS

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

	31 March 2018 £000	31 March 2017 £000
Bank current accounts	36,966	26,741
Short term deposits with building societies	10,076	66,492
Total Cash and Cash Equivalents	**47,042**	**93,233**
Bank Overdraft	(14,625)	(13,150)
Cash Overdrawn	**(14,625)**	**(13,150)**

24. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2018.

	2017/18 £000	2016/17 £000
Central Government Bodies	(6,576)	(10,750)
Other Local Authorities	(2,001)	(2,147)
NHS Bodies	(2,574)	(2,680)
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(55,810)	(52,223)
	(66,961)	**(67,800)**

25. PROVISIONS

The value of provisions held as at 31 March 2018 are as follows:

	Balance at 31 March 2016 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2017 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2018 £000
Short Term Provisions							
Accumulated Absences Account	2,165	(2,165)	2,488	2,488	0	120	2,608
Redundancy Provision	143	(143)	0	0	0	0	0
Land Charges	145	(145)	0	0	0	0	0
Raven Meadows NNDR	255	(255)	0	0	0	0	0
Environmental Maintenance Provision	0	0	0	0	0	578	578
Rent Top Up Provision	0	0	0	0	(62)	329	267
Total Short Term Provisions	**2,708**	**(2,708)**	**2,488**	**2,488**	**(62)**	**1,027**	**3,453**
Long Term Provisions							
AWM	270	(46)	0	224	0	0	224
S106	73	0	0	73	0	0	73
Rent Top Up Provision	0	0	0	0	0	168	168
Liability Insurance	3,928	(364)	0	3,564	(142)	402	3,824
NDR Appeals	4,571	(1,140)	(106)	3,325	(3,667)	3,878	3,536
Tenancy Deposit Clawbacks	125	(10)	27	142	(15)	18	145
Total Long Term Provisions	**8,967**	**(1,560)**	**(79)**	**7,328**	**(3,824)**	**4,466**	**7,970**
Total Provisions	**11,675**	**(4,268)**	**2,409**	**9,816**	**(3,886)**	**5,493**	**11,423**

26. USABLE RESERVES

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

	31 March 2018 £000	31 March 2017 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	4,514	2,369
Reserves	69,839	63,860
Capital Grants Unapplied Account	21,426	11,574
HRA Balance	8,225	9,031
General Fund Balance	15,311	14,698
Total Usable Reserves	**119,315**	**101,532**

27. UNUSABLE RESERVES

	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	155,077	158,153
Capital Adjustment Account	606,309	594,146
Financial Instruments Adjustment Account	(4,638)	(4,964)
Deferred Capital Receipts Reserve	687	715
Pensions Reserve	(434,324)	(461,828)
Collection Fund Adjustment Account	(288)	4,561
Accumulated Absences Account	(2,609)	(2,488)
Total Unusable Reserves	**320,214**	**288,295**

Revaluation Reserve

	2017/18 £000	2016/17 £000
Balance at 1 April	**158,153**	**136,248**
Upward revaluation of assets	14,148	39,035
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,235)	(3,941)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**12,913**	**35,094**
Difference between fair value depreciation and historical depreciation	(5,909)	(5,658)
Accumulated gains on assets sold or scrapped	(10,080)	(7,531)
Other transfers to the Capital Adjustment Account	0	0
Amount written off to the Capital Adjustment Account	**(15,989)**	**(13,189)**
Balance at 31 March	**155,077**	**158,153**

Capital Adjustment Account

	2017/18 £000	2016/17 £000
Balance at 1 April	**594,146**	**584,836**
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	(38,522)	(39,916)
- Revaluation losses on Property, Plant and Equipment	6,189	29,142
- Amortisation of intangible assets	(91)	(161)
- Revenue expenditure funded from capital under statute	(12,764)	(11,298)
- 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	(32,144)	(41,192)
	(77,332)	**(63,425)**

	2017/18 £000	2016/17 £000
Adjusting amounts written out of the Revaluation Reserve	**15,989**	**13,189**
Net written out amount of the cost of non current assets consumed in the year	**(61,343)**	**(50,236)**
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	10,436	5,184
- Use of the Major Repairs Reserve to finance new capital expenditure	1,849	3,982
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	39,104	33,689
- Application of grants to capital financing from the Capital Grants Unapplied Account	164	216
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,993	8,009
- Capital expenditure charged against the General Fund and HRA balances	5,223	7,706
	64,769	**58,786**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**8,737**	**760**
Balance at 31 March	**606,309**	**594,146**

Financial Instruments Adjustment Account

	2017/18 £000	2016/17 £000
Balance at 1 April	**(4,964)**	**(5,284)**
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	11	5
Balance at 31 March	**(4,638)**	**(4,964)**

Deferred Capital Receipts Reserve

	2017/18 £000	2016/17 £000
Balance at 1 April	**715**	**740**
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	(28)	(25)
Balance at 31 March	**687**	**715**

Pensions Reserve

	2017/18 £000	2016/17 £000
Balance at 1 April	**(461,828)**	**(388,736)**
Opening balance amendment	(707)	0
Remeasurements of the net defined benefit liability/(asset)	40,500	(61,785)
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	(34,171)	(31,532)
Employer's pension contributions and direct payments to pensioners payable in the year	21,882	20,225
Balance at 31 March	**(434,324)**	**(461,828)**

Collection Fund Adjustment Account

	2017/18 £000	2016/17 £000
Balance at 1 April	**4,561**	**(1,515)**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(4,849)	6,076
Balance at 31 March	**(288)**	**4,561**

Accumulated Absences Account

	2017/18 £000	2016/17 £000
Balance at 1 April	**(2,488)**	**(2,165)**
Settlement or cancellation of accrual made at the end of the preceding year	2,488	2,165
Amounts accrued at the end of the current year	(2,609)	(2,488)
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	**(121)**	**(323)**
Balance at 31 March	**(2,609)**	**(2,488)**

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

	2017/18 £000	2016/17 £000
Surplus/(Deficit) for year per Comprehensive Income & Expenditure Statement	**(3,003)**	**(2,054)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	38,522	39,915

	2017/18 £000	2016/17 £000
Impairment and downward valuations	(6,189)	(29,142)
Amortisation	91	161
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	0	5
Increase/Decrease in Interest Creditors	(41)	(83)
Increase/Decrease in Creditors	8,090	(3,028)
Increase/Decrease in Interest and Dividend Debtors	141	63
Increase/Decrease in Debtors	(4,960)	9,055
Increase/Decrease in Inventories	326	16
Pension Liability	(2,399)	11,307
Contributions to/(from) Provisions	1,608	(1,861)
Carrying amount of non-current assets sold	31,498	40,694
Movement in Investment Property Values	(8,737)	(760)
	57,950	**66,342**
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	11,465	(213)
Capital Grants credited to surplus or deficit on the provision of services	(49,121)	(38,866)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,041)	(5,786)
	(48,697)	**(44,865)**
Net Cash Flows from Operating Activities	**6,250**	**19,423**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18 £000	2016/17 £000
Interest received	(1,874)	(2,037)
Interest paid	26,643	27,380

30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18 £000	2016/17 £000
Purchase of property, plant and equipment, investment property and intangible assets	46,003	44,393
Purchase of short term and long term investments	52,732	0
Other payments for investing activities	605	8,330
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(28)	(25)
Other receipts from investing activities*	(59,571)	(47,921)
Net cash flows from investing activities	**39,741**	**4,777**

* This includes capital grants received in year.

31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017/18 £000	2016/17 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,746	3,753
Repayments of short and long term borrowing	6,012	5,046
Other payments for financing activities*	4,417	(9,308)
Net cash flows from financing activities	**14,175**	**(509)**

* Represents change in value of NNDR debtor/creditor

32. 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 2017/18 are as follows:

		2017/18		2016/17	
		£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	(15,335)		(15,828)	
	Expenditure	16,005		16,244	
	(Surplus)/ Deficit		**670**		**416**
Shropshire County Training – This trading organisation ceased on 30/04/2016	Turnover	0		(318)	
	Expenditure	0		723	
	(Surplus)/ Deficit		**0**		**405**
The consolidated results of the other 17 of the Council's 19 trading units are	Turnover	(34,446)		(35,369)	
	Expenditure	33,692		34,081	
	(Surplus)/ Deficit		**(754)**		**(1,288)**
Net Surplus on Trading Activities			**(84)**		**(467)**

33. MEMBERS' ALLOWANCES

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

	2017/18 £000	2016/17 £000
Basic Allowances	851	849
Special Responsibility Allowances	281	290
Expenses	51	52
Total	**1,183**	**1,191**

34. 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	2017/18	£128,496	£0	£128,496	£19,017	£147,513
	2016/17	£127,476	£0	£127,476	£17,209	£144,685
Director of Adult Services	2017/18	£100,928	£0	£100,928	£14,937	£115,865
	2016/17	£99,929	£0	£99,929	£13,490	£113,419
Director of Children's Services	2017/18	£100,928	£0	£100,928	£14,937	£115,865
	2016/17	£99,929	£0	£99,929	£13,490	£113,419
Director of Place & Enterprise	2017/18	£100,928	£0	£100,928	£14,937	£115,865
	2016/17	£99,929	£0	£99,929	£13,490	£113,419
Director of Public Health ^	2017/18	£102,440	£0	£102,440	£14,731	£117,171
	2016/17	£101,426	£0	£101,426	£14,504	£115,930
Head of Legal and Democratic Services, Monitoring Officer	2017/18	£99,503	£0	£99,503	£14,726	£114,229
	2016/17	£98,667	£0	£98,667	£13,320	£111,987
Head of Finance, Governance & Assurance, S151 Officer°	2017/18	£99,503	£0	£99,503	£14,726	£114,229
	2016/17	£97,416	£0	£97,416	£13,151	£110,567
Head of Human Resource & Development	2017/18	£88,420	£0	£88,420	£13,086	£101,506
	2016/17	£82,416	£0	£82,416	£11,126	£93,542

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 (£35,500) to reflect the shared arrangement for the Director of Public Health role up until October 2017.

° 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 (£17,560), West Mercia Energy (£4,000), and Marches LEP (£4,696) to reflect the various treasurer roles undertaken within those organisations.

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

Salaried Remuneration Band £	2017/18 No. of Employees	2016/17 No. of Employees
50,000 – 54,999	61	76
55,000 – 59,999	39	40
60,000 – 64,999	28	27
65,000 – 69,999	12	12
70,000 – 74,999	3	6
75,000 – 79,999	5	4
80,000 – 84,999	5	5
85,000 – 89,999	7	5
90,000 – 94,999	2	1
95,000 – 99,999	3	3
100,000 – 104,999	4	4
105,000 and above	2	2

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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £20,000	33	68	84	69	117	137	665	980
£20,001 - £40,000	5	5	13	21	18	26	475	734
£40,001 +	2	6	8	10	10	16	573	1,798
	40	**79**	**105**	**100**	**145**	**179**	**1,713**	**3,512**

35. 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:

	2017/18 £000	2016/17 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	134	134
Fees payable to external audit for the certification of grant claims and returns	11	12
Fees payable in respect of other services provided by the external audit during the year	8	9
Total	**153**	**155**

36. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily 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 2017/18 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2017/18 before Academy recoupment	38,610	156,259	194,869
Central provision with Schools and De-delegated Budgets	3,833	(3,833)	0
Early Years Maintained Settings included in ISB on S251	(2,945)	2,945	0
Re-Allocation of High Needs to ISB	0	0	0
High Needs Commissioned Places	(6,520)	6,520	0
High Needs Recoupment	0	(4,838)	(4,838)
Academy figure recouped for 2017/18	0	(66,798)	(66,798)
Total DSG after Academy recoupment for 2017/18	**32,978**	**90,255**	**123,233**
Plus: Brought forward from 2016/17	2,145	(904)	1,241
Less: Carry forward to 2018/19 agreed in advance	0	0	0
Agreed initial budgeted distribution in 2017/18	**35,123**	**89,351**	**124,474**
In year adjustments	0	(188)	(188)
Final budgeted distribution in 2017/18	**35,123**	**89,163**	**124,286**
Less: Actual central expenditure	(33,902)	0	(33,902)
Less: Actual ISB deployed to schools	0	(87,641)	(87,641)
Early Years PVI included in ISB on S251	0	(2,212)	(2,212)
Plus: Local authority contribution for 2017/18	0	0	0
Carry forward to 2018/19	**1,221**	**(690)**	**531**

37. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(20,448)	(31,566)
Local Services Support Grant	(184)	(184)
New Homes Bonus	(7,809)	(9,328)
Business Rates Relief Grant	(5,724)	(3,054)
Rural Service Support Grant	(5,308)	(6,573)
Transitional Grant	(586)	(576)
Capital Grants & contributions	(42,770)	(31,597)
Total	**(82,829)**	**(82,878)**
Credited to Services		
DWP Housing Benefit	(62,485)	(68,343)
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	(1,080)	(1,166)
DCLG Waste PFI	(3,186)	(3,186)
DCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(123,755)	(133,134)
DFE/DE Sixth Forms funding	(1,630)	(1,844)
DFE Pupil Premium Grant	(5,374)	(6,259)
DFE UFSM	(2,540)	(2,828)
DFE PE & Sports	(1,359)	(1,040)
Education Services Grant	(612)	(2,485)
DfT Bus Services Operators Grant	(883)	0
North West Relief Road	(789)	(154)
HO Asylum Seekers	(577)	(183)
Landscape Partnership Scheme	(599)	(333)
DoH Public Health Grant	(12,317)	(12,628)
DCLG/DoH Adult Social Care New Burdens	(1,400)	0
Independent Living Fund Grant	(1,610)	(1,665)
Improved Better Care Fund	(6,194)	0
Other Grants	(4,757)	(3,561)
Capital Grants & contributions	(6,351)	(7,269)
Donated Assets	0	0
Total	**(239,021)**	**(247,601)**

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-Mar-18 £000	31-Mar-17 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	0	(668)
Department for Education	(207)	(822)
Environment Agency	(263)	(774)
Other Grants & Contributions	(58)	(103)
Total	**(528)**	**(2,367)**
Grants Receipts in Advance (Revenue Grants)		
EFA Designated Schools Grant	(531)	(1,241)
DWP Housing Benefit Subsidy	0	0
CLG Tackling Troubled Families	(1,160)	(915)
Standards Fund	(330)	(251)
SEN Reform	(411)	(402)
Homelessness	0	(22)
Arts Council	(262)	(283)
CLG Social Services PFI	(210)	(210)
Police & Crime Commissioner – CCTV	0	(87)
Bus Services Operator Grant	(142)	(512)
Other Grants	(1,019)	(712)
Total	**(4,065)**	**(4,635)**
TOTAL	**(4,593)**	**(7,002)**

38. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of 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 the 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 2017/18, the Council paid £7.367m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for 2017/18 was 16.48%. The figures for 2016/17 were £8.532m and 16.48%. 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 2017/18, the Council paid £0.117m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2016/17 were £0.122m and 14.3%.

39. 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.

Early Payment of 3 years LGPS deficit lump sum in April 2017

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due now each employer (e.g. Shropshire Council) pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has foregone. At the time of calculating the deficit lump sum amounts (as part of the 2016 valuation) the Council had a total deficit repayment value of £152m, with an agreed 22 year deficit recovery period. Paying in advance of this schedule enables a gross saving to be taken due to the avoidance of these "interest" payments. This saving has been used to assist with the Council's corporate savings targets within the budget.

	Local Government Pension Scheme	
	2017/18	2016/17
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(27,332)	(19,537)
- past service gain/(cost)	(18)	(11)
- curtailment gain/(cost)	3,769	1,135
	(23,581)	**(18,413)**

	Local Government Pension Scheme 2017/18 £000	2016/17 £000
Financing and Investment Income and Expenditure:		
- net interest expense	(10,590)	(13,119)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(34,171)**	**(31,532)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	(6,536)	148,280
- experience (gain)/loss	0	7,396
- actuarial gains and losses arising on changes in demographic assumptions	0	19,020
- actuarial gains and losses arising on changes in financial assumptions	47,036	(236,481)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**6,329**	**(93,317)**
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	34,171	31,532
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(21,882)	(20,225)

Assets and Liabilities Recognised in the Balance Sheet

	2017/18 £000	2016/17 £000
Present value of the defined benefit obligation	(1,278,947)	(1,317,633)
Fair value of plan assets	859,311	855,805
Net liability arising from defined benefit obligation	**(419,636)**	**(461,828)**

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme 2017/18 £000	2016/17 £000
Opening fair value of scheme assets at 1 April	855,805	696,802
Opening balance amendment	1,362	0
Interest income	21,852	24,264
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	(6,536)	148,280
Contributions from employer	21,882	20,225
Contributions from employees into the scheme	5,011	5,056
Benefits paid	(36,391)	(38,191)
Other	(3,674)	(631)
Closing fair value of scheme assets at 31 March	**859,311**	**855,805**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2017/18	2016/17
	£000	£000
Opening balance at 1 April	(1,317,633)	(1,085,538)
Opening balance amendment	(2,069)	0
Current Service Cost	(26,849)	(19,047)
Interest Cost	(32,442)	(37,383)
Contributions from scheme participants	(5,011)	(5,056)
Remeasurement gain/(loss):		
Experience gains/losses	0	7,396
Actuarial gains/losses arising from changes in demographic assumptions	0	19,020
Actuarial gains/losses arising from changes in financial assumptions	47,036	(236,481)
Other	0	0
Past service costs	(18)	(11)
Losses/(gains) on curtailment	(680)	(1,817)
Benefits paid	36,391	38,191
Liabilities extinguished on settlements	7,640	3,093
Lump Sum Deficit Repayment	14,688	0
Other	0	0
Closing balance at 31 March	**(1,278,947)**	**(1,317,633)**

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2017/18	2016/17
	£000	£000
Cash and cash equivalents	**17,186**	**19,170**
Equity investments:		
UK quoted	65,051	70,860
Global quoted	389,783	397,094
Sub-total equity	**454,834**	**467,954**
Bonds:		
UK Government fixed	0	0
UK Government indexed	0	0
Government	0	0
Overseas Global Fixed Income	65,050	51,691
PIMCO (Global Investment grade credit)	0	0
PIMCO (Global Absolute return bond fund)	133,537	126,745
Sub-total bonds	**198,587**	**178,436**
Property:		

	2017/18 £000	2016/17 £000
Property funds	42,450	38,083
Sub-total property	**42,450**	**38,083**
Alternatives:		
Private Equity	36,091	37,655
Infrastructure	22,084	20,539
Hedge Funds	58,261	58,794
BMO – LDI Manager	29,818	35,174
Sub-total alternatives	**146,254**	**152,162**
Total assets	**859,311**	**855,805**

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 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1yrs	23.9yrs
Women	26.3yrs	26.4yrs
Longevity at 65 for future pensioners:		
Men	25.3yrs	26.2yrs
Women	28.6yrs	29.2yrs
Rate of inflation	2.1%	2.3%
Rate of increase in salaries	3.6%	3.8%
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.5%

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)	1,319,257	1,268,013
Rate of inflation (increase or decrease by 0.1%)	1,314,951	1,272,319
Rate of increase in salaries (increase or decrease by 0.1%)	1,295,888	1,291,382
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,272,664	1,314,606

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 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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 £21.191m expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2017/18 (16 years 2016/17).

40. 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 2017/18 was £26.891m compared with £23.535m for 2016/17.

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 £2.531m to organisations where members and senior officers are employed and £0.389m to organisations where members and senior officers occupy positions in their own capacity.

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 £1.168m from the pension fund for the costs of administration it provided in 2017/18 compared with £1.173m for 2016/17.

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

41. 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.

	2017/18		2016/17	
	£000	£000	£000	£000
Opening Creditor 1 April		**(9,824)**		**(16,848)**
Funding Received:				
Growth Deal	(9,647)		(30,023)	
DfT South Wye Package	0		0	
Growth Hub	(205)		(205)	
Core Funding	(500)		(450)	
Capacity and Other Project Funding	(27)		(260)	
Careers & Enterprise	(64)		(79)	
Match Funding – Partner Contributions	(199)		(115)	
Marches Investment Fund	(287)		(165)	
Interest on Balances	(51)		(185)	
		(10,980)		(31,482)
Expenditure:				
Growth Deal Projects	8,772		36,889	
Growth Hub	189		208	
Capacity Funding Projects	143		159	
Careers & Enterprise	57		2	
Marches Investment Fund Expenditure	26		675	
LEP Management Costs	499		573	
		9,686		38,506
Marches LEP Creditor		**(11,118)**		**(9,824)**

42. 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	2017/18 £000	2016/17 (Restated) £000
Lead Commissioning Arrangement		
Funding provided to the Better Care Fund:		
Shropshire Council	0	0
Shropshire CCG	(7,845)	(7,845)
	(7,845)	**(7,845)**
Expenditure met from the Better Care Fund:		
Shropshire Council	7,926	7,764
Shropshire CCG	0	0
	7,926	**7,764**
Aligned Budget Arrangement		
Funding provided to the Better Care Fund:		
Shropshire Council	(9,629)	(3,431)
Shropshire CCG	(11,803)	(11,457)
	(21,432)	**(14,888)**
Expenditure met from the Better Care Fund:		
Shropshire Council	4,395	2,459
Shropshire CCG	11,803	11,457
	16,198	**13,916**
Total Better Care Fund		
Total funding provided to the Better Care Fund	(29,277)	(22,733)
Total expenditure met from the Better Care Fund	24,124	21,680
Net underspend arising on the Better Care Fund during the year	**(5,153)**	**(1,053)**

43. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(9,588)	6,936	241,998	0
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(4,635)	11,380	147,311	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(8,460)	4,619	322,365	0

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,252)	0	56,792	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(113,568)	67,860	642,841	(37,791)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(91,439)	49,687	604,808	(4,381)

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.

44. CONTINGENT LIABILITIES

At 31 March 2018 Council had the identified the following contingent liabilities:

There are a number of legal cases outstanding that may result in future costs for the Council. These include:

- Numerous potential Article 5 claims for unlawful deprivations of liberty
- Article 8 claims by children accommodated when applications for a Care Order should have been made.
- Planning Inquiries
- Judicial Reviews for planning permission
- Costs awarded against the Council in the DOLs Judicial Review.
- Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs.
- Procurement challenge litigation

The Council's usual practice when outsourcing a service that requires continued pension provision for employees is to require the contractor to put a Bond in place to reduce the Council's risk regarding picking up outstanding pension liabilities on termination of the admission agreement. The Council has provided additional guarantees, above those covered automatically by the Local Government Pension Scheme Regulations, to a number of Bodies that have been admitted to the Shropshire County Pension Fund. The bodies with additional guarantees who currently have employees who are active members of the scheme are listed below. The Bodies listed as being grouped with Shropshire Council means all Pension assets and liabilities stay with the Council and they contribute the consolidated Council Employer pension contribution rate unless stated otherwise.

Bodies that have additional pension liability guarantee

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2016 Valuation
Age UK Telford & Wrekin	5	15	20	1	(£0.054m)
Association of Local Councils	2	0	1	0	(£0.045m)
Coverage Care from 1/3/1997	13	42	119	9	(£0.461m)
Coverage Care from 13/1/2013	27	12	8	1	£0.139m
Livability	2	0	0	0	£0.00m
Perthyn	21	6	0	0	£0.00m
Shropshire Towns & Rural Housing	115	37	9	0	£0.144m
South Shropshire Housing Association	4	6	14	2	(£0.130m)
The Boathouse	1	2	0	0	(£0.004m)

Bodies that have additional pension liability guarantee and are Grouped with the Council

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members
Bethphage from 8/12/2016	21	4	0	0
Bethphage from1/7/2017	11	0	0	0
Energize Shropshire Telford & Wrekin	1	1	0	0
South Shropshire Leisure Ltd *	19	25	3	0
The Strettons Mayfair Trust	2	0	0	0

* South Shropshire Leisure Ltd Employer contribution rate is capped by the Council to 5%.

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.

Nationally a number of legal challenges have been brought by workers who are challenging that their employers have not paid the National Living Wage where 'sleep in' services have been provided. Whilst Shropshire Council recognises a level of risk whether that be direct or indirect the matter is complex and, at this stage, impossible to quantify.

The Council has included a value of £2.4m in short term investments within the Balance Sheet, representing the value of rental guarantees held in an Escrow account for the Shrewsbury Shopping Centres. There is a risk that the value of rental guarantees in the Escrow account could be due to Standard Life Aberdeen however this is dependant on the level of occupancy of units within the Shrewsbury Shopping Centres, and so at this stage is impossible to quantify.

45. 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, leisure and cultural exemptions. There is also an appeal lodged with HMRC with regard to Land Fill Tax.

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

GROUP ACCOUNTS

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2017 to 31 March 2018. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 21-41 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 2018, with comparative figures for the previous financial year.

IP&E LIMITED

IP&E Ltd is a trading company wholly owned by Shropshire Council. It was established to provide public services on the council's behalf and also to trade with other organisations. The company was incorporated on 30 May 2012. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e Ltd to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e Ltd with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Ltd should cease trading as soon as possible and take necessary actions to remove the company from the companies register. Whilst trading ceased on 31 March 2016, liabilities and commitments remain that need to be resolved before the company can formally apply to be dissolved and removed from the companies register and therefore financial transactions were incurred in the 2017/18 financial year and further financial transactions will be incurred in 2018/19.

IP&E Ltd has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. Figures have been consolidated based on the statement of accounts for 31st March 2018. For 2017/18 IP&E Ltd had total expenditure of £0.013m, assets of £0.021m and liabilities of £0.005m.

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 2017/18 Shropshire Towns and Rural Housing Limited had total income of £15.594m, total expenditure of £15.704m, assets of £5.430m and liabilities of £5.293m.

WEST MERCIA ENERGY

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME within this Council. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

Shropshire Council's share of West Mercia Energy' balances is 24.7%. 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 2018. For 2017/18 West Mercia Energy had total income of £63.019m, total expenditure of £63.351m, assets of £14.114m and liabilities of £19.011m.

JERSEY PROPERTY UNIT TRUST

Shropshire Council holds a 99% investment in a Jersey Property Unit Trust. The Trust is responsible for appointing managing agents for the Shrewsbury Shopping Centres and any other day to day decisions affecting the trust.

The Jersey Property Unit Trust 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. The accounts have been consolidated as a Business Combination under IFRS 3. For 2017/18 the Jersey Property Unit Trust had total income of £0.997m, total expenditure of £0.653m, assets of £54.969m and liabilities of £1.894m.

SSC No.1 LIMITED

SSC No.1 Limited is a limited company wholly owned by Shropshire Council. The Company's principal activity is to hold an investment in a Jersey Property Unit Trust.

SSC No.1 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. The accounts have been consolidated as a Business Combination under IFRS 3 with the accounts for the Jersey Property Unit Trust. For 2017/18 SSC No.1 Limited had total income of £0.011mm, total expenditure of £0.016m, assets of £0.537m and liabilities of £0.542m.

The Group Comprehensive Income & Expenditure Statement

2016/17 Group Expenditure £000		2017/18 SC Net Expenditure £000	Adjustments £000	Group Expenditure £000
	Expenditure on Continuing Services			
84,874	Adult Services	88,065	0	88,065
(8,752)	Local Authority Housing	(8,940)	31	(8,909)
(28,230)	Exceptional costs relating to revaluation gain on Housing Dwellings	0	0	0
53,065	Children's Services	55,010	0	55,010
77,794	Place & Enterprise	77,772	5	77,777
6,038	Public Health	4,195	0	4,195
3,932	Resources & Support	5,847	0	5,847
2,467	Corporate	157	282	439
191,188	**Net Cost of Services**	**222,106**	**318**	**222,424**
43,159	Other Operating Expenditure	29,715	0	29,715
36,356	Financing and Investment Income and Expenditure	25,689	126	25,815
(268,574)	Taxation and Non Specific Grant Income	(274,507)	0	(274,507)
2,129	**(Surplus)/Deficit on the provision of services**	**3,003**	**444**	**3,447**
(302)	Associates & Joint Ventures Accounted for on an equity basis	0	(234)	(234)
7	Tax expenses of subsidiaries	0	0	0
1,834	**Group (Surplus)/Deficit**	**3,003**	**210**	**3,213**
(35,853)	(Surplus) or deficit on revaluation of non-current assets	(13,291)	0	(13,291)
759	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve	379	0	379
63,559	Remeasurement of pension assets and liabilities	(40,500)	(789)	(41,289)
28,465	**Other Comprehensive Income and Expenditure**	**(53,412)**	**(789)**	**(54,201)**
30,299	**Total Comprehensive Income and Expenditure**	**(50,409)**	**(579)**	**(50,988)**

Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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 2017	**14,698**	**63,860**	**78,558**	**9,031**	**2,369**	**11,574**	**101,532**	**288,295**	**389,827**	**(1,694)**	**388,133**
Movement in reserves during 2017/18											
Surplus or (deficit) on the provision of services	3,715	0	3,715	6,812	0	0	10,527	0	10,527	(13,740)	(3,213)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	53,412	53,412	789	54,201
Total Comprehensive Income and Expenditure	**3,715**	**0**	**3,715**	**6,812**	**0**	**0**	**10,527**	**53,412**	**63,939**	**(12,951)**	**50,988**
Adjustments between Group Accounts and authority accounts	(13,530)	0	(13,530)	0	0	0	(13,530)	0	(13,530)	13,530	0
Net Increase/Decrease before Transfers	**(9,815)**	**0**	**(9,815)**	**6,812**	**0**	**0**	**(3,003)**	**53,412**	**50,409**	**579**	**50,988**
Adjustments between accounting basis and funding basis under regulations	16,407	0	16,407	(7,618)	2,145	9,852	20,786	(20,786)	0	50	50
Net Increase/Decrease before Transfers to Earmarked Reserves	**6,592**	**0**	**6,592**	**(806)**	**2,145**	**9,852**	**17,783**	**32,626**	**50,409**	**629**	**51,038**
Transfers to/from Earmarked Reserves	(5,979)	5,979	0	0	0	0	0	(707)	(707)	0	(707)
Increase/Decrease in 2017/18	**613**	**5,979**	**6,592**	**(806)**	**2,145**	**(,852)**	**17,783**	**31,919**	**49,702**	**629**	**50,331**
Balance at 31 March 2018	**15,311**	**69,839**	**85,150**	**8,225**	**4,514**	**21,426**	**119,315**	**320,214**	**439,529**	**(1,064)**	**438,464**

2016/17 Comparative figures	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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 2016	**18,370**	**60,841**	**79,211**	**5,823**	**2,802**	**6,612**	**94,448**	**324,124**	**418,572**	**(145)**	**418,427**
Movement in reserves during 2016/17											
Surplus or (deficit) on the provision of services	(23,851)	0	(23,851)	34,246	0	0	10,395	0	10,395	(12,229)	(1,834)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(26,691)	(26,691)	(1,774)	(28,465)
Total Comprehensive Income and Expenditure	**(23,851)**	**0**	**(23,851)**	**34,246**	**0**	**0**	**10,395**	**(26,691)**	**(16,296)**	**(14,003)**	**(30,299)**
Adjustments between Group Accounts and authority accounts	(12,449)	0	(12,449)	0	0	0	(12,449)	0	(12,449)	12,449	0
Net Increase/Decrease before Transfers	**(36,300)**	**0**	**(36,300)**	**34,246**	**0**	**0**	**(2,054)**	**(26,691)**	**(28,745)**	**(1,554)**	**(30,299)**
Adjustments between accounting basis and funding basis under regulations	35,647	0	35,647	(31,038)	(433)	4,962	9,138	(9,138)	0	4	4
Net Increase/Decrease before Transfers to Earmarked Reserves	**(653)**	**0**	**(653)**	**3,208**	**(433)**	**4,962**	**7,084**	**(35,829)**	**(28,745)**	**(1,550)**	**(30,295)**
Transfers to/from Earmarked Reserves	(3,019)	3,019	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2016/17	**(3,672)**	**3,019**	**(653)**	**3,208**	**(433)**	**4,962**	**7,084**	**(35,829)**	**(28,745)**	**(1,550)**	**(30,295)**
Balance at 31 March 2017	**14,698**	**63,860**	**78,558**	**9,031**	**2,369**	**11,574**	**101,532**	**288,295**	**389,827**	**(1,694)**	**388,133**

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	13,530	0	0	0	13,530	0	13,530	(13,530)	0
Total adjustments between Group Accounts and authority accounts	**13,530**	**0**	**0**	**0**	**13,530**	**0**	**13,530**	**(13,530)**	**0**

Group Balance Sheet at 31 March 2018

31 March 2017 £000		31 March 2018 SC £000	Adjustments £000	Group £000
1,106,346	Property, Plant & Equipment	1,104,615	49,500	1,154,115
0	Goodwill	0	2,775	2,775
2,553	Heritage Assets	2,475	0	2,475
50,935	Investment Property	54,845	0	54,845
121	Intangible Assets	34	0	34
599	Assets Held for Sale	599	0	599
1,160,554	**Total Non-Current Assets**	**1,162,568**	**52,275**	**1,214,843**
400	Long Term Investment	52,605	(52,205)	400
(1,291)	Investments in Associates and Joint Ventures	0	(1,211)	(1,211)
20,898	Long Term Debtors	20,227	0	20,227
1,180,561	**Total Long Term Assets**	**1,235,400**	**(1,141)**	**1,234,260**
	Current Assets			
0	Current Held for Sale Investment Properties	0	0	0
5,514	Assets Held for Sale	3,027	0	3,027
59,000	Short Term Investments	47,921	(527)	47,394
836	Inventories	483	23	506
55,943	Short Term Debtors	60,286	1,521	61,807
97,150	Cash & Cash Equivalents	47,042	5,834	52,876
218,443	**Total Current Assets**	**158,759**	**6,851**	**165,610**
1,399,004	**Total Assets**	**1,394,159**	**5,710**	**1,399,869**
	Current Liabilities			
(13,150)	Bank Overdraft	(14,625)	0	(14,625)
0	Deferred Income	(2,175)	0	(2,175)
(8,482)	Short Term Borrowing	(8,457)	0	(8,457)
(69,308)	Short Term Creditors	(66,961)	(3,424)	(70,385)
(2,488)	Provisions	(3,453)	0	(3,453)
(4,635)	Grants Receipts in Advance – Revenue	(4,065)	0	(4,065)
(2,367)	Grants Receipts in Advance – Capital	(528)	0	(528)
(100,430)	**Total Current Liabilities**	**(100,264)**	**(3,424)**	**(103,688)**
1,298,574	**Total Assets Less Current Liabilities**	**1,293,895**	**2,286**	**1,296,181**
	Long Term Liabilities			
(684)	Long Term Creditors	(672)	0	(672)
(317,568)	Long Term Borrowing	(311,568)	0	(311,568)
(119,577)	Other Long Term Liabilities	(114,521)	0	(114,521)
(465,285)	Pensions Liability	(419,636)	(3,350)	(422,986)
(7,327)	Provisions	(7,969)	0	(7,969)
(910,441)	**Total Long Term Liabilities**	**(854,366)**	**(3,350)**	**(857,716)**
388,133	**Total Assets Less Liabilities**	**439,529**	**(1,064)**	**438,465**
	Financed by:			
105,030	Usable Reserves	119,315	3,860	123,175
283,103	Unusable Reserves	320,214	(4,926)	315,288
388,133	**Total Reserves**	**439,529**	**(1,064)**	**438,465**

Group Cash Flow Statement

2016/17 Group £000	Revenue Activities	2017/18 SC £000	Adjustments £000	Group £000
1,834	Net (surplus) or deficit on the provision of services	3,003	210	3,213
(65,739)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(57,950)	(1,774)	(59,724)
45,435	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	48,697	729	49,426
(18,470)	**Net cash flows from operating activities**	**(6,250)**	**(835)**	**(7,085)**
4,776	Investing activities	39,741	(800)	38,941
(1,048)	Financing activities	14,175	(282)	13,893
(14,742)	**Net (increase) or decrease in cash and cash equivalents**	**47,666**	**(1,917)**	**45,749**
69,258	Cash and cash equivalents at the beginning of the reporting period	80,083	3,917	84,000
84,000	**Cash and cash equivalents at the end of the reporting period**	**32,417**	**5,834**	**38,251**

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 (24.7%) £000
Turnover	(63,019)	(15,590)
Cost of Goods Sold and Operating Expenses	62,071	15,356
Interest and Investment Income	141	35
Net Operating Surplus	**(807)**	**(200)**
Distribution of Surplus to Member Authorities	1,139	282
Net deficit for the year	**332**	**82**

G2. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£15.594m) and expenditure (£15.625m) of Shropshire Towns & Rural Housing Limited, giving a net expenditure of £0.031m 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 £13.869m).

G3. Consolidation of IP&E Ltd

The operating expenditure (£0.013m) of IP&E Ltd, giving a net expenditure of £0.013m has been included within Surpluses/deficits on Trading Activities. The inter-company transactions with Shropshire Council have been excluded from Surpluses/deficits on Trading Activities (Income/Expenditure £0.001m).

G4. Consolidation of Jersey Property Unit Trust

The operating income (£0.997m) and expenditure (£0.653m) of the Jersey Property Unit Trust, giving a net expenditure of £0.344m has been included within Place and Enterprise in the Net Cost of Services.

G5. Consolidation of SSC No.1 Ltd

The operating income (£0.001m) and expenditure (£0.010m) of SSC No1. Ltd, giving a net expenditure of £0.009m has been included within Place and Enterprise in the Net Cost of Services. 100% of the income and expenditure of the Jersey Property Unit Trust has been consolidated into the Income and Expenditure account as detailed above therefore this has been excluded when consolidating SSC No1. Ltd.

G4. Investment included in Group Balance Sheet

	WME £000	SC Share (24.7%) £000
Assets		
Plant & Equipment	2	0
Short term debtors	11,457	2,834
Cash and cash equivalents	2,655	657
Total Assets	**14,114**	**3,492**
Liabilities		
Short term creditors	(2,964)	(3,207)
Other long term liabilities	(6,047)	(1,496)
Total Liabilities	**(19,011)**	**(4,703)**
Net Investments in Associates and Joint Ventures	**(4,897)**	**(1,211)**

Section 7

Pension Fund Accounts

Introduction

During the year the Shropshire Fund increased in value by £66 million to be valued at £1.834 billion at the end of the year. The Fund increased in value by 3.1% over the year and slightly underperformed its benchmark by 0.5%. Over the last two years the Fund returned 10.9% per annum which was 2.1% above benchmark and over the last three years the Fund returned 6.9% per annum which was 0.8% above benchmark. The reason the Fund performance was slightly below benchmark for the year was largely due to the negative returns generated from equity markets during the last quarter of the financial year. Performance of the Fund's active equity managers were all below benchmark during the year.

The Shropshire Fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in property where the Fund's investments increased in value by 11.3% in the year outperforming the benchmark by 3.9%. The Funds private equity manager produced returns of 7.6% and the Hedge Fund portfolio increased by 6.5% which was 6.3% above benchmark. The combined fixed income portfolios delivered a return of 0.5% which was 0.1% above benchmark. Only two managers produced negative returns during the year which was the UK equity manager and one of the fixed income managers. The Fund's other managers produced positive returns which is the reason for the increase in value of £66 million 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.

The Fund undergoes an independent actuarial valuation every 3 years. The latest actuarial valuation was conducted at the end of March 2016, 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 84% which was an increase from 76% at the previous valuation in March 2013. 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.

Following the results of the actuarial valuation, the Committee together with Officers and Aon Hewitt started the process of reviewing the Fund's investment strategy. In June 2017, Aon Hewitt undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee. 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.

Due to a strong rally in equity markets, particularly in 2016/2017, and a significant increase in the asset value of the Fund, this resulted in the funding level increasing to around 100% at the time the review was carried out which is positive news. In view of this, as a large proportion of the Fund is invested in equities and this represents the biggest risk within the Fund a decision was made to protect £280 million of the Fund from falls in equity markets by implementing an equity protection strategy in September 2017.

Further investment strategy discussions were held with Pension Committee in November 2017 and March 2018 and a decision has been made to reduce the overall allocation to equities by 5% in 2018/19 and replace them with investments in Property Debt and Insurance Linked securities.

The Shropshire Fund continued to work with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by April 2018. LGPS Central Ltd has been established to manage investment assets on behalf of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It will be a multi-asset manager, investing approximately £40 billion of assets from 2018 onwards, on behalf of 900,000 LGPS members and 2,500 employers.

LGPS Central Ltd is jointly owned on an equal share basis by eight Pension Funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension Fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands.

The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central will manage a wide range of asset classes, employing a mix of internal and external investment management. The company is a private company limited by shares and was incorporated on 13 October 2016. The majority of assets under management will be structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. The company has been formed to act as an Alternative Investment Fund Manager (AIFM) to allow the participating LGPS administering authorities to pool their respective investments.

The governance structure for LGPS Central has been agreed by all partner funds and appointments for key individuals has progressed well during the year. The LGPS Central Board and Executive Committee are now in place. There are currently 32 permanent staff with further recruitment to come over the course on 2018. Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS Funds. The Practitioners Advisory Forum, which is made up of s151 Officers and Pension Managers from each Fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders Forum, which is made up of one elected member from each Fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each Fund, has also met during the year to discuss any client related investors issues. An FCA application for LGPS Central Ltd was submitted in July 2017 and approval was granted in November 2017 in order to meet the April 2018 deadline.

LGPS Central Ltd opened for business on the 3 April 2018 with the launch of 3 new pooled funds. In addition to these funds, LGPS Central will be responsible for 8 advisory and discretionary mandates on behalf of its Partner Funds. Together these new funds and mandates see LGPS Central Ltd responsible for £12 billion of assets following its launch. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the Fund over the next year.

The Pensions Administration Team have always tried to ensure data is collected in a timely manner from Fund employers and that the data they provide is accurate. However, this has become an even higher priority following the announcement that the Pensions Regulator expected all Schemes to undertake an annual data review and from 2018 must provide data scores on its Annual Return. To ensure the Fund is compliant, during 2017/18, the team undertook a Data Review Exercise to measure the accuracy of the data it holds. The team have also been working closely with Scheme Employers for the past couple of years to ensure member data is supplied on time and all employers are now using the electronic data transfer system called iConnect. By employers submitting monthly data via iConnect queries identified by the team are dealt with straight away and members are able to view their most up to date pension benefits using the 'My Pension Online' area of the website. The team are also on track to meet the December 2018 deadline to ensure that Members records are reconciled with HMRC following the end of contracting out in April 2016.

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

2016/17 £000		2017/18 £000
	Income	
	Contributions	
(47,049)	Employers (Note 7)	(64,083)
(13,927)	Employees (Note 7)	(14,049)
(2,854)	Transfers In from other pension funds (Notes 3, 7)	(6,005)
(63,830)	**Total Income**	**(84,137)**
	Expenditure	
	Benefits Payable	
54,535	Pensions (Note 7)	56,515
9,021	Commutation of pensions and lump sum retirement benefits (Note 7)	8,337
1,256	Lump Sum Death Benefits (Note 7)	1,272
	Payment to & Account of Leavers	
298	Refund of contributions (Note 7)	218
6,736	Transfers to other funds (Notes 3, 7)	5,249
71,845	**Total Expenditure**	**71,591**
8,015	**Net (additions) / withdrawals from dealings with scheme members**	**(12,546)**
13,717	**Management Expenses (Note 8)**	**14,607**
	Returns on Investments	
(23,155)	Investment Income (Notes 3, 9)	(24,935)
(10,955)	(Gain)/loss on cash and currency hedging	(10,669)
97	Taxes on Income (Note 10)	344
(261,999)	Profits and losses on disposal of investments and changes in value of investments (Note 11a)	(32,347)
(296,012)	**Net (increase) / decrease in the net assets available for benefits during the year**	**(67,607)**
(274,280)	**(Surplus) / deficit on the pension fund for the year**	**(65,546)**
1,493,990	**Opening net assets of the scheme**	**1,768,270**
1,768,270	**Closing net assets of the scheme**	**1,833,816**

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2018

31-Mar-17		31-Mar-18	
£0		£0	%
	Investment Assets		
263,900	Equities (Note 11b)	264,509	14.42
	Pooled Investment Vehicles		
1,446,606	Other Managed Funds (Note 11b)	1,532,234	83.55
	Other Investment Balances		
	Loans (Note 11b)	685	0.04
	Cash Deposits		
54,084	Deposits (Note 11a)	33,081	1.80
2,520	Temporary Investments (Note 27)	2,000	0.11
1,767,110	**Total Investment Assets**	**1,832,509**	99.93
	Current Assets		
2,233	Contributions due from Employers (Note 18)	2,292	0.12
1,697	Other Current Assets (Note 18)	2,204	0.12
	Current Liabilities		
(218)	Unpaid Benefits (Note 19)	(163)	(0.01)
(2,453)	Other Current Liabilities (Note 19)	(2,807)	(0.15)
(99)	Cash Balances (Note 27)	(219)	(0.01)
1,768,270	**Net Assets of the Scheme – Available to Fund Benefits as at 31 March**	**1,833,816**	**100.00**

The Fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Actuary Statement.

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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 2016.

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 181 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2018	31 March 2017
Number of employers with active members	138	127
Number of employees in the scheme		
Shropshire Council	6,690	7,227
Other employers	9,787	9,290
Total	**16,477**	**16,517**
Number of pensioners in the scheme		
Shropshire Council	5,048	4,920
Other employers	5,273	5,105

Shropshire County Pension Fund	31 March 2018	31 March 2017
Total	10,321	10,025
Number of deferred pensioners in the scheme		
Shropshire Council	8,561	8,366
Other employers	8,882	8,450
Total	**17,443**	**16,816**

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 2018. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was as at 31 March 2016. Currently, employer contribution rates range from 6.9% 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 up-rated 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 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 2013 (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 as such is 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.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's 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
Blackrock – Hedge Fund
Investec Asset Management – Global Equities
Harris Associates – Global Equities
Performance related fees in 2017/18 £1.620m (2016/17 £1.060m).

Where an investment manager's fee note has not been received by the year-end 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 2017/18, £0.005m of fees is based on such estimates (2016/17 £0.005m).

Net Assets Statement

Financial assets

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 at fair value in accordance with the requirements of the Code and IFRS13 (see note 14).

Foreign Currency transactions

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

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.

Financial liabilities

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.

Additional voluntary contributions

Shropshire County Pension Fund provides an additional voluntary contribution (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

The net pension fund liability is recalculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in note 17.

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 year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement as at 31 March 2018 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 £74.8 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 £127.1 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 2018, 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).

2017/18	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	5,132	1,966	6,951	14,049
Employers	35,026	6,499	22,558	64,083
Transfers In	2,676	781	2,548	6,005
Total Income	**42,834**	**9,246**	**32,057**	**84,137**
Payments Made				
Pensions	33,875	6,985	15,655	56,515
Lump Sums	3,362	1,897	3,078	8,337
Death Benefits	490	397	385	1,272
Refunds	67	18	133	218
Transfers Out	2,643	840	1,766	5,249
Total Expenditure	**40,437**	**10,137**	**21,017**	**71,591**

2016/17 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contribution Received				
Employees	5,137	2,093	6,697	13,927
Employers	18,618	6,632	21,799	47,049
Transfers In	1,525	210	1,119	2,854
Total Income	**25,280**	**8,935**	**29,615**	**63,830**
Payments Made				
Pensions	32,828	6,562	15,144	54,534
Lump Sums	2,916	1,772	4,333	9,021
Death Benefits	652	221	383	1,256
Refunds	108	29	161	298
Transfers Out	3,923	552	2,261	6,736
Total Expenditure	**40,427**	**9,136**	**22,282**	**71,845**

This table shows a breakdown of the employers contributions above:

	2017/18 £000	2016/17 £000
Employers normal contributions	33,050	30,774
Employers deficit contributions	*29,634	12,156
Employers augmentation contributions	1,399	4,119
	64,083	**47,049**

* Employers deficit contributions figure for 2017/18 includes upfront deficit payments covering three years for Shropshire Council, West Mercia Energy and Age UK.

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's Accounting for Local Government Pension Scheme Management Expenses (2016).

	2017/18 £000	2016/17 £000
Administrative costs	936	946
Investment management expenses	13,118	12,021
Oversight and governance costs	553	750
	14,607	**13,717**

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.

The investment management expenses shown below includes £1.620m (2016/17 £1.060m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £0.467m in respect of transaction costs (2016/17 £0.683m).

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).

	2017/18 £000	2016/17 £000
Management Fees	8,635	8,516
Performance Fees	1,620	1,060
Other Fees	2,338	1,702
Transaction Costs	467	683
Custody Fees	58	60
	13,118	**12,021**

The costs incurred by the Council in administering the Fund totalled £0.936m for the year ended 31 March 2018 (2016/17 £0.946m).

	2017/18 £000	2016/17 £000
Employee Costs	624	573
IT	161	175
Consultants	27	67
Printing & Postage	49	55
Office Accommodation	22	22
Subscriptions	15	16
Other Costs	38	38
	936	**946**

The costs incurred by the Council in Oversight and Governance totalled £0.553m for the year ended 31 March 2018 (2016/17 £0.750m)

	2017/18 £000	2016/17 £000
Investment advice	312	226
Employee costs (pensions investment)	159	153
Actuarial advice	14	129
Responsible engagement overlay	*(82)	97
Professional fees	50	50
External audit	22	25

Performance analysis	25	25
Internal audit	17	17
Legal & Committee	15	15
Other Costs	21	13
	553	**750**

* LGPS Central Pooling costs are shown as a negative figure in 2017/18 as cumulative costs incurred to date are due to be reimbursed back to Shropshire County Pension Fund by LGPS Central in 2018/19.

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.

	2017/18 £000	2016/17 £000
Dividends from equities	(7,312)	(6,943)
Income from pooled investment vehicles	(5,810)	(4,974)
Interest on cash deposits	(7)	(14)
Other	(11,806)	(11,224)
	(24,935)	**(23,155)**

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2017/18 £000	2016/17 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax – equities	311	97
Withholding tax – pooled	33	0
	344	**97**

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type 2017/18	Value as at 1 April £000	Purchases at cost & derivative payments £000	Sale evalua & derivative receipts £000	Transition £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	263,900	92,244	(84,169)			(7,466)	264,509
Pooled Investment Vehicles – Unitised Investment Vehicles	0						0
Pooled Investment Vehicles – Other Managed Funds	1,446,607	153,735	(106,074)		(1,736)	39,702	*1,532,234

PENSION FUND ACCOUNTS

Investment type 2017/18	Value as at 1 April £000	Purchases at cost & derivative payments £000	Sale evalua & derivative receipts £000	Transition £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Other Investment Balances	0	685					685
Sub total	**1,710,507**	**246,664**	**(190,243)**	**0**	**(1,736)**	**32,236**	**1,797,428**
Cash deposits – with Managers	54,084		(103)		(21,011)	111	33,081
Temporary Investments	2,520				(520)		2,000
Total	**1,767,111**	**246,664**	**(190,346)**	**0**	**(23,267)**	****32,347**	**1,832,509**

* Within the Pooled Investment Vehicles - other managed funds total of £1532.234m are £201.902m of level 3 investments as at 31 March 2018. Within the Equities figure of £264.509 are £1.315m of level 3 investments as at 31 March 2018. The value of the level 3 investments were £174.372m as at 1st April 2017 which increased to £203.217m as at 31 March 2018. The increase in value is due to purchases of £62.067m, sales of £36.024m and change in market value of £2.802m.

** The total change in market value for 2017/18 as per the table above is £32.347m. This figure is made of up of profit on sales of £170.854m and also the difference between book cost and market value for the whole Fund which for 2017/18 was -£138.507m.

Investment type 2017/18 comparative figures	Value as at 1 April £000	Purchases at cost & derivative payments £000	Sale evalua & derivative receipts £000	Transition £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	213,865	101,680	(121,297)			69.652	263,900
Pooled Investment Vehicles – Unitised Investment Vehicles	162,999		(806)	(158,665)		(3,528)	
Pooled Investment Vehicles – Other Managed Funds	1,077,783	313,156	(298,245)	158,665	(615)	195,863	*1,446,607
Sub total	**1,454,647**	**414,836**	**(420,348)**	**0**	**(615)**	**261,987**	**1,710,507**
Cash deposits – with Managers	38,116				15,956	12	54,084
Temporary Investments	860				1,660		2,520
Total	**1,493,623**	**414,836**	**(420,348)**	**0**	**17,001**	****261,999**	**1,767,111**

* Within the Pooled Investment Vehicles - other managed funds total of £1446.607m are £174.372m of level 3 investments as at 31 March 2017. The value of the level 3 investments were £214.739m as at 1st April 2016 which decreased to £174.372m as at 31 March 2017. The decrease in value is due to purchases of £18.711m, sales of £68.025m and change in market value of £8.946m.

** The total change in market value for 2016/17 as per the table above is £261.999m. This figure is made of up of profit on sales of £133.785m and also the difference between book cost and market value for the whole Fund which for 2016/17 was £128.214m.

11b. ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

	2017/18 £000	2016/17 £000
Equities		
UK		
Quoted	121,917	118,440
Unquoted	1,315	0
Overseas		
Quoted	141,277	145,449
Total Equities	**264,509**	**263,889**
Pooled Funds – additional analysis		
UK		
Unit Trusts	12,621	12,372
Overseas		
Unit Trusts	1,173,133	1,139,205
Hedge Funds	127,140	100,106
Pooled property investments	93,757	77,476
Private Equity	74,762	74,266
Infrastructure	50,821	43,192
Total Pooled Funds	**1,532,234**	**1,446,617**
Other Investment Balances		
Loans	685	0
Total	**1,797,428**	**1,710,506**

12. 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 £0.067m in 2017/18 and this is included within investment income in the Pension Fund Account. At 31 March 2018 £16.312m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £17.346m worth of collateral representing 106% of stock on loan.

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.

13. 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.

14. FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Infrastructure	Level 2	Valued at the net asset value or a single price advised by the fund manager	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes in cashflows.
Private Equity	Level 3	Valued based on the Fund's share of the net assets in the fund or limited partnership using the latest financial statements in accordance with the International Private Equity and Venture	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes in

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Capital guidelines 2012		cashflows.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes in cashflows.

Sensitivity of assets valued at level 3

The table below sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequential potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held as at 31 March 2018.

Asset	Assessed valuation range (=/-)	Value as at 31-Mar-18 £000	Value on increase £000	Value on decrease £000
Private Equity	5%	74,762	78,500	71,024
	5%	127,140	133,497	120,783
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**203,217**	**213,378**	**193,056**

14a. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur, during 2017/18 however there were no transfers identified.

Level 1:

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted 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.

Level 2:
Assets and liabilities 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.

Level 3:
Assets and liabilities 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 30th September 2017. 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. In previous years this value has been as at March, however, due to the early closedown deadline from this year onwards the valuation in the accounts are based on February 2018. 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 2017/18	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	119,206	119,206		
	LGPS Central	UK Equities (unquoted)	1,315			1,315
	Harris Associates	Global Equities	143,979	143,979		
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	12,621	12,621		
	Pimco Europe Ltd	Global Aggregate Bonds	146,524	146,524		
	MFS	Global Equities	156,068	156,068		
	HarbourVest Partners Ltd	Private Equity	74,762			74,762
	Aberdeen Property	Property Unit Trusts	93,757		93,757	

Asset type 2017/18	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
	Investors					
	Blackrock	Hedge Fund	127,140			127,140
	Global Infrastructure Partners	Infrastructure	50,821		50,821	
	Legal & General	Global Equities	367,277	367,277		
	Investec	Global Equities	150,280	150,280		
	Blackrock	Fixed Interest	140,811	140,811		
	GAM	Absolute Return Bonds	142,183		142,183	
	BMO	LDI	69,991	69,991		
Net Current Assets (incl cash)			37,081	37,081		
Total			**1,833,816**	**1,343,838**	**286,761**	**203,217**

Asset type 2016/17	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	120,148	120,148		
	Harris Associates	Global Equities	143,741	143,741		
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	12,372	12,372		
	Pimco Europe Ltd	Global Aggregate Bonds	146,028	146,028		
	MFS	Global Equities	154,295	154,295		
	HarbourVest Partners Ltd	Private Equity	74,266			74,266
	Aberdeen Property Investors	Property Unit Trusts	77,476		77,476	
	Blackrock	Hedge Fund	80,627			80,627
	Global Infrastructure Partners	Infrastructure	43,192		43,192	
	Legal & General	Global Equities	341,195	341,195		
	Investec	Global Equities	147,195	147,195		
	Brevan Howard	Hedge Fund	19,479			19,479
	Blackrock	Fixed Interest	137,777	137,777		
	GAM	Absolute Return Bonds	139,878		139,878	
	BMO	LDI	72,826	72,826		
Net Current Assets (incl cash)			57,775	57,775		
Total			**1,768,270**	**1,333,352**	**260,546**	**174,372**

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	31 March 2018			31 March 2017		
	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	264,509			263,900		
Pooled Investment Vehicles – Other Managed Funds	1,532,234			1,446,606		
Other Investment Balances - Loans		685				
Cash		34,862			56,505	
Debtors		4,496			3,930	
Total Assets	**1,796,743**	**40,043**	**0**	**1,710,506**	**60,435**	**0**
Financial Liabilities						
Creditors			(2,970)			(2,671)
Total Liabilities	**0**	**0**	**(2,970)**	**0**	**0**	**(2,671)**
Total	**1,796,743**	**40,043**	**(2,970)**	**1,710,506**	**60,435**	**(2,671)**

15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2017/18 £000	2016/17 £000
Financial Assets		
Fair value through profit and loss	32,347	261,999
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
	32,347	**261,999**

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long term risk is that its 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 Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

1. The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
2. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

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 the Council 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, in consultation with the Fund's investment advisors, it has been determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
UK Equities	19.2%
Global Unconstrained Equities	21.2%
Global Equities (passive)	20.2%
Property	12.7%
Private Equity	27.6%
Hedge Funds	9.3%
Unconstrained bonds	5.2%
Infrastructure	18.6%
LDI	31.4%

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 2017/18	Value as at 31 March 2018 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash	37,073	0	37,073	37,073
Investment Portfolio Assets				
UK Equities	135,853	26,084	161,937	109,769
Global Equities (unconstrained)	447,625	94,897	542,522	352,728
Global Equities (passive)	367,277	74,190	441,467	293,087
Unconstrained Bonds	429,517	22,335	451,852	407,182
Property	93,757	11,907	105,664	81,850
Private Equity	74,762	20,634	95,396	54,128
Hedge Funds	127,140	11,824	138,964	115,316
Infrastructure	50,821	9,453	60,274	41,368
LDI	69,991	21,977	91,968	48,014
Total assets available to pay benefits	**1,833,816**	**293,301**	**2,127,117**	**1,540,515**

Asset type 2016/17	Value as at 31 March 2017 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash	57,764	0	57,764	57,764
Investment Portfolio Assets				
UK Equities	130,812	25,116	155,928	105,696
Global Equities (unconstrained)	446,950	94,753	541,703	352,197
Global Equities (passive)	341,195	68,921	410,116	272,274
Unconstrained Bonds	423,684	22,032	445,716	401,652
Property	77,476	9,839	87,315	67,637
Private Equity	74,265	20,497	94,762	53,768
Hedge Funds	100,106	9,310	109,416	90,796
Infrastructure	43,192	8,034	51,226	35,158
LDI	72,826	22,867	95,693	49,959
Total assets available to pay benefits	**1,768,270**	**281,369**	**2,049,639**	**1,486,901**

Interest rate risk
The Fund invests in financial assets 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 Council 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 rate movements as at 31 March 2018 and 31 March 2017 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 2018 £000	As at 31 March 2017 £000
Cash and cash equivalents	28,270	51,010
Cash balances*	(219)	(99)
Bonds	429,517	423,684
Total change in assets available	**457,568**	**474,595**

*overdrawn cash balance as at 31st March 2017 & 31st March 2018

The Council 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.

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2018				
Cash and cash equivalents	28,270	0	28,270	28,270
Cash balances	(219)	0	(219)	(219)
Bonds	429,517	4,295	433,812	425,222
Total	**457,568**	**4,295**	**461,863**	**453,273**

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2017				

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	51,010	0	51,010	51,010
Cash balances	(99)	0	(99)	(99)
Bonds	423,684	4,237	427,921	419,447
Total	**474,595**	**4,237**	**478,832**	**470,358**

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 2017/18 the Fund received £0.07m 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 £0.032m. The impact of a 1% fall in interest rates would therefore imply a negative interest rate and therefore it is 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 the currency of the Fund (UK sterling). The Fund's currency rate risk is routinely monitored by its investment advisor in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. The following table summarises the Fund's currency exposure as at 31 March 2018 and as at the previous year end:

Currency exposure – asset type	As at 31 March 2018 £000	As at 31 March 2017 £000
Overseas Equities	420,886	419,612
Overseas Pooled Fixed Interest	2,915	8,337
Overseas Private Equity	74,762	74,266
Overseas Pooled Property	10,960	20,583
Overseas Infrastructure	50,821	43,192
Total change in assets available	**560,344**	**565,990**

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 11% (as measured by one standard deviation). An 11% 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. An 11% 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:

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 11%	Value on decrease £000 11%
As at 31 March 2018				
Overseas Equities	420,886	46,297	467,183	374,589
Overseas Fixed Interest	2,915	321	3,236	2,594
Overseas Private Equity	74,762	8,224	82,986	66,538
Overseas Pooled Property	10,960	1,206	12,166	9,754
Overseas Infrastructure	50,821	5,590	56,411	45,231
Total change in assets available	**560,344**	**61,638**	**621,982**	**498,706**

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 11%	Value on decrease £000 11%
As at 31 March 2017				
Overseas Equities	419,612	46,157	465,769	373,455
Overseas Fixed Interest	8,337	0,917	9,254	7,420
Overseas Private Equity	74,266	8,169	82,435	66,097
Overseas Pooled Property	20,583	2,264	22,847	18,319
Overseas Infrastructure	43,192	4,751	47,943	38,441
Total	**565,990**	**62,258**	**628,248**	**503,732**

Credit Risk

Credit risk represents 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 implicitly 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.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements as at 31st March 2018 was £2.0m (31 March 2017 £2.520m). This was held with the following institutions.

Asset type	Rating	As at 31 March 2018 £000	As at 31 March 2017 £000
Lloyds Bank Fixed Term deposit	A+	0	520
Handelsbanken Instant Access Account	AA	2,000	2,000
Total		**2,000**	**2,520**

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 the Pension Fund has 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 cash to meet investment commitments.

The Council 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 2018 was £18.660m. The Fund does not have access to an overdraft facility.

Officers prepare a daily cash flow forecast to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the investment strategy.

All financial liabilities at 31 March 2018 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 such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

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 it 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 aim is to achieve 100% solvency over a period of 22 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. 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 2016 actuarial valuation, the Fund was assessed as 84% funded (76% at the March 2013 valuation). This corresponded to a deficit of £278 million (2013 valuation was £383 million) at that time. Revised contributions set by the 2016 valuation will be introduced in 2017/18 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.9% of pensionable pay (14% at the March 2013 valuation).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase 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:

Financial assumptions	31 March 2016	31 March 2013
Discount rate	4.55% p.a.	4.95% p.a.
Assumed long term CPI inflation	2.2% p.a.	2.6% p.a.
Salary increases – long term	3.7% p.a.	4.1% p.a.
Salary increases – short term	1% p.a. for 4 years	1% p.a. for 3 years
Pension increases in payment	2.2% p.a	2.6% p.a.

The post retirement mortality tables are the S2PA tables. These base tables are then projected using the CMI 2015 model, allowing for a long-term rate of improvement of 1.5% per year. The assumed life expectancy from age 65 is as follows

Demographic assumptions		31 March 2016	31 March 2013
Current pensioners (at age 65)	Males	22.9	23.7
	Females	26.1	26.0
Future pensioners (assumed current age 45)	Males	25.1	25.9
	Females	28.4	28.8

It is assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (which is the standard for pre April 2008 service).

18. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2018. An analysis of debtors is shown below:

	2017/18 £000	2016/17 £000
Central Government bodies	458	147
Other Local Authorities	1,503	1,615
Other entities and individuals	2,535	2,168
Total	**4,496**	**3,930**

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2018. An analysis of creditors is shown below:

	2017/18 £000	2016/17 £000
Central Government bodies	(579)	(592)
Other Local Authorities	(1,151)	(189)
Other entities and individuals	(1,240)	(1,890)
Total	**(2,970)**	**(2,671)**

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 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 542 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2017/18 contributions to the schemes amounted to £0.697m. The combined value of the AVC funds as at 31 March 2018 was £5.009m.

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 £1.168m (2016/17 £1.173m) 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 £34.613m (2016/17 £18.274m). All monies owing to the Fund were paid across in the year. Shropshire Council chose to pay all its deficit payments in 2017/18 rather than over the usual three years and this accounts for the variation between 2017/18 and 2016/17 figures noted above. 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 the Local Government Pension Scheme 1997 Regulations, Councillors were entitled to join the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was 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 was removed and those councillor members who were in the Scheme on the 31 March 2014 could only remain in the Scheme until the end of their current term of office. The remaining active councillor members were removed from the Scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pension Fund Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the Fund.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.
No services were provided by LGPS Central Ltd during 2017/18 as operation only commenced in April 2018.
£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central during the year. These are the balances at year end.

£416,890 has been spent by Shropshire County Pension Fund on setting up LGPS Central during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £499,260 is due to be refunded to

Shropshire County Pension Fund by LGPS Central during 2018/19 reflecting the cost of setting up the enterprise to the end of March 18.

22. CONTRACTUAL COMMITMENTS

The Fund has a 5% (£92 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 2018 £209m 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 2018 the funds Private Equity investments totalled £74.762m.

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

Since April 2010 all income received for the pension fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2018 £2.0 million was invested. The cash balance in the Pension Fund account as at the same date was overdrawn £0.219m.

28. FUND STRUCTURE UPDATE

At the June 2016 Pensions Committee, members decided that all funds with Brevan Howard, one of the funds hedge fund managers, should be redeemed. Funds were redeemed in 25% instalments over a 12 month period with 75% of the value of the portfolio being redeemed in 2016/17 and the final amount being redeemed in June 2017. These funds have been invested with Pimco in the absolute bond fund portfolio and Blackrock the Fund's other hedge fund manager.

In September 2017, an equity protection strategy was implemented with Legal & General one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments with £280 million of equities being protected.

In March 2018, Pension Committee agreed to appoint an Insurance Linked Securities and Property Debt manager and reduce the overall allocation to equities. These changes will be implemented during 2018/19.

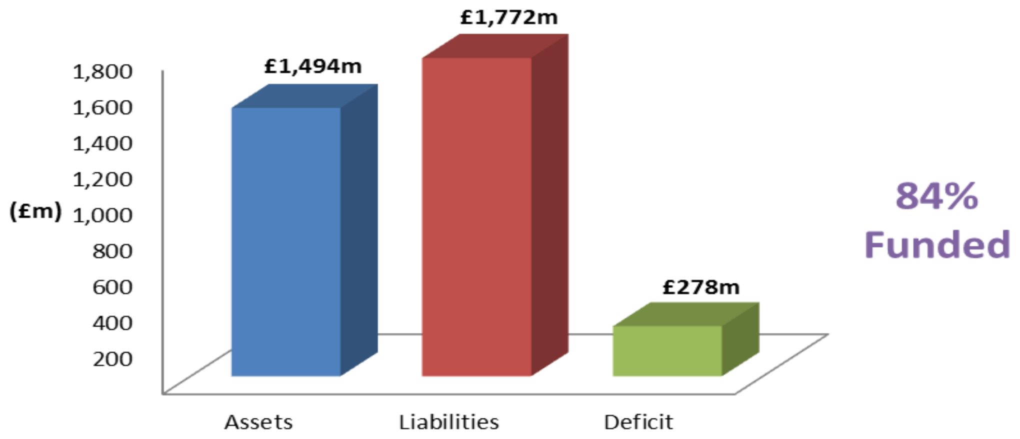
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2018
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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,494 million represented 84% of the Fund's past service liabilities of £1,772 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £278 million.



The valuation also showed that a Primary contribution rate of 14.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 22 years, and the total initial recovery payment (the "Secondary rate") for 2018/19 is approximately £15.1 million (this allows for some employers to phase in any increases or prepay in April 2017). For most employers, the Secondary rate will increase at 3.7% per annum. Other employers have opted to pay a higher non-increasing contribution over the recovery period. With the agreement of the Administering Authority employers may also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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 Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.55% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.8% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* includes a corresponding allowance to that made in the latest formal 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 2017.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected rate of increases in pensions in payments decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £2,669 million. Interest over the year increased the liabilities by c£67 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£23 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £100 million due to "actuarial gains" (i.e. the effect of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £2,659 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
May 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

We have audited the pension fund financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2017/18.

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

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

As explained more fully in the Statement of the Head of Finance, Governance and Assurance's Responsibilities, the Head of Finance, Governance and Assurance is responsible for the preparation of the Authority's Statement of Accounts, which includes 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 2017/18, which 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the 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 and Assurance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts and the Annual Report 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 financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and

· the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts and the Annual Report for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

XX July 2018

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

2016/17		2017/18	
£		£	£
	Expenditure		
4,989,750	Repairs & Maintenance	5,246,757	
3,384,030	Supervision and Management	3,313,041	
95,232	Rents, rates taxes and other charges	99,537	
3,377,320	Depreciation – Dwellings	3,826,840	
171,460	- Other	166,570	
(2,048,323)	Impairment, revaluation losses and (reversals of impairment or evaluation losses)	(3,602,026)	
(28,229,723)	Exceptional costs relating to revaluation gain on Housing Dwellings	0	
28,420	Debt Management Costs	30,240	
50,000	Provision for Bad or Doubtful Debts	20,000	
(18,181,834)	**Total Expenditure**		**9,100,959**
	Income		
(17,771,888)	Dwelling Rents	(17,521,554)	
(154,262)	Non Dwelling Rents	(134,570)	
(19,486)	Other Income	(28,691)	
(449,820)	Charges for Services and Facilities	(495,247)	
(208,310)	Contributions towards expenditure	(623,928)	
(18,603,766)	**Total Income**		**(18,803,990)**
(36,785,600)	**Net Cost of HRA Services included in the Comprehensive I&E Statement**		**(9,703,031)**
175,890	HRA Share of Corporate & Democratic Core		138,690
(36,609,710)	**Net Cost of HRA Services**		**(9,564,341)**
(537,080)	(Gain) or loss on sale of HRA Assets		(154,394)
2,993,361	Interest payable and similar charges		2,991,963
(58,572)	Interest and Investment Income		(61,469)
(33,681)	Income & Expenditure in relation to investment properties & change in fair values		(23,319)
(34,245,682)	**(Surplus) or deficit for the year on HRA Services**		**(6,811,560)**

MOVEMENT ON THE HRA STATEMENT

2016/17 £		2017/18 £
(5,823,223)	**Balance on the HRA at the end of the previous year**	**(9,031,220)**
(34,245,682)	**(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement**	**(6,811,560)**
31,037,685	Adjustments between accounting basis and funding basis under statute	7,617,959
(3,207,997)	**Net increase or (decrease) before transfers to or from reserves**	**806,399**
0	Transfers to or (from) Reserves	0
(3,207,997)	**(Increase) or Decrease in year on the HRA**	**806,399**
(9,031,220)	**Balance on the HRA at the end of the current year**	**(8,224,821)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2017/18	2016/17
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,227	3,246
Flats	867	866
	4,094	**4,112**
Change in Stock		
Stock at 1 April	4,112	4,113
Less: Sales – Right to Buy	(36)	(28)
Sales – Other	(1)	0
Disposal/restructuring	0	0
Acquisition – full ownership	14	27
Acquisition – shared ownership	5	0
	4,094	**4,112**

2. RENT ARREARS

	2017/18 £	2016/17 £
Due from Current Tenants	106,247	105,090
Due from Former Tenants	107,861	128,576
Total Rent Arrears as at 31 March	**214,108**	**233,666**
Pre-Payments	(350,589)	(322,469)
Net Arrears	**(136,481)**	**(88,803)**

As at 31 March 2018, the total provision set aside for HRA related bad debts is £365k.

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£	£
Cost or Valuation								
At 1 April 2017	**190,088,150**	**780,000**	**157,493**	**208,919**	**191,234,562**	**259,250**	**363,769**	**191,857,581**
Additions	6,483,090	348,428	26,062	0	**6,857,580**	0	0	**6,857,580**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	29,719	10,000	0	0	**39,719**	0	0	**39,719**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(224,814)	0	0	0	**(224,814)**	0	0	**(224,814)**
Derecognition – disposals	(1,971,000)	0	0	0	**(1,971,000)**	0	(442,758)	**(2,413,758)**
Derecognition – other	(221,210)	(93,428)	0	0	**(314,638)**	0	0	**(314,638)**
Assets reclassified (to)/from Held for Sale	(656,524)	0	0	0	**(656,524)**	0	656,524	**0**
Other movements in cost or valuation	208,139		780	(208,919)	**0**	0	0	**0**
As at 31 March 2018	**193,735,550**	**1,045,000**	**184,335**	**(0)**	**194,964,885**	**259,250**	**577,535**	**195,801,670**
Accumulated Depreciation and Impairment								
At 1 April 2017	**0**	**0**	**(15,750)**	**0**	**(15,750)**	**0**	**0**	**(15,750)**
Depreciation Charge	(3,959,760)	(15,210)	(18,440)	0	**(3,993,410)**	0	0	**(3,993,410)**
Depreciation written out to the Revaluation Reserve	132,920	15,210	0	0	**148,130**	0	0	**148,130**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,826,840	0	0	0	**3,826,840**	0	0	**3,826,840**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0	0	**0**
Derecognition – disposals	0	0	0	0	**0**	0	0	**0**
Derecognition – other	0	0	0	0	**0**	0	0	**0**
Other movements in depreciation and impairment	0	0	0	0	**0**	0	0	**0**
As at 31 March 2018	**0**	**0**	**(34,190)**	**0**	**(34,190)**	**0**	**0**	**(34,190)**
Net Book Value								
As at 31 March 2018	**193,735,550**	**1,045,000**	**150,145**	**(0)**	**194,930,695**	**259,250**	**577,535**	**195,767,480**
As at 31 March 2017	**190,088,150**	**780,000**	**141,743**	**208,919**	**191,218,812**	**259,250**	**363,770**	**191,841,832**

There is a difference of £288.159m between the tenanted valuation and the District Valuer's Vacant Possession Value of £480.264m at 1 April 2017.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

The difference represents the economic cost of the Government providing council housing at less than market rents.

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on Council Housing Stock and Infrastructure was financed as follows.

	2017/18 £	2016/17 £
Usable Capital Receipts	1,147,052	1,047,958
Revenue Contributions utilised in year	3,237,610	0
Major Repairs Allowance	1,848,990	3,982,080
Government Supported borrowing	0	0
Government Grants and Contributions	623,928	208,310
Total Capital Expenditure on Housing Stock	**6,857,580**	**5,238,348**

5. 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.

	2017/18 £	2016/17 £
Sale of Council Houses under Right to Buy (RTB)	2,234,280	1,792,996
RTB Discounts Repaid	9,716	0
Other Land & Buildings	172,476	0
Total Capital Receipts from HRA Asset Disposals	**2,416,472**	**1,792,996**
Less Capital Receipts subject to Pooling requirement	(586,507)	(590,547)
Net Capital Receipts from HRA Asset Disposals	**1,829,965**	**1,202,449**

6. HOUSING REPAIRS ACCOUNT

	2017/18 £	2016/17 £
Balance Brought Forward 1 April	25,000	25,000
Expenditure on Capital	0	0
Balance Carried Forward 31 March	**25,000**	**25,000**

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.

2016/17 Total £000		2017/18 Council Tax £000	NDR £000	Total £000
	Income:			
(166,675)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(175,179)	0	(175,179)
(52)	Income from Specific Grants	(56)	0	(56)
	Transfers from General Fund			
4	- Transitional relief	2	0	2
(78,552)	Income collectable from business ratepayers	0	(74,880)	(74,880)
26	Transitional Protection Payments	0	(4,031)	(4,031)
(245,249)	**TOTAL INCOME**	**(175,233)**	**(78,911)**	**(254,144)**
	Expenditure:			
	Precepts			
172,475	- Shropshire Council and Parish and Town Councils	141,376	41,621	182,997
19,892	- West Mercia Police & Crime Commissioner	20,205	0	20,205
10,658	- Shropshire & Wrekin Fire Authority	10,073	849	10,922
39,537	- Central Government	0	42,470	42,470
	Charges to Collection Fund			
463	- costs of collection	0	463	463
	Bad and doubtful debts			
(349)	- write offs	(44)	(321)	(365)
1,051	- provisions	606	425	1,031
	Appeals rates			
(2,326)	- write offs	0	(7,484)	(7,484)
(217)	- provisions	0	7,914	7,914
	Contributions			
(12,100)	- Towards previous year's estimated Collection Fund surplus	2,669	3,440	6,109
229,084	**TOTAL EXPENDITURE**	**174,885**	**89,377**	**264,262**
(16,165)	**Deficit/(Surplus) for the Year**	**(348)**	**10,466**	**10,118**
9,014	Balance brought forward	(2,318)	(4,833)	(7,151)
(7,151)	**Balance carried forward**	**(2,666)**	**5,633**	**2,967**

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 2017/18 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	21.53	5/9	11.96
A	16,254.90	6/9	10,836.60
B	27,764.90	7/9	21,594.92
C	24,600.44	8/9	21,867.06
D	18,128.09	9/9	18,128.09
E	14,000.90	11/9	17,112.21
F	7,515.66	13/9	10,855.95
G	4,155.82	15/9	6,296.37
H	266.30	18/9	532.60
			107,865.76
Adjustment for MoD Properties (653.49 Band D Equivalents) and Collection Rate (98.2%)			(1,299.86)
			106,565.90

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 2018, the total non-domestic rateable value for all business premises in Shropshire was £233,606,580. The multiplier set by Government to calculate rate bills in 2017/18 was 46.6p for small businesses and 47.9p for all other businesses.

Section 10

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).

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	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.). 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.
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.

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	The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. 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.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.

Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. 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.

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.

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.

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	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. 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.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.

Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The 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.
JPUT	A Jersey Property Unit Trust is a specific type of Jersey Trust which is commonly used to acquire and hold interest in UK real estate. The assets of the JPUT are held by its trustees on trust for the unitholders of the JPUT.

LDI	Liability driven investment (LDI) strategies aim to enable pension funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
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.
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.
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.
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.
Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.

Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.
Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.
Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Unquoted Equity Investment	Investments in qunquoted securities such as shares, debentures or unit trusts which are not quoted or traded on a stock market.

Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of non-current assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Statement of Accounts

2017 – 2018

Contact us on 0345 678 9000
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Committee and Date	Item
Audit Committee	
28 June 2018	
1:30am	Public

ANNUAL REVIEW OF INTERNAL AUDIT: QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

Responsible Officer James Walton
e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

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

Head of Audit 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 Head of Audit have delegated authority to consider the approach/scope of the assessment and agree this with an external assessor and report back to the Committee.

4.2 The provision of an effective Internal Audit can help deliver key messages to the Council on its systems of internal control, governance and risk management in the most efficient and economical way.

5. Background

5.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for all principal local authorities and were updated in 2017. They consist of:

- Mission of Internal Audit;
- Definition of Internal Auditing;
- Core Principles for the Professional Practice of Internal Auditing;
- 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. Most 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 continuing conformance to the standards.

Areas of potential non-conformance

5.7 There is no change to the areas of potential conflict from previous years, the details of which are repeated here:

5.8 **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 is 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.

There is therefore **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.

5.9 **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 Head of Audit's performance for use in her appraisal.

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.

5.11 In addition to the internal assessment, an external assessment was conducted on and reported by CIPFA in February 2017. The opinion of CIPFA was that Shropshire Council Audit Services, 'generally conforms to the requirements of the Public Sector Internal Audit Standards and to the requirements of the Local Government Application Note'. All recommended improvements agreed following the external assessment, which were of a minor nature, were adopted within the agreed timeframes. An external assessment will next be due in 2020/21.

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 2017
- Local government application note for the UK Public Sector Internal Audit Standards CIPFA
- Completed Conformance Checklist 2017/18 and supporting evidence
- Internal Audit Quality Assurance Improvement Programme – External assessment report, Audit Committee, February 2017.

Cabinet Member (Portfolio Holder)

Peter Nutting, Leader of the Council and Peter M Adams, Chairman of Audit Committee

Local Member N/A

Appendix A: Public Sector Internal Audit Standards conformance assessment and improvement plan

Appendix A

Public Sector Internal Audit Standards 2017 conformance assessment and improvement plan

Standard	Conformance	Observations and actions proposed	When?	Who?
Mission of Internal Audit	Yes			
Definition of Internal Auditing	Yes			
Core Principles for the Professional Practice of Internal Auditing	Yes			
Code of Ethics	Yes			
Integrity	Yes	2.1 Plan ongoing compliance updates with PSIAS at team meetings.	Quarterly	Head of Audit
Objectivity	Partially	See paragraph 5.8 in report.		
Confidentiality	Yes	2.3.2 Ensure all filing conforms with retention guidelines	Sept 2017	Seniors
Competency	Yes	2.4 Set dates for appraisals.	October 2018	Seniors
Attribute Standards				
1000 Purpose, Authority and Responsibility	Yes			
1100 Independence and Objectivity	Yes			
1110 Organisational Independence	Partially	See paragraph 5.9 in report.		
1111 Direct Interaction with the Board	Yes			
1120 Individual Objectivity	Yes			
1130 Impairment to Independence or Objectivity	Yes			
1200 Proficiency and Due Professional Care	Yes			

Standard	Conformance	Observations and actions proposed	When?	Who?
1210 Proficiency	Yes	3.3.5 When fully staffed the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities. Recruitment is currently underway to fill vacancies. 3.3.8 Ongoing continuous development of IT skills across the audit team and move the type of audit review conducted by auditors to a more technical one to reflect digital transformation plans. 3.3.9 Review the use of CAATS to assist data transfer/ cleansing and reconciliation of systems around the DTP.	Sept 2018 March 2019 March 2019	Head of Audit Principal Auditor (IT) Principal Auditor (IT)
1220 Due Professional Care	Yes			
1230 Continuing Professional Development	Yes			
1300 Quality Assurance and Improvement Programme	Yes	3.4.1.1 Ongoing review of the Audit manual and the quality review processes to ensure complete compliance with the standards and suitable guidance for staff. 3.4.1.2 Complete this assessment and continue to report to Audit Committee annually along with a high-level improvement programme.	March 2018 June 2018	Head of Audit Seniors

Standard	Conformance	Observations and actions proposed	When?	Who?
1310 Requirements of the Quality Assurance and Improvement Programme	Yes			
1311 Internal Assessments	Yes			
1312 External Assessments	Yes			
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	3.4.25 Report outcome of this assessment to June Audit Committee 2018 on compliance with the standards and a resulting QIAP.	June 2018	Head of Audit
1322 Disclosure of Non-conformance	Yes			
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			
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.	March 2018	Head of Audit
2070 External Service Provider and Organisational Responsibility for Internal Auditing	Yes			

Standard	Conformance	Observations and actions proposed	When?	Who?
2100 Nature of Work	Yes			
2110 Governance	Yes	4.2.6 Update security checklist following GDPR.	Sept 2018	Principal Auditor (IT)
2120 Risk Management	Yes			
2130 Control	Yes			
2200 Engagement Planning	Yes			
2210 Engagement Objectives	Yes			
2220 Engagement Scope	Yes			
2230 Engagement Resource Allocation	Yes			
2240 Engagement Work Programme	Yes			
2300 Performing the Engagement	Yes			
2310 Identifying Information	Yes			
2320 Analysis and Evaluation	Yes			
2330 Documenting Information	Yes			
2340 Engagement Supervision	Yes			
2400 Communicating Results	Yes			
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			

Standard	Conformance	Observations and actions proposed	When?	Who?
2500 Monitoring Progress	Yes			
2600 Communicating the Acceptance of Risks	Yes			

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Committee and Date	Item
Audit Committee	
28th June 2018	
13:30 pm	Public

AUDIT COMMITTEE EFFECTIVENESS: SELF-ASSESSMENT OF GOOD PRACTICE

Responsible Officer James Walton
e-mail: James. walton@shropshire.go.uk Tel: 01743 258915

1. Summary

At an Audit Committee meeting, 30 November 2017, Members were asked to review and comment on the Audit Committee self-assessment of good practice questionnaire. The questionnaire allows members to assess the effectiveness of the Audit Committee and identify whether there are any further improvements that could be made which would enhance its overall effectiveness. The self-assessment identified high levels of compliance with accepted good practice. Following discussion and consideration of the item, Members resolved that the self-assessment of good practice be further enhanced by exploring options for external facilitation to assess the skills and overall effectiveness of the Committee against best practice and that an action plan be created to improve any identified areas of weakness.

This report provides information on the actions taken to date and seeks approval of the resulting action plan.

2. Recommendations

Members are asked to:

A. Consider the outcome of the external facilitation assessing the Audit Committee's effectiveness against good practice attached at **Appendix A** and identify any errors or amendments required.

B. Approve the resulting action plan to include any member comments or amendments at **Appendix B**

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The Audit Committee has a key function in ensuring effective corporate governance, risk and control arrangements are in place in the Council. The effectiveness of the committee should be judged by the contribution it makes to, and beneficial impact it has on, the Council's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements which empower an effective Audit Committee. By reviewing effectiveness annually using a good practice self-assessment, it can be established that the Committee is demonstrating a high degree of performance, is soundly based, and has a knowledgeable membership unimpaired in any way. Completion of the self-assessment can also be used to support the planning of the Audit Committee work programme and its training plans, and inform the Committee's annual report to Council. The added benefit of using a knowledgeable external facilitator to do this increased the level of challenge and added value to the process.

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

The cost of the external facilitator was met from approved budgets, any resulting activities may require funding if they are not already allowed for in the base budget.

5. Background

5.1 The Chartered Institute of Public Finance and Accountancy, CIPFA, has produced guidance on the function and operation of audit committees; 'Audit Committees in Local Authorities and Police, 2013 edition'. The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK.

5.2 In the guidance, CIPFA provide a suggested self-assessment against recommended practice. Authorities are encouraged to use the checklist to determine if they are meeting recommended practice and as an indicator of the Committee's effectiveness; following which any changes or improvements identified to enhance the Committee's performance should be managed.

5.3 The Section 151 Officer and the Head of Audit completed an initial review of the self-assessment, based on information from previous assessments and with knowledge of the Committee's compliance with recommended practices. Members considered the outcome at their meeting in November 2017 when they resolved that the self-assessment of good practice be further enhanced by exploring options for external facilitation to assess the skills and overall effectiveness of the Committee against best practice and that an action plan be created to improve any identified areas of weakness.

5.4 Elizabeth Humphries from CIPFA was engaged to facilitate a workshop in March 2018 following which an action plan has been drafted, shared with the Chair and Audit Committee members for further consideration and agreement. Details were emailed to all Audit Committee members on the 11 April 2018.

5.5 The outcome report and suggested action plan appears as **Appendix A and B**. The first training session (20th June 2018) has been postponed and a revised date will be agreed for delivery, further input and agreement is now also sought for future training topics. Dates for the next two sessions are provisionally arranged for 4 September and 27 November 2018.

5.6 Members are asked to consider the following questions:

1. Do you agree or wish to adjust the outcome of the facilitated session as noted in **Appendix A**?

2. Where agreed do you support the actions proposed in the action plan, **Appendix B**?

3. Some of the actions proposed in Appendix B raise further questions for consideration. Please consider and respond to these appropriately:

   i. **Recommendation 1:** Audit Committee to consider the rationale against which they require managers, Internal or External Audit to provide assurances on specific matters, and the Portfolio Holder when these need to be escalated. This can be considered at a training session or as part of each meeting.

   ii. **Recommendation 2:** Question: Would members like a training session prior to the June Committee to run through the process in compiling the AGS and the AC's role, to see if any changes would be beneficial.

   Given the timing of Committees and training it has been agreed with the Chairman to cover this at the June training.

   iii. **Recommendation 5:** Question: Would members like this to be considered and added to their annual work programme, with appearances from strategic risk managers to be added to agendas or covered as part of a future training session?

5.7 Compliance against the self-assessment can be demonstrated. Members are asked to endorse the self-assessment of good practice and agree to proposed areas for improvement and identify any additional areas or training needs.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) CIPFA: Audit Committees in Local Authorities and Police, 2013 edition
Cabinet Member (Portfolio Holder)

Peter Nutting (Leader of the Council) and Peter M Adams (Chairman of Audit Committee)
Local Member N/A
Appendices A: Self-assessment of Good Practice (8 March 2018) B: Proposed improvement plan for an effective Audit Committee 2018/19

Appendix A: Self-assessment of Good Practice (8 March 2018)

Areas where the audit committee can add value by supporting improvement **Score**	**Evidence**	**Actions**	**Ref**
Promoting the principles of good governance and their application to decision making **4**	Examine and approve the AGS before taking to Council – clearly Shropshire driven and source documents referenced. Can amend. Provide challenge, going through the salient features of the AGS and more broadly (ask questions in meetings to encourage transparency). AGS includes logging of failures and draws together a year's worth of work. Officers (IA, EA and senior management) report their activities and are questioned and can call in officers as necessary to explain actions. S151 and CAE attend every meeting and share their opinions and views. Look for variations in reports to interim meetings and follow up at the next meeting. Can request Cabinet member and leader to attend meetings. Internal Audit Quality Assurance and Improvement Programme (QAIP). Code of Governance report from IA. Extra meetings of the AC if necessary. Pre-meeting briefings for the Chair.	Improve engagement with Cabinet members Include AC members on AGS working groups	1 2
Contributing to the development of an effective control environment **3**	Can call in portfolio holders and officers if necessary (recently done for IT), especially rejected recommendations, unimplemented recommendations and low assurance reports.	For rejected recommendations and slow implementation, could portfolio holders be more involved?	3

Areas where the audit committee can add value by supporting improvement **Score**	**Evidence**	**Actions**	**Ref**
	Require reasons for rejected recommendations and AC reviews these. Have asked departments that are struggling to report back to the AC. Ensure that they are process driven and don't cross into Scrutiny. See summary IA reports, giving the headlines and assurance level. Receive major project updates: on track and on budget. Review control documents. Approve annual audit plans to direct audit resources, including the hours in the plan and discuss IA resources as part of the planning process (some constraints because of reducing audit resources and if this becomes unsustainable, will refer to the Leader). Have an annual AC work plan.	Need to understand how matters are referred to the administration (chief executive, senior management and other members)	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risk **3.5**	Risk management department reports strategic risks at each AC meeting, explaining the changes in the risk score and highlighting continuing high risks. Can challenge scoring. The AGS actions tie up to strategic risks. Recent training on the use of risk registers. Can look at risks in depth, with the risk owner and get a good explanation from officers so can judge the appropriateness of the assessment. Annual report from IA looks at the risk management framework, with some risk benchmarking.	Could risk owners be more involved in reporting on risks to the AC? Need to clarify reporting of concerns up through the organisation (e.g. from departments to senior management to members) – linked to 4?	5 6

Areas where the audit committee can add value by supporting improvement **Score**	**Evidence**	**Actions**	**Ref**
	AC can suggest items for the strategic risk register. Overlaps between risks on the risk register are highlighted. Have an informal (unstated) risk appetite and see the risk appetite reflected in audit reports.		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively **3**	Annual audit opinion. Interim audit reports. EA warnings on budget. EA attends every AC meeting and reports issues. Risk reports. Management reports to provide assurance. Look for omitted items/analyse presented information. Match what they are told to the information given. Check for acknowledgement of problems. S151 attends AC to feedback on the budget. Commission topic reports.	Develop a more structured understanding of the assurance activities and assurance provided to the AC.	7
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence **4**	QA reports from IA reporting the annual self-assessment and the external validation to the AC. Would be told by CAE if there were problems with independence but take it on trust that IA is independent. Would pick up on changes in behaviour/reports that might indicate problems. Would have to go through the AC to change audit plans. Might identify problems through reducing performance.	Audit to provide more explanation regarding the importance and relevance of the items they present. Audit Committee members to help improve awareness of the assurance framework and governance structures to non-committee members	8 9

Areas where the audit committee can add value by supporting improvement **Score**	**Evidence**	**Actions**	**Ref**
	All three political groups would react and work together if problems arose. Have a knowledgeable AC. Annual independence statement from IA in the Annual Report. CAE has the right to talk to various people if there are problems with independence. Interim IA reports to every meeting on achievement against the work plan and the AC queries changes, missing items, delays. CAE's appraisal is done by s151 and reported to the AC. Information to support it is gathered widely. Member training helps them ask sharper questions. EA would draw the Chair's attention to problems, especially around independence.		
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements **3**	AC role to look back at failures and examine and learn to identify lessons. Ensure that priorities for achievement by the authority are done satisfactorily – look at controls. Review arrangements to develop the corporate plan. AC seeks assurance around DTP controls over the period of the programme. Update at every meeting on progress from the project manager. Audits of progress are also reported to the AC. Audit plan is structured around the strategic risks to the strategic objectives. Flexible audit plan.	Are strategic areas for improvement being reported sufficiently often to the AC? And how is this done?	10

Areas where the audit committee can add value by supporting improvement **Score**	**Evidence**	**Actions**	**Ref**
Supporting the development of robust arrangements for ensuring value for money **3**	EA's opinion on value for money and some in-year feedback from them. EA's report looks at spend against budget and use of resources. All formal reports to members raise financial implications and decision implications. Will highlight training needs if performance or VfM are decreasing (who will do this?). Outturn reports to AC, together with performance reports. Hold officers to account and require them to attend meetings.	Setting of financial strategy and interim budget reports to AC. Reports to members from officers could state what they are doing to deliver VfM. Need to decide what the authority means by VfM.	11 12 13
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks **4**	Strategies for both presented to the AC. Reports on current investigations in part 2. NFI reports. Summary of outcome of investigations and activities in part 1. Whistleblowing policy and annual report to AC. Annual review of corporate fraud activity against fraud risks taken to the AC. Look at CIPFA fraud and corruption tracker. Members reminded of Nolan principles. Officers code of conduct. IA code of ethics checked and reported to the AC.	Is the whistleblowing policy public enough? AC could see the fraud risk register if desired. Fraud training for the AC.	14 15 16
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	AC annual report to Council – what they've done and why. Very little business in part 2. Annual accounts and report on the website.	Could more use be made of social media?	17

Areas where the audit committee can add value by supporting improvement **Score**	**Evidence**	**Actions**	**Ref**
3	AC members attend Parish/Town Council meetings to feedback. Highlight agenda items to press for inclusion in local papers. Put items in local newsletters. Have public question time at the start of meetings.		

Elizabeth Humphrey CPFA

Appendix B: Proposed improvement plan for an effective Audit Committee 2018/19

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
Promoting the principles of good governance and their application to decision making					
	Improve engagement with Cabinet members	1	Audit Committee (AC) members to identify when it is appropriate to request Cabinet members to attend a Committee to provide assurances in each area of governance or internal control. Audit Committee to consider the rationale against which they require managers, Internal or External Audit to provide assurances on specific matters, and the Portfolio Holder when these need to be escalated. This can be considered at a training session or as part of each meeting.	Chair of Audit Committee	From May 2018
	Include AC members on AGS working groups	2	As part of the Annual Governance process, in June	Chair of Audit Committee	TBA[1] June 2018

[1] TBA to be arranged

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Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
			each year, the AC receive and review a copy of the AGS and are asked to comment on the framework. This is set out as an Annex to the AGS. This demonstrates the process followed in agreeing and compiling the AGS. Evidence can be made available at a training session, or at the AC meeting in June, for further review as required. ***Question:*** Would members like a training session prior to the June Committee to run through the process in compiling the AGS and the AC's role, to see if any changes would be beneficial.		
Contributing to the development of an effective control environment					
	For rejected recommendations and slow implementation, could portfolio holders be more involved?	3	See response to one above. This is one for members to decide and approve.	Chair of Audit Committee	From May 2018

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
	Need to understand how matters are referred to the administration (chief executive, senior management and other members)	4	A session can focus on this at a training event as part of the Annual Governance approach. See 2 above	Chair of Audit Committee	TBA June 2018
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risk					
	Could risk owners be more involved in reporting on risks to the AC?	5	AC members could request owners of strategic risks to attend AC on a rotational basis to explain the risks they are managing and their targeting and delivery of improvements to do this to improve the control environment. ***Question:*** Would members like this to be considered and added to their annual work programme, with appearances from strategic risk managers to be added to agendas or covered as part of a future training session?	Chair of Audit Committee	TBA September 2018
	Need to clarify reporting of concerns up through the organisation (e.g. from departments to senior	6	A session can focus on this at a training event as part of the Annual Governance approach.	Chair of Audit Committee	TBA June 2018

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
	management to members) – linked to 4?		See 2 and 4 above		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively					
	Develop a more structured understanding of the assurance activities and assurance provided to the AC.	7	Agendas can be reformatted to demonstrate more transparently where assurances are being provided from. A session on different assurance providers and how they feed into the AGS at a training session can help members to explore their understanding and where further improvements may be required or beneficial. See 2 above.	Head of Audit Chair of Audit Committee	28 June 2018 TBA June 2018
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence					
	Audit to provide more explanation regarding the importance and relevance of the items they present.	8	Committee reports will be considered by officers and members and where further clarity is required this will be sought and delivered. Could explore any issues as part of a training session	All Chair of Audit Committee	From June 2018 TBA June 2018

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
			around the AGS and areas providing assurance. See 2 above.		
	Audit Committee members to help improve awareness of the assurance framework, including the work of Internal Audit, and governance structures to non-committee members.	9	A session on different assurance providers and how they feed into the AGS at a training session can help members to explore their understanding and where further improvements may be required or beneficial. Following which they can consider how they can share this knowledge with others. See 2 above.	Chair of Audit Committee	TBA June 2018
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements					
	Are strategic areas for improvement being reported sufficiently often to the AC? And how is this done?	10	A training session showing the relationships between the AGS, strategic risks, AC work plan and subsequent reports can support Members in challenging whether there is more information that they require on a more regular basis. This fits in well with training on the AGS and assurance framework and it is	Chair of Audit Committee	TBA June 2018

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
			proposed this should form part of that session. See 2 above.		
Supporting the development of robust arrangements for ensuring value for money					
	Setting of financial strategy and interim budget reports to AC.	11	With support from the Head of Finance, Governance and Assurance, Members can explore if further assurance reports are required on finance strategies and budget reports. This would fit in with an exploration of assurance provision as part of the wider AGS/ strategic risks training proposed in 2 above	Chair of Audit Committee	TBA June 2018
	Reports to members from officers could state what they are doing to deliver VFM.	12	Trial reports to June Audit Committee and how they demonstrate VFM by adding some text into each under the financial implications section. This can be reviewed to see if it adds value to the reader and if it does, it could potentially be rolled out wider in other committee reports. This approach can also be explored at a future training session around the AGS and	Head of Finance, Governance and Assurance	28 June 2018

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
			areas providing assurance. See 2 and 8 above.		
	Need to decide what the authority means by VFM.	13	This can be explored as part of a future training session.	Chair of Audit Committee	TBA September 2018
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks					
	Is the whistleblowing policy public enough?	14	Members receive an annual whistleblowing report on the public agenda and the policy is available to all. The accessibility of this and its communication can be considered further at a future training session of the Committee.	Chair of Audit Committee	TBA November 2018
	AC could see the fraud risk register if desired.	15	The fraud risk register can be demonstrated at a future training session. See 14 above	Chair of Audit Committee	TBA November 2018
	Fraud training for the AC.	16	The Committee can receive fraud training as a refresh. This could form part of the session proposed in 14.	Chair of Audit Committee	TBA November 2018
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability					

Areas where the audit committee can add value by supporting improvement	Action identified in training	Ref	Proposed delivery approach	Lead Officer/ Member	Date
	Could more use be made of social media?	17	A future AC Training session could be used to identify the desired outcomes of better communication with the organisation and the wider public. As part of this the Committee can explore the different social media channels available to its members – advantages and disadvantages. To enable members to identify any appropriate future opportunities.	Chair of Audit Committee	TBA November 2018

Committee and Date	Item
Audit Committee	
29 June 2017	
1:30 am	Public
Council 26 July 2017	

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2017/18

Responsible Officer James Walton
e-mail: James.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

Attached to this report is the Audit Committee's Annual Assurance Report to Council for 2017/18. 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

2.1 Recommendations to Audit Committee

Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2017/18 before forwarding to Council with a recommendation to accept this report.

2.2 Recommendations to Council

Council is asked to consider and comment on the contents of the Annual Assurance report for 2017/18 before recommending accepting this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process. The Audit Committee objectively examines and evaluates the adequacy of the control environment through the reports it receives and in turn can provide assurances to Council on its 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. In assessing the internal control environment, risk management and governance aspects of the Council, the Audit Committee can provide a perspective on the overall value for money of these.

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 28 June 2018 has also been considered.

5.3 In addition, this report has been reviewed to ensure its continuing compliance with CIPFA[1]'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;

[1] The Chartered Institute of Public Finance and Accountancy (a revised publication is now out and on order, this will be used as the template next year).

- committee has assessed its own effectiveness, or been the subject of a review, and the conclusions and actions from that review and,
- the committee has had an impact on the improvement of governance, risk and control within the Council.

5.4 The annual assurance report to Council for 2017/18, attached to this report, is an aid to addressing the key areas where the Committee should be held to account. **(Appendix A).**

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition Audit Committee reports 2017/18
Cabinet Member (Portfolio Holder) Peter Nutting, Leader of the Council and Peter M Adams, Chairman of Audit Committee
Local Member N/A
Appendices Appendix A - Draft Audit Committee Annual Assurance Report 2017/18

APPENDIX A

AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2017/18
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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 SOLACE[2]; 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.

[2] Society of Local Authority Chief Executives

4. The Committee continues to have a professional and arm's length relationship 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 Chair of the Audit Committee, I see training as a key priority for members to undertake our roles effectively. The Committee continues to undertake a full and extensive programme of training and this year has been no exception. Training has been received in relation to:
   - Purpose of the Audit Committee
   - Core functions
   - Wider Committee Role
   - Membership and Effectiveness
   - Annual assessment, evaluating effectiveness and identifying any improvements
   - Contract management and Porge
   - Risk management and registers
   - Audit Committee's self-assessment facilitated by CIPFA.

   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 28 June 2018. 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 2017/18 was made up of the following Councillors: Peter Adams (Chairman); Brian Williams (Vice Chairman); Chris Mellings, Michael Wood and Ioan Jones.

9. Substitutes were invited to attend and contribute at all meetings and training.

10. Meetings of the Committee have been held on:
    - 30 August 2017
    - 30 November 2017
    - 1 March 2018
    - 28 June 2018

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 Terms of Reference, Audit Committee 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 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.
    - There have been improvements in the level of assurances for the internal control environment. There is still a need in the current situation with pressures on resources and changes to major systems, to ensure continual monitoring by management and members alike. Members focus will remain on those areas critical to the Council, i.e. digital transformation, commissioning and those showing a low level of assurance where evidence of improvements will be sought.
    - Following management reports and internal audit performance updates, 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 as the Council's commissioning approach is adopted more widely. Given the wider approach the Council continues to take 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).
    - There were effective arrangements in place to support Value for Money as demonstrated by both internal audit performance management updates and external audit reviews.
    - 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 Head of Audit's unqualified opinion on the Council's internal control environment, the Audit Committee confirms that this reflects significant

improvements in key areas of internal control but focus should continue to ensure these are maintained and built upon and the Audit Committee will help facilitate that.

Additional Responsibilities

14. Members of the Audit Committee and the Head of Audit and her staff are 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. 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 Head of Audit is ensuring that adequate resources are available in order to minimise any possibility of the risk of financial malpractice.

Audit Service Staff

15. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Head of Audit and her deputies, Principal Auditors: Katie Williams, Peter Chadderton and Barry Hanson.

16. Without the support of all Audit staff and 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 and that of my fellow committee members are given to all our Audit Service officers.

Annual Statement of Assurance

17. Based on:
    - 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, Head of Audit 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 has in place adequate and effective risk management and internal control systems that can be relied upon and which contribute to the high corporate governance standards that this Council expects.

RECOMMENDATION – Council is asked to accept this report

Signed …………………………………………. Date…………………………….
On behalf of the Audit Committee
Peter M Adams

ANNEX A

Summary of assurance reports received by Audit Committee

Governance

- **Management report; Annual Governance Statement (AGS) and a review of the effectiveness of the Council's internal controls and Shropshire's Code of Corporate Governance**

Report of the Section 151 Officer on the effectiveness of the system of internal controls and the production of the Annual Governance Statement. In addition, he reported on compliance with the Corporate Governance Code as good.

- **Internal Audit – Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2017/18**

Report of the Head of Audit which provided Members with an update on the internal self-assessment review confirmed that Shropshire Council complied with the requirements of the Public Sector Internal Audit Standards.

- **Annual review of Internal Audit Quality Assurance Improvement Programme (2016/17)**

Report of the Section 151 Officer on the effectiveness of the system of Internal Audit in 2017/18.

- **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. The only major amendment being the inclusion of an option to co-opt an independent member on to the Audit Committee, should this be considered appropriate in the future.

- **Annual Audit Committee self-assessment**

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 discussed the benefits of having an outside facilitator help them to assess their effectiveness. They considered that this would bring challenge from someone with greater awareness of best practice elsewhere. This was completed in early 2018 and has led to an action plan.

- **Internal Audit Charter**

Report of the Head of Audit which set out the changes being proposed to the Internal Audit Charter following a refresh of the Public Sector Internal Audit Standards (PSIAS) in March 2017. The Charter had also been refreshed to reflect learning points identified following the external review of Internal Audit by the Chartered Institute of Public Finance and Accountancy (CIPFA) which had been reported to the Committee in February 2017. The Head of Audit drew attention to the new standard for the Head of Internal Audit about roles or responsibilities that fall outside of Internal Audit, for example corporate counter fraud. The new standard was introduced to limit impairments to the independence or objectivity of the head of internal audit. It was felt that as the Head of Audit did not have direct managerial responsibility for any of the areas examined in relation to corporate counter fraud, her independence was demonstrated.

- **Draft Audit Committee’s annual work plan and future training requirements**

Report of the Head of Audit which provided a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for members to ensure they were well informed and appropriately skilled to fulfil their role.

- **Annual Assurance report of Audit Committee to Council 2017/18**

Report of the Section 151 Officer in respect of the Audit Committee’s Annual Assurance report to Council.

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

- **Management report: Risk and Insurance Annual Report 2016/17**

Report of the Risk and Insurance Manager which set out the challenges and achievements accomplished by the Risk Management Team during 2016/17. The Risk and Insurance Manager informed members that following an audit of both risk management and insurance, an assurance level of “good” had been identified with no recommendations being made. She explained that strategic risks had been reviewed bi-monthly whilst operational risks had been reviewed on a quarterly basis. It was confirmed that business continuity management arrangements were constantly reviewed with regular testing and exercising undertaken, following which, post exercise reports and action plans were produced. The Team undertook a lot of work with the local business community and with schools in relation to business continuity. Turning to Insurance, she confirmed that 448 claims had been received which was a reduction of 11.5% on the previous year, leading to a saving of £48,000.

- **Management report: Strategic risks update**

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. She stated that two risks had been added to the strategic risk register, the first being the ‘Impact of Brexit’ and the second ‘Difficulty in meeting our capabilities and commissioning needs across the organisation (Expressions of Interest/Tendering)’. It was confirmed that these risks were to be developed further.

- **Management report: Strategic risks update**

Report of the Risk and Insurance Manager which set out the current strategic risk exposure following completion of the October review, outcomes of which were reported to Directors and Informal Cabinet. She reported that the Risk Profile and Action Plan which included target scores for each strategic risk had also been revisited. There had been no change to the 15 strategic risks, except for the impact of Brexit risk which had been given a medium score. A new emerging risk had been identified in relation to Safeguarding Children and the financial capacity of the service to meet the needs and demands of delivering the service and looking after vulnerable children. Members wished to have a more detailed examination of the strategic risks, this was delivered at a future training session.

- **Management report: Strategic risks update**

Report of the Risk and Insurance Manager which set out the current strategic risk exposure following completion of the January 2018 review. She informed the Committee that there were currently 15 strategic risks, with changes to the scoring having been made for three of the risks, as follows: The reputation risk had increased from a low risk to a high risk; the Failure to Safeguard Vulnerable Adults risk had been reduced from high to medium; whilst the Failure to Safeguard Vulnerable Children had reduced from a twelve to an eight keeping it at a medium risk level.

- **Internal Audit report of the review of Risk Management audit 2017/18**

Report of the Principal 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, the highest rating that could be given.

- **Draft Internal Audit risk based plan 2018/19**

Report of the Head of Audit on the proposed risk based Internal Audit Plan for 2018/19. She drew attention to the summarised Internal Audit Plan which confirmed that 1,764 days had been planned for Shropshire Council audit work and 226 days for external clients. She also referred members to the Appendix, which set out those audit areas of high priority for which no provision had been made in this year’s internal audit plan. The Head of Audit informed the Committee that they could seek the necessary assurances from Management on these areas and on those areas considered to be low risk.

- **External Audit: Informing the risk assessment**

Report of the Engagement Lead (Grant Thornton) which contributed towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The report gave Audit Committee assurance that the Council had appropriate arrangements in place.

The Audit Committee resolved that the risk management and assurance framework was fit for purpose and operating as intended.

Controls

- **Management Report: Digital Transformation Programme (DTP) Update**

Report of the Head of Workforce and Transformation which provided an update on the progress of the Digital Transformation Programme including the most recent position for each project in the programme and the overarching programme as a whole.

- **Management Report: Estates Update**

Report of the Head of Business Enterprise and Commercial Services set out the management action that had been undertaken to address the recommendations set out in the Internal Audit report dated 21 April 2017 in respect of the corporate landlord function and estate management at the Council. There had been 19 recommendations in the Internal Audit report, one of which was fundamental, eight were significant and ten required attention. He updated the Committee on progress made against each of the recommendations since the last report in November 2017.

- **Management Report: Information Technology update**

Report of the Head of Workforce and Transformation providing an overview of the changes and service improvements already made in ICT together with those scheduled to be implemented. She highlighted progress against the Disaster Recovery and Business Continuity plan, which was slightly ahead of schedule with a test plan and live testing schedule prepared and she updated the Committee in relation to the Digital Transformation Programme. The direction of travel was positive.

- **Management Report: Assurance feedback on the Adult Services Peer Review**

Presentation of the Director of Adult Services on the feedback received following the Adult Services Peer Review which showed the Council in a very good light. He then explained that following receipt of a written response from the Peer Review, the Council had to respond with an Action Plan setting out timescales for achieving each recommendation. A follow up review would then be undertaken six months later for the Council to demonstrate the progress that had been made.

- **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 2016/17.

- **Management Report: Ofsted - Children's Services update**

A verbal report was delivered by the Director of Children's Services, following the recent Ofsted inspection of Shropshire Council's Children's Services which received a 'good' rating placing it amongst the top 53 Council's in the Country. She informed the Committee that the inspection had taken place over four weeks in September and had looked at children in need of help and protection together with the safeguarding of Looked after Children (LAC) and those leaving care. The outcome of the inspection was good for Shropshire Council but was also good for children and families, stakeholders and partners. A few recommendations had been identified in the inspection report, one of which was around developing an Action Plan. The Director of Children's Services reported that the Action Plan would be presented to the People Overview Committee for approval.

- **Management Report: Estates Update**

The report of the Head of Business Enterprise and Commercial Services set out the management action that had been undertaken to address the recommendations set out in the Internal Audit report dated 21 April 2017 in respect of the corporate landlord function and estate management at the Council. He reported that management actions had now been put in place to address the recommendations, which included additional staffing resources and more effective controls and processes to ensure that all rent associated with leased out property was identified, invoiced and collected in a timely manner. It was hoped that the new Enterprise Resource Planning (ERP) system would provide an opportunity to move the asset management data onto one system. In addition, he reported that an independent review of the assets and estate function had been commissioned to identify where/how improvements could be made. An independent review had also been commissioned of all systems and processes that were undertaken within the Council to ensure that they supported economic growth and commercial strategies.

- **Internal Audit performance report and revised annual audit plan 2017/18**

Report of the Head of Audit which provided Members with an update of the work undertaken by Internal Audit in the four months since the beginning of the financial year. She informed the meeting that 34% of the revised plan had been completed which was in line with the target to achieve 90% by year end. She reported that eleven good, thirteen reasonable, two limited and one unsatisfactory assurance opinions had been issued and that the 27 final reports contained 211 recommendations. Of these, two fundamental recommendations had been identified and two had been rejected by management.
She drew attention to performance against plan and the assurance levels awarded to each completed audit area, 89% of which were good or reasonable. It was reported that there is no strong pattern of lower assurance levels during this period, with two limited audit areas and one unsatisfactory audit area, detailed within the report.

- **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 2018 and progress on the year to date.

- **Management Report: Digital Transformation Programme (DTP) Update**

Report of the Head of Human Resources which provided an update on the progress of the Digital Transformation Programme including the most recent position for each project in the programme and the overarching programme as a whole. The Section 151 Officer confirmed that a lot of the requirements for the social care project had already been completed whereas the ERP was more challenging as there had been a delay in getting the contract signed due to protracted negotiations with the supplier. The design stage had therefore been extended from the end of November 2017 until mid-January 2018. He stressed the importance of getting the design stage correct. He reported that the customer experience project was progressing well and it was hoped that this would be in place by February/March 2018. Work was ongoing with Customer Relationship Management (CRM) following an issue with the original supplier. A new option was now being pursued with a different provider. He confirmed that an Infrastructure and Architecture Board had been formed and had begun to work through all of the legacy systems in order to prioritise the transfer of these systems on to the new platform, whilst the Programme Assurance team had oversight of the whole programme. It was reported that a new project manager had been employed to work on the Infrastructure and Architecture project and that the budget was being monitored as the projects were worked through, and an underspend was currently predicted.

- **Internal Audit performance report and revised annual audit plan 2017/18**

Report of the Head of Audit provided members with an update of the work undertaken by Internal Audit since the last report in September 2017. She informed the meeting that 58% of the revised plan had been completed which was in line with the target to achieve 90% delivery by year end, and which was slightly ahead of the previous year. She reported that three good and fourteen reasonable assurance opinions had been issued together with sixteen limited and four unsatisfactory assurance opinions. She went on to say that thirty-seven final reports had been issued which contained 409 recommendations, none of which were fundamental. The Head of Audit explained that one of the recommendations had been rejected by management in relation to lone working. She drew attention to the Direction of Travel which showed that the lower level assurance levels had decreased from 48% in 2016/17 to 36% year to date. The unsatisfactory assurance opinions were listed by service area in the report. In relation to the unsatisfactory assurance levels, Members requested management reports be presented at a future Committee meeting on Transport Operations Group and Highways Permits. In relation to limited reports, commended that the Head of Audit monitor the situation and report back to Audit Committee as part of the Direction of Travel update. If there had been no improvement then this would be followed up and escalated to Directors. In relation to the residual control environment, Members wished the Head of Audit to report back to the managers of those areas informing them that the Audit Committee urged them to comply with the recommendation.

- **Internal Audit performance report and revised annual audit plan 2017/18**

Report of the Head of Audit which provided Members with an update of work undertaken by Internal Audit in the three months since the last report in November 2017. She informed the meeting that the team were on track to deliver the target of 90% by year end. She drew Members' attention to the Audits completed since October, the Assurance levels awarded and the overall spread of recommendations. The unsatisfactory and limited assurance opinions were set out in the report. The Head of Audit informed members that two recommendations had been rejected by management. Turning to Direction of Travel, she explained that the number of lower level assurances (41%) were lower than the outturn for 2016/17 of 49%, however there was no one area giving cause for concern. She advised members who were concerned about the lower assurance levels in Commissioning, that they could invite the Head of Commissioning to a future meeting to address their concerns. Concern was raised in relation to Adult Services (Financial Assessments) which had received its third limited assurance. It was agreed to invite the Director of Adult Services to a future meeting to seek explanation of the issues within the control environment and how these could be improved.

- **Management Report: Highways permits**

Report of the Highways, Transport and Environmental Manager which set out progress against the recommendations made following an audit of the service. He explained the role of the Street Works teams and why the audit had been requested. Significant progress had been made to meet the requirements of the recommendations.

- **Management Report: Transport Operations Group**

Report of the Director of Place and Enterprise provided an update on the progress made and actions taken because of the audit of the Council's Transport Operations Group

(TOG). The Transport Commissioning Manager explained that a few opportunities for savings and efficiencies had been identified including reducing the size of the fleet to 200, a new term maintenance contract and the procurement of a new council fuel contract. In response to a query, the Transport Commissioning Manager explained that Kier would be taking over the management and servicing of some of the vehicles which would remain at the same depot.

- **Management Report: Income Generation**

Report of the Head of Finance, Governance and Assurance which set out the budgeted gross income position for the Council for 2018/19. Detailed information was included to enable Members to consider the overall risks and assurances associated with the income and resources received by the Council. The Head of Finance, Governance and Assurance drew attention to the report which identified areas where the Council's aspirations were, including two areas of income generation: one, where the Council currently collected income (by increasing, extending or charging new rates) and two, areas which are being looked at in the future as part of the Commercial Strategy. A further report will be provided in six months' time when further information would be available.

- **Management Report: Information Technology update**

Report of the Head of Human Resources and Development which provided updates on the following areas: Service Improvement and Compliance; Disaster Recovery/Business Continuity Project; Infrastructure and Architecture Project; and Digital Transformation. She was pleased with the progress that had been made. Turning to the Digital Transformation Programme, she informed the Committee that the CRM project was going well with Hitatchi, who were the first organisation who had aligned the Council's vision and strategy with the rollout it wished to achieve. New telephony had been rolled out, the CRM portals would be rolled out in June/July. The Social Care project was also progressing well. The ERP project, however, was a little behind schedule due to a lack of resources available to deliver the project.

- **Internal Audit annual report 2017/18**

Report of the Head of Audit on achievements against the revised internal audit plan for 2017/18 and the annual internal audit assurance. The Head of Audit gave an unqualified opinion on the Council's internal control environment based on the improvements demonstrated.

The Audit Committee resolved that there have been improvements in the level of assurances for the internal control environment. There is still a need in the current situation with pressures on resources and changes to major systems, to ensure continual monitoring by management and members alike. Members focus will remain on those areas critical to the Council, i.e. DTP, Commissioning and those showing a low level of assurance where evidence of improvements will be sought.

Controls: Contracts and Partnerships

- **Management Report: Programme controls and risks**

Report of the Director of Place and Enterprise which provided an update on the developments that have taken place to further strengthen governance around commissioning and contract management over the past twelve months. He reported that as part of the governance around commissioning, the remit of the Commissioning Directors Group had been expanded to include commissioning assurance with a line of sight of key contracts to include the top ten (by value) across each of the Directorates; there was increased focus on training and development, which had been identified as a key requirement for good contract management. Turning to commissioning development, he drew the Audit Committee's attention to a piece of work being undertaken around prevention which was looking at different ways for services to be commissioned. Following this report and as part of a training session with Members, the Commissioning Development and Procurement Manager committed to and did provide a demonstration of the new Illuminator product, which is being used to analyse the Council's Contracts, to look at market availability and the sustainability of the contractor etc.

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 as the Council's commissioning approach is adopted more widely. Given the wider approach the Council continues to take 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 Principal Auditor providing an update on the current fraud and special investigations undertaken by Internal Audit and current RIPA activity.

- **Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative**

Report of the Head of Audit provided which outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud, and how the Council managed these risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption. It also provides an update on the action plan to ensure continuous improvement. It was confirmed that no changes were being proposed to the existing strategy. The Head of Audit drew attention to the Action Plan set out within the report.

- **Annual Whistleblowing report**

Report of the Head of Workforce and Transformation 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 2016/17**

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 2017. He advised that the vast majority of the financial statements had been completed and he anticipated that an unqualified opinion would be given. He drew attention to the key audit and financial reporting issues, including areas where improvements could be made to strengthen controls e.g. sales ledger debt and IT. He confirmed that there were no material concerns around the Council's ability to continue as a going concern. There were no adjusted misstatements and only one unadjusted misstatement in relation to an extrapolated error. He expressed concern going forward with the long term financial plan and the potential £21million funding gap which was currently being dealt with by way of one-off grants and reserves. Although recognising the Council's approach of savings programmes and income generation, more work was required. Due to this significant gap in the financial plan, he warned that as the Council approached 2019/2020 it may be necessary for a qualified opinion to be issued. He recognised the progress that had been made in relation to replacement of the IT infrastructure and business continuity, but cautioned that there was still a risk of a severe IT failure. He explained that business continuity plans needed to be tested to ensure that if the system did go down, it could successfully be restored.

- **External Audit: Audit plan**

Report of the Engagement Lead (Grant Thornton) setting out the plan for the year ending 31 March 2018 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**.**

- **External Audit: Pension fund audit plan 2017/18**

Report of the Engagement Lead (Grant Thornton) setting out the Pension fund plan for the year ending 31 March 2018.

- **External Audit: Audit fee letter 2017/18**

Report of the Engagement Lead (Grant Thornton) setting out the audit fee for the year ending 31 March 2018.

The Audit Committee resolved that there were effective arrangements in place to support Value for Money.

Financial reporting

- **Audited Annual Statement of Accounts 2016/17**

Report of the Section 151 Officer which set out the final audited outturn position for the financial year 2016/17 which would be confirmed by Council on the 21 September 2017. The

Head of Finance, Governance and Assurance informed members that there had been no material changes identified during the audit however a few amendments had been made to disclosures, set out in Paragraph 7.1 of the report.

- **External Audit: Shropshire County Pension Fund audit findings report 2016/17**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2017 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**

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. At the November meeting, the Senior Manager drew Members' attention to the technical matters and sector issues. It was confirmed that the Head of Finance, Governance and Assurance (Section 151 Officer) was aware of the changes to the Code of Practice on Local Authority Accounting in the UK 2017/18 and the forthcoming changes to IFRS9 and 15 (lease accounting and revenue recognition).

- **External Audit: Annual audit letter 2016/17 Shropshire Council**

Report of the Engagement Lead (Grant Thornton) which summarised the key findings arising from the work carried out for the year ended 31 March 2017. The Senior Manager introduced the report and drew attention to the unqualified opinion given on the Council's Financial Statements along with the Value for Money Conclusion for 2016/17. She explained that financial sustainability remained a risk for the Council. The Senior Manager went on to draw attention to the unqualified opinion given on the Shropshire County Pension Fund along with the final fees.

- **External Audit: Certification summary report**

Report of the Engagement Lead (Grant Thornton) detailing the Certification Work for 2016/17 relating to Housing Benefit subsidy claim. It was explained that due to two issues that had been identified, the claim had been qualified. Details of the errors were set out in the report.

- **Financial outturn report 2017/18**

Report from the Section 151 Officer providing details of the revenue outturn position for the Council and the full year capital expenditure and financing of the Council's capital programme.

- **Approval of the Council's Statement of Accounts 2017/18 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 2016/17**

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for 2016/17 and including the investment performance of the internal treasury team to 31 March 2017. He confirmed that the internal treasury team had outperformed their investment benchmark by 0.34% in 2016/17 and drew attention to the breakdown of borrowing over future years and he explained that the Council would not be undertaking any further borrowing in the next few years. He informed the Committee that it was hoped to develop a significant capital programme but that any such projects would need to be considered by Council.

- **Treasury Strategy 2017/18 mid-year report**

Report of the Section 151 Officer which provided an economic update for the first six months of 2017/18; including a review of the Treasury Strategy; Annual Investment Strategy, the Council's investment portfolio; the Council's borrowing strategy; any debt rescheduling undertaken and compliance with Treasury and Prudential limits all for 2017/18. He reported that the internal treasury team had outperformed its benchmark by 0.33%, delivering additional income of £265,650 and that all treasury management activities had been in accordance with the approved limits and prudential indicators set out in the Council's Treasury Strategy. He also informed Members of the formation and operation of the Capital Investment Board.

- **Treasury Strategy 2018/19**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2018/19 and the recommended Prudential Indicators for 2018/19 to 2020/21.

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.

Grant Thornton

External Audit Plan

Year ending 31 March 2018

Shropshire County Pension Fund

16 March 2018

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Agenda Item 15

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Shropshire County Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Shropshire County Pension Fund. We draw your attention to both of these documents on the PSAA website.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance (the Pensions Committee).

The audit of the financial statements does not relieve management or the Pensions Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

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Significant risks	Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Valuation of level 3 investment assets • Management override of controls We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality	We have determined planning materiality to be £18.650m (PY £16.711m), which equates to 1% of your net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £933k (PY £836k).
Audit logistics	Our interim visit will take place in February 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £23,427 (PY: £23,427), as long as good quality draft accounts and working papers are provided promptly. Where requests are received from auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery

Pooling

Arrangements for the pooling of investments continue to develop. The DCLG have reported on the progress of pools and noted the pace of development, including the launching of procurements for pool operators, appointing senior officers and preparing applications for Financial Conduct Authority authorisation. This remains a challenging agenda, with arrangements required to be in place from 1 April 2018. These arrangements will have a significant impact on how investments are managed and monitored, with much of the operational responsibility moving to the pool operator. It remains key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Markets in Financial Instrument Directive (MiFID II)

January 2018 see the implementation of MiFID II. The impact for Fund is that to be able to continue to access the same investments as previously, they need to apply to 'opt up' and gain election to professional status. Without this change in status some financial institutions could terminate their relationship with the fund, which may have an adverse impact on the achievement of the investment strategy

On-going Matters

- Indexation and equalisation of GMP in public service pensions schemes
- Reforms to public sector exit packages and the application, or not, of the 2013 Fair Deal changes to the LGPS
- SAB work on options for academies within the LGPS and review of Tier 3 employer risks

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced minor changes to the 2017/18 Code, these include a new disclosure of investment manager transaction costs and clarification on the approach to investment concentration disclosure.

Key challenges

Financial pressures

As at November 2017, the value of assets within the fund had risen to £1.865bn, in line with an upwards trend in recent years.

As at 31 March 2016, the latest triennial valuation, the assets of the fund were equivalent to 84% of its liabilities. New employer contribution rates came in to effect from 1 April 2017 as the fund's aim remains to achieve a 100% funded status.

General Data Protection Regulations (GDPR)

GDPR comes into effect in May 2018 and replaces the Data Protection Act 1998. It introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place to comply with the changes being introduced.

tPR 2016 Governance and Administration Survey

Published in May 2017 whilst showing improvements in governance tPR noted that its focus for 2017-18 would be scheme governance, record keeping, internal controls and member communication and that tolerance for scheme shortcomings in these areas was reducing and that they were more likely to use their enforcement powers where scheme managers have not taken sufficient action to address issues or meet their duties.

Our response

- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Shropshire Council as the Administering Authority of Shropshire County Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Shropshire County Pension Fund.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.	We will: • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified (Continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 3 investments is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	We will: • gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. • consideration of the competence, expertise and objectivity of any management experts used. • review the qualifications of the expert [insert fund manager or custodian if used] to value Level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2017 with reference to known movements in the intervening period.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Contributions	Contributions from employers and employees' represents a significant percentage (96%) of the Fund's revenue.	We will: • evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • gain an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls; • test a sample of contributions to source data to gain assurance over their accuracy and occurrence; • rationalise contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.
Pension Benefits Payable	Pension benefits payable represents a significant percentage (90%) of the Fund's expenditure.	We will: • evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; • test a sample of individual pensions in payment by reference to member files; • rationalise pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

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Reasonably possible risks identified (Continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 2 investments is incorrect	While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	We will • gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls. • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. • consider the competence, expertise and objectivity of any management experts used. • review the qualifications of the expert [insert fund manager or custodian if used] to value the level 2 investments at year end and gain an understanding of how the valuation of these investment has been reached. • for a sample of investments, test the valuation by obtaining independent information from custodian/manager on units and unit prices.

Other matters

Other work

The Fund is administered by Shropshire Council (the 'Council'), and the Fund's accounts form part of the Council's financial statements. Therefore as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Fund, such as:

- We consider our other duties under the Act and the Code, as and when required, including:
    - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
    - issue of a report in the public interest; and
    - making a written recommendation to the Council, copied to the Secretary of State.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited fund accounts.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

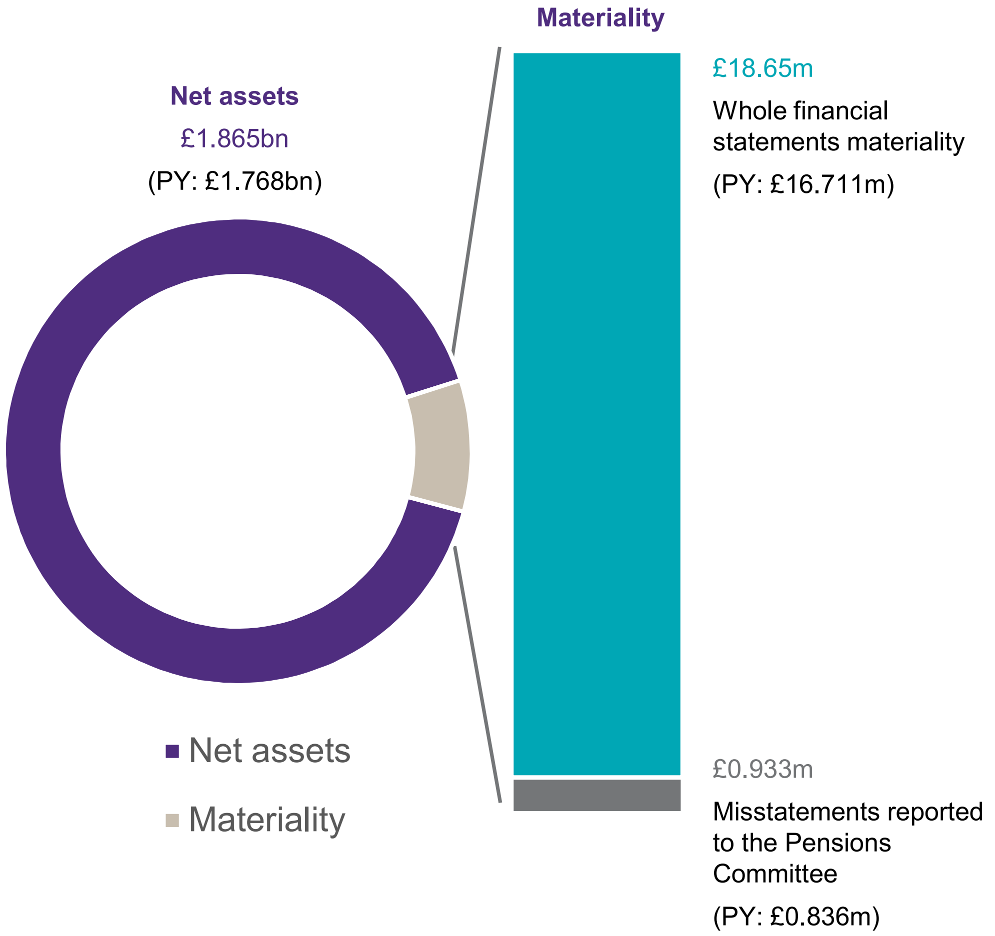
We propose to calculate financial statement materiality based on a proportion of the net assets of the Fund for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £18.65m (PY £16.711m), which equates to 1% of your net assets for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

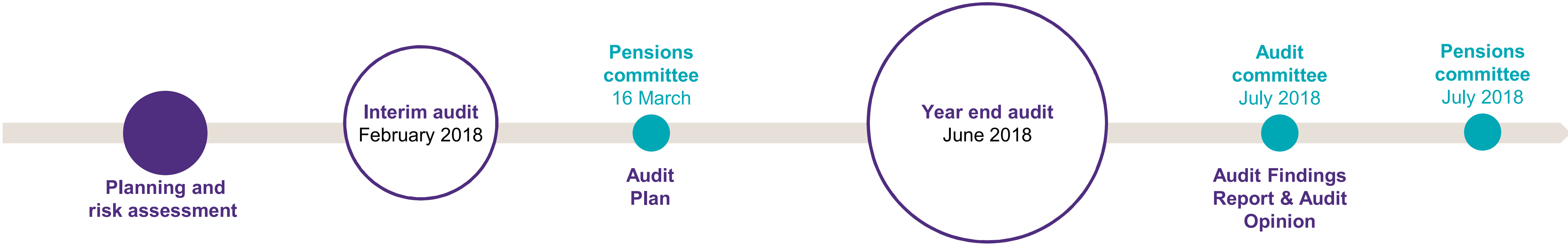
Matters we will report to the Pensions Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Pensions Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.933m (PY £0.836m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pensions Committee to assist it in fulfilling its governance responsibilities.



Audit logistics, team & audit fees



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John Gregory, Engagement Lead

John will be the main point of contact for the Chair, s151 Officer, Head of Treasury and Pensions and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. John will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit. John will sign your audit opinion.

Jim McLarnon, Audit Manager

Jim will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. He will attend Pensions Committees with John where necessary, and supervise Dave in leading the on-site team. Jim will undertake reviews of the team's work and draft clear, concise and understandable reports.

Dave Rowley, Audit Incharge

Dave will be the day to day contact for the audit, organising our visits and liaising with Authority staff. He will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Audit fees

The planned audit fees are £23,427 (PY: £23,427). In setting your fee, we have assumed that the scope of the audit, and the Fund and its activities, do not significantly change.

Where requests are received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable agreed with management. Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

Non-audit services

No non-audit services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: • The directors use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about the Fund's ability to continue as a going concern.
Other information	We will be required to include a section on other information which includes: • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.

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22 March 2018

Dear Clive

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies 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.

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the PSAA website. The Council's scale fee for 2018/19 has been set by PSAA 18at £103,061.

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 timeframes'.

The audit planning process for 2018/19, 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

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. 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. Audits of the accounts for 2018/19 will be undertaken under this Code. 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); and
- our work on your whole of government accounts return (if applicable).

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 latest guidance for auditors on value for money work in November 2017. 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 had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Pension Fund audit

PSAA has also established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund is £18.039, which also reflects a 23 per cent reduction on last year. Our work on the pension fund will be undertaken by our specialist pension fund audit team, led by John Gregory.

Billing schedule

Fees will be billed as follows:

Main Audit fee	**£**
September 2018	25.766
December 2018	25,765
March 2019	25,765
June 2019	25,765
Total	**103,061**
Pension Fund audit	
March 2019	18,039

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2018 to March 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2019 and work on the whole of government accounts return in July 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2018 – March 2019	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	June – July 2019	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 – July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Stocks	0121 232 5437	mark.c.stocks@uk.gt.com
Senior Manager	Emily Mayne	0121 232 5309	emily.j.mayne@uk.gt.com
In Charge Auditor	David Rowley	0121 232 5225	david.m.rowley@uk.gt.com
Pensions Engagement Lead	John Gregory	0121 232 5333	j\ohn.gregory@uk.gt.com
Pensions Audit Manager	James McLarnon	0121 232 5219	james.a.mclarnon@uk.gt.com
In Charge Auditor	David Rowley	0121 232 5225	david.m.rowley@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 national lead partner, via sarah.howard@uk.gt.com.

Yours sincerely

Mark Stocks
Engagement Lead
For Grant Thornton UK LLP

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Audit Progress Report and Sector Update

Shropshire Council
Year ending 31 March 2018

June 2018

Contents

Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Local Authority, and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Progress to date

Financial Statements Audit

We have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

Our interim fieldwork is complete and includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing
- Assurance over the transfer of data from the old to the new ledger
- Initial discussions around the accounting for the purchase of the shopping centres

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018.

Our final accounts audit began on 4th June 2018 and we are on target to deliver all opinion work as planned to allow for reporting to meet the revised deadline at the end of July.

We have not identified any issues from our audit work to date which require reporting to you. We will update this verbally at the Audit Committee meeting to reflect any testing undertaken following the preparation of this report.

Work has not been finalised on the accounting treatment of the purchase of the shopping centres and as such this is still an area where we have not yet concluded.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

We will made our initial risk assessment to determine our approach in January 2018 and reported this to you in our Audit Plan.

Work is substantially complete and we are not proposing to qualify your value for money conclusion based upon our findings to date.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

There are other grant claims which the Council appoints us to complete. Letters of Engagement are being confirmed and once appointed, we will complete the testing required following the completion of the opinion work.

The results of the certification work are reported to you in our certification letter.

Meetings

We meet with Senior Officers and Finance staff as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We also meet with your Chief Executive to discuss the Council's strategic priorities and plans.

Events

We provide a range of events and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

The Vibrant Economy Index
a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.grantthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy.**

Vibrant Economy app
To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- *Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)*
- *Explore the app and take the quiz*
- *Go to the Vibrant Ideas section to share your picture and story or idea*

Overview of the General Data Protection Regulation (GDPR)

What is it?	What's next?
The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.	Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO last looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review.. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.

49.1%
real-terms reduction in government funding for local authorities, 2010-11 to 2017-18

28.6%
real-terms reduction in local authorities' spending power (government funding plus council tax), 2010-11 to 2017-18

1
number of authorities since 2010-11 where a section 114 notice has been issued that indicates they are at risk of spending more than the resources they have available

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.

Cost Assurance

Did you know….

40
Number of Public Sector engagements to date

£125m
Annual spend analysed

£3.55m
Rebate opportunities identified

£1.1m
Fee income identified

2.84%
Error rate – rebates versus spend volume

55%
Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Links

Grant Thornton website links

https://www.grantthornton.co.uk/

http://www.grantthornton.co.uk/industries/publicsector

PSAA website links

https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/

National Audit Office link

https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/

Grant Thornton

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By virtue of paragraph(s) 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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