

# SOUTH SHROPSHIRE DISTRICT COUNCIL



## STATEMENT OF ACCOUNTS 2008/2009

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**Laura Rowley, CPFA**  
**Director of Resources, Shropshire Council**

**2008/2009**

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## Introduction

**This section highlights the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.**

The Council's Statement of Accounts for the financial year 2008/2009 is set out on pages 31-87.

It consists of the various statements explained below

- **Explanatory Foreword (pages 3 - 8)**

This section provides in overall terms, the authority's financial position, and assists in the interpretation of the accounting statements.

- **Statement of Responsibilities for the Statement of Accounts (pages 9 - 10)**

Under the Code of Practice on Local Authority Accounting in the UK, there is a requirement for the Council, in addition to the Responsible Financial Officer, to certify its approval of the Statement of Accounts.

- **Statement of Accounting Policies (pages 13-21)**

This explains the accounting policies that are consistent with accounting concepts and relevant accounting standards. It ensures that the Council's accounts present fairly the financial position and transactions of the Council.

- **Annual Governance Statement (pages 22-30)**

The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 have established requirements relating to the system of internal control and the review and reporting of those systems.

The reporting regime has been subsumed into a report upon corporate governance within the whole organisation.

The publication of the Annual Governance Statement fulfils the requirements of the legislation and follows guidance issued by CIPFA/SOLACE on proper practice.

- **Income and Expenditure Account (page 31)**

The account reports the net cost for the year of all the functions for which the Council is responsible. It demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure. Both the income and expenditure are measured using the same accounting conventions as that of a large company i.e. Generally Accepted Accounting Principles (UK GAAP). Notes to the Income and Expenditure Account are on pages 35-44.

## **Introduction (cont'd)**

- **Statement of Movement on the General Fund Balance (page 31)**

This statement discloses the adjustments required to reconcile the net operating income and expenditure with the movement on the General Fund Balance. The note to the Statement of Movement on the General Fund Balance is on page 45.

- **Balance Sheet (page 32)**

This sets out the Council's assets and liabilities as they were at 31 March 2009. It shows the level of reserves and balances at that date, together with investments and the value of assets held. It includes the Collection Fund. Notes to the Balance Sheet are on pages 46-63.

- **Statement of Total Recognised Gains and Losses (page 33)**

This analyses the changes that have taken place within the Capital and Revenue reserves of the Council. It brings together all the recognised gains and losses of the authority during the period. Notes to the Statement of Total Recognised Gains and Losses are on pages 64-67.

- **Cashflow Statement (page 34)**

This sets out the inflows and outflows of cash arising from both revenue and capital transactions with third parties. Notes to the Cash Flow Statement are on pages 68-69.

- **Collection Fund Revenue Account (pages 70-72)**

This sets out the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as the Billing Authority in relation to Non-Domestic Rates and Council Tax. It illustrates the way in which these have been distributed as precepts payable to the County Council, Police Authority, Fire Authority and the Council's General Fund.

- **Group Accounts (pages 73-87)**

These statements bring together the financial position of the Council and its interest in South Shropshire Leisure Limited, together with the joint ventures of South Shropshire Local Homes Limited and Biocycle South Shropshire Limited.

## Explanatory Foreword

### Going Concern

The “going concern” accounting concept assumes that the Council will continue in operational existence for the foreseeable future and will not significantly curtail the scale of its operation. Due to the creation of a new Unitary Council for Shropshire from 1 April 2009 all legal responsibilities, services, assets and liabilities will transfer to the new Council. This will therefore be the last published Statement of Accounts for South Shropshire District Council.

### Revenue Spending in 2008/09

Revenue expenditure for 2008/2009 is summarised in the Income and Expenditure Account. This shows the costs of all the Council's Services and how the net expenditure has been funded.

The tables below show where our money came from and how we spent it.

<b>We Spent Money On</b>	<b>£000's</b>	<b>%</b>
Central Services to the Public	3,761	13.46
Cultural, Environmental and Planning Services	8,255	29.56
Highways, Roads and Transport Services	898	3.21
Housing Services	8,301	29.71
Social Services	29	0.10
Corporate and Democratic Core	1,117	4.00
Non Distributed Costs	1,182	4.23
<b>Total Spending on Services</b>	<b>23,543</b>	
<b>Other costs:</b>		
Central Support Services and Printing Services	2,270	8.13
Payments to Parish Councils	754	2.70
Money we paid to Revenue Reserves	1,000	3.58
Depreciation	(242)	(0.87)
Pensions Account	(81)	(0.29)
Direct Revenue Financing	693	2.48
<b>Total Revenue Spending</b>	<b>27,937</b>	<b>100</b>

<b>How We Spent the Money</b>	<b>£000's</b>	<b>%</b>
Payments to Staff and Staff Related Expenditure	5,275	18.88
Spending on Property	470	1.68
Spending on Transport	261	0.93
Supplies and Services	982	3.51
Payments to Other Organisations	5,914	21.18
Payments of Benefits to Individuals	10,228	36.62
Payments to Reserves and Provisions	1,106	3.96
Local Precepts	754	2.70
Recharges to Printing Services	68	0.24
Recharges to Central Support Services	2,186	7.82
Financing Capital Expenditure	693	2.48
<b>Total</b>	<b>27,937</b>	<b>100</b>

## Explanatory Foreword (Cont'd)

Where the Money came from	£000's	Percentage %
Council Tax	4,082	14.61
Revenue Support Grant	443	1.59
Business Rates	3,179	11.38
Collection Fund Surplus	79	0.28
Specific Government Grants	10,586	37.89
Rents	427	1.53
Fees, Charges and Reimbursements	3,445	12.33
Interest	271	0.97
Other Government Grants	102	0.37
From General Fund	1,531	5.48
From our Earmarked Reserves	1,538	5.51
Printing Services Recharges	68	0.24
Central Support Services Recharges	2,186	7.82
<b>Total</b>	<b>27,937</b>	<b>100</b>

At the end of the year our total revenue reserves amounted to £915,210. The table below illustrates the different types of reserve that we hold.

Revenue Reserves	£000's
General Fund	(308)
Service Reserves	1,223
<b>Total</b>	<b>915</b>

- General Reserve - Reserve set aside for unforeseen events. The Executive Committee undertook a rigorous review of the Council's finances and a significant balance has been released, which has been invested into priority areas with the agreement of the Implementation Executive. In addition the redundancy and pension strain costs for those Officers who left or retired at the end of the financial year, were funded from the General Fund balance. However, it was not envisaged that the redundancy and pension strain costs for those Officers leaving post 31 March 2009 would have to be provided for in the accounts. Shropshire Council requested that the sum of £564,733 be provided in the earmarked reserves and this additional cost has created a deficit on the General Fund.
- Service Reserves - Reserves set aside for specific purposes. The Executive Committee also undertook a review of the reserves and returned balances, which were not required in 2008/09, back to the General Fund to be invested into priority areas.

## Explanatory Foreword (Cont'd)

The table below shows the budgeted figures for 2008/2009 as compared with the actual outturn for the year.

	Original Budget £ 000's	Actual £ 000's
Amount available from Government Grant, Non-Domestic Rates and Local Taxpayers	7,703	7,703
Amount from Collection Fund	79	79
	7,782	7,782
Plus transfer from/(to) balances	0	1,532
Budget requirement (including local precepts)	7,782	9,314
General Fund Balance - 1st April, 2008	1,224	1,224
General Fund Balance - 31st March, 2009	1,224	(308)

The above table shows that the actual transfer from balances was £1,531,155 more than originally budgeted for. This has decreased the General Fund Balance to a deficit of £307,635. The reason for the deficit is explained on page 4. Details of the main reasons are set out in the table below.

	£ 000's	£ 000's
<b>Additional Income:</b>		
Recycling Credits/WRAP	(132)	
Planning Delivery Grant	(115)	
Local Area Business Growth Initiative	(53)	
Area Based Grant	(49)	
Benefits Subsidy and Recoveries (net)	(49)	
Car Parks	(40)	
Development Control Fees & Charges	(32)	
Other Grant Income – Regeneration	(23)	
Habitats Regulations Assessment Grant	(17)	(510)
<b>Reduction in Income:</b>		
Land Charges	47	
Unit Rentals, Craven Arms Auction Yard	26	
Energy Surveying	14	87
<b>Savings in Expenditure:</b>		
Salaries	(103)	
Recruitment and Training Costs	(55)	
Street Cleansing	(45)	
Pest Control	(20)	(223)
<b>Increase in Expenditure:</b>		
Redundancies and Actuarial Strain	881	
Revenue Financing of Capital Expenditure	693	
Refuse Collection	242	
Town Wall Repairs	127	
ERDF Clawback Provision	106	
Grants to Community Projects and Youth Schemes	99	
Members' Allowances	66	
Concessionary Fares and Community Transport	60	
Car Allowances and Transport Costs	51	
Audit Fee	49	
Grant to Ludlow Assembly Rooms	30	
Purchase of Paper	12	2,416
<b>Movement in Reserves</b>		
Contribution to Carry Forward Reserve	921	
Contributions from Reserves	(1,160)	(239)
		<b>1,531</b>

## Explanatory Foreword (Cont'd)

### Capital Spending in 2008/2009

Capital expenditure totalled £4.807 million in 2008/09 as compared with £1.350 million in 2007/2008 and £2.605 million in 2006/2007.

The principal areas of expenditure included:

	£
Ludlow MTI Mill on the Green Phase II	874,296
Church Stretton Leisure Centre	760,000
Craven Arms Community Centre	525,886
Cleobury MTI Transport and Enhancements	357,564
Allocation of Resources – General Schemes	268,072
Decent Homes Grants	237,410
Affordable Housing Grants	203,726
Play Areas	201,278
Village Halls	189,447
Disabled Facilities Grants	178,258
Play Grants	113,987
Vacant Property Grants	87,798
Bio Waste Digester	83,779
Private Sector Housing Grants	78,590
Tourism Grants	58,629

The Capital Programme was funded by a combination of external finance and the use of the Council's own capital receipts. The tables below show where the money came from and how we spent it.

Where we spent the money	£000's	Percentage %
Regeneration Schemes	1,840	38.28
General Schemes	46	0.96
Health and Housing Schemes	1,028	21.38
Environmental Schemes	142	2.95
Leisure Schemes	1,751	36.43
<b>Total</b>	<b>4,807</b>	<b>100.00</b>

How we spent the money	£000's	Percentage %
Contract Work and Fees (including Administration)	245	5.10
Purchase of Land, Buildings, Equipment and Software	246	5.11
Improvement Grants, Disabled Facility Grants and Home Repair Assistance	782	16.27
Grants to Organisations	3,534	73.52
<b>Total</b>	<b>4,807</b>	<b>100.00</b>

Where the money came from	£000's	Percentage %
S106 Monies	238	4.95
Contributions from Other Organisations	2,208	45.93
Asset Sales	1,118	23.26
Capital Grants from Government	550	11.44
Revenue Financing	693	14.42
<b>Total</b>	<b>4,807</b>	<b>100.00</b>

The Council did not have to resort to borrowing in 2008/2009 and remains debt free; consequently no debt charges were incurred.

## Explanatory Foreword (Cont'd)

The balance sheet records the current value of the majority of the Council's Asset Portfolio, valued at £16.520 million, compared with £17.686 million as at 31 March 2008. The Council's assets were revalued as at 1 April 2008 in accordance with the Code of Practice on Local Authority Accounting in Great Britain - A Statement of Recommended Practice. All assets with a useful life have been reduced in value in accordance with the Council's depreciation policies which reflect the requirements of Financial Reporting Standard 15 (FRS15).

Tradition (UK) Brokers continued to assist in the management of the Council's investments, which were nil as at 31 March 2009.

### **Housing Revenue Account**

The Housing Revenue Account was closed with effect from 31 March 1997.

### **Collection Fund**

South Shropshire District Council operates a Collection Fund in respect of Council Tax and Non-Domestic Rates on behalf of Shropshire County Council, West Mercia Police Authority, Shropshire and Wrekin Fire Authority and itself. Each of these authorities then "withdraws" money from the fund, subject to certain Government controls.

### **Pension Costs**

From 2003/04, reporting arrangements for pension costs were included in the Statement of Accounts. There are extensive notes included with the relevant statements. The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long-term implications. However, the overall amount to be met from Government Grants and local taxation remains unchanged. The Council's share of assets and liabilities of the pension fund show an estimated £7.18 million shortfall at 31 March 2009. It should be noted, however, that this is not an immediate deficit and does not have to be met now. The sum is the current assessment taking a long-term view of the future liabilities both for existing pensioners, current employees and members who are accruing pension entitlement. The Shropshire County Council fund is regularly reviewed and additional contributions have been initiated to address the problem over a period of years.

### **Group Accounts**

We now have to prepare a series of Group Account Statements under more demanding requirements introduced from 2005/06. These statements reflect not only the direct activities of the Council but also services provided by those bodies in which we have an interest.

The principal impact is to bring together in Group Accounts the activities of the Council with South Shropshire Leisure Limited, South Shropshire Local Homes Limited and Biocycle South Shropshire Limited.

These requirements have no impact on our financial results and standing. The aim is to provide a clearer financial picture of the Authority's control and influence.

### **Reporting Requirements**

Reporting requirements under the Accounts and Audit Regulations 2003 require that the accounts for 2008/2009 were prepared and reported to Members by 31 July 2009.

### **Further Information**

For more information about these accounts, please contact Laura Rowley, Director of Resources, Shropshire Council, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND. Telephone: 01743 252007

# Statement of Responsibilities for the Statement of Accounts

## 1. Council's Responsibility

### 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 S151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the Statement of Accounts

I **confirm** that these accounts were approved by the Council at the meeting held on 16 July 2009 and reapproved by the Audit Committee on 17<sup>th</sup> September 2009.

Signed by Chairman of Council

Date            16 July 2009

## The S151 Officer's Responsibility

The Section 151 Officer, 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*.

### In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

### The Officer has also:

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

**Certificate of the S151 Officer**

I hereby certify that the Statement of Accounts set out on pages 13 to 87 present fairly the financial position of the South Shropshire District Council as at 31 March 2009 and its income and expenditure for the year then ended.

**Laura Rowley CPFA – S151 Officer**  
**17<sup>th</sup> September 2009**

# **AUDIT OPINION AND CERTIFICATE**

## **Opinion on the financial statements**

I have audited the Authority and Group accounting statements and related notes of South Shropshire DC for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Responsible Financial Officer and auditor**

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my 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 Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and

judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

## **Opinion**

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006 and the supporting guidance, I am satisfied that, in all significant respects, South Shropshire DC made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Tony Corcoran, (Officer of the Audit Commission)  
Suite 1, Observer House,  
Horsefair, Abbey Foregate,  
Shrewsbury, Shropshire  
SY2 5DB  
30th September 2009

# Statement of Accounting Policies

**This section summarises the accounting rules and conventions we have used in preparing these accounts.**

## 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, a Statement of Recommended Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA), together with guidance notes issued by CIPFA. It incorporates all Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) applicable to local authorities, as approved by the UK's Accounting Standards Board.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies.

The going concern concept assumes that the Council will continue in operational existence for the foreseeable future and will not significantly curtail the scale of its operation. Due to the creation of Unitary Council for Shropshire from 1 April 2009, South Shropshire District Council will not continue in operational existence beyond 31 March 2009.

However, all of South Shropshire District Council's legal responsibilities, services, assets and liabilities will transfer to the new Unitary Council on 1 April 2009. Therefore, South Shropshire District Council's scale of operation will be maintained but will be delivered by the new Unitary Council, which is committed to equalising the quality and level of services throughout Shropshire at the highest level currently delivered by district council.

## 2. Fixed Assets

Spending on buying, creating or improving fixed assets is classed as capital spending if the Council will benefit from the asset for more than one year or if it will add to the open market value of the asset. Spending on capital assets is generally recorded in the accounts when the work has been carried out or when the asset has been delivered, rather than when it is actually paid for. The exception to this is when the asset costs less than £15,000, in which case it is recorded in the accounts when it is paid for.

Assets are valued on the basis recommended by CIPFA, and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Assets are included in the accounts at the following values:

- Property and other assets that are used in day-to-day operations are included in the balance sheet at their open market value based on their existing use, or at the amount it would cost to replace them, whichever is lower.
- Assets that are not used in day-to-day operations, including investment properties and assets which are not needed any more, are included in the balance sheet at their open market value, or at the amount it would cost to replace them, whichever is lower.
- Infrastructure assets, such as roads, and community assets, are included in the balance sheet at the amount they cost when they were bought, net of depreciation, where appropriate.

If, upon valuation, an asset is worth more than its value in the accounts, the difference is added to the Fixed Asset Revaluation Reserve and similarly, if worth less, the difference is taken from that reserve provided sufficient is in the reserve regarding that asset. If the reduction in value is greater than the amount held in the reserve, the balance is transferred to the Capital Adjustments Account via the Income and Expenditure Account.

Revaluation of fixed assets are planned at five year intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. The majority of the fixed assets were revalued as at 1 April 2008. In addition, an impairment review was carried out at 31 March 2009. Shropshire County Council carried out the asset valuations.

In accordance with current accounting procedures, income from the disposal of fixed assets is accounted for on an accruals basis, and is included in the Balance Sheet as Usable Capital Receipts Reserve.

### **3. Intangible Assets**

The SORP 2004 introduced this heading which differentiates from Deferred Charges by updating terminology in line with FRS10: Goodwill and Intangible Assets.

Intangible fixed assets are 'non-financial fixed assets that do not have a physical substance'. However, to be relevant, such assets must be controlled by the Council through legal rights. An example is software licences.

This type of asset is capitalised at cost and will not be revalued unless it has a readily ascertainable and material market value. These are then written out to service revenue accounts over an appropriate period relating to the asset life.

### **4. Impairment**

During 2008/2009 the external valuer, Shropshire County Council, has certified that there has been no significant changes including impairment of asset values.

### **5. Capital Charges for Fixed Assets**

General Fund service revenue accounts, central support services and trading accounts are charged with a capital charge for all the fixed assets used in the provision of services. The capital charge is the sum of the annual depreciation.

### **6. Depreciation**

All assets with a useful life are reduced in value according to the following policies:

- Land and non-operational investment properties are not depreciated;
- Properties, mobile plant, equipment and software which are treated as capital, are reduced in value steadily throughout their life using the straight-line method;
- Depreciation is not charged until an asset under construction has been completed for a full financial year;
- Depreciation is not charged in the year an asset is disposed of.

Assets are included in the balance sheet net of depreciation calculated in accordance with the policies detailed above.

## Statement of Accounting Policies (Cont'd)

### 7. Capital Receipts

Capital receipts as defined by the 1989 Local Government and Housing Act (Part IV) are credited to a Usable Capital Receipts Reserve in respect of the 'usable' proportion, the balance being credited to the Capital Adjustments Account representing the amount 'set aside to repay debt'. Interest on unused balances is credited to the General Fund.

The balance on the Usable Capital Receipts Reserve as at 31 March 2009 was £0.545 million, and on the Capital Adjustments Account £10.342 million.

The Council has been debt free since 29 March 1994, and therefore there is no longer a requirement for 'set aside to repay debt'. All capital receipts, therefore, are available to finance capital expenditure.

In January 2006, the Council was advised of a change in the position on the 'pooling' of housing capital receipts affecting local authorities that had closed their Housing Revenue Account (HRA).

The Council had previously been advised that authorities that had closed their HRA did not need to pay the Secretary of State a proportion of the capital receipt generated by the disposal of an HRA asset. However, this is no longer the case and ex-HRA authorities now have an obligation to pay a proportion of housing capital receipts received on or after 1 April 2004. The Right to Buy (RTB) clawback receipts from South Shropshire Housing Association are 'preserved right to buy sales' and therefore do not have to be pooled. However, receipts from the principal part of a mortgage are required to be pooled. The housing pooled capital receipts paid to the Secretary of State in 2008/2009 were £10,901.

### 8. Deferred Charges

Deferred Charges are expenditure of a Capital nature where no tangible asset is created, such as Disabled Facilities Grants. In accordance with CIPFA guidelines, Deferred Charges are amortised to the Income and Expenditure Account in the year in which they occur.

### 9. Government Grants and Contributions

Money received from Central Government is credited to the appropriate revenue and capital accounts when the money is due rather than when we actually receive it (accruals basis).

All grants and contributions to finance capital expenditure are initially credited to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

For Expenditure on assets, which will not be depreciated, e.g. land, non-operational Assets and deferred charges, the grants are written out to the Capital Adjustments Account in the year they are applied.

The Council receives Specified Capital Grant from the Government, which helps to pay for Disabled Facilities Grants to private householders.

### 10. Debtors and Creditors – Accruals Accounting

Revenue and Capital transactions are recorded on an income and expenditure (accruals) basis. This means that income is recorded in the accounts when it is owed rather than when it is received - Debtor. Likewise, expenditure is recorded in the accounts when it is owed, rather than when the payment is actually made – Creditor.

## Statement of Accounting Policies (Cont'd)

### 11. Stocks and Rechargeable Work in Progress

Stocks and work in progress on uncompleted jobs should be recorded in the accounts at either the purchase cost or the amount receivable if the items were sold at 31 March 2009. The Council had no stocks or work in progress at 31 March 2009.

### 12. Costs of Support Services

The costs of managing and administering the Council are all charged to service revenue accounts. The cost of being a Local Authority is separately identified and the cost of other management and administration of the Council is divided between fourteen holding accounts, to enable costs to be charged to revenue accounts more accurately. The cost of the corporate and democratic core and non-distributed costs are allocated to a separate objective expenditure head and are not apportioned to other expenditure heads.

### 13. Provisions

The Council makes provision for bad and doubtful debts in respect of all major areas of income. The current level of bad and doubtful debts provision at 31 March 2009 is £264,804.

The Council also makes provisions for any other liabilities, which are likely or certain to be incurred, but where there is no certainty as to the actual amount of payment, although a reliable estimate is possible. Provisions are reviewed at each Balance Sheet date, and if no longer required, the provision is reversed.

Full details of Provisions are shown on Page 53 in Note 28 to the Balance Sheet.

### 14. Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered reserves, and transfers to and from them are kept separate from service expenditure disclosed in the Statement of Accounts. Expenditure should not be charged directly to any reserve. Capital Reserves are not available for revenue purposes.

The Council's Capital Reserves are:

- The Usable Capital Receipts Reserve, which includes money from the sale of assets, which the Council can spend on other capital schemes.

Other reserves include money the Council has set aside in the past. They are available to cover unexpected payments or to support spending.

They include the following:

- Earmarked Reserves - Money is set aside for certain classes of spending including future capital expenditure.
- General Reserve. The Council can decide how to spend this money.

Other accounts included in the balance sheet, which are not 'cash-backed' or have no cash supporting them, are:

- Fixed Asset Revaluation Reserve
- Capital Adjustments Account

Full details of the Council's earmarked reserves are shown on Page 54 in Note 29 to the Balance Sheet.

## Statement of Accounting Policies (Cont'd)

### 15. Interest

Any balance on the Council's bank account is invested and the interest earned is credited to the General Fund. The Income and Expenditure Account on Page 31 identifies the interest earned in 2008/2009.

### 16. Investments

Investments are repayable within one year and are only made with an approved counterparty listed in the Council's Treasury Management Policy.

Investments are shown in the Balance Sheet at the lower of market value or cost. Details of the amounts, which the Council had invested at 31 March 2009, are referred to on Page 51 in Note 24 to the Balance Sheet.

### 17. Pensions

The 2003 Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (the SORP), required the full recognition of FRS 17 Retirement Benefits from 1 April 2003.

This includes recognition of the net asset/liability, a pensions reserve in the balance sheet, entries in the Income and Expenditure Account for movement in the asset/liability related to defined benefit schemes and additional disclosure in the Statement of Total Recognised Gains and Losses.

The FRS 17 requirement has the following effects on the accounts:

- The overall amount to be met from government grants and local taxation remained unchanged;
- The costs disclosed for individual services were higher after the replacement of employer's contributions by FRS17 current and past service costs; and
- The requirement to recognise the net pensions liability has been reflected on the balance sheet.

Note 9 to the Income and Expenditure Account on Page 38 provide details of the Pensions Scheme. Note 31 to the Balance Sheet on Pages 56 gives further details of the Council's Pension Liabilities. Note 39 to the Statement of Total Recognised Gains and Losses on Page 66 gives further information on actuarial gains included within the Pensions Reserve.

### 18. Leases

Details of the Council's operating leases are given on Page 35 in Note 3 to the Income and Expenditure Account.

## Statement of Accounting Policies (Cont'd)

### 19. Financial Relationships with other Organisations

South Shropshire District Council has representation on a number of organisations that assist in providing services to the community and meeting the Council's priorities.

These include the following interests in UK entities:

- South Shropshire Leisure Limited. This company is registered as an Industrial and Provident Society. As at 31 March 2008, the Council owned 2 of the 16 allotted shares. The shares have equal voting rights, but the Council must represent less than 20% of the vote at all times. The society commenced trading on 1 April 2004 and manages leisure facilities in Ludlow, which are owned by the Council and leased to the society. From 1 April 2008, South Shropshire Leisure Centre took over the management of Cleobury Mortimer Leisure Centre. South Shropshire Leisure Limited receives a management fee from South Shropshire District Council and the fee of £401,324 is included as a cost in the income and expenditure account of the Council for 2008/2009. The Council's liability is limited to £2.
- ASPIRE Company Limited. This is a company limited by guarantee which ceased trading on 31 December 2004, and was wound up in 2007. South Shropshire District Council was a member of the company and its liability was limited to £1.

The land and buildings that were leased to ASPIRE are now leased to Walford and North Shropshire College, which continues to provide community access to training. The Walford and North Shropshire College have paid rent to the Council, which was returned to them in accordance with the agreement (£28,461). This arrangement is similar to that which previously applied to the Aspire Company.

- Shropshire Tourism (UK) Limited. This is a company limited by guarantee. The Council is a member of the company and its liability is limited to £1. The Lead Member for Economic and Environmental Policy represents the Council as an observer. The company was established in 2000 to promote tourism and provide information on Shropshire. The Council paid £8,000 membership contribution in 2008/2009.
- The Bishop's Castle and District Lifeline Company Limited. This is a company limited by guarantee. The Council is one of the 14 members of the company and its liability is limited to £1. It was set up in 1998 to promote business enterprise in the Bishop's Castle area of the county. South Shropshire District Council provided a one-off grant, which enabled the company to purchase a long lease of Enterprise House from the Council with no annual rent. Rental income of £10,836 for workshop units at Enterprise House is returned to Enterprise South West Shropshire. This is a contribution towards the running costs of Enterprise House as a Business and Community Resource Centre.
- Partnership agreements with Shropshire County Council and Advantage West Midlands. Set up to develop and market industrial land at Craven Arms, with proceeds of sale being split in the same proportion as the costs were incurred. Under the first agreement, dating from 1992, the Council was responsible for putting in the infrastructure to each of the plots and received 27.5% of net proceeds of sale. Under the second agreement, which was triggered in 2002/03, the Council received a further £180,000 in consideration of its rights over the remaining land, and agreed to pay £50,000 in 2003/04 towards the costs to be incurred by the County Council in providing the infrastructure. In recognition of this, the Council will receive 7.89% of future net sale proceeds. The remaining land is now shown on the Council's Balance Sheet at 7.89% of the 2004 valuation.
- A Partnership Agreement with Shropshire County Council and Advantage West

Midlands. Set up to develop the first phase of land at Bishop's Castle Business Park. Proceeds of sale are split between the partnership, with the Council receiving 38% and Shropshire County Council and Advantage West Midlands 31%. The remaining land is shown on the Council's Balance Sheet at 38% of the 2009 valuation.

- South Shropshire Local Homes Limited. This is a joint venture company with membership comprising the Council, South Shropshire Housing Association and Bennett Homes (Shrewsbury) Ltd. The Council owns 19% of the authorised and allotted ordinary share capital. However, dividends and rights on cessation are distributable equally between the three joint venture partners. Each partner has proportionate voting rights. The purpose of the company is to make affordable housing available to local people. It was set up in December 2004 to commence trading in 2005/06. The Council's liability is limited to £19.
- Craven Arms Community Centre. A charity set up by Trust Deed in 1995 to run a local community centre. The Council is the Custodian Trustee of the property held by the charity.
- A Development Agreement with Advantage West Midlands. Set up to develop the former livestock auction yard at Craven Arms. Net proceeds from the site will be distributed with the Council receiving 33% and Advantage West Midlands 67%.

The Auction Yard, Craven Arms has been accounted for in the Council's Balance Sheet as a "JANE" (Joint Arrangement that is not an Entity). A JANE is defined as 'a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own'.

As a result of accounting for the site as a JANE, the asset value of the Auction Yard has been reduced by the full value of Blocks B and C. The value of Block A remains in the Council's Balance Sheet at 100%. This is in accordance with the Development Agreement, that if the Council were instructed to sell Block B by Advantage West Midlands or sold Blocks B and C, Advantage West Midlands would receive 100% of the proceeds after costs.

- A Development Agreement with Advantage West Midlands with a separate agreement between The Council and Shropshire County Council. Set up to develop land at the Eco Business Park, Ludlow. Proceeds of sale of Phase I will be distributed with the Council receiving 46.6%, Advantage West Midlands receiving 41.4% and Shropshire County Council 12%. Proceeds of sale of Phase II will be distributed with the Council receiving 58.6% and Advantage West Midlands receiving 41.4%.
- Biocycle South Shropshire Limited. This is a company limited by guarantee. South Shropshire District Council is a member of the company and its liability is limited to £5. It has two elected Members as representatives on the Company Board, the same as the other member of the company, Greenfinch Limited. The company has been established to operate the Biowaste Digester at Coder Road, Ludlow, which is owned by the Council and developed through funding from Defra and Advantage West Midlands.

## Statement of Accounting Policies (Cont'd)

## **20. Group Accounts**

The 2004 Local Authority SORP (Code of Practice on Local Authority Accounting in the UK 2004: A Statement of Recommended Practice) introduced new requirements in respect of group accounts for Local Government. These requirements are based closely on the Financial Reporting Standards FRS 2: Accounting for Subsidiary Undertakings and FRS 9: Associates and Joint Ventures.

The intention is that authorities enhance their accounts through the consolidation (grouping) of the transactions and balances of subsidiaries and of interests in associates and joint ventures to provide a complete picture of the activities over which the Authority has control or significant influence.

Group Accounts have been prepared on the basis of implementing the SORP's modified Group Accounts requirements.

## **21. Consistency with Generally Accepted Accounting Principles (UK GAAP)**

The accounting policies adopted by Local Authorities are set out in the Code of Practice on Local Authority Accounting. They differ in some respects from UK GAAP since they are adapted to meet specific Local Authority Legislative requirements. To ensure the income and expenditure account is fully compliant with UK GAAP some adjustments have been made.

- Profits and losses on the disposal of assets must be charged to the income and expenditure account. This shows where the Council has either achieved a sale price above the net book value or disposed of assets below the net book value. The profit or loss is balanced within the Statement of the Movement on the General Fund Balance by an appropriation to or from the Capital Adjustments Account.

## **22. Foreign Currency Transactions**

On 30<sup>th</sup> July 2007 the Executive Committee agreed to open a Euro Bank account in order to facilitate the management of the 38,000 Euros awarded to South Shropshire District Council by the Leonardo da Vinci Programme.

Income & Expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. As the rates fluctuate during the course of a day, an average for that day is used, where the transaction is to be settled at a contracted exchange rate.

Lloyds TSB supplies all rates used.

At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate as supplied by Lloyds TSB.

Net (profit)/Loss on foreign currency comprises the change in value of the deposit due to exchange rate movements during the year.

## **23. Private Finance Initiatives Scheme**

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.

South Shropshire District Council is a member of the Joint Committee for the Shropshire Waste Partnership along with Shropshire County Council, Oswestry Borough Council and

Bridgnorth, North Shropshire District Councils. In September 2007. Shropshire County Council in its capacity as contracting authority for the Shropshire Waste Partnership entered into a 27 year integrated waste management contract with Veolia ES Shropshire Limited ("Veolia"). The contract is part funded by £40,800,000 of PFI credits.

The accounting treatment relating to the transactions of the Waste PFI are in accordance with proper practice as determined by the Accounting Standards Board. This means the adoption of Application Note F to Financial Reporting Standard 5: Reporting the substance of transactions (FRS 5), and also reference to Treasury Taskforce Technical Note Number 1 (revised): How to account for PFI transactions.

#### Treatment of existing assets - prepayments

Deferred consideration or a prepayment for services receivable under PFI contracts may arise when assets are transferred to control of the contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue accounts over the life of the contract to show the full value of the services received each year. The prepayment in the accounts represents the net present value of the deferred consideration. There is an annual unwinding of this discounted value, which is credited to the interest receivable in the Income & Expenditure account. The charges are, however, notional charges, which are reversed out in the Statement of Movement on the General Fund Balance to remove any impact on Council Tax.

A prepayment for services has arisen for the waste assets that the Council has made available to the waste PFI contractor.

#### PFI credits

PFI credits are received from the Government in the form of a specific grant on an annuity basis. All receipts are paid direct to the Shropshire Waste Partnership.

# Annual Governance Statement 2008/09

## Introduction

The Authority is required to produce an annual statement on corporate governance together with the annual accounts.

Corporate Governance relates to the methods by which organisations are managed and controlled.

The Annual Governance Statement focuses on the systems and processes for the direction and control of the Authority and its activities, through which it accounts to, engages with and leads the community.

Towards this end it deals with:

- Leadership,
- Delivery of services,
- Stewardship and
- Democracy and Citizenship.

There are six core principals upon which the statement comments:

1. The purpose of the Authority and outcomes for the community, and creating and implementing a vision for the area.
2. Members and Officers working together to achieve a common purpose, with clearly defined roles and responsibilities.
3. Promoting the values of the Authority including those of high standards of conduct and behaviour.
4. Taking informed and transparent decision, which is subject to effective scrutiny and the management of risk.
5. Developing the capacity of Members and Officers.
6. Encouraging local people and other stakeholders, to ensure robust accountability.

The Authority maintains an internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives.

It comprises a framework of policies, procedures, rules, delegation and accountability, management supervision and regular management information. Managers within the Authority undertake development and maintenance of individual control systems within this framework.

The framework addresses such items as:

- The ethics within which the Authority operates
- The Authority's objectives
- Policy and decision making
- Compliance with laws, regulations and policies and procedures
- Risk management
- Economic, efficient and effective use of resources
- Continuous improvement
- Financial management and reporting arrangements
- Performance management.

This system of internal control:

- Facilitates its effective and efficient operation by enabling it to respond appropriately to significant risks to achieving the organisations objectives
- Helps to ensure the quality of internal and external reporting, and thereby assisting

effective decision-making.

- Helps to ensure compliance with the relevant laws, regulations and internal policies with respect to the conduct of business.

South Shropshire District Council has the responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:

- The work of the Internal Audit Service,
- The Directors and Heads of Service within the Authority who have responsibility for the development and maintenance of the control environment,
- Comments made by External Audit in their annual report, and
- Reports made by various review agencies and inspectors.

## 1. Purpose of the Authority.

Due to the reorganisation of councils within Shropshire on 01/04/09 a Corporate Plan was produced to cover the period up to 31<sup>st</sup> March 2009.

Vision            **a better quality of life for everyone in South Shropshire, which produces inclusive, prosperous and healthy communities, now and for generations to come.**

Outcomes        The corporate plan states the Authority's vision and aims for the area. The plan has been produced for the period up to 31/03/2009 and was adopted by the Council on 06/03/2008

The key priorities are:

- To continue to provide high quality, good value, efficient and responsive services.
- To represent the needs of South Shropshire's people, communities, businesses and the voluntary and community sector in the transition to the unitary authority.
- To concentrate significant effort on the following:
  - Providing more and better homes for local people
  - Protecting the environment
  - Supporting economic prosperity
  - Strengthening community life.

The Corporate Financial Statement also adopted on 06/03/2008 outlines how the corporate plan is to be financed.

The statutory roles of the Authority, and the responsibility for them outlined in the Constitution of the Council part 3

## 2. Members and Officers working together.

The Constitution of the Council clearly defines the roles and responsibilities of both Members, Committees and Officers, and also includes the Scheme of Delegation and responsibilities for functions to officers.

## 3. Promoting the Values of the Authority.

The Authority has various documents, codes, protocols, procedures and policies in place, all of which go towards ensuring high standards of conduct from both Members and Officers and where applicable partners and contractors. Such items include:

The Constitution

- Procedures for the operation of the Council and committees

#### Committees

- Executive Committee
- Scrutiny Committee
- Standards Committee
- Resources Committee
- Services Committee
- Local Development Framework Committee
- Development and Control Committee
- Licensing and Appeals Committee

The Council also has representation on the Implementation Executive for the new Unitary Shropshire Council

#### Codes of conduct

- Members
- Protocols for member / officer relations
- The Authority does not have a specific code of conduct for officers and in the absence of a national code of practice for officers the Authority has continued, and will continue, with its existing documentation until 31/03/09 when it will cease to exist and the new Unitary Shropshire Council takes over.

#### Statutory Officers

The Authority has three statutory officers whose role is to ensure that the Authority maintains high standards of conduct.

- Head of Paid Service
- Chief Finance Officer
- The Monitoring Officer

#### Policies

- Anti fraud, theft and corruption
- Prosecution
- Data protection
- Equalities
- Procurement
- Risk Management
- Treasury management
- Health and safety
- Whistle-blowing
- Money laundering

#### Procedures

- Complaints
- Financial procedure rules
- Contract procedure rules

## **4. Taking informed decisions**

The Authority ensures that the Authority takes informed decisions in a transparent, open and accountable manner and which take into account risks, and are subject to effective scrutiny.

4.1 The Constitution outlines the roles of the various committees in the decision making process.

- The Council sets the overall policies and budget
- The Executive committee makes the day-to-day decisions in line with the overall policies and budget.
- Any decisions outside that overall framework have to be referred to the Council as a whole.
- The Scrutiny Committee can call in any decision made by the Executive committee that has not yet been implemented and consider whether the decision is appropriate, and may recommend that the Executive reconsider the decision.
- Officers provide impartial professional advice to members to assist them in coming to their decisions.

4.2 Openness is assured by the decision making process itself and other related actions, such as:

- Members of the public have the right to attend meetings of the Council and its committees and panels (with public speaking rights) except where personal or confidential matters are being discussed.
- Agendas and minutes are placed in the public domain, i.e. the Authority's website, for all to read.

4.3 Risks are considered by the Authority and controls put into place to reduce the likelihood of occurrence, or to put contingency plans into place should the risk occur.

The risks of taking, or not taking, a particular course of action, are considered as part of the discussions and debate prior to decisions being taken.

The Authority has a risk management policy and maintains a risk register that identifies the risks that the Authority runs in carrying out its operation.

The risks are split into strategic and operational risks.

- Strategic risks are those considered to jeopardise the objectives of the Council, and are considered during the year by the Executive Committee, the Scrutiny Committee and full Council.

4.3.1 Strategic risks for 2008/09 agreed by the Executive Committee on 28/04/2008 are summarised below.

<b>Description</b>	<b>Inherent risk</b>	<b>Residual risk after controls</b>
High	2	0
Medium	17	8
Low	3	14
<b>Total</b>	<b>22</b>	<b>22</b>

The new Unitary Shropshire Council will take over from this authority on 01/04/09 and will have it's own objectives and opinion on the strategic risks that may jeopardise those objectives.

This statement does not therefore consider risks after 01/04/09.

4.3.2 Operational risks are allocated to services or groups and are considered during the year,

with the responsible manager making a statement as to their view regarding the adequacy of controls over those risks.

Description	Inherent risk	Residual risk after controls
High	23	4
Medium	145	81
Low	150	233
<b>Total</b>	<b>318</b>	<b>318</b>

Managers of the services have all stated that they believe the risks identified have been adequately controlled or have stated which risks they do not believe have been adequately controlled.

Where managers believe risks were not adequately controlled these have been deemed to have had limited effect upon the Authority during 2008/2009.

No action is intended to strengthen controls over these areas in the remaining life of this Authority, but those risks are held within the risk register to be transferred to the new Shropshire Council for its managers to take their own view on further control improvements to be made.

As the Authority will cease to exist on 01/04/09, the entire risk register with all strategic and operational risks is to be transferred to the Shropshire Council for use in updating their own risk register.

#### 4.3.3 Several potential risks were identified at the start of the year that could have affected the Authority during 2008/09

- a. With the move to the Unitary Authority on 01/04/2009 the Authority has lost staff during the year, putting strain upon the remaining workforce and thereby potentially having an adverse affect upon performance and services, and on the control environment by the reduction of segregation of duties.
- b. Similarly the move to Unitary needed the involvement of staff and members in developing the new Authority and its services. This reduction of staff and members time to concentrate on South Shropshire District Council's current services could have had an adverse affect similar to point 1 above, and also had costs for additional cover and increased travelling.

Although the move towards Unitary certainly put a strain upon staff resources, this does not appear to have had a major adverse affect upon the performance of the Authority, due to re-prioritising work and the willingness of staff to carry the additional workload.

Alternative controls were put into place during the year where necessary to maintain the control environment where segregation of duties had decreased.

- c. Transfer of the Councils benefits system to a new computer package took place during 2008/09 in advance of the move to Unitary. The transfer of the data was monitored to ensure accuracy and completeness, and action was taken to limit the disruption to the service whilst the transfer took place, so as not to disadvantage those persons in receipt of, or applying for benefit.

However this entailed the system for Council Tax, NNDR and Benefits being offline for 6 weeks with potentially adverse affects upon performance such as collection rates, recovery and local authority error.

At present there are still problems with implementation of the software, and managers are working to correct these.

The affects have not as yet been quantified but are believed by the Revenue Services Manager to be within manageable proportions.

- d. The Authority introduced a new finance system, effective from 1<sup>st</sup> April 2008. The transfer of data from the previous system has been checked for completeness and accuracy, and where errors have been found these have been corrected.

Staff were trained in the use of the new system, but managers expect that processing of financial information has taken longer than previously whilst staff became familiar with the operation of the new system.

- e. The change in the law in May 2008 transferred responsibility for dealing with complaints against Members to the Standards Committee of relevant authorities under the Local Government and Public Involvement in Health Act 2007 amends the Local Government Act 2000, which now provides for the local assessment of new complaints that Members of relevant authorities may have breached the Code of Conduct. The Standards Committee (England) Regulations 2008 relate to the conduct of authority Members and the requirements for dealing with this.

The Council has received the second largest number of complaints in the country with 48 received between May 8<sup>th</sup> 2008 and March 2009. The additional workload has been managed by staff taking on additional work and managing competing priorities.

#### 4.3.4 Other risks occurring during the year.

The global credit “crunch” has had an effect upon the security and return upon the Council’s investments.

The financial services team have restricted the number of institutions that the authority can invest with, kept investments short term, and opened an account with the Debt Management Office, so that the Councils investments are as secure as they can be in the current climate, with recovery of those investments being of primary concern.

The financial services team have ensured that the council has not suffered a loss of capital, with those institutions that have had a reduction in their credit worthy status.

The financial service team have monitored, and will continue to monitor, the situation closely to protect the Councils investments in the final period until the transfer to unitary.

The reduction in interest rates has had a detrimental affect upon the return on investments, but this reduction in income is believed to be manageable.

#### 4.4 Internal audit

The Authority has incorporated the role of independent internal audit into the constitution, whereby internal audit acts as an independent review to aid management in its role in the maintenance and review of systems and controls.

Internal audit is provided by a mixture of in house and external contractor staff.

During 2008/09 the service has reviewed all key financial systems and made recommendations for improvement to management.

Although there were some weaknesses in controls within systems the overall opinion was that the control framework provides adequate assurance that the risks material to the achievement of the organisations objectives are adequately managed and controlled.

Where systems are already operated by the County Council in preparation for the move to the incoming Shropshire Council then assurance reports have been obtained from the

County Council Internal Audit Service.

The remainder of Internal Audit resource in 2008/09 has been spent on regularity reviews and information extraction in preparation for the transfer to the unitary Shropshire Council.

The Audit service itself did not fully comply with the code of practice on Internal Audit during the year, however the annual audit report to Executive on 23<sup>rd</sup> March 2009 fulfilled one of the missing requirements. There is no intention to put any further compliance with the code into place in the remaining life of this Authority.

This failure to fully comply with the CIPFA Code of Practice for Internal Audit in Local Government 2006 has been commented upon by External Audit in their Audit letter.

The incoming Shropshire Council will have its own internal audit service and pertinent audit files from predecessor authorities are to be transferred to the new Authority.

#### 4.5 External Audit

External audit provides an essential element of the process for accountability within the public sector, embedding three fundamental principles:

- Independently appointed
- Scope covers financial statements, value for money and the conduct of public business
- Reporting widely to the public and other stakeholders.

The Annual Audit and Inspection letter for 2007/08 includes the following comments:

- ... The Council has continued to improve services for local people.
- It has maintained service performance well above average in many areas...
- Recycling performance remains amongst the best...
- The Council and its partners are improving the quality of life for local communities....
- The Council has retained its score of 3 for value for money which indicates it is performing well.
- Financial standing and achieving good value for money continued to be areas of strength.
- The Council is improving efficiency and value for money (VFM) by working in partnership

However the letter also states that the Council's overall use of resources score has decreased from level three to two in 2008, however the Council still demonstrated adequate performance.

External Audit provided an unqualified opinion on the accounts for 2007/08.

External Audit also state that "Systems of Internal Control remained adequate overall".

#### 4.6 Performance management

The Council collects both statutory and local performance information.

For 2008/2009, it's out-turns against National Indicators have been reported through unitary work groups as baseline data for the new Shropshire Council.

The Council has developed a suite of local performance indicators that measure value for money and reflect its corporate priorities.

Out-turns against these have been reported monthly to the Executive Committee, which may take action where necessary to ensure that the resources are applied where they

have the most beneficial impact.

Progress against the Council's 2008-09 Corporate Plan is also reported monthly to the Executive Committee. Each action falls under one of the Council's four corporate priorities. As above, the Committee may take any action appropriate to ensure that the action plan is fulfilled, and it may also re-prioritise in the case of changing circumstances.

## **5. Developing capacity of Members and Officers.**

The Authority carries out training for Members, in matters such as procedures, ethics, code of conduct, and induction training for new members as well a more detailed training in more complex areas such as:

- Development control.
- Risk management

The Authority also carries out an annual review of all staff to determine development and training needs specific to each member of staff, as well as providing training to all staff in matters that impact across the whole authority.

Such training carried out has included:

- Health and safety
- First aid
- Occupational safety
- Prince 2
- Discarded needles
- Ombudsman complaint handling
- Fire wardens
- Diversity
- I.T. software packages

## **6. Engagement with local people and other stakeholders.**

6.1 The Authority encourages the public to participate in the operation of the Authority in that:

The Constitution includes citizen's rights

- Voting
- Contacting Councillors
- Attend meetings
- Participate in the Council's question time and let's talk meetings
- See reports, background papers, agendas and minutes
- Make complaints
  - To the council via the complaints procedure
  - To the Ombudsman
  - To the Standards Board
- To inspect the accounts and make their views known to the External Auditor

The Authority's key priorities were arrived at after consultation with the public.

6.2 The Authority also engages with other stakeholders by means of partnership working with other organisations such as

- Voluntary and Community Sector
- Local businesses
- Other authorities

- Other governmental bodies

Such partnerships include, amongst others:

- Shropshire Waste Partnership
- Parkright
- Bridgnorth and South Shropshire Revenues Partnership
- The 5 Market Town Initiative Partnerships
- (Pilot) Local Joint Committees
- Shropshire Sports Partnership
- South Shropshire Crime and Disorder Reduction Partnership

The Authority ensures good governance within these partnerships by:

- Having representation upon the board of the partnerships
- Providing advice regarding processes and procedures to the partnerships
- Receiving reports upon activity and performance from the partnerships

## 7. Overall opinion.

The Authority has a robust Corporate Governance Framework that does ensure that the principles of good corporate governance are applied, and does take the views of the public and other stakeholders into account. Where weaknesses or dissatisfaction are identified the Authority takes these seriously and considers the actions required to improve matters where possible.

## 8. Statement

We have been advised on the Corporate Governance Framework and are satisfied that the arrangements in place adequately ensured a system of good corporate governance was in place, and that sufficient procedures were in place to prevent deterioration of that position during the final year (2008/2009) of South Shropshire District Council and the transfer to the new unitary Shropshire Council.

Leading Member ..... Cecilia Motley ..... Date ..... 26<sup>th</sup> March 2009

Chief Executive ..... [Signature] ..... Date ..... 26<sup>th</sup> March 2009.

## Income and Expenditure Account For the Year Ended 31 March 2009

A summary of the Council's Income and Expenditure Account for the year ended 31 March 2009 compared with the actual results for the previous year is set out below, together with references to further detailed notes contained in pages 35-44.

Net 2007/08 £000's	Services	Expenditure 2008/09 £000's	Income 2008/09 £000's	Net 2008/09 £000's	Notes
751	Central Services to the Public	3,761	2,953	808	
5,566	Cultural, Environmental & Planning	11,635	4,882	6,753	
141	Highways, Roads & Transport	898	721	177	
867	Housing	9,330	8,531	799	
30	Social Services	29	-	29	
1,000	Corporate & Democratic Core	1,117	23	1,094	
213	Non Distributed Costs	1,182	-	1,182	
<b>8,568</b>	<b>Net Cost of Services</b>	<b>27,952</b>	<b>17,110</b>	<b>10,842</b>	
(3)	Profit on the disposal of fixed assets			(61)	8
-	Loss on the disposal of fixed assets			64	8
339	Impairment and write-down of fixed assets			2,774	
(1,250)	Government grants deferred amortisation matching depreciation and impairments			(59)	
681	Precepts paid to Parish & Town Councils			754	
14	Contribution of housing capital receipts to Government Pool			11	4
(407)	Interest earned on Cash Balances			(287)	
(3)	(Profit)/Loss on Foreign Currency			-	17
51	Pensions interest cost & expected return on pension assets			373	9
<b>7,990</b>	<b>Net Operating Expenditure</b>			<b>14,411</b>	
	<b>Where we got the money from</b>				
(3,904)	Council Tax Income for 2008/09			(4,082)	
(94)	Council Tax Income from previous years			(79)	
(27)	Community Charge Income from previous years			-	
	<b>Government Grants</b>				
(507)	Revenue Support Grant			(443)	
(3,001)	Business Rates			(3,179)	
-	Area Based Grant			(49)	
-	Local Authority Business Growth Initiative Grant			(53)	
<b>457</b>	<b>Net General Fund (Surplus)/Deficit in the Year</b>			<b>6,526</b>	

This Statement shows the gross expenditure, income and net expenditure analysed by Service and how it was met by contributions from the Collection Fund, Non-Domestic Rate Pool, Government Grants and balances.

## The Statement of Movement on the General Fund Balance For the year ended 31 March 2009

2007/08 £000's	Services	2008/09 £000's	Notes
<b>457</b>	<b>Net General Fund (Surplus)/Deficit in the Year</b>	<b>6,526</b>	
(939)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	(4,994)	18
<b>(482)</b>	(Increase)/Decrease in General Fund Balance for the Year.	1,532	
(742)	General Fund Balance Brought Forward at 1 <sup>st</sup> April	(1,224)	
<b>(1,224)</b>	<b>General Fund Balance Carried Forward at 31 March</b>	<b>308</b>	

## Balance Sheet at 31 March 2009

This statement shows the financial position of the Council as a whole and summarises its assets and liabilities.

31 March 2008 £000's	Balance Sheet	Notes	31 March 2009 £000's	
	<b>Fixed Assets</b>			
	<b>Operational Assets</b>			
79	Intangible Fixed Assets	20	59	
9,959	Land and Buildings		10,221	
268	Vehicles, Plant and Equipment		337	
1,461	Infrastructure Assets		1,400	
5,919	<b>Non-Operational Assets</b>	20	4,503	
852	<b>Long Term Debtors</b>	25	891	
				<b>17,411</b>
<b>18,538</b>	<b>Total Long Term Assets</b>			
	<b>Current Assets</b>			
2,055	Money owed by Debtors	25	2,064	
4,600	Short Term Investments		-	
284	Cash in Hand		1,683	
	<b>Current Liabilities</b>			
(2,166)	Money owed to Creditors	27	(1,545)	
<b>23,311</b>	<b>Total Assets less Current Liabilities</b>			<b>19,613</b>
	<b>Long Term Liabilities</b>			
(29)	Provisions	28	(127)	
(6,780)	Liability related to Pension Scheme (FRS17)	31	(7,180)	
(699)	Unused Capital Grants and Contributions	35	(262)	
<b>15,803</b>	<b>Total Assets less Liabilities</b>			<b>12,044</b>
	<b>FUNDED BY</b>			
6,780	Pensions Reserve (FRS17)	31	7,180	
(1,761)	Earmarked Reserves	29	(1,223)	
	<b>Balances</b>			
(1,224)	• General Fund		308	
(456)	• Collection Fund		(522)	
(810)	Unused money from Selling Assets	35	(545)	
(185)	Deferred Capital Receipts	38	(152)	
-	Fixed Asset Revaluation Reserve	36	(2,545)	
(4,351)	Capital Contributions Deferred	38	(4,203)	
(13,796)	Capital Adjustments Account	37	(10,342)	
<b>(15,803)</b>	<b>TOTAL EQUITY</b>			<b>(12,044)</b>

## Statement of Total Recognised Gains and Losses

### For the Year Ended 31 March 2009

This Section shows how the Council's net worth has increased or decreased during the year.

2007/08 £000's	(Surplus)/Deficit for the Year	Notes	2008/09 £000's
457	(Surplus)/Deficit in Income and Expenditure Account		6,526
2,369	Actuarial (gain)/loss on the Pension Fund	39	(54)
116	(Increase)/decrease in the Collection Fund		(66)
-	(Increase)/decrease in the value of Fixed Assets due to revaluations	36	(2,647)
<b>2,942</b>	<b>Total Recognised (Gains) and Losses</b>		<b>3,759</b>

## Cashflow Statement

### For the Year ending 31 March 2009

This section shows the Council's receipts and payments in the year 2008/2009.

2007/08 £000's	Cashflow Statement	Notes	2008/09 £000's
	<b>Revenue Activities</b>		
	<b>Cash Outflows</b>		
4,615	• Cash paid to Employees		5,631
6,917	• Other Operating Expenses		7,861
6,905	• Housing Benefits paid out		7,525
5,795	• NNDR payment to National Pool		6,282
14	• Pooled Capital Receipts		8
681	• Precepts Paid – Parishes		754
16,673	Shropshire County Council		17,439
2,694	West Mercia Police Authority		2,832
1,289	Shropshire & Wrekin Fire Authority		1,342
<b>45,583</b>			<b>49,674</b>
	<b>Cash Inflows</b>		
(22,083)	• Council Tax Income		(22,819)
(5,869)	• NNDR rate income		(6,299)
(3,001)	• NNDR receipt from National Pool		(3,179)
(504)	• Revenue Support Grant		(443)
(9,673)	• Department for Work & Pensions Grants for benefits	45	(10,638)
(202)	• Other Government Grants	46	(468)
(4,200)	• Other Operating Income		(3,924)
<b>51</b>	<b>Net Cashflow from Revenue Activities</b>	<b>41</b>	<b>1,904</b>
	<b>Returns on Investments &amp; Servicing of Finance</b>		
	<b>Cash Inflows</b>		
(376)	• Interest received		(310)
<b>(376)</b>	<b>Net Cashflow from Investments &amp; Servicing of Finance</b>		<b>(310)</b>
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
537	• Purchase of Fixed Assets		629
1,070	• Other Capital Cash Payments		4,391
	<b>Cash Inflows</b>		
(430)	• Sale of Fixed Assets		(768)
(937)	• Capital Grants received	47	(432)
(687)	• Other Capital cash income		(2,212)
<b>(447)</b>	<b>Net cashflow from capital activities</b>		<b>1,608</b>
	<b>Management of liquid resources</b>		
	<b>Cash Outflow</b>		
27,900	• Acquisition of investments		37,200
	<b>Cash Inflow</b>		
(27,350)	• Disposal of investments		(41,800)
<b>550</b>	<b>Net cashflow from management of liquid resources</b>	<b>43</b>	<b>(4,600)</b>
<b>(222)</b>	<b>Net (increase) or decrease in cash &amp; cash assets</b>	<b>43</b>	<b>(1,398)</b>

## Notes to the Income and Expenditure Account

### 1. Prior Period Adjustments

The net expenditure in the 2007/08 Income and Expenditure Account has increased by £27,388, because it was recognised that Community Charge Income was written off during that year, but had not been taken to the General Fund in the Published accounts.

### 2. The Publicity Account

Under Section 5 of the Local Government Act, 1986 (Part 11), we must keep a separate account of our spending on publicity. The following account draws together the net expenditure on general publicity during the year.

2007/08 £000's	Publicity Account	2008/09 £000's
10	Advertising Job Vacancies	-
19	Other Advertising	23
9	Other Publicity	8
49	Public Consultation	47
<b>87</b>	<b>Total</b>	<b>78</b>

### 3. Amounts paid for Leased Assets

Operating Leases	£000's
Total lease payments for 2008/09	
• Lombard North Central PLC – 4 Groundworks Maintenance Vehicles	18

In 2006/07 the Council entered into a three-year lease agreement with Lombard North Central PLC to lease three Transit Vans and 1 Tipper for groundworks maintenance. The cost of the lease was £18,485.05 per year. The final payment was made in 2008/09.

In accordance with SSAP 21 rentals payable under operating leases should be charged to revenue.

### 4. Housing Pooled Capital Receipts

Regulations made under the Local Government Act 2003 have changed the treatment of capital receipts from the sale of assets. For the first time in 2005/06, we had to pay a proportion of housing capital receipts into a Government pool for redistribution (see note 7 on Capital Receipts page 15). The amount due for 2008/09 was £10,901.

## Notes to the Income and Expenditure Account

## 5. Trading Operations

Trading accounts are maintained where services are provided on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates. Detailed definitions of exactly what constitutes a Trading Operation are given in the *Best Value Accounting Code of Practice*. Details of those operations that are significant are given below.

Trading Operations		£000's	£000's
<b>Trading Services or undertakings with the public or with other third parties</b>			
Ludlow Business Park comprising 10 industrial units at Coder Road and 9 industrial units at Lingen Road.	• Turnover	46	
	• Expenditure	21	
	• Surplus/(Deficit)		25
Central Marches Business Development Centre comprising 7 industrial units and 6 offices, located at Craven Arms	• Turnover	38	
	• Expenditure	31	
	• Surplus/(Deficit)		7
Bishop's Castle, Challenge Court comprising 9 workshops and 4 offices.	• Turnover	37	
	• Expenditure	56	
	• Surplus/(Deficit)		(19)
Enterprise House, Bishop's Castle comprising 7 units	• Turnover	28	
	• Expenditure	15	
	• Surplus/(Deficit)		13
Burford Workshops comprising 8 workshops	• Turnover	36	
	• Expenditure	41	
	• Surplus/(Deficit)		(5)
Auction Yard, Craven Arms	• Turnover	207	
	• Expenditure	161	
	• Surplus/(Deficit)		46
Auction Yard at Bishop's Castle	• Turnover	20	
	• Expenditure	1	
	• Surplus/(Deficit)		19
<b>Support Services provided in a limited Internal Market</b>			
Printing Services	• Turnover	77	
	• Expenditure	77	
	• Surplus/(Deficit)		-
<b>Net Surplus/(Deficit) from trading operations</b>			<b>86</b>

The expenditure figures, stated above, include support service recharges and depreciation (capital charge). If these amounts were excluded, there would be a surplus of approximately £191,884.

## Notes to the Income and Expenditure Account (Cont'd)

### 6. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of running the Building Control unit, divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Chargeable	Non-Chargeable	Total Building Control
	2008/09	2008/09	2008/09
	£000's	£000's	£000's
<b>Expenditure</b>			
Employee Expenses	198	59	257
Transport	20	6	26
Supplies & Services	19	1	20
Central Support Services Recharges	49	10	59
<b>Total Expenditure</b>	<b>286</b>	<b>76</b>	<b>362</b>
<b>Income</b>			
Building Regulation Charges	214	24	238
<b>Total Income</b>	<b>214</b>	<b>24</b>	<b>238</b>
<b>Surplus/(Deficit) 2008/2009</b>	<b>(72)</b>	<b>(52)</b>	<b>(124)</b>
<b>Surplus/(Deficit) 2007/2008</b>	<b>30</b>	<b>(71)</b>	<b>(41)</b>
<b>Surplus/(Deficit) 2006/2007</b>	<b>2</b>	<b>(63)</b>	<b>(61)</b>
<b>Surplus/(Deficit) 3 Year Period</b>	<b>(40)</b>	<b>(186)</b>	<b>(226)</b>

The above sums are included in the Income and Expenditure Account (page 31).

### 7. Supplying Goods and Services to other Local Authorities and Organisations

Under the Local Authority (Goods and Services) Act 1970 we are allowed to provide goods and services to other local authorities and other public organisations, details as follows:

Goods and Services Provided	2008/2009		
	Income £000's	Spending £000's	Net £000's
• Printing Services	1	(1)	-
• DVLA Link	1	(2)	(1)
• South Shropshire Leisure Ltd – Support Services	31	(31)	-
<b>Total</b>	<b>33</b>	<b>(34)</b>	<b>(1)</b>

## Notes to the Income and Expenditure Account (Cont'd)

### 8. Profits and Losses on the Disposal of Fixed Assets

The Council disposed of two assets below valuation during the year and one asset at valuation. In addition, the Council recorded a profit on the abortive sale of Phase II, Ludlow Eco Park, as it was able to retain 100% of the deposit received.

	Valuation £'000	Sale Proceeds £'000	(Loss)/Profit £'000
Central Marches Business Development Centre	234	175	(59)
Land, Cleobury Mortimer	589	589	-
Ludlow Eco Park, Plot 4	48	43	(5)
Ludlow Eco Park, Phase II (abortive)	-	61	61
	<b>871</b>	<b>868</b>	<b>(3)</b>

### 9. Local Government Superannuation Scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits and pays an employer's contribution of 14.6% of employee's pensionable pay into the fund. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

The Council participates in the Shropshire County Council Superannuation Scheme. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Costs of Services when employees earn them, 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income and Expenditure Account	2007/08 £000's As restated	2008/09 £000's
<b>Net Cost of Services:</b>		
• Current service cost	552	619
• Past service/Curtailment/Settlement cost	183	250
<b>Net Operating Expenditure:</b>		
• Interest cost	1,285	1,542
• Expected return on assets in the scheme	(1,233)	(1,169)
<b>Net Charge to the Income and Expenditure Account</b>	<b>787</b>	<b>1,242</b>
<b>Statement of Movement on the General Fund Balance</b>		
• Reversal of net charges made for retirement benefits in accordance with FRS 17	(787)	(1,242)
<b>Actual amount charged against the General fund Balance for pensions in the year:</b>		
• Employers' contributions payable to scheme	466	808

## Notes to the Income and Expenditure Account (Cont'd)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £0.054 million (£2.369 million 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Note 31 to the Balance Sheet (page 56) contains details of the assumptions made in estimating the figures included in this note. Note 39 to the Statement of Total Recognised Gains and Losses (page 66) details the difference between expected and actual figures used in the above table (for example: expected return on investments).

### 10. Minimum Revenue Provision for Repaying Loans

Local Authorities are required (under Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003) to set aside amounts from revenue to repay loans. This amount is the Minimum Revenue Provision.

Capital Expenditure is financed by resources such as Capital Receipts and Capital Grants. If an element cannot be financed immediately, this will impact on the Council's underlying need to borrow, called the Capital Financing Requirement.

Under the Prudential Code, if the Council has a Capital Financing Requirement (CFR), this results in the Council paying a Minimum Revenue Provision. The Minimum Revenue Provision is a statutory requirement to charge a minimum of 4% of the Capital Financing Requirement to the General Fund.

The Council's Capital Financing Requirement was zero, therefore there was no requirement to provide for a Minimum Revenue Provision for the repayment of external loans. In addition, the Council has owed no money throughout 2008/09, which has been the case since March 1994.

### 11. Section 137 Expenditure

Under the Local Government Act 2000, we are obliged to publish grants made to charities in the UK. The following grants were made to charities in 2008/09.

Charity Name	Amount (£)
South Shropshire Furniture Scheme	20,000
South Shropshire Voluntary Action	5,200
Craven Arms Community Centre	42,728

### 12. Disclosure of Audit Costs

The table below shows the fees incurred by the Council in 2007/08 and 2008/09 relating to external audit and inspection.

	2007/08 £000's	2008/09 £000's
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	79	102
• Fees payable to the Audit Commission in respect of statutory inspection	6	6
• Fees payable to the Audit Commission for the certification of grant claims and returns	12	41
<b>Total</b>	<b>97</b>	<b>149</b>

## Notes to the Income and Expenditure Account (Cont'd)

### 13. Members' Allowances

The table below shows how much money was paid to Members for carrying out their duties.

<b>Members' Allowances</b>	<b>2007/08</b> <b>£000's</b>	<b>2008/09</b> <b>£000's</b>
Basic Allowances	117	119
Special Responsibility Allowances	79	107
Travelling and Subsistence	19	22
Co-optees Allowances	8	30
Chairman's Allowance	3	4
Vice-Chairman's Allowance	-	-
Carers Allowance	1	-
<b>Total Allowances</b>	<b>227</b>	<b>282</b>

### 14. Employee Pay

Under regulations, we must show the number of staff who are paid more than £50,000 a year grouped in bands of £10,000. This is shown in the table below. Pay includes:

- Salary, Returning Officer Fees, and taxable expenses

<b>No. of Employees</b> <b>2007/08</b>	<b>Salaried Remuneration Band</b>	<b>No. of Employees</b> <b>2008/09</b>
2	£50,000 - £59,999	1
1	£70,000 - £79,999	-
-	£80,000 - £89,999	1
1	£100,000 - £109,999	-
-	£110,000 - £119,999	1

Redundancy payments totalling £614,547 were paid to employees in 2008/09. The number of officers whose redundancy payment exceeded £50,000 is shown in the table below, analysed into bands of £10,000.

<b>No. of Employees</b> <b>2007/08</b>	<b>Redundancy Payment Band</b>	<b>No. of Employees</b> <b>2008/09</b>
-	£50,000 - £59,999	1
-	£60,000 - £69,999	1
-	£120,000 - £129,999	1
-	£170,000-£179,999	1

## Notes to the Income and Expenditure Account (Cont'd)

### 15. Related Party Transactions

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 has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with government departments are set out in the notes to the Cashflow Statement (page 68).

## Notes to the Income and Expenditure Account (Cont'd)

Regeneration Budgets - The Council received the following contributions towards the various revenue and capital regeneration schemes undertaken during 2008/09:

	£
Shropshire County Council	260,924
Advantage West Midlands (AWM)	1,141,590
Objective 2 (Government Office of West Midlands)	679,615
DEFRA	326,204
WRAP	43,334
Lottery	84,267
<b>Total</b>	<b>2,535,934</b>

South Shropshire Local Homes Limited - Loans of £55,000 were made to South Shropshire Local Homes in 2005/06. The loan will be repaid in full in the 2009/10 financial year. £22,024.04 of the loan has been classified as a capital loan in the accounts and the remaining £32,975.96 as a revenue loan.

Management Contracts - South Shropshire Housing Association was paid £49,494 to manage the Council's Homelessness Investigations and waiting list during 2008/09. The Council has delegated this function to the South Shropshire Housing Association although it is still statutory responsible for housing provision in the District.

Loans to Officers - Loans to purchase cars to the value of £6,000 were issued to officers during 2008/09. Loans repaid during the year totalled £13,201.

Officers and Members – The following Members, their interests with other organisations together with the monetary value of benefit received from the Council are listed below. The Members were not in a position to control these dealings.

Name	Interest:	Benefit (£)
Councillor S McCormack	Councillor McCormack and Mr McCormack are Trustees/Members of the Board of South Shropshire Furniture Scheme.  Mr McCormack is a Board Member of Shropshire Citizen's Advice.	£20,000 Grant £5,000 SLA  £50,895 Grant
Councillor M Morris	Trustee of Strettons Mayfair Trust	£40,314 Various Grants
Councillor G Butler	In receipt of a Cleobury Shop Front Grant. A further £3,860 has been approved under the same scheme, but not yet paid.	£2,536.62
Councillor N Stephens	Member of CAVE (Craven Arms Volunteers in the Environment)  Board member of the Secret Hills Discovery Board.	-  -

Councillor G Butler received planning consent on a property in Cleobury Mortimer.

Councillor J Williams received planning consent on a property in the Ludlow area.

Councillor P Creasy received planning consent on a property in Ludlow.

Veronica Calderbank, Head of Administration and Legal received planning consent and listed building consent on a property in Ludlow.

The wife of the Chief Executive, Mr G C Biggs, provided paid secretarial services to the value of £4,060.98.

## Notes to the Income and Expenditure Account (Cont'd)

The Chief Executive, Mr G C Biggs, as a representative of the Council, is the Company Secretary for South Shropshire Local Homes Limited and Biocycle South Shropshire Limited.

The following Members and Chief Officers purchased computer equipment from South Shropshire District Council during the 2008/09 Financial Year.

	Value of Transaction including VAT (£)
Councillor J Lloyd	219.01
Councillor M Morris	216.67
Councillor P Relph	93.14
Councillor T Huffer	27.59
Councillor L Chapman	30.00
Councillor S Demos	196.67
Councillor P Morgan	196.67
Mr J Bryan – Head of Property Services	109.29
Councillor M Merrick	72.00
Mr M Geary – Revenue Services Manager	75.96
Councillor N Stephens	132.19

No other Member or Chief Officer, nor any member of their close family, nor any partnership, company or trust in which they or members of their close family have a controlling interest, have been involved in any other material financial or non financial transaction with the Council pertaining to the transfer of assets or liabilities or the performance of services by, to or for related parties.

## Notes to Income and Expenditure Account (Cont'd)

### 16. Contributions to and from Reserves

The following table shows what money has been paid into Reserves and what money has been taken out of Reserves during 2008/09.

2007/08 £000's	Contributions to and from Reserves	2008/09 £000's
	<b>Contributions to Reserves</b>	
2	Asset Management	2
30	Building Control	-
6	Capital Schemes	5
-	Carry Forward	921
29	Computer Software	-
80	Corporate Priorities	-
20	Craven Arms Auction Yard	20
14	Elections	-
3	Leisure Centre Equipment	-
-	S106 Commuted Sums	52
<b>184</b>	<b>Total Contributions to Reserves</b>	<b>1,000</b>
	<b>Contributions from Reserves</b>	
-	Asset Revaluation	(9)
(2)	Best Value	(8)
(1)	Building Control	(35)
-	Capital Schemes	(742)
(76)	Carry Forward	(100)
(14)	Computer Software	(28)
(37)	Corporate Priorities	(424)
(61)	Elections	-
-	Housing and Council Tax Benefit	(100)
-	Insurance	(6)
-	Leisure Centre Equipment	(55)
(4)	Local Development Framework	(9)
(14)	Revenue Match Funding	(1)
(8)	S106 Commuted Sum	(21)
<b>(217)</b>	<b>Total Contributions from Reserves</b>	<b>(1,538)</b>
<b>(33)</b>	<b>Net Contributions (from)/to Reserves</b>	<b>(538)</b>

### 17. Foreign Currency Transactions

	Euro €'000	Sterling £'000
Opening Balance	19	15
Income	1	1
Expenditure	(20)	(16)
Closing Balance	-	-
<b>Unrealised Surplus on 2007/08 Closing Balance</b>	<b>-</b>	<b>(2)</b>
<b>Profit on foreign currency exchange</b>		<b>2</b>

The closing balance was supplied by Lloyds TSB Bank plc.

# Note to the Statement of the Movement of the General Fund Balance

## 18. Statement of the movement of the General Fund Balance

2007/08 £000's	Services	2008/09 £000's
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>	
(56)	Amortisation of intangible fixed assets	(36)
(679)	Depreciation, impairment and write-down of fixed assets	(2,981)
(1,011)	Write downs of deferred charges to be financed from capital resources	(1,712)
(11)	Interest charge on prepayment to Shropshire Waste Partnership	(11)
1,250	Government grants deferred amortised matching depreciation and impairments	59
4	Net profit/(loss) on sale of fixed assets	(3)
(320)	Net charges made for retirement benefits in accordance with FRS 17	(454)
<b>(823)</b>		<b>(5,138)</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>	
(68)	Capital expenditure charged in-year to the General Fund Balance	693
(14)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(11)
<b>(82)</b>		<b>682</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.</b>	
(34)	Net transfer to/(from) earmarked reserves	(538)
<b>(34)</b>		<b>(538)</b>
<b>(939)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(4,994)</b>

This note discloses the adjustment required to reconcile the net operating income and expenditure with the movement on the General Fund balance.

The items of 'income' and 'expenditure' that are required to be credited or charged to the General fund and which, therefore, must be taken into account in determining the Council's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP. While the amounts that the SORP requires to be included in the Income and Expenditure account and statute and non-statutory practices requires to be included in the General Fund are largely the same, there are a number of differences. While the surplus or deficit on the Income and Expenditure account is the best measure of the Council's financial result for the year in accordance with GAAP, the movement on the General Fund balance is also an important aspect of the Council's stewardship.

# Notes to the Balance Sheet

## Notes to the Balance Sheet (Cont'd)

### 20. Assets

a) Movements in fixed assets during the year were as follows:

	Operational Assets			Non-Operational Assets		
	Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Assets under Construction	Investment Properties & Surplus Assets	Total Fixed Assets
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Valuation at 1st April 2008</b>	<b>11,556</b>	<b>526</b>	<b>1,603</b>	<b>305</b>	<b>5,899</b>	<b>19,889</b>
Less accumulated depreciation	(1,597)	(258)	(142)	-	(285)	(2,282)
<b>Net Book Value at 1st April 2008</b>	<b>9,958</b>	<b>268</b>	<b>1,461</b>	<b>305</b>	<b>5,615</b>	<b>17,607</b>
<b>Movement in 2008/09:</b>						
Additions (spending on new assets)	109	201	-	-	74	384
Disposals (value of assets disposed of)	-	-	-	-	(871)	(871)
Adjust for Depreciation for assets revalued	1,397	-	-	-	75	1,472
Revaluations (change to valuations)	(633)	(51)	-	-	(679)	(1,363)
Depreciation for year	(610)	(81)	(61)	-	(16)	(768)
<b>Net Book Value of Assets at 31 March 2009</b>	<b>10,221</b>	<b>337</b>	<b>1,400</b>	<b>305</b>	<b>4,198</b>	<b>16,461</b>

## Notes to the Balance Sheet (Cont'd)

b) Accumulated Depreciation for each category of asset was as follows:-

	Operational Assets			Non Operational Assets £000's	Total Fixed Assets £000's
	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets		
	£000's	£000's	£000's		
Depreciation to 31 March 2008	1,597	258	142	285	2,282
Depreciation on assets revalued	(1,397)	-	-	(75)	(1,472)
Depreciation for 2008/09	610	81	61	16	768
<b>Accumulated Depreciation at 31 March 2009</b>	<b>810</b>	<b>339</b>	<b>203</b>	<b>226</b>	<b>1,578</b>

### c) Depreciation Policy

The adoption of Financial Reporting Standard 15 means that the Council is required to depreciate its assets. The policy adopted is as follows:-

- Land and non-operational investment property are not depreciated.
- Properties, infrastructure, mobile plant, equipment and software, which is treated as capital is reduced in value steadily throughout its life, using the straight-line method.

## Notes to the Balance Sheet (Cont'd)

### d) Major fixed asset information

The land and buildings held by the Council this year included:

31st March 2008 Location/Area/No.	Assets	31st March 2009	
		£000's	Location/Area/No.
	<b>Operational Land &amp; Buildings</b>		
1	Public Offices	1,234	1
2	Depot	637	2
11	Public Conveniences	920	11
1	Swimming Baths, Bromfield Road	3,647	1
13	Car Parks	1,547	13
Bishops Castle, Craven Arms	Leisure Facilities	240	Bishops Castle, Craven Arms
1	Waste to Asset Bio-Digester	1,968	1
Various items of Equipment & Software	<b>Vehicles, Plant &amp; Equipment</b>	337	Various items of equipment & software
Craven Arms, Ludlow, Burford, Clun & Bishop's Castle	<b>Infrastructure</b>		Craven Arms, Ludlow, Burford, Clun & Bishop's Castle
1	Road/Land	200	1
	Eco-Business Park	1,499	
Various Areas of Land	<b>Community Assets</b>		Various Areas of Land
	Leisure Facilities	-	
	<b>Non Operational Land &amp; Buildings</b>		
7	Commercial Investment Property	1,776	7
8	Industrial Investment Property	1,483	8
0.56 ha	Housing - General Fund	48	0.56ha
20.47 ha	Community Activities Land	51	20.47ha
6.00 ha	Economic Development Land	233	6.00ha
Craven Arms	Community Assets	10	Craven Arms
	Public Conveniences – under construction	10	1
	Planning Policy	300	1
	Car Park – under construction	295	1

### e) Valuation Information

The asset values which have been used in the accounts are based on valuations at 1 April 2008 and impairment review at 31 March 2009 and were provided by an Shropshire County Council's Estates Services Section.

The following statement gives details of when the Council's asset valuations took place. The certified values are shown before being adjusted for depreciation.

## Notes to the Balance Sheet (cont'd)

	Operational Assets			Non Operational Assets £000's	Total Fixed Assets £000's
	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets		
	£000's	£000's	£000's		
Valued at Historical Cost	2,204	676	1,603	248	4,731
Valued at current value In 2008/09	9,046	-	-	4,469	13,515
<b>Total</b>	<b>11,250</b>	<b>676</b>	<b>1,603</b>	<b>4,717</b>	<b>18,246</b>

### f) Useful Lives of the Council's Assets

The adoption of Financial Reporting Standard 15 (FRS15) requires the Council to disclose details of the useful lives of its assets or the depreciation rates used. All of the Council's depreciable assets are reduced in value on a straight-line basis over the assets life. Because of the nature of some of the Council's assets, however, each asset's life has been assessed individually rather than applying a standard life to a particular category of assets. It is thought that the latter approach would not have presented a true and fair view of the Authority's asset base. The range of asset lives used for depreciating each category of assets is shown on the following table.

Category of Assets	Useful Life
<b>Operational Buildings</b>	
Public Offices	50 years
Depots	5 to 30 years
Public Conveniences - Other	5 to 55 years
Swimming Baths, Bromfield Road, Ludlow	13 years
Car Parks	3 to 20 years
Bishop's Castle Leisure Centre	24 years
<b>Vehicles, Plant and Equipment</b>	
Play Area Equipment	15 years
All other Vehicles, Plant and Equipment	5 years
<b>Infrastructure Assets</b>	
Ludlow, Walkmill (Footpath)	15 years
All other Infrastructure Assets	25 years
<b>Non Operational Assets</b>	
Industrial Premises	25 to 40 years
Commercial Premises	15 to 50 years

## Notes to the Balance Sheet (cont'd)

### g) Movement in Intangible Assets

	<b>Purchased Software Licenses £000's</b>
Original Cost	796
Accumulated Amounts Written Off/Depreciated	717
<b>Balance at 1 April 2008</b>	<b>79</b>
Expenditure in year	16
Amounts Written Off in year	-
Amounts Depreciated in year	(36)
<b>Balance as at 31 March 2009</b>	<b>59</b>

Software licences are held for Register of Electors, Revenue Services Open System, GIS System, Asset Management Register and Contaminated Land Register. The cost has been written off over the five-year life of the licences.

Expenditure has been incurred on a Planning System. The expenditure is being written off over three financial years.

### 21. Deferred Charges

All expenditure on deferred charges in 2008/2009 was paid for from capital and has been written out of the accounts in full. The movement on the deferred charges account was as follows.

<b>Deferred Charges</b>	<b>Balance at 1st April 2008</b>	<b>Expenditure</b>	<b>Grants and Contributions</b>	<b>Amounts Written Off to Revenue</b>	<b>Balance at 31st March 2009</b>
	<b>£000's</b>	<b>£000's</b>		<b>£000's</b>	<b>£000's</b>
Ludlow MTI	-	874	(874)	-	-
Church Stretton Leisure Centre	-	760	-	(760)	-
Private Sector Housing Grants	-	647	(277)	(370)	-
Craven Arms Community Centre	-	526	(526)	-	-
Cleobury MTI	-	441	(404)	(37)	-
Regeneration	-	296	(146)	(150)	-
Affordable Housing	-	204	(137)	(67)	-
Village Halls	-	189	-	(189)	-
Disabled Facilities Grants	-	178	(178)	-	-
Tourism	-	123	(59)	(64)	-
Leisure	-	121	(52)	(69)	-
Other	-	49	(43)	(6)	-
	<b>-</b>	<b>4,408</b>	<b>(2,696)</b>	<b>(1,712)</b>	<b>-</b>

## Notes to the Balance Sheet (Cont'd)

### 22. Summary of Capital Expenditure and Sources of Finance

2007/08 £000's	Capital Expenditure & Financing	2008/09 £000's
	<b>Capital Investment</b>	
223	Operational Assets	315
10	Assets under construction	-
53	Non-operational Assets	68
1,011	Deferred Charges	4,408
53	Intangible Assets	16
<b>1,350</b>	<b>Total Capital Investment</b>	<b>4,807</b>
	<b>Sources of Finance</b>	
509	Contributions from Other Organisations	2,208
265	Capital Receipts	1,118
564	Capital Grants from Government	550
80	S106 Monies	238
(68)	Revenue Financing	693
<b>1,350</b>	<b>Total Sources of Finance</b>	<b>4,807</b>

### 23. The Capital Programme

During 2008/09, the Council spent £4.807 million on its Capital Programme. This was funded by grants and contributions from Central Government and other organisations and from asset sales. More details of this expenditure are given on page 6.

### 24. Investments

When the Council invests money for longer periods of time, it uses external brokers. Officers in the Financial Services Section manage the temporary or short-term investments. The Council's Treasury Management Policy limits the amount invested with any one borrower to £2 million or £1million depending on the rating of the Counterparty. As at the 31 March 2009 there were no investments held.

The Council's Treasury Management Policy conforms to the Code of Practice issued by the Chartered Institute of Public Finance and Accountancy.

## Notes to the Balance Sheet (cont'd)

### 25. Debtors

An analysis of the Debtors figures in the balance sheet is shown below.

<b>31 March 2008</b> £000's	<b>Debtors</b>	<b>31 March 2009</b> £000's
	<b>Long Term Debtors</b>	
42	Other Sundry Debtors	6
37	Car Loans to Employees	30
169	Mortgages	133
456	Payment in advance to Shropshire Waste Partnership	445
-	Car Park, Cleobury Mortimer	120
10	Loan to South Shropshire Local Homes Ltd	10
138	Housing Benefits	147
<b>852</b>	<b>Total Long Term Debtors</b>	<b>891</b>
	<b>Amount Falling Due Within One Year</b>	
821	Government Departments	501
385	Other Local Authorities	145
452	Local Taxpayers	936
397	Sundry Debtors	482
<b>2,055</b>	<b>Total Short Term Debtors (Due within one year)</b>	<b>2,064</b>

### 26. Stocks & Work in Progress

The Council held no items of stock or work in progress as at 31 March 2009.

## Notes to the Balance Sheet (Cont'd)

### 27. Creditors

An analysis of creditors in the balance sheet is shown below.

<b>31 March 2008</b> <b>£000's</b>	<b>Creditors</b>	<b>31 March 2009</b> <b>£000's</b>
216	Government Departments	375
255	Other Local Authorities	299
432	Local Taxpayers	290
1,263	Sundry Creditors	581
<b>2,166</b>	<b>Total Creditors</b>	<b>1,545</b>

### 28. Provisions

Financial Reporting Standard 12 (FRS12) states that a provision should only be recognised when an organisation has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision should be recognised.

<b>Provision</b>	<b>Balance</b> <b>1 April 2008</b>  <b>£000's</b>	<b>Contributions</b> <b>(to) and from</b> <b>Revenue</b> <b>Accounts</b>  <b>£000's</b>	<b>Application in</b> <b>the Year</b>  <b>£000's</b>	<b>Balance</b> <b>31 March 2009</b>  <b>£000's</b>
<b>Provision for Bad Debts</b>				
General Fund	67	19	(31)	55
Non-Domestic Ratepayers	39	50	(7)	82
Council Taxpayers	94	35	(1)	128
<b>Provision for Bad Debts (a)</b>	<b>200</b>	<b>104</b>	<b>(39)</b>	<b>265</b>
<b>Other Provisions</b>				
Tenancy Deposits (b)	29	-	(7)	22
ERDF Claw Back (c)	-	105	-	105
<b>Total Other Provisions</b>	<b>29</b>	<b>105</b>	<b>(7)</b>	<b>127</b>
<b>Total All Provisions</b>	<b>229</b>	<b>209</b>	<b>(46)</b>	<b>392</b>

- (a) The provision for Bad Debts provides for amounts that were due from individuals and organisations for services received or liabilities incurred which are now probably not going to be recovered. The amount of the provision is both measurable and justifiable. Where possible, the amount included relates to specific outstanding invoices and for the Collection Fund an element of the amount provided is in relation to recommended levels stated in the Accounting Code of Practice. The provision for Bad Debts has been deducted from the Debtors figures in the balance sheet.
- (b) Tenants of the Council's industrial units are required to pay a deposit before they take occupancy. This deposit is repayable when they vacate the premises.
- (c) European Grant of £116,000 was received for the Teme Business Support Project in 2003/04. Following the ERDF Article 10 Inspection and the European Commission Audit, of the project, a provision for grant clawback was provided due to the assessment by the Government Office of the West Midlands that two thirds of the businesses were ineligible.

## Notes to the Balance Sheet (Cont'd)

### 29. Earmarked Reserves

<b>Earmarked Reserves</b>	<b>Balance 1/4/08</b>	<b>Contributions from G.F. Revenue and other A/cs</b>	<b>Contributions to General Fund</b>	<b>Balance 31/3/09</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
(a) Asset Management	7	2	-	9
(b) Asset Revaluation	9	-	(9)	-
(c) Best Value	8	-	(8)	-
(d) Building Control	35	-	(35)	-
(e) Capital Schemes	737	5	(742)	-
(f) Carry Forwards	104	921	(100)	925
(g) Computer Software	28	-	(28)	-
(h) Corporate Priorities	460	-	(424)	36
(i) Craven Arms Auction Yard	50	20	-	70
(j) Housing & Council Tax Benefit	100	-	(100)	-
(k) Insurance	6	-	(6)	-
(l) Leisure Centre Equipment	55	-	(55)	-
(m) Local Development Framework	66	-	(9)	57
(n) Match Funding	1	-	(1)	-
(o) S106 Commuted Sums	95	52	(21)	126
<b>Total</b>	<b>1,761</b>	<b>1,000</b>	<b>(1,538)</b>	<b>1,223</b>

- a. The Asset Management Reserve has been established to cover the expected future costs associated with maintaining the Council's assets.
- b. The Council is required to revalue its assets every 5 years, or more frequently if necessary. This reserve had been established to cover the cost of the next revaluation, however, it was not required due to Shropshire County Council carrying out the revaluation. The balance on the reserve, therefore, was released back to the General Fund.
- c. The Best Value Reserve was required to meet the costs of the new Place Survey that was conducted in 2008. The reserve was not required due to the costs being met by Shropshire County Council. The balance on the reserve has been released back to the General Fund.
- d. The Building Control Reserve has been established to carry forward the surplus generated by the charge related activity. The balance on the reserve was transferred to the General Fund to offset the deficit on the Building Control Chargeable Account.
- e. The Capital Scheme Reserve receives contributions from the General Fund. The balance on this reserve was used to fund spending on the Council's capital programme.
- e. The Carry Forwards Reserve was established to allow Managers to carry forward unspent amounts from their budgets to meet the cost of specific items/services, which are known to be required during the following financial year. A change to the Financial Procedure Rules required any unspent provisions at the year-end be returned to fund the agreed service priorities. The amounts carried forward are required to support local economic development and social well-being projects. A sum of £564,733 has been carried forward

## Notes to the Balance Sheet (Cont'd)

- for the redundancy and strain costs relating to those Officers retiring or leaving post 31 March 2009. In addition a carried forward was required to fund an inquiry regarding the Biomass Plant at Bishop's Castle.
- g. The Computer Software Reserve has been established to meet the costs of software changes and updates to systems. The balance on the reserve was not required in 2008/09 and was, therefore, released back to the General Fund.
  - h. The Corporate Priorities Reserve has been established to help support future spend on the Council's service priorities. The balance on the reserve is required to fund agreed voluntary sector grants and a MUGA at Enterprise House, Bishop's Castle.
  - i. The Craven Arms Auction Yard Sinking Fund has been established to cover the expected future costs associated with maintaining the new development at the former Craven Arms Auction Yard site.
  - j. The Housing and Council Tax Benefit Contingency Reserve has been established to manage claimant variations in and between any financial year, if there is an impact on the revenue budget overall. The balance on this reserve has been released back to the General Fund.
  - k. The Insurance Reserve Account was established from savings made in insurance costs during the 1998/99 financial year. The reserve will be used to implement Risk Management Initiatives, which should reduce insurance costs in the future. The balance on this reserve was not required in 2008/09 and has been released back to the General Fund.
  - l. Plant and equipment, even with on-going maintenance, requires updating and replacing. Substantial investment has been made in the equipment at the South Shropshire Leisure Centre and at Bishop's Castle Leisure Centre, but this has a limited life. Consequently, the Leisure Centre reserve has been established to fund replacement equipment.
  - m. The Local Development Framework Reserve is structured to contribute towards the cost of the review of the Local Development Framework.
  - n. The Match Funding Reserve has been established from excess income earned on industrial units. The reserve will be used to contribute to the Council's funding to support the Market Town Initiatives. The balance on this reserve was not required in 2008/09 and was consequently released back to the General Fund.
  - o. When planning permission to develop an area of land for housing is approved, it is subject to a S106 Agreement, which specifies that a play area must be built within that housing development. The developer is required to pay a sum of money to the Council for it to maintain the play area in future years and the S106 Reserve has been established for this reason.

### 30. Related Businesses & Companies

South Shropshire Leisure Limited. This company is registered as an Industrial and Provident Society. As at 31 March 2007, the Council owned 2 of the 16 allotted shares. The shares have equal voting rights, but the Council must represent less than 20% of the vote at all times. The society commenced trading on 1 April 2004 and manages leisure facilities in Ludlow which are owned by the Council and leased to the society. South Shropshire Leisure Limited receives a management fee from South Shropshire District Council and the fee is included as a cost in the Income and Expenditure Account of the Council for 2008/09. Further information is available from South Shropshire Leisure Limited, Bromfield Road, Ludlow, Shropshire SY8 1DR.

## Notes to the Balance Sheet (Cont'd)

South Shropshire Local Homes Limited. This is a joint venture company with membership comprising the Council, South Shropshire Housing Association and Bennett Homes. The Council owns 19% of the authorised and allotted ordinary share capital. However, dividends and rights on cessation are distributable equally between the three joint venture partners, and each partner has proportionate voting rights. The purpose of the company is to make affordable housing available to local people. It was set up in December 2004 to commence trading in 2005/06. Further information is available from South Shropshire District Council, Corve Street, Ludlow, Shropshire. SY8 1DG.

Biocycle South Shropshire Limited. This is a company limited by guarantee. South Shropshire District Council is a member of the company and its liability is limited to £5. It has two elected Members as representatives on the Company Board, the same as the other member of the company, Greenfinch Limited. The company has been established to operate the Biowaste Digester at Coder Road, Ludlow, owned by the Council, and developed through funding from DEFRA and Advantage West Midlands. Further information is available from South Shropshire District Council, Corve Street, Ludlow, Shropshire. SY8 1DG.

These companies have been consolidated in the Group Accounts (pages 73-87)

The Council is also a member, with Advantage West Midlands and Shropshire County Council, of a consortium formed to develop and market land at Craven Arms and Bishop's Castle.

### 31. Net Pensions Asset/Liability

Note 9 to the Income and Expenditure Account contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Shropshire County Council) in providing its employees with retirement benefits.

#### Assets and Liabilities in Relation to Retirement Benefits.

<b>Reconciliation of Present Value of the Scheme Liabilities</b>	<b>2007/08</b> <b>£000's</b> <b>As Restated</b>	<b>2008/09</b> <b>£000's</b>
1 <sup>st</sup> April	23,908	25,560
Current Service Cost	552	619
Interest Cost	1,285	1,542
Contributions by Scheme Participants	196	230
Actuarial (Gains) and Losses	394	(5,339)
Benefits Paid	(958)	(1,418)
Past Service Cost/Curtailments	183	250
<b>31<sup>st</sup> March</b>	<b>25,560</b>	<b>21,444</b>

## Notes to the Balance Sheet (Cont'd)

<b>Reconciliation of Fair Value of the Scheme Assets</b>	<b>2007/08 £000's As Restated</b>	<b>2008/09 £000's</b>
1 <sup>st</sup> April	19,797	18,760
Expected Return on Plan Assets	1,233	1,169
Actuarial Gains/(Losses) on Assets	(1,974)	(5,285)
Employer Contributions	466	808
Contributions by Scheme Participants	196	230
Benefits/Transfers Paid	(958)	(1,418)
<b>31<sup>st</sup> March</b>	<b>18,760</b>	<b>14,264</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £(4.116m) (2007/08: £0.741m)

### Scheme History.

	<b>2004/05*</b>	<b>2005/06*</b>	<b>2006/07*</b>	<b>2007/08 Restated</b>	<b>2008/09</b>
Present Value of Liabilities	(21,100)	(23,942)	(23,908)	(25,560)	(21,444)
Fair Value of Assets	15,297	18,928	19,817	18,760	14,264
<b>Surplus/(Deficit) in the Scheme</b>	<b>(5,803)</b>	<b>(5,014)</b>	<b>(4,091)</b>	<b>(6,800)</b>	<b>(7,180)</b>

The Council has elected not to restate fair value of scheme assets for 2004/05 – 2006/07 as permitted by FRS 17.

The liabilities show the underlying commitments that the authority has in the long-term to pay retirement benefits. The net liability of £7.180 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. The inclusion of the liability does not mean that the obligation has been passed to the Council, it is an accounting entry required under FRS17 to reflect the economic position between the Council and the pension fund. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

## Notes to the Balance Sheet (Cont'd)

### Basis for Estimating Assets and Liabilities.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Mercer Human Resources Consulting Limited, an independent firm of actuaries, estimates for the scheme being based on the latest full valuation of the scheme as at 1 April 2004.

The principal assumptions used by the actuary have been:

	2007/08	2008/09
<b>Long-term Expected Rate of Return on Assets in the Scheme:</b>		
Equity Investments	7.5%	7.5%
Government Bonds	4.6%	4.0%
Other Bonds	6.1%	6.0%
Property	6.5%	6.5%
Cash/Liquidity	5.25%	0.5%
Other	7.5%	7.5%
<b>Mortality Assumptions:</b>		
Longevity at 65 for Current Pensioners		
Men	21.1	21.2
Women	24.0	24.0
Longevity at 65 for Future Pensioners		
Men	22.2	22.2
Women	25.0	25.0
Rate of Inflation	3.6%	3.3%
Rate of Increase in Salaries	5.35%	5.05%
Rate of Increase in Pensions	3.6%	3.3%
Rate for Discounting Scheme Liabilities	6.1%	7.1%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum	50% take maximum cash, 50% take 3/80ths cash	50% take maximum cash, 50% take 3/80ths cash

## Notes to the Balance Sheet (Cont'd)

The schemes assets consist of the following categories, by proportion of the assets held:

	<b>31 March 2008</b>	<b>31 March 2009</b>
	%	%
Equity Investments	65.2%	60.7%
Government Bonds	13.6%	14.6%
Other Bonds	12.0%	11.6%
Property	4.8%	5.9%
Cash/Liquidity	1.9%	2.4%
Other	2.5%	4.8%
	100.0%	100.0%

### **32. Private Finance Initiatives**

The District Council is involved in one Private Finance Initiative scheme through its involvement with the Shropshire Waste Partnership Joint Committee.

On 29 September 2007, Shropshire County Council, in its capacity as Contracting Authority for the Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40,800,000 of PFI credits which are paid as an annual PFI grant.

#### **Fixed assets: treatment of existing assets**

The District Council has made existing plant assets, such as wheelie bins and kerbside bins, available to the contractor on a peppercorn lease.

#### **Debtors: amounts falling due after more than one year Deferred Consideration**

A prepayment for services receivable under the PFI contract has been established to reflect the value of the assets made available to Veolia. The prepayment relates to Deferred Consideration for the value of the assets transferred to Veolia. The Deferred Consideration Balance will be written down (charged) to waste costs within the Income and Expenditure Account over the life of the contract to show the full value of the service received each year. The charge is, however, a notional charge which is reversed out in the Statement of Movement on General Fund Balance to remove any impact on Council Tax. The value of the Deferred Consideration arising on the transfer of assets and its amortisation is shown in the table below.

<b>Year ended 31 March 2008 (£000)</b>	<b>Debtors: amounts falling due after one year Deferred consideration</b>	<b>Year ended 31 March 2009 (£000)</b>
467	Balance brought forward	456
(11)	Less: amortisation of balance	(11)
456	Balance carried forward	445

### **Notes to the Balance Sheet (Cont'd)**

### **33. Shropshire Waste Partnership (SWP)**

#### **Background to the Shropshire Waste Partnership**

Shropshire Waste Partnership is a Joint Committee formed by Shropshire County Council, Oswestry Borough Council and Bridgnorth, North Shropshire and South Shropshire District Councils. Shropshire County Council acts as Contracting Authority for the Joint Committee.

The Constitution of the Joint Committee was approved at the inaugural meeting of the Shropshire Waste Partnership on 3 August 2004.

On 29 September 2007, Shropshire County Council, in its capacity as Contracting Authority for the Shropshire Waste Partnership, entered into a 27 year integrated waste management contract with Veolia ES Shropshire Limited ("Veolia"). The contract is part funded by £40,800,000 of PFI credits. Services under the contract commenced on 1 October 2007. The contract is funded from the waste budgets of SWP member authorities which have been pooled since 1 October 2007.

Shropshire County Council, as Contracting Authority, employs the SWP staff responsible for managing the Veolia contract and funds the day to day activities.

#### **Accounting Treatment**

FRS 9 defines a Joint Arrangement that is not an Entity as a contractual arrangement under which participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. FRS 9 also states that a contractual arrangement where all significant matters of operating policy are predetermined does not create an entity because the policies are those of its participants and not of a separate entity.

FRS 9 requires participants in a joint arrangement that is not an entity to account for their own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement.

#### **Notes to the Balance Sheet (Cont'd)**

South Shropshire District Council's core financial statements include the District Council's share of costs incurred in respect of the Shropshire Waste Partnership. This note provides detail of the full costs of the Shropshire Waste Partnership.

#### **Extracts from the accounts of the Shropshire Waste Partnership**

Shropshire Waste Partnership's 2008/09 accounting statements pull together the costs and income recorded in the individual partner accounts to give an overview of the overall cost and financing of the SWP Waste PFI contract.

#### **Notes to the Balance Sheet (Cont'd)**

**Shropshire Waste Partnership  
Income and Expenditure Account  
for the Years Ended 31 March 2009 and 2008**

2007/08 Net expenditure		2008/09 Gross expenditure	2008/09 Income	2008/09 Net expenditure
£		£	£	£
	<b>Expenditure on continuing service</b>			
(155,968)	Fees and charges for services	-	283,992	(283,992)
(31,964)	Other grants and reimbursements	-	25,471	(25,471)
(1,459,009)	PFI credits	-	3,185,610	(3,185,610)
(33,802)	Balance of 2007/08 Waste Performance and Efficiency Grant	-	0	(0)
(0)	WRAP Funding (Love Food Hate Waste)	84,871	84,871	(0)
(791,249)	Allocations of historic pooled grants	-	0	(0)
976,332	Contract procurement and mobilisation costs	-	0	0
664,340	Client and non-contract costs	1,472,148		1,472,148
7,533,755	Contract payment costs	17,811,998		17,811,998
149,249	Amortisation of deferred consideration net of unwinding of discount	434,080	256,611	177,469
198,420	Service support and FRS 17 pension recharges	483,409		483,409
7,050,104	Net cost of service before partner contributions	20,286,506	3,836,555	16,449,951
	<u>Contributions from partners:</u>			
(7,897,786)	Cash funding		17,015,129	(17,015,129)
	Non-cash contributions:			
(377,834)	Amortisation of Deferred Consideration		434,080	(434,080)
228,585	Unwinding of discount on Deferred Consideration		(256,611)	256,611
(149,249)			177,469	(177,469)
<b>(996,931)</b>	<b>Net cost of service</b>	<b>20,286,506</b>	<b>21,029,153</b>	<b>(742,647)</b>
<b>(996,931)</b>	<b>Net operating expenditure</b>			<b>(742,647)</b>
<b>(996,931)</b>	<b>Surplus for the year</b>			<b>(742,647)</b>

**Notes to the Balance Sheet (Cont'd)**

## Statement of Total Gains and Losses

No Statement of Total Gains and Losses is included in the Statement of Accounts as the surplus on the Income & Expenditure Account equals the Total Realised Gains for the year as there is no surplus or loss arising from the revaluation of fixed assets and no actuarial gains or losses on Pension Fund assets and liabilities.

### Shropshire Waste Partnership Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Partnership's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, partner Councils are required to raise Council Tax on a different accounting basis, one of the main differences being that capital investment is accounted for as it is financed, rather than when the assets are consumed.

The General Fund Balance compares the Council's spending against Council tax that is raised for the year, taking into account the use of reserves build up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income & Expenditure Fund and the General Fund balance.

2007/08 £		2008/09 £
(996,931)	Surplus for the year on the Income & Expenditure Account	(742,647)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement of the General Fund Balance for the year	
646,931	Transfer to earmarked reserves	477,917
350,000	Transfer to PFI Smoothing Reserve	350,000
-	Increase/Decrease in general fund balance for the year	-
-	General Fund balance brought forward	-
-	General Fund balance carried forward	-

## Notes to the Balance Sheet (Cont'd)

### Shropshire Waste Partnership Balance Sheet

as at 31 March 2009 and 2008

31 March 2008 £		31 March 2009 £
<b>Current Assets</b>		
852,992	Debtors due within one year	150,000
996,931	Temporary Investments	1,739,578
1,849,923		1,889,578
<b>Current Liabilities</b>		
852,992	Creditors falling due within one year	150,000
<b>996,931</b>	<b>Net Assets</b>	<b>1,739,578</b>
<b>Financed by</b>		
646,931	Earmarked reserve	827,917
350,000	PFI Smoothing Reserve	911,661
996,931		<b>1,739,578</b>

**Shropshire Waste Partnership  
Cash Flow Statement  
for the Year Ended 31 March 2009**

This statement provides a link between the Balance Sheet at the beginning of the year, the Income & Expenditure Account for the year and the Balance Sheet as at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities, and therefore reflects the changes in the financial structure of the Partnership during the year.

	2008/09 £	£
<b>Revenue activities</b>		
<b>Outflows</b>		
Employee related client costs	629,538	
Non-employee related client costs	927,481	
FRS 17 and support costs charged to SWP	483,409	
Contract payments	<u>17,811,998</u>	
		19,852,426
<b>Inflows</b>		
Budget contributions from SWP partners	17,015,129	
Fees and charges	309,463	
PFI grant	3,185,610	
Other Grants (Love Food Hate Waste)	<u>84,871</u>	
		20,595,073
<b>Net inflow on revenue activities</b>		742,647
<b>Servicing of finance</b>		-
<b>Capital activities</b>		-
<b>Net cash inflow before financing</b>		742,647
<b>Management of liquid resources</b>		(742,647)
<b>Financing</b>		-
<b>Outflows</b>		-
<b>Increase in cash</b>		-

## Notes to the Statement of Total Recognised Gains and Losses

### 34. Movements in Revenue Resources

	General Fund Balance	Earmarked Reserves	Collection Fund	Pensions Reserve
	£000's	£000's	£000's	£000's
Surplus/(deficit) for 2008/09	(1,532)	-	66	(434)
Appropriations to/from Revenue	-	(538)	-	-
Actuarial gains and losses relating to pensions	-	-	-	54
<b>Total increase/(decrease) in revenue resources in 2008/09</b>	<b>(1,532)</b>	<b>(538)</b>	<b>66</b>	<b>(380)</b>
Balance as at 1 April 2008	1,224	1,761	456	(6,780)
<b>Balance as at 31 March 2009</b>	<b>(308)</b>	<b>1,223</b>	<b>522</b>	<b>(7,180)</b>

General Fund Reserve: See Income and Expenditure Account on Page 31 and the Statement of Movement on the General Fund Balance on Page 31.  
 Earmarked Reserves: See Note 29 on Page 54.  
 Collection Fund: See Note 6 on Page 72.  
 Pensions Reserve: See Note 39 on Page 66.

### 35. Movement in Realised Capital Resources

	Usable Capital Receipts	Unapplied grants and contributions
	£000's	£000's
Amounts receivable in 2008/09	853	2,206
Amounts applied to finance capital investment	(1,118)	(2,644)
<b>Total increase/(decrease) in realised capital resources in 2008/09</b>	<b>(265)</b>	<b>(438)</b>
Balance as at 1 April 2008	810	699
<b>Balance as at 31 March 2009</b>	<b>545</b>	<b>261</b>

The Usable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years. Unapplied grants and contributions relate to amounts which have been received but which have not yet been spent on capital expenditure.

## Notes to the Statement of Total Recognised Gains and Losses (Cont'd)

### 36. Fixed Asset Revaluation Reserve – Movements in unrealised value of fixed assets

	Fixed Asset Revaluation Reserve £000's	£000's
Gains on revaluation of fixed assets in 2008/09	2,647	
Amount relating to assets sold		(102)
Total movement on reserve in 2008/09		2,545
Balance as at 1 April 2008		-
<b>Balance as at 31 March 2009</b>		<b>2,545</b>

The balance on the Fixed Asset Revaluation Reserve represents the net increase in the value of assets since 31<sup>st</sup> March 2008.

### 37. Capital Adjustments Account

	£000's
Capital Receipts Applied in 2008/09	1,118
Financing of Capital Programme	(893)
Depreciation	(246)
Impairment Losses	(2,774)
Disposals	(659)
Total movement on Reserve in 2008/09	(3,454)
Balance as at 1 April 2008	13,796
<b>Balance as at 31 March 2009</b>	<b>10,342</b>

The Capital Adjustments Account is made up of the previous Fixed Asset Restatement Account and the previous Capital Financing Account. Any spending on capital, which is paid for from capital receipts, capital grants and revenue is contained in this account.

## Notes to the Statement of Total Recognised Gains and Losses (Cont'd)

### 38. Movement in Deferred Receipts and Contributions

	Capital Contributions Deferred  £000's	Deferred Capital Receipts  £000's
Net increase/(decrease)	(148)	(33)
Balance as at 1 April 2008	4,351	185
<b>Balance as at 31 March 2009</b>	<b>4,203</b>	<b>152</b>

The balance on Capital Contributions Deferred account represents contributions received and applied towards paying for fixed assets.

The balance on Deferred Capital Receipts is for amounts that we are due to receive from assets we have sold which will be received in instalments over an agreed period of time. The corresponding asset entry on the balance sheet is included under long-term debtors.

### 39. Movement in Pensions Reserve

	Pensions Reserve  £000's	%
Current Service Cost	(619)	(2.89)
Employer Contributions	808	3.77
Past Service/Curtailment/Settlement (loss)	(250)	(1.17)
Net Interest/Return on Assets	(373)	(1.74)
Actuarial Gain	54	0.25
	(380)	(1.78)
Balance as at 1 April 2008	(6,800)	(26.60)
<b>Balance as at 31 March 2009</b>	<b>(7,180)</b>	<b>(33.48)</b>

This table shows movement in the surplus/(deficit) of the Pensions Reserve during 2008/09 and as a percentage of the scheme liabilities. The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17. The movements show the actuarial gains and losses and the adjustment required to ensure the sum charged to revenue matches the contributions payable in the year in accordance with pension regulations.

## Notes to the Statement of Total Recognised Gains and Losses (Cont'd)

### 40. Statement of Actuarial Gains and (Losses)

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009.

	2004/05		2005/06		2006/07		2007/08		2008/09	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	360	2.4	37	13.4	(123)	(0.6)	(1,699)	(9.0)	(5,285)	37.1%
Experience gains and (losses) on liabilities	-	-	-	-	-	-	859	3.4%	-	-

## Notes to Cashflow Statement

### 41. Reconciliation of Revenue Surplus to Net Cashflow from Revenue Activities

Reconciliation of Revenue Cash Flow	31 March 2009 £000's
<b>(Surplus)/Deficit for the year</b>	1,465
<b>Add items not resulting in cash flows</b>	
Contributions (to)/from reserves	538
Contributions (to)/from provisions	(98)
	1,905
<b>Add/deduct movements in working capital</b>	
Increase/(decrease) in revenue debtors	17
(Increase)/decrease in revenue creditors	293
(Increase)/decrease in stocks	-
	310
<b>Add Revenue costs of financing</b>	
Interest earned on cash balances	(310)
<b>Net cash outflow from Revenue Activities</b>	<b>1,905</b>

### 42. Reconciliation of Net Cashflow to Movement in Net Debt

	£000's
Increase in cash for the period	1,398
Cash inflow from decrease in liquid resources	(4,600)
Movement in net debt in the period	(3,202)
Net funds at 1 April 2008	4,885
<b>Net funds at 31 March 2009</b>	<b>1,683</b>

### 43. Analysis of Net Debt

	1 April 2008 £000's	Cashflow £000's	31 March 2009 £000's
Net Cash			
Cash (overdrawn)/in hand	285	1,398	1,683
Liquid Reserves			
Current Asset Investments	4,600	(4,600)	-
	<b>4,885</b>	<b>(3,202)</b>	<b>1,683</b>

## Notes to Cashflow Statement (Cont'd)

### 44. Income and Expenditure Account Surpluses/(Deficits)

<b>2007/08</b>	<b>Income and Expenditure Account Surpluses/(Deficits)</b>	<b>2008/09</b>
<b>£000's</b>		<b>£000's</b>
482	General Fund	(1,531)
(116)	Collection Fund	66
<b>366</b>	<b>Net Surplus/(Deficit)</b>	<b>(1,465)</b>

### 45. Department for Work and Pensions Grants for Benefits

<b>2007/08</b>	<b>Other Government Grants</b>	<b>2008/09</b>
<b>£000's</b>		<b>£000's</b>
6,779	Housing Benefits Subsidy	7,581
2,588	Council Tax Benefit Subsidy	2,753
306	Administration Grant	298
-	Other	6
<b>9,673</b>	<b>Total DWP Grants</b>	<b>10,638</b>

### 46. Other Revenue Government Grants

<b>2007/08</b>	<b>Other Government Grants</b>	<b>2008/09</b>
<b>£000's</b>		<b>£000's</b>
3	Defective Dwellings	1
-	Area Based Grant	49
178	Planning Delivery Grant	113
13	Homelessness Initiative	48
-	Local Area Business Growth Initiative (LABGI)	53
-	Waste Resources Action Programme (WRAP)	43
-	Land Contamination Grant	35
-	Concessionary Travel Grant	126
8	Travellers	-
<b>202</b>	<b>Total Revenue Government Grants</b>	<b>468</b>

### 47. Capital Government Grants

<b>2007/08</b>	<b>Other Government Grants</b>	<b>2008/09</b>
<b>£000's</b>		<b>£000's</b>
321	Regional Housing	200
161	Disabled Facility Grant	177
49	WRAP	-
59	Planning Delivery Grant	55
277	DEFRA – Waste Minimisation	-
70	Flood Grants	-
<b>937</b>	<b>Capital Government Grants</b>	<b>432</b>

## The Collection Fund Revenue Account

### For the Year Ended 31 March 2009

This section reflects the requirement for Councils who send out the Council Tax Bills (billing authorities) to keep a Collection Fund, which shows the transactions of the billing authority in relation to Business Rates and Council Tax. The Collection Fund is a statutory fund separate from the General Fund of the Council. Administrative costs of the Fund are, however, borne by the Council's General Fund. The Fund also shows how this money is distributed to the preceptors (Shropshire County Council, West Mercia Police Authority, Shropshire and Wrekin Fire Authority and Parish and Town Councils) and the General Fund.

2007/08 £000's	The Collection Fund Income and Expenditure Account	2008/09 £000's	2008/09 £000's
	<b>Income</b>		
545	<ul style="list-style-type: none"> <li>Fund Balance at 1 April</li> </ul>		456
27,661 (3,079)	<ul style="list-style-type: none"> <li>Income from Council Tax</li> <li>Opening Debit</li> <li>Less Discounts &amp; Exemptions</li> </ul>	29,073 (3,199)	
24,582			25,874
5,973 -	<ul style="list-style-type: none"> <li>Income from Business Rate Payers</li> <li>Provision for Bad Debts</li> </ul>		6,648 8
<b>31,100</b>	<b>Total Income</b>		<b>32,986</b>
	<b>Expenditure</b>		
16,673	<ul style="list-style-type: none"> <li>Precepts and Demands</li> </ul>	17,439	
3,905	Shropshire County Council	4,082	
2,694	South Shropshire District Council	2,832	
1,289	West Mercia Police Authority	1,342	
24,561	Shropshire & Wrekin Fire Authority		25,695
94	<ul style="list-style-type: none"> <li>Transfer to Income and Expenditure Account</li> </ul>		79
5,898	<ul style="list-style-type: none"> <li>Business Rates</li> </ul>		6,531
74	Payment to Pool		74
17	Cost of Collection		85
	Provision for Bad Debts		
<b>30,644</b>	<b>Total Expenditure</b>		<b>32,464</b>
<b>456</b>	<b>Fund Balance as at 31 March 2009</b>		<b>522</b>

## Notes to the Collection Fund Revenue Account

### 1. The Council Tax Base

The Council Tax Base is calculated by taking the total number of domestic properties in the area, weighting them according to value, then adjusting this figure to take account of properties where no Council Tax, or a reduced level of Council Tax is payable. This produces an equivalent number of properties at Band D, which can be used to calculate how much money can be collected from local taxpayers. From the table set out below, it can be seen that each time the Council Tax is increased by £1, an extra £17,146 would be collected assuming a 100% collection rate and £16,800.90 would be collected assuming a 98% collection rate.

Band	No. of Dwellings, October 2007	Equivalent No. of Dwellings, Allowing for Discounts & Exemptions	Ratio to Band D	Band D Equivalents	Council Tax Base (98% collection)
A-Relief	-	12	0.55556	7	6.4
A	3,482	2,869	0.66667	1,913	1,874.2
B	4,058	3,529	0.77778	2,745	2,689.7
C	3,908	3,460	0.88889	3,076	3,013.9
D	3,559	3,215	1	3,215	3,150.7
E	2,921	2,674	1.22222	3,268	3,202.7
F	1,398	1,307	1.44444	1,888	1,850.0
G	623	576	1.66667	960	940.8
H	45	37	2	74	72.5
<b>Total</b>	<b>19,994</b>	<b>17,679</b>		<b>17,146</b>	<b>16,800.9</b>

The average Band D charge for Council Tax was £1,505.36. This means that we expected to collect £25,291,403 (16,800.9 X £1,505.36) from Council Tax in 2008/09. This amount together with the surplus of £403,460 paid to Shropshire County Council, West Mercia Police Authority and Shropshire and Wrekin Fire Authority is shown in Note 3 as being the total precepts and demands on the Collection Fund.

### 2. National Non-Domestic Rates (Business Rates)

All business premises in the district have a rateable value. In order to calculate the Business Rates payable for a particular business premises, its rateable value is multiplied by the National Non-Domestic Rate multiplier for the year. At 31 March 2009 the rateable value for all business premises in South Shropshire was £17,476,606. The National Non-Domestic Rate multiplier for the year was 45.8p for small businesses and 46.2p for all other businesses. The total Non-Domestic Rates charged was £6,692,186 (£5,972,916 in 2007/08).

All of the Business Rates collected from South Shropshire businesses are paid into a National Pool. The Pool is then redistributed and South Shropshire's share is paid directly into the Council's General Fund. The Council received £3,178,827 in 2008/09 (£3,000,885 in 2007/08) and this is shown in the Income and Expenditure Account on Page 31.

## Notes to the Collection Fund Revenue Account (Cont'd)

### 3. Precepts and Demands

The Council collects Council Tax on behalf of Shropshire County Council, West Mercia Police Authority and Shropshire and Wrekin Fire Authority, as well as the local Parish and Town Councils. The table below shows the amounts required by each of the major precepting Authorities. Parish/Town Council precepts are paid from the General Fund and the total is identified in the Income and Expenditure Account on Page 31.

2007/08 £000's	Precepts and Demands	2008/09 £000's
16,673	Shropshire County Council	17,439
3,905	South Shropshire District Council	4,082
2,694	West Mercia Police Authority	2,832
1,289	Shropshire & Wrekin Fire Authority	1,342
<b>24,561</b>	<b>Total</b>	<b>25,695</b>

The District Council demand of £4,081,515 comprised of £3,327,082 for District purposes and £754,433 for Parish/Town Council precepts.

### 4. Provision for Council Tax and Non-Domestic Rates Bad Debts

Contributions are made to a provision for bad debts. During 2008/09 irrecoverable debts of £8,189 were written off.

### 5. Council Tax Surplus/Deficit

Any surplus or deficit on the Fund is shared between the Authorities in proportion to their precept on the Fund, and will impact directly on the Council Tax of following years. The surplus or deficit on Council Tax is distributed to Shropshire County Council, West Mercia Police Authority, Shropshire and Wrekin Fire Authority and this Council.

### 6. Collection Fund - Community Charge and Council Tax

The table below shows the position as at 31 March 2009.

2007/08 £000's	Community Charge and Council Tax	2008/09 £000's
27	Opening Balance at 1st April Community Charge	-
-	Add: Provision for bad debts	-
-	Closing balance at 31st March – Community Charge	-
456	Closing balance at 31st March – Council Tax	522
<b>456</b>	<b>Total closing balance on Collection Fund (inclusive of Community Charge) at 31 March</b>	<b>522</b>

# Group Accounts

## 1. Introduction

The 2004 Statement of Recommended Practice (SORP) set out comprehensive new requirements for group accounts. These require Local Authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. A review has been undertaken of the Council's relationship with other bodies and it is clear that we should account for the following and prepare group accounts:

- South Shropshire Leisure Limited
- South Shropshire Local Homes Limited
- Biocycle South Shropshire Limited

The statements are intended to present financial information about the Council and its related companies by bringing together the results in a unified set of accounts. The method of consolidation varies depending on the nature of the relationship between the Council and each company. Further details are included below.

## 2. South Shropshire Leisure Limited

This is a company registered as an Industrial and Provident Society. As at 31 March 2009, the Council owned two of the allotted sixteen shares. The shares have equal voting rights, but the Council must represent less than 20% of the vote at all times.

The Society commenced trading on 1 April 2004, and manages leisure facilities in Ludlow, which are owned by the Council and leased to the Society.

South Shropshire Leisure Limited receives a management fee from South Shropshire District Council. South Shropshire Leisure Limited works solely for the Council, so the bringing together of income and expenditure has had only a limited effect on the service revenue account.

South Shropshire Leisure Limited has been included in the accounts as a quasi-subsiary. This recognises that the Council is unable to exercise dominant influence in the running of the Society, due to the small proportion of the shares held by the Council and the limited voting rights. It also recognises that a large proportion of the Society's income comes from the management fee and that the Council benefits from the provision of leisure services.

The Society has been incorporated into the Group Accounts by means of a line-by-line consolidation of the Income and Expenditure Account and the Balance Sheet. In order to recognise the influence of the other shareholders, the proportion of the Society represented by the remaining fourteen allotted shares is shown separately as minority interest.

### 3. South Shropshire Local Homes Ltd

This is a joint venture company owned by

- South Shropshire District Council (19 shares)
- South Shropshire Housing Association (40 shares)
- Bennett Homes Limited (40 shares)

The purpose of the company is to make affordable housing available to local people. It was set up in December 2004 to commence trading in 2005/06.

The Council owns 19% of the authorised and allotted share capital. However, dividends and rights on cessation are distributable equally between the three joint venture partners. Each partner has proportionate voting rights.

The Company has been incorporated into the Group Accounts using the Gross Equity method. One third of the Income and Expenditure is shown and in the Balance Sheet, one third of the assets and liabilities are included within long-term investments.

### 4. Biocycle South Shropshire Ltd

This is a joint venture company owned equally by the South Shropshire District Council and Greenfinch Limited. This is a company limited by guarantee. The Council's liability is limited to £5. The company has been established to operate the Biowaste Digester at Coder Road, Ludlow, owned by the Council and developed through funding from DEFRA and Advantage West Midlands.

The Council has two elected members as representatives on the company board, the same as the other member of the company, Greenfinch Limited.

The Company has been incorporated into the Group Accounts using the Gross Equity method. One half of the Income and Expenditure is shown and in the Balance Sheet, one half of the assets and liabilities are included within long-term investments.

### 5. Statement of Accounting Policies

The accounting policies for the Council are set out on pages 13-21 and these have been followed in preparing the group statements except for the variations noted below.

**G1 – Fixed Assets.** The fixed assets of South Shropshire Leisure Ltd are included at the depreciated value in the balance sheet.

## Group Income and Expenditure Account

### For the Year Ended 31 March 2009

A summary of the Group Income and Expenditure Account for the year ended 31 March 2009 is set out below, together with references to further detailed notes contained in the following pages:

Net 2007/08 £000's	Services	Expenditure 2008/09 £000's	Income 2008/09 £000's	Net 2008/09 £000's	Notes
751	Central Services to the Public	3,761	2,953	808	
5,532	Cultural, Environmental & Planning	12,500	5,780	6,720	
141	Highways, Roads & Transport	898	721	177	
867	Housing	9,330	8,531	799	
30	Social Services	29	-	29	
1,000	Corporate & Democratic Core	1,117	23	1,094	
213	Non Distributed Costs	1,182	-	1,182	
<b>8,534</b>	<b>Net Cost of Services</b>	<b>28,817</b>	<b>18,008</b>	<b>10,809</b>	
	Loss on the disposal of fixed assets			64	
(3)	(Profit) on the disposal of fixed assets			(61)	
339	Revaluation and Impairment of Fixed Assets			2,774	
(1,250)	Government grants deferred amortisation matching depreciation and impairments			(59)	
681	Precepts paid to Parish and Town Councils			754	
-	Authority's share of Joint Venture Operating Expenditure and Turnover			(7)	G2
1	Authority's share of Joint Venture interest payable and similar charges			1	G2
14	Contribution of housing capital receipts to Government Pool			11	
(3)	(Surplus)/Deficit on Foreign Currency Transactions			-	
(407)	Interest and investment income			(287)	
53	Pensions interest cost and expected return on pensions assets			378	
<b>7,959</b>	<b>Net Operating Expenditure</b>			<b>14,377</b>	
	<b>Where we got the money from</b>				
(3,905)	Council Tax Income for 2007/08			(4,082)	
(94)	Council Tax Income from previous years			(79)	
(27)	Community Charge Income from previous years			-	
	<b>Government Grants</b>				
(507)	Revenue Support Grant			(443)	
(3,001)	Business Rates			(3,179)	
-	Area Based Grant			(49)	
-	Local Area Business Growth Initiative			(53)	
<b>425</b>	<b>Net General Fund (Surplus)/Deficit in the year</b>			<b>6,492</b>	
(907)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year			(4,960)	
<b>(482)</b>	<b>(Increase)/Decrease in General Fund Balance for the Year</b>			<b>1,532</b>	
(742)	General Fund Balance Brought Forward			(1,224)	
<b>(1,224)</b>	<b>General Fund Balance carried forward at 31<sup>st</sup> March</b>			<b>308</b>	

**Group Statement of Movement on the General Fund Balance**  
**For the Year Ended 31 March 2009**

2007/08 £000's	Services	2008/09 £000's
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>	
(56)	Amortisation of intangible fixed assets	(36)
(679)	Depreciation and impairment of fixed assets	(2,981)
(1,011)	Write downs of deferred charges to be financed from capital resources	(1,712)
(11)	Interest on payment in advance to Shropshire Waste Partnership	(11)
1,250	Government grants deferred amortisation matching depreciation and impairments	59
3	Net (profit)/ loss on sale of fixed assets	(3)
(337)	Net charges made for retirement benefits in accordance with FRS 17	(470)
<b>(841)</b>		<b>(5,154)</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>	
(68)	Capital expenditure charged in-year to the General Fund Balance	693
(14)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(11)
<b>(82)</b>		<b>682</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.</b>	
(34)	Net transfer to/ (from) earmarked reserves	(538)
51	Appropriation to/(from) Group Income and Expenditure Reserve- South Shropshire Leisure Limited	44
(1)	Joint Venture Companies	6
<b>16</b>		<b>(488)</b>
<b>(907)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(4,960)</b>

**Reconciliation of the Single Entity Deficit for the Year to the Group Deficit**  
**For the Year Ended 31 March 2009**

2007/08 £000's	Services	2008/09 £000's
<b>457</b>	<b>Single Entity Deficit</b>	<b>6,526</b>
(33)	South Shropshire Leisure Limited (Profit)/Loss (including FRS17)	(28)
	<u>SSDC share of Joint Venture (Profit)/Loss</u>	
(2)	Biocycle Limited	(7)
3	South Shropshire Local Homes Limited	1
<b>425</b>	<b>Group Deficit</b>	<b>6,492</b>

## Group Balance Sheet at 31<sup>st</sup> March 2009

This statement shows the financial position of the Group as a whole and summarises its assets and liabilities.

31 March 2008 £000's	Group Balance Sheet	Notes	31 March 2009 £000's	
	<b>Fixed Assets</b>			
	<b>Operational Assets</b>			
79	Intangible Fixed Assets		59	
9,959	Land and Buildings		10,224	
280	Vehicles, Plant and Equipment		351	
1,461	Infrastructure Assets		1,400	
	Long Term Investments in Joint Ventures:			
74	Authority's Share of Gross Assets		20	
	Authority's Share of Gross			
(97)	Liabilities		(38)	
(23)	Net investment in Joint Ventures	G6	(18)	
5,919	<b>Non-Operational Assets</b>		4,503	
852	<b>Long Term Debtors</b>		891	
<b>18,527</b>	<b>Total Long Term Assets</b>			<b>17,410</b>
	<b>Current Assets</b>			
2	Stock		2	
2,089	Money owed by Debtors		2,112	
4,600	Short Term Investments		-	
451	Cash in Hand		1,934	
	<b>Current Liabilities</b>			
(2,305)	Money owed to Creditors		(1,725)	
<b>23,364</b>	<b>Total Assets less Current Liabilities</b>			<b>19,733</b>
	<b>Long Term Liabilities</b>			
-	Long-term creditors		(18)	
(29)	Provisions		(127)	
	Liability related to			
(6,862)	Pension Scheme (FRS17)	G7	(7,215)	
(699)	Unused Capital Grants & Contributions		(262)	
<b>15,774</b>	<b>Total Assets less Liabilities</b>			<b>12,111</b>
	<b>FUNDED BY</b>			
6,862	Pensions Reserve (FRS17)	G7	7,215	
(1,761)	Earmarked Reserves		(1,223)	
	<b>Balances</b>			
(1,224)	• General Fund		308	
(456)	• Collection Fund		(522)	
(810)	Unused money from Selling Assets		(545)	
(185)	Deferred Capital Receipts		(152)	
(4,351)	Capital Contributions Deferred		(4,203)	
-	Fixed Asset Revaluation Reserve		(2,545)	
(13,796)	Capital Adjustments Account		(10,342)	
<b>(15,721)</b>	<b>Sub-total: Group Balances and Reserves</b>			<b>(12,009)</b>
23	SSDC Share of Joint Venture		18	
(10)	SSDC Interest in Quasi Subsidiary		(15)	
(66)	Minority Interest in Quasi Subsidiary		(105)	
<b>(15,774)</b>	<b>TOTAL EQUITY</b>			<b>(12,111)</b>

## Group Statement of Total Recognised Gains and Losses For the Year Ended 31 March 2009

This Section shows the entire Group's gains and losses for the period and how the Council's net worth has increased or decreased during the Year.

2007/08 £000's	Surplus/(Deficit) for the Year	Notes	2008/09 £000's
425	(Surplus)/Deficit in Income and Expenditure Account		6,492
2,355	Actuarial (gain)/loss on the Pension Fund	G8	(117)
116	(Increase)/decrease in the Collection Fund		(66)
-	(Increase)/decrease in the value of Fixed Assets due to revaluations		(2,647)
<b>2,896</b>	<b>Total Recognised (Gains) and Losses</b>		<b>3,662</b>

## Group Cash Flow Statement

### For the Year ending 31 March 2009

This Section shows the Group's receipts and payments in the year 2008/09.

2007/08 £000's	Cash Flow Statement	Notes	2008/09 £000's
(29)	<b>Net Cashflow from Revenue Activities</b>	G11	<b>1,808</b>
	<b>Returns on Investments &amp; Servicing of Finance</b>		
	<b>Cash Inflows</b>		
(381)	• Interest received	G11	(314)
(381)	<b>Net cashflow from Investments &amp; Servicing of Finance</b>		<b>(314)</b>
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
544	• Purchase of Fixed Assets		644
1,070	• Other Capital Cash Payments		4,391
	<b>Cash Inflows</b>		
(430)	• Sale of Fixed Assets		(768)
(937)	• Capital Grants received		(432)
(687)	• Other Capital cash income		(2,212)
(440)	<b>Net cashflow from capital activities</b>		<b>1,623</b>
	<b>Management of liquid resources</b>		
	<b>Cash Outflow</b>		
27,900	• Acquisition of investments		37,200
	<b>Cash Inflow</b>		
(27,350)	• Disposal of investments		(41,800)
550	<b>Net cashflow from management of liquid resources</b>	G12	<b>(4,600)</b>
(300)	<b>Net (increase) or decrease in cash &amp; cash assets</b>		<b>(1,483)</b>

## Notes to the Group Income and Expenditure Account

Specific notes for the Group Income and Expenditure Account are provided only where there is a material difference from the Council's own accounts. Notes to the Council's Income and Expenditure Account are set out on pages 35-44 and the group statement cross references to them where relevant

### G1. Consolidation of quasi-subsiary

The operating income (£1,401,961) and expenditure (£1,357,845) of South Shropshire Leisure Limited has been included within Cultural, Environmental and Planning Services. The inter-company transactions with South Shropshire District Council have been excluded from Culture, Environmental and Planning Services (Income/Expenditure £502,496).

### G2. Consolidation of Joint Venture Companies

Figures in respect of South Shropshire Local Homes Ltd and Biocycle South Shropshire Ltd have been consolidated using the gross equity method. The Council's share of turnover and other income and expenditure is shown separately within the Group Income and Expenditure account. The amounts included are:

	<b>Biocycle (50% of total)</b>	<b>SSLH (33<math>\frac{1}{3}</math>% of total)</b>	<b>SSDC's Share of Joint Ventures</b>
Turnover	(111)	-	(111)
Operating Expenditure	104	-	104
Net Operating Expenditure	(7)	-	(7)
Interest Payable	-	1	1
Appropriation (to)/from Group Income and Expenditure account	(7)	1	(6)

### G3. Pension Costs

As part of the terms and conditions of employment of its Officers and other employees, the Council and South Shropshire Leisure Limited offer retirement benefits. Although these will not actually be payable until employees retire, there is a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council and South Shropshire Leisure Ltd participate in the Local Government Pensions Scheme (LGPS) administered by Shropshire County Council. This is a funded scheme, meaning that the employers and employees pay contributions into a fund, calculated at a level estimated to balance the pension's liabilities with investment assets.

The cost of retirement benefits is recognised in the net costs 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 costs of retirement benefits for the Council is reversed out after Net Operating Expenditure.

## Notes to the Group Income and Expenditure Account (Cont'd)

The following transactions have been made in the Group Income and Expenditure Account during the year:

	Local Government Pension Scheme		
	SSDC £'000	SSLL £'000	Total £'000
<b>Net Cost of Services:</b>			
Current Service Cost	619	30	649
Past Services/curtailment/settlement cost	250	-	250
<b>Net Operating Expenditure:</b>			
Interest Cost	1,542	28	1,570
Expected Return of Assets in the Scheme	(1,169)	(23)	(1,192)
	<b>1,242</b>	<b>35</b>	<b>1,277</b>

## Notes to the Group Balance Sheet

Specific notes for the Group Balance Sheet are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Balance Sheet are set out on pages 46-63 and the Group Statement cross references to these where relevant.

### G4. Debtors

An analysis of the Debtors figures in the balance sheet is shown below.

31 March 2008 £000's	Debtors	31 March 2009 £000's
	<b>Long Term Debtors</b>	
42	Sundry Debtors	6
37	Car Loans to Employees	30
169	Mortgages	133
456	Prepayment to Shropshire Waste Partnership	445
-	Car Park, Cleobury Mortimer	120
10	Loan to South Shropshire Local Homes Ltd	10
138	Housing Benefits	147
<b>852</b>	<b>Total Long Term Debtors</b>	<b>891</b>
	<b>Amount Falling Due Within One Year</b>	
821	Government Departments	501
385	Other Local Authorities	145
452	Local Taxpayers	936
431	Sundry Debtors	530
<b>2,089</b>	<b>Total Short Term Debtors</b>	<b>2,112</b>

South Shropshire District Council and South Shropshire Leisure Limited figures have been revised to eliminate inter-group balances.

### G5. Creditors

An analysis of creditors in the balance sheet is shown below.

31 March 2008 £000's	Creditors	31 March 2009 £000's
216	Government Departments	375
255	Other Local Authorities	299
432	Local Taxpayers	290
1,402	Sundry Creditors	761
<b>2,305</b>	<b>Total Creditors</b>	<b>1,725</b>

South Shropshire District Council and South Shropshire Leisure Limited figures have been revised to eliminate intra-group balances.

## Notes to the Group Balance Sheet (Cont'd)

### G6. Long Term Investment

Figures in respect of Biocycle South Shropshire Ltd and South Shropshire Local Homes Ltd have been consolidated into the Balance Sheet, using the gross equity method. This means that the Council's share of the assets and liabilities of the joint venture companies are shown separately as a long-term investment.

	<b>Biocycle (50% of total)</b>	<b>SSLH (33⅓% of total)</b>	<b>Total for SSDC</b>
Assets	7	13	20
Liabilities	(14)	(24)	(38)
Value of investment	(7)	(11)	(18)

### G7. Disclosure of Net Pensions Asset/Liability

Note G3 Page 80 to the Group Income and Expenditure Account contains details of the Group's participation in the Local Government Pensions Scheme, administered by Shropshire County Council, providing Officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2009 were as follows:

	<b>SSDC £000's</b>	<b>SSLL £000's</b>	<b>31 March 2009 £000's</b>
Estimated assets in scheme	14,264	302	14,566
Estimated Liabilities in scheme	(21,444)	(337)	(21,781)
Net Liability	(7,180)	(35)	(7,215)

The liabilities show the underlying commitments that the company has in the long-term to pay retirement benefits. The total liability of £7.125 million has a substantial impact on the net worth of the Group as recorded in the balance sheet. The inclusion of the liability does not mean that the obligation has been passed to the group; it is an accounting entry required under FRS17 to reflect the economic position between the group and the pension fund. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The County Council Fund liabilities have been assessed by Mercer Human Resources Consulting Limited an independent firm of actuaries.

The main financial assumptions adopted were:

	<b>2007/08</b>	<b>2008/09</b>
Rate of inflation	3.60%	3.30%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.60%	3.30%
Rate for discounting scheme liabilities	6.10%	7.10%

## Notes to the Group Balance Sheet (Cont'd)

Assets in the Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	<b>Long-term Return</b>	<b>31 March 2008</b>	<b>31 March 2009</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Equity Investments	7.50	65.20	60.70
Government Bonds	4.00	13.60	14.60
Other Bonds	6.00	12.00	11.60
Property	6.50	4.80	5.90
Cash/Liquidity	0.50	1.90	2.40
Other	7.50	2.50	4.80
		100.00	100.00

## Notes to the Group Statement of Total Recognised Gains & Losses

Specific notes for the Group Statement are provided only when there is a material difference from the Council's own accounts. Notes to the Council's Statement are set out on page 63-66.

### G8. Movement in Pensions Reserve 2008/09

	South Shropshire District Council £000's	South Shropshire Leisure Limited £000's	Total Pensions Reserve £000's	%
Current Service Cost	(619)	(30)	(649)	(2.98)
Employer Contributions	808	19	827	3.80
Past Service Gain/(Loss) & Curtailment	(250)	-	(250)	(1.15)
Net Interest/Return on Assets	(373)	(5)	(378)	(1.74)
Actuarial Gain/(Loss)	54	63	117	0.54
Increase/(decrease) in Pensions Reserve	(380)	47	(333)	(1.53)
Balance as at 1 April 2008	(6,800)	(82)	(6,882)	(26.40)
<b>Balances at 31 March 2009</b>	<b>(7,180)</b>	<b>(35)</b>	<b>(7,215)</b>	<b>(33.13)</b>

The table shows movement in the surplus/(deficit) of the Pensions Reserve during 2007/08 and shown as a percentage of the schemes liabilities. The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17. The movements show the actuarial gains and losses and the adjustment required to ensure the sum charged to revenue matches the contribution payable in the year in accordance with pension regulations.

### G9. Movement in South Shropshire Leisure Limited Retained Profit/Loss Reserve

	2007/08 £000's	2008/09 £000's
Balance Brought Forward	25	76
Profit/(Loss) during Financial Year	51	44
<b>Balance Carried Forward</b>	<b>76</b>	<b>120</b>
<b>SSDC Share</b>	<b>10</b>	<b>15</b>
<b>Minority Interest</b>	<b>66</b>	<b>105</b>

During 2008/09 the Company made a surplus of £44,116.

Notes to the Group Statement of Total Recognised Gains and Losses (Cont'd)

**G10. Movement in Joint Venture Reserves 2008/09**

	<b>Biocycle (50% of total) £000's</b>	<b>South Shropshire Local Homes (33<sup>1</sup>/<sub>3</sub>% of total) £000's</b>	<b>Total for SSDC £000's</b>
SSDC share of reserves at 1 April 2008	(13)	(10)	(23)
Increase/(Decrease) in reserves	6	(1)	5
<b>SSDC of Joint Venture Reserves at 31 March 2009</b>	<b>(7)</b>	<b>(11)</b>	<b>(18)</b>

The reserves represent the net assets/(liabilities) of a company. As at 31 March 2009, Biocycle South Shropshire Leisure Limited's net liabilities were £12,905, the Council's share being £6,453. South Shropshire Local Homes Limited's net liabilities were £33,120, and the Council's share was £11,040.

## Notes to Group Cashflow Statement

### G11. Reconciliation of Revenue Surplus to Net Cashflow from Revenue Activities

Reconciliation of Revenue Cash Flow	31st March 2009 £000's
<b>(Surplus)/Deficit for the year</b>	1,428
<b>Non cash items</b>	
Net contributions to/(from) Reserves	538
Provisions Movement Increase/(Decrease)	(98)
Depreciation	(11)
	1,857
<b>Items on an accruals basis</b>	
Debtors Increase/(Decrease)	1
Creditors (Increase)/Decrease	264
Stock Increase/(Decrease)	-
	265
Interest earned on cash balances	(314)
<b>Net cash outflow/inflow from Revenue Activities</b>	<b>1,808</b>

### G12. Reconciliation of Net Cashflow to Movement in Net Debt

	£000's
Increase in cash for the period	1,483
Cash inflow from decrease in liquid resources	(4,600)
Movement in net debt in the period	(3,117)
Net funds at 1st April 2008	5,051
<b>Net funds at 31st March 2009</b>	<b>1,934</b>

### G13. Analysis of Net Debt

	1st April 2008 £000's	Cashflow £000's	31st March 2009 £000's
Net Cash			
Cash in hand/(overdrawn)	451	1,483	1,934
Liquid Reserves			
Current Asset Investments	4,600	(4,600)	-
	<b>5,051</b>	<b>(3,117)</b>	<b>1,934</b>

## Glossary of Terms

This section explains complicated terms that have been used throughout this document.

- Accrual** This is one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.
- Asset** An asset is something that the Council owns that has a monetary value. Assets are either 'current' or 'fixed'. A current asset is one that will be used or cease to have material value by the end of the next financial year (e.g. stock and debtors). A fixed asset provides the Council benefits for a period of more than one year.
- Budget** A statement of our spending plans for a financial year, which starts on 1<sup>st</sup> April and ends on 31<sup>st</sup> March.
- Capital Financing** This term describes the various sources of money used to pay for capital expenditure. There are various options available – the methods used by the Council include direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.
- Capital Receipts** A capital receipt is the income that results from the sale of a fixed asset such as land or property. Capital receipts cannot be used to fund revenue services.
- CIPFA** Chartered Institute of Public Finance and Accountancy for England and Wales.
- Consistency** This is one of the fundamental accounting concepts. It requires the Council to treat similar items of income and expenditure the same way, both within an accounting period and from one accounting period to the next.
- Creditor** This is the amount of money the Council owes to others for goods and services that have been supplied in the accounting period but not paid for.
- Consolidation** The process of adjusting and combining financial information from the individual financial statements of a reporting authority and its subsidiaries to prepare consolidated financial statements that present financial information for the group as a single economic entity.
- Debtors** This is the amount of money others owe to the Council for goods and services that they have received but have not paid for by the end of the accounting period.
- Deferred Charges** An example of a deferred charge is a capital grant made by the Council to another organisation or person. This counts as capital expenditure but doesn't create an asset that belongs to the Council.
- Depreciation** This is a charge made to the revenue account each year that reflects the reduction in the value of land, property and equipment used by the Council to deliver services.
- Government Grants** The amount of money given to us to spend on assets that have a lasting value, for example land and buildings. This amount is reduced each year as the value of the asset reduces due to wear and tear. Some Government Grants have restrictions on how they may be used whilst others are general purpose.
- Deferred Account**
- Joint Venture** Agreement by two or more parties to work on a project together, sharing the cost, the risk and the reward.
- Liabilities** Money that will be paid to people or organisations in the future.

<i>Minority Interest</i>	The interest in a subsidiary or quasi subsidiary entity included in the Group Accounts that is attributable to the shares held by or on behalf of persons other than the Council.
<i>Provisions</i>	This is a sum of money that has been set-aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with any certainty.
<i>Prudence</i>	This is one of the main accounting concepts. It ensures the Council only includes income in the accounts if it is sure it will receive the money.
<i>Quasi Subsidiary</i>	A quasi subsidiary of a reporting authority is a company that, though not fulfilling the definition of a subsidiary is directly or indirectly controlled by the reporting authority.
<i>Related Party</i>	Two or more parties are related when at any time during the financial period one party has direct or indirect control of the other party or if the parties are subject to common control from the same source. Examples of related parties of an authority include: Central Government, other Local Authorities that levy a demand on the Council Tax, Members and Chief Officers.
<i>Reserves</i>	A reserve results from the accumulation of surpluses, deficits and appropriations over past years.
<i>Revenue Spending</i>	Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from the Council Tax, Government grants, fees and charges.
<i>Revenue Support Grant</i>	The main Government grant paid to Local Authorities as a contribution towards the cost of their services.
<i>Specific Grants</i>	Payments from the Government to cover local authority spending on a particular service or project for example Housing and Council Tax Benefit Subsidy. Specific grants are usually a fixed percentage of the costs of a service or project.
<i>SORP</i>	Statement of Recommended Practice is based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework within which local authorities operate. The SORP states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.
<i>Subsidiary</i>	A subsidiary is a company that is owned or controlled by another company through ownership of voting shares.
<i>UK GAAP</i>	The Generally Accepted Accounting Principles in the UK.