Statement of Accounts

2010-2011

ANNUAL STATEMENT OF ACCOUNTS 2010/11

The Statement of Accounts is the formal financial report on the Council's activities as required by the Accounts and Audit Regulations 2011, and other statutory provisions.

The statement includes:

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

For details please contact Rachel Musson on (01743) 252007, or Cheryl Williams on (01743) 252035.

Rachel Musson
Corporate Head of Finance & Commerce

Section 1

Explanatory Foreword

The Council is open to fresh ideas and new ways of working in order to continue to improve its services. It is more important than ever for the Council to work together with local partners to achieve shared priorities.

EXPLANATORY FOREWORD

The Statement of Accounts

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

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.

- Interpretation and explanation of the Statement of Accounts to be provided.

- The Statement of Accounts and supporting notes to be written in plain language.

The 2010/11 Statement of Accounts is now based on International Financial Reporting Standards (IFRS) and therefore there have fundamental changes to the format of the accounts and to a number of key accounting changes:

- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.

- The main financial statements have changed, and there are additional requirements regarding segment reporting.

- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced.

- Property leases are classified and accounted for as separate leases of land and buildings.

- Local authorities will also need to assess whether other arrangements contain the substance of a lease.

- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.

- Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.

- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification.

- All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay.

- The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.

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

- **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2010/11.

- **The Statement of Responsibilities** – this details the responsibilities of the Council and the Chief Financial Officer concerning the Council's financial affairs and the actual Statement of Accounts.

- **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit.

- **The Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

- **The Core Financial Statements,** comprising:

    - **The Movement in Reserves Statement –** this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.

    - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.

    - **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2011. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

    - **The Cash Flow Statement** – this consolidated statement summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.

- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements.

- **Group Accounts** – group financial statements are required in order to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the authority is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.

- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council's own finances. This statement is an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2010/11 and assets and liabilities as at 31 March 2011.

- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.

- **The Collection Fund –** This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

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

Financial Report

This section of the Statement of Accounts for 2010/11 sets out:

- The revenue budget strategy for 2010/11
- The revenue outturn for 2010/11
- The capital programme for 2010/11 – 2012/13
- The capital outturn for 2010/11
- A note on the Council's Borrowing Position
- A note on the Investment Strategy of the Council
- A note on the Pensions Liability within the Statement of Accounts
- Current and future prospects
- The Council's stewardship responsibilities and financial management policies

The Revenue Budget Strategy for 2010/11

The 2010/11 detailed budget planning began in the summer of 2009. A key objective from the start was to direct resources towards delivering priority services and to both continue to equalise Council Tax across the County and keep Council Tax increases to an affordable level.

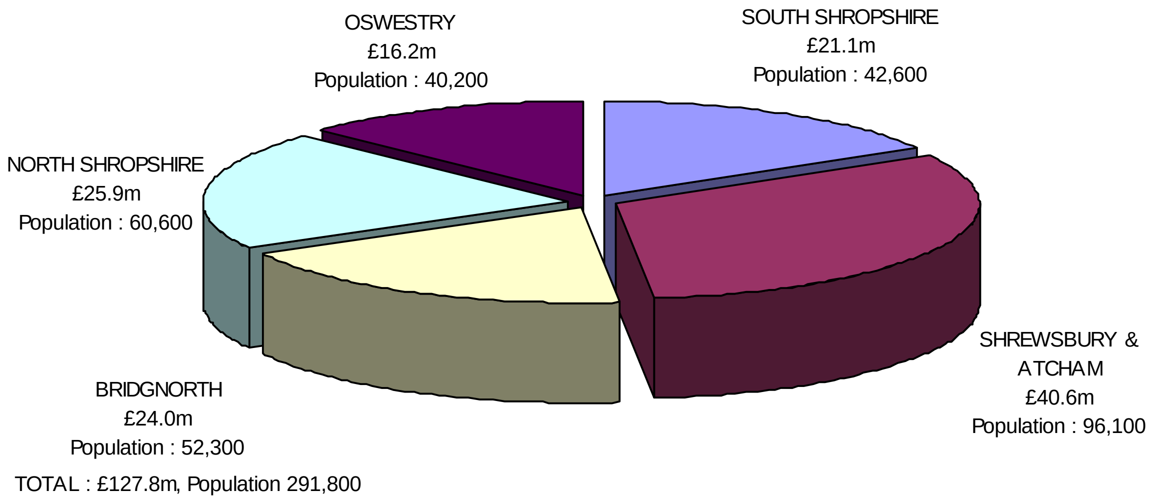
The final budget strategy for 2010/11, agreed by Council in February 2010, comprised the following items:

- Savings of £7.5m in areas that would have a minimal impact on service users.

- Growth for existing service areas that faced significant budget pressures such as Looked After Children, Public Transport, Transition Cases for Young People with Learning Disabilities into Adult Social Care and Physical Disabilities.
- Council Tax increases were in line with the equalisation of council tax policy agreed by the unitary council.

	£'000	£'000
Resources		
Formula Grant	93,487	
Dedicated Schools Grant	151,369	
Council Tax	127,799	
Collection Fund Surplus	412	
Income	84,654	
Specific Grants	172,169	
		629,890
Expenditure		
Base Budget before Growth and Savings		378,660
Savings:		
List One (no service or redundancy implications)	(4,860)	
List Two (includes service or redundancy implications)	(2,680)	
		(7,540)
Growth:		
Looked After Children	500	
Transition cases for Young People with Learning Disabilities into Adult Social Care	335	
Physical Disabilities	150	
Public Transport	500	
Full year effect of reducing council tax increase to 0% in 2009/10	367	
Empty Properties	80	
Meals On Wheels	15	
		1,947
Expenditure Funded from Specific Grants		172,169
Expenditure Funded from Income		84,654
		629,890

COUNCIL TAX BY DISTRICT 2010/11



EXPLANATORY FOREWORD

Revenue Outturn for 2010/11

Careful monitoring of budgets during the year has ensured that service pressure areas have been identified early and action taken by Directorates to manage potential overspends within their cash limited budgets. Budget monitoring reports have been produced monthly since quarter 2 and have shown the following position:

Directorate	Revenue Budget 2010/11 Projected Overspend/(Underspend)							
	Qtr 1 £000	Qtr 2 £000	Mth 7 £000	Mth 8 £000	Mth 9 £000	Mth 10 £000	Mth 11 £000	Outturn £000
Children and Young People's Services	500	353	296	274	279	124	122	0
Community Services	460	407	321	334	484	508	153	25
Development Services	23	(490)	(505)	(528)	548	635	523	299
Resources and Corporate Issues	22	172	233	239	436	436	507	174
Chief Executive's Office	(10)	(37)	15	107	187	204	162	152
Legal & Democratic Services	(53)	(130)	(116)	(110)	(100)	(78)	(128)	(132)
Total	**942**	**275**	**244**	**316**	**1,834**	**1,829**	**1,339**	**518**

The final outturn position for Directorates is shown in the table below which compares actual net expenditure with the approved budget.

Directorate	Budget (incl. in year virements) £000	Carry forwards from 2009/10 £000	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Children and Young People's Services	42,926	0	42,926	42,926	0
Community Services	78,758	(1,166)	77,592	77,617	25
Development Services	58,152	40	58,192	58,491	299
Resources and Corporate Issues	29,641	0	29,641	29,815	174
Chief Executive's Office	10,749	446	11,195	11,347	152
Legal & Democratic Services	1,473	0	1,473	1,341	(132)
Total	**221,699**	**(680)**	**221,019**	**221,537**	**518**

The overall overspend of £518,000 against directorate's budgets represents less than 0.1% of the original gross budget of £629,890,000.

In addition, School balances, including invested sums and Foundation schools, have decreased by £1,409,000 from the previous year. School balances represents an average of 4.2% of school's delegated budgets. Schools' balances have to be ring-fenced for use by schools and schools have the right to spend those balances at their discretion.

Any overspends funded from General Fund Balances in 2010/11 are to be repaid from service budgets in 2011/12.

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

DELIVERY OF COUNCIL SERVICES WITH COUNCIL TAX AND GOVERNMENT GRANT

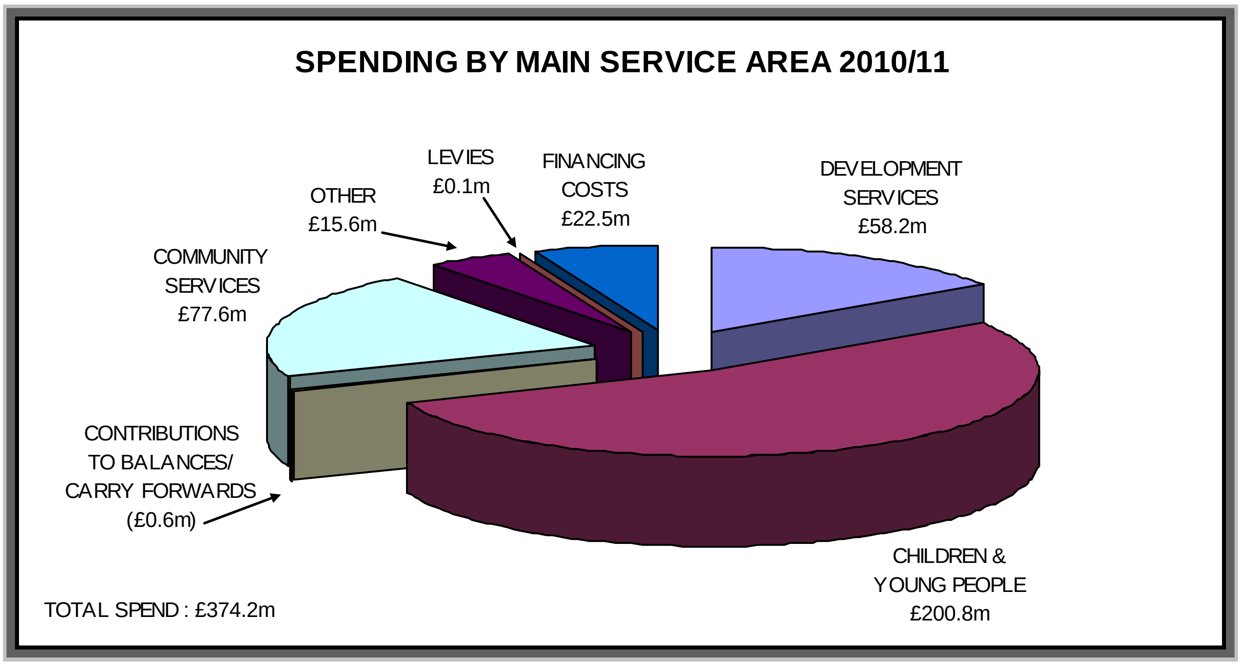
Spending	£000	Proportion of Spend/ Income
Primary and Pre-School Education	69,759	18.7%
Secondary Education	62,909	16.8%
Special Education	6,249	1.7%
LEA Centrally Held School Funds	32,909	8.8%
Other Education Services	1,793	0.5%
Personal Social Services – Children & Families	22,184	5.9%
Personal Social Services – Older People	35,404	9.4%
Other Personal Social Services	27,375	7.3%
Highways Maintenance	12,022	3.2%
Other Transportation	5,534	1.5%
Libraries	4,202	1.1%
Culture and Heritage	3,322	0.9%
Leisure & Outdoor Recreation	6,214	1.7%
Housing	1,799	0.5%
Economic Development	616	0.2%
Community Development	1,713	0.5%
Planning	4,320	1.1%
Waste Collection & Disposal	25,883	6.9%
Street Scene	6,034	1.6%
Environmental Health & Licensing	2,421	0.7%
Trading Standards	1,327	0.3%
Bereavement Services	(153)	(0.1%)
Courts	454	0.1%
Corporate and Democratic Core	7,193	1.9%
Capital and Financial Charges	22,470	6.0%
Flood Defence Levies	125	0.1%
Contribution from Balances/Controllable Carry Forwards	(547)	(0.2%)
Other Services	10,665	2.9%
Total	**374,196**	**100%**
Income		
Revenue Support Grant (RSG)	11,854	3.2%
Redistributed Business Rates (NDR)	81,634	21.8%
Dedicated Schools Grant (DSG)	152,497	40.7%
Council Tax	128,211	34.3%
Total	**374,196**	**100%**

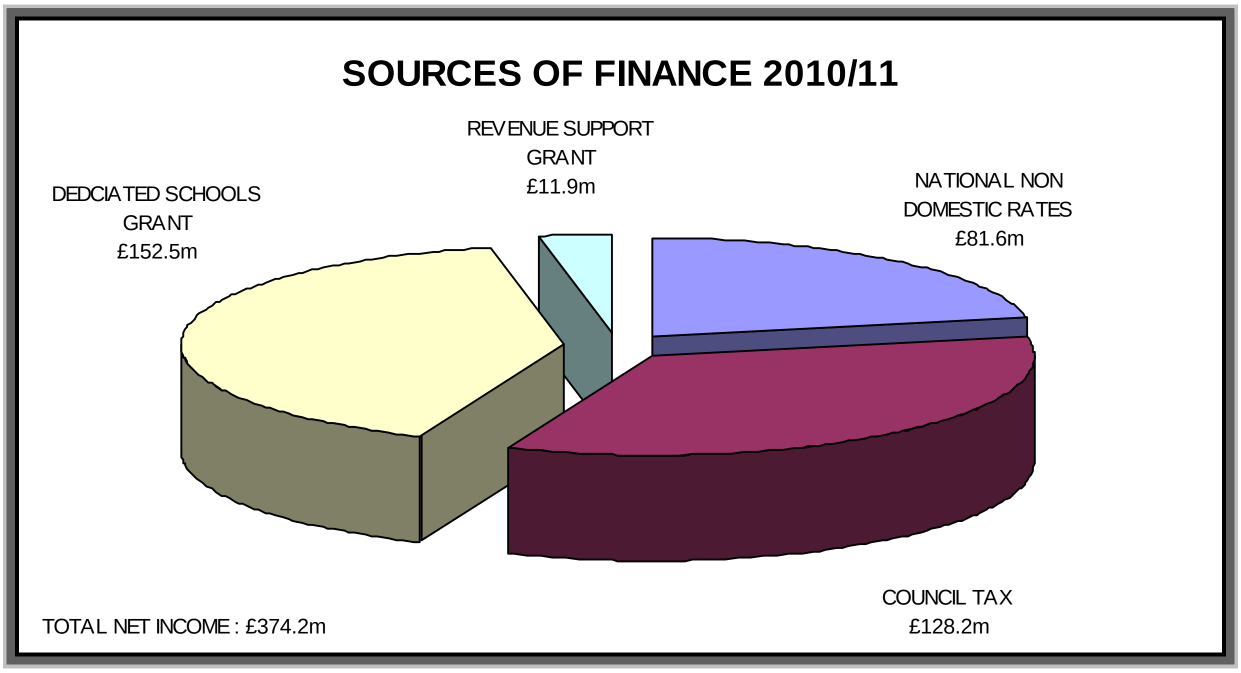
EXPLANATORY FOREWORD

HOW HAVE WE SPENT YOUR COUNCIL TAX?

The Council's share of Council Tax on a band D Property*	£	Total of Funding DSG £000	RSG/NDR £000	Council Tax £000
Primary and Pre-School Education Secondary Education Special Education LEA Centrally Held School Funds	106.06	152,497	8,151	11,178
Other Education Services	9.84	0	756	1,037
Personal Social Services – Children & Families	121.73	0	9,355	12,829
Personal Social Services – Older People	194.27	0	14,929	20,475
Other Personal Social Services	150.21	0	11,544	15,830
Highways Maintenance	65.97	0	5,070	6,952
Other Transportation	30.36	0	2,334	3,200
Libraries	23.06	0	1,772	2,430
Culture and Heritage	18.23	0	1,401	1,921
Leisure & Outdoor Recreation	34.10	0	2,620	3,594
Housing	9.87	0	759	1,040
Economic Development	3.38	0	260	356
Community Development	9.40	0	722	991
Planning	23.70	0	1,822	2,498
Waste Collection and Disposal	142.02	0	10,915	14,969
Street Scene	33.11	0	2,545	3,489
Environmental Health & Licensing	13.28	0	1,021	1,400
Trading Standards	7.28	0	559	768
Bereavement Services	(0.84)	0	(65)	(88)
Courts	2.50	0	191	263
Corporate and Democratic Core	39.47	0	3,033	4,160
Capital and Financial Charges	123.31	0	9,475	12,995
Flood Defence Levies	0.69	0	53	72
Contribution from Balances/Controllable Carry Forwards	(3.00)	0	(231)	(316)
Other Services	58.52	0	4,497	6,168
Total	**1,216.52**	**152,497**	**93,488**	**128,211**

* The Band D Council Tax figure quoted is the Council Tax level for the South Shropshire District. The Band D Council Tax in other areas of the County will be slightly lower than the £1,216.52 quoted above.


SPENDING BY MAIN SERVICE AREA 2010/11
LEVIES
£0.1m
FINANCING
COSTS
£22.5m
OTHER
£15.6m
DEVELOPMENT
SERVICES
£58.2m
COMMUNITY
SERVICES
£77.6m
CONTRIBUTIONS
TO BALANCES/
CARRY FORWARDS
(£0.6m)
CHILDREN &
YOUNG PEOPLE
£200.8m
TOTAL SPEND : £374.2m


SOURCES OF FINANCE 2010/11
REVENUE SUPPORT
GRANT
£11.9m
DEDCIATED SCHOOLS
GRANT
£152.5m
NATIONAL NON
DOMESTIC RATES
£81.6m
COUNCIL TAX
£128.2m
TOTAL NET INCOME : £374.2m

EXPLANATORY FOREWORD

The Capital Programme 2010/11 to 2012/13

The Capital Programme for 2010/11 to 2012/13 included a number of ambitious, large scale schemes such as the William Brookes School, school amalgamations, the new leisure centre for Oswestry and the Shrewsbury Music Hall redevelopment. Such schemes are underway and take more than one financial year to complete. Other significant areas included in the budget are schools, highways, transport and housing for which substantial allocations of government grants and borrowing approvals are received.

The table below provides a summary of the capital budget for 2010/11 as included in the 2010/11 Budget Book.

Directorate	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**
Community Services	27,825	19,047	7,251
Children and Young People's Services	51,575	16,800	15,900
Development Services			
Local Transport Plan	21,586	19,892	20,092
Other	20,166	12,133	8,209
Resources	2,896	2,902	1,652
	124,048	**70,774**	**53,104**

The Council can fund its capital expenditure from several sources, each with its own advantages and limitations. The main source of funding is borrowing, most of which is for schools and for highways and transportation schemes. For each of these service areas, bids are made in accordance with a plan, framework and timetable determined by the appropriate Government department. The Council also receives significant allocations of Government grants, the main areas these are schools, highways and transportation and housing.

The table below provides a summary of the capital financing for the capital budget as per the 2010/11 Budget Book.

Financing	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**
Supported Capital Expenditure	19,704	20,122	20,457
Prudential Borrowing	21,183	16,516	11,868
Government Grants	43,437	18,341	17,104
Other Grants & Contributions	4,604	2,060	0
Revenue Contributions	2,812	1,875	1,175
Capital Receipts	32,308	11,860	2,500
	124,048	**70,774**	**53,104**

Capital Outturn for 2010/11

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

The table below provides a summary of the revised capital budget and expenditure for 2010/11 as at outturn.

Directorate	Revised Budget 2010/11 £000	Actual Spend 2010/11 £000	Variance 2010/11 £000
Community Services	14,830	13,307	1,523
Children and Young People's Services	35,244	31,015	4,229
Development Services			
Local Transport Plan	21,744	21,057	687
Other	7,178	6,794	384
Resources	2,993	2,871	122
Housing Revenue Account	4,222	4,500	(278)
	86,211	**79,544**	**6,667**

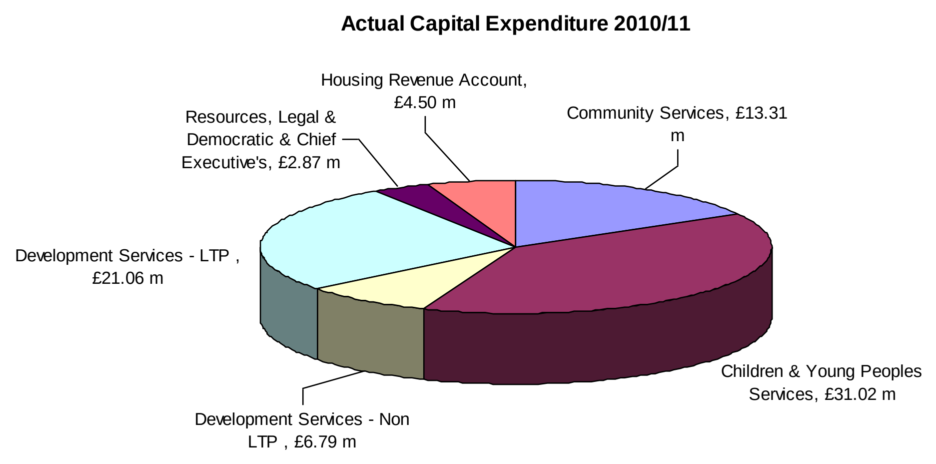
The table below provides a summary of the capital financing for the capital budget as per the 2010/11 Outturn budget.

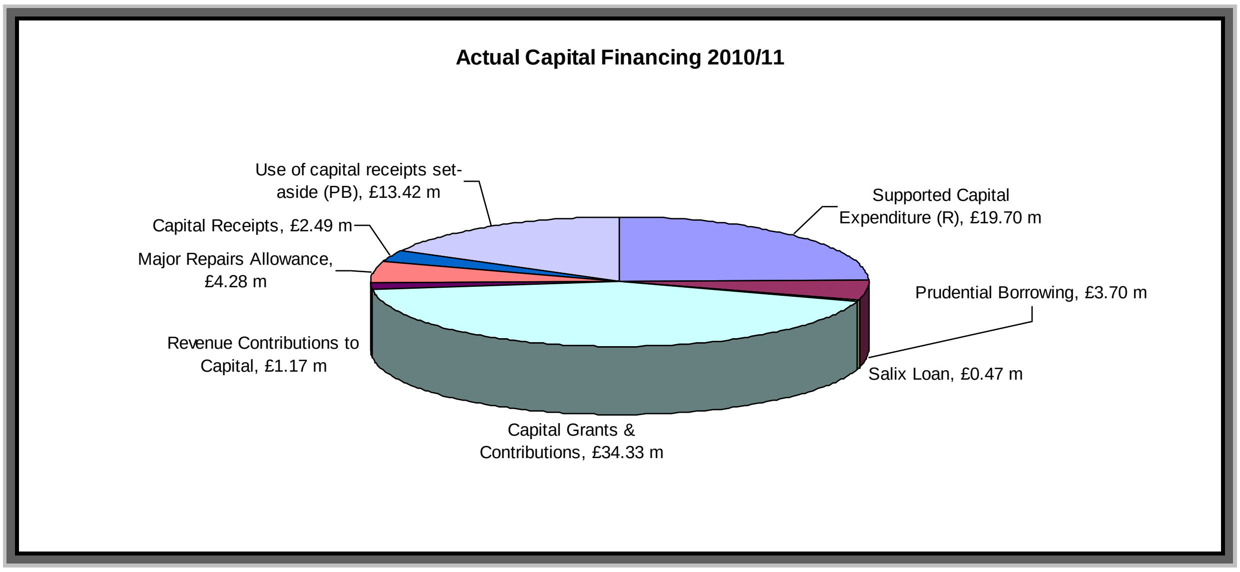
Financing	2010/11 £000
Supported Capital Expenditure	19,705
Prudential Borrowing	3,696
Salix Loan	471
Government Grants	34,326
Revenue Contributions	1,168
Major Repairs Allowance	4,275
Capital Receipts	2,487
Use of capital receipts set-aside	13,416
	79,544

EXPLANATORY FOREWORD

The areas of most significant expenditure for schemes undertaken in 2010/11 are as follows:

	Expenditure 2010/11 £000	Scheme Total Budget £000
Community Services		
PFI - Site Acquisitions	958	1,058
Crown House Fit Out	287	375
Development Trust Houses	222	1,179
Music Hall Refurbishment	1,168	10,224
Cleobury Resource Centre	564	973
Community Grants	431	Ongoing
Oswestry Leisure Centre	3,843	10,416
Play Schemes	1,059	Ongoing
Disabled Facilities Grants	2,146	Ongoing
Housing Major Repairs Programme	4,500	Ongoing
Children and Young People's Services		
Primary School Amalgamation Programme	7,927	18,017
William Brookes School Renewal	8,148	26,937
14-19 Special Education Diploma Programme	2,440	Ongoing
Early Years Programme	2,015	Ongoing
Harnessing ICT	2,826	Ongoing
Devolved Formula Capital - Allocated by schools	3,947	Ongoing
Development Services		
Recycling Household Waste Site - Bridgnorth	1,418	1,439
Tern Valley BP Phase 2	799	4,075
Market Drayton Inner Relief Road	1,010	2,860
Affordable Housing Schemes	761	Ongoing
Growth Point Programme (including Flaxmill project)	943	7,830
Highways & Bridges Infrastructure	17,250	Ongoing
Integrated Transport Plan	3,807	Ongoing
Resources		
Mount McKinley Building	668	3,490
Purchase of Supported Living Properties	467	500
Market Drayton Market Hall	422	733
Council Wide Area Network	489	1,000





Borrowing

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

Due to the reduction in the capital programme and slippage within the programme, no additional borrowing was undertaken in 2010/11.

Investments

The Council's Annual Investment Strategy, The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Council's investment priorities as the security and liquidity of its capital.

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector.

A list of counterparties with whom funds could be invested was compiled with reference to the credit ratings issued by the credit agencies Fitch, Moody's and Standard & Poor.

Further details of investment activities are provided within Note 46, which commences on page 110.

Local Government Pension Scheme

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

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

As at 1 April 2010, the Council's net pensions liability amounted to £325.8m. In comparison, the deficit amounts to £234.0m at 31 March 2011. Statutory requirements for funding the deficit mean that the financial position of the Council remain healthy, as the deficit will be made good by increased contributions over the remaining working life of employees.

Further details on the basis on which the Council accounts for retirement benefits are provided within the Statement of Accounting Policies on page 33, and the change to the pension liability in 2010/11 is analysed in note 44 to the accounts.

Current and Future Prospects

The budget planning for 2011/12 was focussed on delivering significant savings in the face of major cuts to Government funding with the announcement of the Comprehensive Spending Review. The Council had savings targets of £64m to find over a four year period (£28m in 2011/12, £20m in 2012/13, £9m in 2013/14 and £7m in 2014/15).

In developing the Medium Term Financial Plan, the Cabinet has identified a number of key principles in order to deliver the budgetary cuts required:

- protecting services for safeguarding those local people at risk, (both adults and children), because they are the most vulnerable;
- finding savings by reducing bureaucracy, duplication, administrative and managerial costs, as a first priority, in order to protect frontline service (so far as is possible);
- reducing staffing costs, (through a partial vacancy freeze pending a wider review of future staffing needs and changes in terms and conditions), in ways which avoid compulsory redundancies, (if possible);
- increasing income from fees and charges, to compensate partially for loss of Government funding; and

- keeping future Council Tax increases below the current rate of inflation, (or reducing them to zero, particularly when the Government's current policy of capping Council Tax comes to an end).

Following the final grant settlement from the Government and also in light of the comments made by local people and representative organisations during budget consultation meetings and via an online Budget Simulator, the final budget strategy was agreed in February 2011.

The key elements of the 2011/12 budget were:

- No increase in Council Tax
- A Collection Fund surplus of £447,000
- Formula Grant of £95,251,000
- Dedicated Schools Grant based on the Department for Children, Schools and Families (DCSF) indicative allocations adjusted for local pupil number projections of £175,716,300
- Savings of £28m
- Growth of £6m, including priority service areas such as Looked After Children, Transition Cases for Young People with Learning Disabilities, Older People, Severe Weather and invest to save projects.

Further work is now ongoing to ensure delivery of the savings in 2011/12 and also to identify savings proposals to deliver the remaining £36m required over the next 3 years.

In generating the level of savings required in the Medium Term Financial Plan, the Council will need to meet any costs of redundancy over this period. Actions are being taken to minimise the level of redundancy costs incurred, by removing vacant posts where appropriate and by actively redeploying people at risk of redundancy. The Council plans to meet the costs of redundancy through a combination of capitalising costs, and using earmarked reserves and budgets.

Shropshire Council has also scaled back the size of the capital programme over the next four years in order to reduce the level of prudential borrowing within the programme and therefore reduce the funding pressure on the revenue budget. The focus of the review was to examine schemes that were financed by either capital receipts or prudential borrowing. Schemes were then placed into the following categories:

- Schemes in progress/committed that were not feasible to stop
- School schemes that the cost of Prudential Borrowing could be met from schools funding or alternative sources
- Spend to save schemes that could finance the cost of Prudential Borrowing
- Schemes that were proposed to be added to the Capital Programme
- Schemes proposed to be cut from the Capital Programme

The final Capital Programme for 2011/12 that was approved by Council on 24th February 2011 showed a reduction of £32.6m in 2011/12 and a further £46.6m over the next 3 years.

EXPLANATORY FOREWORD

The Council's Stewardship Responsibilities and Financial Management Policies

The Council deals with considerable sums of public money. The Council's Financial Rules provide the framework within which financial control is operated. To conduct its business efficiently, a Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Strict compliance with these policies ensures that the Council's policy objectives are pursued in a prudent and efficient way. These Financial Rules provide clarity about the accountabilities of individuals – Cabinet Members, the Chief Executive, the Monitoring Officer (Head of Legal and Democratic Services), the Chief Finance Officer (The Corporate Head of Finance & Commerce), and Corporate Directors.

The present policies have operated successfully since 1991/92 and provide for:

- The cash limiting of budgets.
- The allocation of pay and price contingencies at the start of the year with no further supplements.
- All variations to be met by Directorates from existing budgets.
- The carry forward of any over or underspendings at the year end.
- Virements to be allowed between budget heads, subject to rules laid down in the Constitution (Financial Rules).

There are five areas covered by the Financial Rules. These are:

i) Financial management and control.
ii) Financial planning.
iii) Risk management and control of resources.
iv) Systems and procedures.
v) External arrangements.

These Financial Rules link with other internal regulatory documents forming part of the Council's Constitution, for example – Contract Rules, Schemes of Delegation, the Role of Overview and Scrutiny Committees and Employee and Member Codes of Conduct.

This Statement of Accounts is part of that stewardship process, part of the process for being publicly accountable for public money.

The responsibilities of the Council and its designated Chief Finance Officer, who is the Corporate Head of Finance & Commerce, are set out in the Constitution. The Council also has an Annual Governance Statement which accompanies this Statement of Accounts which covers more than just financial matters. During 2010/11 the Council had two Section 151 Officers with the transition taking place in August 2010 when the Director of Resources left the authority.

The Council, through the Integrated Community Strategy, Corporate Plan and Medium Term Financial Plan takes a long term view of its strategic aims, priorities for improvement, service targets and the allocations of resources to meet those targets. This approach has helped bring about a number of improvements in our financial management:

- There is a close connection between the determination of service delivery priorities, as crystallised within our corporate aims and priorities for improvement, and our budget setting.
- Budgeting is more strategically focused.
- Changes in service delivery can be planned over a longer period.
- There is no longer a focus on one year only changes.
- It allows integration of revenue and capital planning.
- Consultation processes are more meaningful.

Our financial monitoring process relies upon the quality of the financial systems of the Council. There is a commitment continually to improve systems to ensure that budget holders receive information in the form and at the time they require and that key financial processes are managed efficiently and economically.

The Euro

During 2010/11 the Council has continued to review the impact of the Euro on its on-going operations and its financial information systems. Until a decision is taken as to whether the UK should adopt the Euro, the very limited amount of time that we are spending on keeping an overview of the potential impact of entering into a European Currency is being absorbed within existing budgets. Our main area of activity is limited to ensuring that any new IT systems purchased by the Council could accommodate a transition to the Euro if necessary. So, our activities are limited to avoiding wasted investment rather than taking any proactive measures.

Nevertheless, the Council is a member of the CIPFA Euro Forum which provides practical advice and guidance to Councils in planning and preparing for the possible introduction of the Euro and we will be in a position to respond should there be a decision to join.

Section 2

Statement of Responsibilities

Shropshire Council is in the top quartile of all authorities and has consistently performed well in supporting people to live independently

STATEMENT OF RESPONSIBILITIES

<u>The Council's Responsibilities</u>

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, the responsibility of Chief Financial Officer is allocated to the Corporate Head of Finance & Commerce;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

<u>Approved by Council</u>

The Statement of Accounts was approved at a meeting of the Council on 22 September 2011.

Malcolm Pate
Chairman of the Council
22 September 2011

<u>Responsibilities of Chief Financial Officer</u>

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

In preparing this Statement of Accounts, the Corporate Head of Finance & Commerce 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 Corporate Head of Finance & Commerce has also:

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

STATEMENT OF RESPONSIBILITIES

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2011 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011, as Amended 2009, and that the Pension Fund Accounts as set out in the separate publication of Shropshire County Pension Fund Annual Report 2010/11 also complies with these Regulations.

Rachel Musson
Corporate Head of Finance & Commerce
20 September 2011

Section 3

Audit Opinion & Certificate

Our secondary schools recorded their best ever GCSE results in 2010

AUDIT OPINION AND CERTIFICATE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Shropshire Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Head of Finance and Commerce and auditor

As explained more fully in the Statement of the Corporate Head of Finance and Commerce as Chief Financial Officer's Responsibilities, the Corporate Head of Finance and Commerce as Chief Financial Officer is responsible for the preparation of the Authority and Group'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

AUDIT OPINION AND CERTIFICATE

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Shropshire Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Head of Finance and Commerce and auditor

The Corporate Head of Finance and Commerce is responsible for the preparation of the pension fund'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

AUDIT OPINION AND CERTIFICATE

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Shropshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Authority and Group accounts of Shropshire Council and Shropshire County Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson
Officer of the Audit Commission
Opus House, Priestley Court,
Staffordshire Technology Park,
Beaconside
Stafford
ST18 0LQ
30 September 2011

Section 4

Statement of Accounting Policies

We have signed up the Carbon Trust's Carbon Management Programme and promised to cut emissions by 35% by 2014.

STATEMENT OF ACCOUNTING POLICIES

1. General

The general principles adopted in compiling the Accounts are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts have been designed to present a true and fair view of the financial performance and position of the Council and comparative figures for the previous financial year are provided.

The accounting concepts of ‘materiality’, ‘accruals’, ‘going concern’ and ‘primacy of legislative requirements’ have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. 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. Local authorities derive their powers from statute and their financing and accounting framework is closely controlled by primary and secondary legislation. It is a fundamental concept of local authority accounting that wherever accounting principles and legislative requirements are in conflict the latter shall apply.

2. Basis of Accounting for Items of Expenditure and Income

Revenue transactions are recorded on an accruals basis. This means that sums due to the Council in the year are accounted for even if the cash had not yet been received.

All payments made which related to the financial year 2010/11 have been included in the accounts, together with any identifiable and material sums which still remain to be paid for goods and services provided up to 31 March 2011.

3. Reserves

The Council maintains certain specific revenue reserves to meet future expenditure. The purpose of the Council’s reserves is explained on pages 55 to 57.

4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year the Council becomes aware of the obligation, based on the best estimate of the likely settlement.

5. Intangible Non Current Assets

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

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

6. Tangible Non Current Assets

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

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

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

Costs that meet the recognition principle include initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as ‘repairs and maintenance’, should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and should be charged to revenue.

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

<u>Measurement after recognition</u>
Fixed assets are subsequently valued at fair value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

Category	**Valuation Method (Fair Value definition)**
Council Dwellings	Existing Use Value – Social Housing (EUV-SH)
Land & Buildings	Existing Use Value (EUV) – in accordance with UKPS 1.3 of the RICS Valuation Standards. Depreciated Replacement Cost (DRC) – for specialist properties where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold.
Vehicles, Plant & Equipment	Depreciated Historic Cost (HC)
Infrastructure	Historic Cost (HC)
Community Assets	Historic Cost (HC)
Assets Under Construction	Historic Cost (HC)

Assets included in the Balance Sheet at current value are revalued at intervals of no more than five years or where there is evidence of material changes in the value. When an asset is re-valued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

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

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment, see 9.), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services.

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

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:
- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

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

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

A proportion (75% less any statutory deductions and allowances) of receipts relating to dwelling disposed under the Right to Buy are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a ‘housing pooled capital receipt’ is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance and reported in the Movement in Reserves Statement. Disposals of other Housing Revenue Accounts assets are subject to a 50% pooling requirement, however, the Council has opted to set a Capital Allowance to enable the full receipt to be retained for affordable housing schemes.

7. Investment Properties

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

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

Investment properties held at fair value are not depreciated. The fair value of investment properties shall reflect market conditions at the Balance Sheet date; this means the periodic (5-yearly) revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at Balance Sheet date.

8. Non-Current Assets Held for Sale

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

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

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

9. Impairment

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

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

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

The impairment of Housing Revenue Account assets is subject to an annual review of value in line with the requirements of the CLG; this is based on the quarterly house price statistics published by CLG.

10. Depreciation

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

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

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

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

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

11. Charges to Revenue for Non-Current Assets

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

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

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

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 15 (The Redemption of Debt). Depreciation, Amortisation and revaluation/impairment losses are therefore replaced by revenue provision transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Interest payable is reported within Net Operating cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 10 (Depreciation), is charged directly to service revenue accounts.

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

12. Revenue Expenditure Funded from Capital under Statute

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

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

13. Government Grants and Contributions

Revenue Grants

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

Capital Grants

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

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

14. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt.

15. The Redemption of Debt

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

16. Leases

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

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

1) the lease transfers ownership of the asset to the lessee by the end of the lease term

2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised

3) the lease term is for the major part of the economic life of the asset

4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, and

5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

<u>The Council as Lessee</u>

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

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

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

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

The Council as Lessor

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

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

17. Financial Assets

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

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial statements, instead Note 13 to the Core Financial Statements provides details about these soft loans.

18. Financial Liabilities

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

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

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

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

19. Interest on Surplus Funds and Balances

Interest earned on surplus cash or funds and balances is taken to the revenue account except for some interest that is credited to certain reserves and provisions, and unused school balances deposited with the Council reflecting the level of the account balance.

20. Cash and Cash Equivalents

Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

21. Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

22. Stocks

Stocks are valued at the lower of cost price or net realisable value.

23. Costs of Support Services

The revenue accounts of the various services include charges for the related support services, which are based upon service level agreements. These are agreed annually and are based upon agreed criteria.

24. Group Accounts

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

The Council has accounted for Group Accounts in accordance with IFRS 3 - Business Combination, IAS 27 - Consolidation and Separate Financial Statements, IAS28 - Investments in Associates and IAS 31 - Interests in Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting.

25. Value Added Tax (VAT)

Only irrecoverable VAT is included in revenue and capital expenditure.

26. Employee Benefits

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

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

In relation to pension costs IAS 19 requires a Council to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the Council's financial position. A net pensions asset indicates that the Council has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net pensions liability shows an effective underpayment by the Council.

Full details of the Council's accounting for pension costs are given in Note 44 on pages 106 to 110.

27. Foreign Currency Transactions

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

28. Prior Period Adjustments

Prior period adjustments are the correction of fundamental errors or changes required to reflect changes in accounting policies. Material adjustments applicable to prior periods are included in the accounts by restating comparative figures for the previous period and adjusting opening balances on the balance sheet.

29. PFI – Statement of Accounting Policy Private Finance Initiative Schemes (PFI)

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

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. Further details of these PFI projects are set out later in the document.

Where the Council has entered into PFI contracts the accounting treatment accords with proper practice as determined by the International Accounting Standards Board (IASB). Prior to the SORP 2009, previous editions of the SORP required PFI contracts to be accounted for in accordance with Financial Reporting Standard 5 Substance of Transactions. SORP 2009 required these contracts to be accounted for in a manner consistent with IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FReM). The detailed accounting requirements were contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009.

The CIPFA 2010/11 Code of Practice on Local Authority Accounting does not alter the accounting requirements for PFI schemes.

IFRIC 12 Service Concession Arrangements
Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that Appendix E (Accounting for PFI Transactions and Similar Contracts) applies to both the QICS and Waste Services PFI projects. The project are, therefore, "on balance sheet" for the Council's purposes.

Treatment of Upfront Contributions
Where the Council has made upfront payments in mitigation of debt financing needs it will be netted off the finance lease liability.

***Quality in Community Services PFI**: During 2005/06, prior to the start of the contract, a total of £2,500,000 was made in upfront contributions to ICS. The purpose of these contributions was to enable demolition and site clearance to take place and effectively provided a contribution towards ICS' capital costs in order to reduce the required debt funding with a consequent reduction in the annual unitary payment. These upfront contributions have, therefore, been accounted for as prepayments, funded by capital receipts, in 2005/06 and subsequently used to reduce the resulting finance lease liability when the assets became available for use by the Council in 2006/07.*

Treatment of Assets (Existing and New) Used by the Operator in Providing Services

Assets used by the operator in providing services under the contracts will be recognised as assets, at fair value on the Council's balance sheet in the year that they are made available for use. This treatment will apply to assets constructed under the contract, those previously owned by the Council and transferred or sold to the operator and assets previously owned by the operator. Assets originally transferred to the operator will be restored to the balance sheet at transfer date. The new balance sheet assets will be depreciated and re-valued in the normal way.

***Quality in Community Services PFI:** The sites for five of the six buildings to be constructed under the contract were already in the ownership of the Council before the contract was entered into and each of these sites had on it a building which required demolition prior to the new buildings being constructed. To reflect the demolitions, each of these buildings was written out of the asset register in 2005/06.*

Under the contract the operator has been provided with a non-exclusive licence to occupy the land on which the properties are situated until the date on which the PFI contract terminates. This means that the land element of the sites was not donated into the PFI transaction and so remain assets of the Council. The 2005/06 and subsequent Statement of Accounts have reflected the fact that the land remains in the Council's asset register.

All of the buildings constructed under the contract became operational during 2006/07. The assets have been recognised on the Council's balance sheet in 2006/07 at their capital cost, as detailed in the operator's financial model, and subsequently depreciated and re-valued in accordance with the Council's policies.

***Waste Services PFI:** At the commencement of the contract the Council made various existing waste infrastructure assets available to the contractor. The assets transferred to the contractor have been restored to the Council's balance sheet to their carrying value as at transfer date.*

In addition new assets are to be constructed under the contract and existing assets enhanced. Assets actually constructed under the contract will be recognised at fair value once they have been made available for use and enhancements will be recognised at their fair value in the carrying value of the asset.

Treatment of the Resulting Liability

At the same time as any new assets or enhancements provided under the contract are recognised on the Council's balance sheet a related liability to the operator to pay for that value is also recognised. This finance lease liability is classified as "Deferred Liabilities" on the Council's balance sheet.

The annual unitary charge payable to the operator for the buildings and services provided under a PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- Payment for services - this represents the fair value of the services received each year under the contract.
- Payment for lifecycle replacement - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract
- Payment for assets - this represents the annual lease rental for the asset and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

The finance lease rental is the amount remaining after deducting the fair value of services and lifecycle replacement costs from the expected unitary payments for each year of the contract; the fair value of services, lifecycle replacement costs and expected unitary payments all being derived from the operator's financial model.

The split of the finance lease rental between interest and principal is determined by scheduling out the minimum lease rental payments for the assets across the financial years of the scheme and then determining the interest rate that reduces the total of the payments, plus any unguaranteed residual value, to the initial fair value of the assets.

The implicit interest rate is then applied each year to the opening finance lease liability to give the finance cost for the year. The difference between the total finance lease rental and the finance cost is the principal repayment for the year - the amount by which the liability is to be written down.

The finance lease rental is also likely to be affected by inflation over the life of the contract and this cost, known as the "contingent rental" is determined by deducting the real finance cost and principal and the inflated service charge from the actual unitary charge payment.

The annual principal will be written down against the outstanding finance lease liability and both the annual finance cost and the contingent rental will be expensed as incurred.

***Quality in Community Services PFI**: All the assets to be constructed by the operator were made available for use at the commencement of the contract and, therefore, a finance lease liability equivalent to the fair value of the assets has been created in 2006/07. The finance lease rental element of the unitary charge associated with payment for assets constructed under the contract has been determined and analysed between interest, principal and contingent rental*

Waste Services PFI: *The assets originally transferred to the operator at the commencement of the contract were owned and fully funded by the Council and, therefore, no liability needs to be recognised in relation to these assets. When new assets and enhancements are provided under the contract a corresponding finance lease liability will be recognised by the Council equivalent to the fair value of the new asset or enhancement in order to reflect the liability to the operator for the asset or enhancement. The finance lease rental element of the unitary charge associated with payment for assets constructed under the contract has been determined and analysed between interest, principal and contingent rental.*

Treatment of Payment Deductions

Payment deductions will be separated into deductions for poor service and deductions for unavailability.

Deductions for poor service will be accounted for as a reduction in the cost of the affected service. Deductions for unavailability will be split into two elements: a property related element and a service element. The service element will be accounted for in the same way as poor service deductions and the property related element will be treated as a reduction of the finance lease rental, starting with the contingent rental element.

Minimum Revenue Provision (MRP)

Appendix E of the 2009 SORP states:

"Assets acquired under a PFI and similar contract that are recognised on the authority's Balance Sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance."

In accordance with the Communities & Local Government (CLG) document "Guidance on Minimum Revenue Provision" the MRP requirement of both PFI projects will be met by including within the annual MRP charge an amount equal to the element of the finance lease rental that goes to write down the balance sheet liability.

PFI Credits

PFI credits are received from the government in the form of a specific grant on an annuity basis. Receipts are credited to Current Assets - Government Debtors in the Council's Balance Sheet, and are drawn down at the end of the year, by applying the grant to the revenue account, against the unitary payments that have been made to the operator.

Section 5

Core Financial Statements

Shire Services hold the Food for Life Silver Catering Mark and 3 primary schools are flagship schools for the food for life partnership

MOVEMENT IN RESERVES STATEMENT

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

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

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

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	**15,529**	**25,902**	**974**	**0**	**1,503**	**43,908**	**851,869**	**895,777**
<u>Movement in reserves during 2009/10</u>								
Surplus or (deficit) on the provision of services	(44,905)	0	14,195	0	0	(30,710)	0	(30,710)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(61,825)	(61,825)
Total Comprehensive Income and Expenditure	**(44,905)**	**0**	**14,195**	**0**	**0**	**(30,710)**	**(61,825)**	**(92,535)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	43,674	0	(15,187)	(68)	(74)	28,345	(28,345)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(1,231)**	**0**	**(992)**	**(68)**	**(74)**	**(2,365)**	**(90,170)**	**(92,535)**
Transfers to/from Earmarked Reserves (Note 6)	(4,119)	3,300	817	68	2,498	2,564	(2,696)	(132)
Increase/Decrease in 2009/10	**(5,350)**	**3,300**	**(175)**	**0**	**2,424**	**199**	**(92,866)**	**(92,667)**
Balance at 31 March 2010	**10,179***	**29,202**	**799**	**0**	**3,927**	**44,107**	**759,003**	**803,110**

* Includes Council's General Fund Balance and School Balances. Level of School Balances is disclosed at Note 35.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	**10,179**	**29,202**	**799**	**0**	**3,927**	**44,107**	**759,003**	**803,110**
Movement in reserves during 2010/11								
Surplus or (deficit) on the provision of services	(45,536)	0	(75,866)	0	0	(121,402)	0	(121,402)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	141,140	141,140
Total Comprehensive Income and Expenditure	**(45,536)**		**(75,866)**	**0**	**0**	**(121,402)**	**141,140**	**19,738**
Adjustments between accounting basis & funding basis under regulations (Note 5)	46,990	0	75,734	(107)	(73)	122,544	(122,544)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,454**	**0**	**(132)**	**(107)**	**(73)**	**1,142**	**18,596**	**19,738**
Transfers to/from Earmarked Reserves (Note 6)	(1,772)	1,653	118	107	(1,650)	(1,544)	1,443	(101)
Increase/Decrease in 2010/11	**(318)**	**1,653**	**(14)**	**0**	**(1,723)**	**(402)**	**20,039**	**19,637**
Balance at 31 March 2011	**9,861***	**30,855**	**785**	**0**	**2,204**	**43,705**	**779,042**	**822,747**

* Includes Council's General Fund Balance and School Balances. Level of School Balances is disclosed at Note 35.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Income £000	2010/11 Net Expenditure £000
			Expenditure on Continuing Services (Note 27)			
32,429	(29,531)	2,898	Central Services to the public	33,875	(26,731)	7,144
96,798	(25,079)	71,719	Cultural, Environmental, Regulatory and Planning Services	87,923	(23,568)	64,355
276,127	(211,040)	65,087	Education and Children’s Services	317,466	(233,083)	84,383
39,481	(8,069)	31,412	Highways and Transport Services	39,146	(7,765)	31,381
(333)	(14,395)	(14,728)	Local Authority Housing (HRA)	22,668	(14,720)	7,948
0	0	0	Exceptional costs relating to revaluation loss on Housing Dwellings	67,694	0	67,694
73,482	(69,590)	3,892	Other Housing Services	78,436	(69,594)	8,842
99,405	(28,687)	70,718	Adult Social Care	104,148	(35,134)	69,014
7,543	0	7,543	Corporate and Democratic Core	7,140	0	7,140
7,245	0	7,245	Non Distributed Costs	2,183	0	2,183
632,177	**(386,391)**	**245,786**	**Net Cost of Services**	**760,679**	**(410,595)**	**350,084**
		11,740	Other Operating Expenditure (Note 7)			5,378
		38,099	Financing and Investment Income and Expenditure (Note 8)			33,653
		0	Surplus or Deficit of Discontinued Operations			0
		(264,784)	Taxation and Non Specific Grant Income (Note 9)			(267,713)
		30,841	**(Surplus) or Deficit on Provision of Services**			**121,402**
		(23,220)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets			(32,151)
		0	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			0
		85,045	Actuarial Gains/Losses on Pension Assets/Liabilities			(61,550)
		0	Exceptional item relating to Actuarial Gains on Pension Assets/Liabilities due to change in scheme benefits			(47,439)
		61,825	**Other Comprehensive Income and Expenditure**			**(141,140)**
		92,666	**Total Comprehensive Income and Expenditure**			**(19,738)**

BALANCE SHEET

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

1 April 2009	**31 March 2010**		**31 March 2011**	
£000	**£000**		**£000**	**£000**
		Property, Plant & Equipment (Note 10)		
215,203	229,221	Dwellings	155,354	
785,465	774,045	Land & Buildings	801,540	
10,912	13,339	Vehicles, Plant and Equipment	16,010	
263,521	275,919	Infrastructure	290,378	
6,251	4,570	Community	4,832	
8,242	30,673	Assets Under Construction	18,559	
42,010	36,045	Investment Property (Note 11)	35,045	
470	427	Intangible Assets (Note 12)	438	
6,252	4,354	Assets Held for Sale (Note 18)	5,608	
1,338,326	**1,368,593**	**Total Non Current Assets**		**1,327,764**
1,127	1,113	Long Term Investment	1,150	
1,766	1,583	Long Term Debtors (Note 16)	1,472	
1,341,219	**1,371,289**	**Total Long Term Assets**		**1,330,386**
		Current Assets		
642	670	Stocks (Note 14)	970	
43,222	48,734	Debtors (Note 16)	45,632	
28,260	26,167	Temporary Investments	22,600	
0	1,117	Landfill Usage Allowances (Note 51)	749	
77,361	73,765	Cash & Cash Equivalents (Note 17)	43,706	
149,485	**150,453**	**Total Current Assets**		**113,657**
1,490,704	**1,521,742**	**Total Assets**		**1,444,043**
		Current Liabilities		
(4,301)	(4,938)	Temporary Loans (Note 13)	(2,431)	
(64,050)	(56,507)	Creditors (Note 19)	(53,577)	
0	(762)	Liability to DEFRA for Landfill Usage (Note 51)	(528)	
(4,623)	(7,672)	Cash Overdrawn (Note 17)	(4,215)	
(3,233)	(2,650)	Provisions (Note 20)	(4,560)	
(76,207)	**(72,529)**	**Total Current Liabilities**		**(65,311)**
1,414,497	**1,449,213**	**Total Assets Less Current Liabilities**		**1,378,732**
		Long Term Liabilities		
(254,726)	(277,918)	Long Term Loans (Note 13)	(278,302)	
(16,733)	(18,837)	Deferred Liabilities (Note 39)	(20,830)	
(5,163)	(4,643)	Provisions (Note 20)	(4,176)	
(777)	(765)	Deferred premiums on early repayment of debt (Note 13)	(753)	
(13,863)	(18,138)	Capital Grants Receipts in Advance (Note 36)	(17,918)	
(227,458)	(325,802)	Pensions Liability (Note 44)	(234,006)	
(518,720)	**(646,103)**	**Total Long Term Liabilities**		**(555,985)**
895,777	**803,110**	**Total Assets Less Liabilities**		**822,747**

BALANCE SHEET

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	£000
		Financed by:		
		Unusable Reserves		
155,557	169,740	Revaluation Reserve (Note 22)	195,228	
932,995	923,774	Capital Adjustment Account (Note 22)	827,030	
(3,233)	(2,650)	Short Term Compensated Absences Account (Note 22)	(4,560)	
(7,739)	(7,356)	Financial Instruments Adjustment Account (Note 22)	(6,945)	
982	926	Deferred Capital Receipts	821	
764	372	Collection Fund	1,474	
(227,458)	(325,802)	Pensions Reserve (Note 44)	(234,006)	
851,869	**759,003**			**779,042**
		Usable Reserves		
0	0	Usable Capital Receipts Reserve (Note 21)	0	
1,503	3,927	Major Repairs Reserve	2,204	
25,902	29,202	Reserves (Note 6)	30,855	
974	799	HRA Balance	785	
15,529	10,179	General Fund Balance (Note 5)	9,861	
43,908	**44,107**			**43,705**
895,777	**803,110**	**Total Equity**		**822,747**

CASH FLOW STATEMENT

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

2009/10	Revenue Activities	2010/11	
£000		£000	£000
30,841	Net (surplus) or deficit on the provision of services	121,402	
(62,775)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(161,972)	
41,533	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37,995	
9,599	**Net cash flows from Operating Activities (Note 23 and 24)**		**(2,575)**
13,955	Investing Activities (Note 25)	25,314	
(16,909)	Financing Activities (Note 26)	3,863	
6,645	**Net (increase) or decrease in cash and cash equivalents**		**26,602**
72,738	Cash and cash equivalents at the beginning of the reporting period		66,093
66,093	**Cash and cash equivalents at the end of the reporting period (Note 17)**		**39,491**

Section 6

Notes to the Core Financial Statements

Our Local Joint Committees have awarded grants of £1,033,000 to 582 separate projects

NOTES TO THE CORE FINANCIAL STATEMENTS

1. MATERIAL RESTATEMENT OF ACCOUNTS DUE TO IFRS TRANSITION

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Comprehensive Income and Expenditure Statement:

	2009/10 GAAP Net Expenditure £000	Employee Benefits £000	Capital Charges and Leasing £000	2009/10 IFRS Net Expenditure £000
Central Services	2,807	6	85	2,898
Cultural, Environment and Planning Services	71,343	(628)	1,004	71,719
Education & Children Services	62,233	764	2,090	65,087
Highways, Roads & Transport Services	30,498	(283)	1,197	31,412
Local Authority Housing (HRA)	(14,761)	21	12	(14,728)
Housing Services	3,876	12	4	3,892
Adult Social Care	70,565	(19)	172	70,718
Corporate & Democratic Core	7,543	0	0	7,543
Non distributed costs	7,245	0	0	7,245
Net Cost of Services	**241,349**	**(127)**	**4,564**	**245,786**
Other Operating Expenditure	11,596	0	144	11,740
Financing and Investment Income and Expenditure	38,502	(455)	52	38,099
Taxation and Non Specific Grant Income	(237,889)	0	(26,895)	(264,784)
(Surplus) or Deficit on Provision of Services	**53,558**	**(582)**	**(22,135)**	**30,841**

Balance Sheet:

	2009/10 GAAP £000	Employee Benefits £000	Capital Charges and Leasing £000	2009/10 IFRS £000
Property, Plant & Equipment				
Dwellings	229,221	0	0	229,221
Land & Buildings	773,317	0	728	774,045
Vehicles, Plant and Equipment	13,183	0	156	13,339
Infrastructure	275,919	0	0	275,919
Community	4,570	0	0	4,570
Assets Under Construction	0	0	30,673	30,673
Investment Property	22,240	0	13,805	36,045
Intangible Assets	427	0	0	427
Assets Held for Sale	19,618	0	(15,264)	4,354
Assets Under Construction	30,673	0	(30,673)	0
Total Non Current Assets	**1,369,168**	**0**	**(575)**	**1,368,593**

	2009/10 GAAP	Employee Benefits £000	Capital Charges and Leasing £000	2009/10 IFRS
Long Term Investment	1,113	0	0	1,113
Long Term Debtors	1,583	0	0	1,583
Total Long Term Assets	**1,371,864**	**0**	**(575)**	**1,371,289**
Current Assets				
Stocks	670	0	0	670
Debtors	48,734	0	0	48,734
Temporary Investments	99,932	0	(73,765)	26,167
Landfill Usage Allowances	1,117	0	0	1,117
Cash & Cash Equivalents	0	0	73,765	73,765
Total Current Assets	**150,453**	**0**	**0**	**150,453**
Total Assets	**1,522,317**	**0**	**(575)**	**1,521,742**
Current Liabilities				
Temporary Loans	(4,938)	0	0	(4,938)
Creditors	(56,507)	0	0	(56,507)
Provisions	0	(2,650)	0	(2,650)
Liability to DEFRA for Landfill Usage	(762)	0	0	(762)
Cash Overdrawn	(7,672)	0	0	(7,672)
Total Current Liabilities	**(69,879)**	**(2,650)**	**0**	**(72,529)**
Total Assets Less Current Liabilities	**1,452,438**	**(2,650)**	**(575)**	**1,449,213**
Long Term Liabilities				
Long Term Loans	(277,918)	0	0	(277,918)
Deferred Liabilities	(18,672)	0	(165)	(18,837)
Provisions	(4,643)	0	0	(4,643)
Government Grants Deferred	(118,475)	0	118,475	0
Deferred premiums on early repayment of debt	(765)	0	0	(765)
Capital Grants Receipts in Advance	(18,138)	0	0	(18,138)
Pensions Liability	(325,802)	0	0	(325,802)
Total Long Term Liabilities	**(764,413)**	**0**	**118,310**	**(646,103)**
Total Assets Less Liabilities	**688,026**	**(2,650)**	**117,735**	**803,110**
Financed by:				
Unusable Reserves				
Revaluation Reserve	187,529	0	(17,789)	169,740
Capital Adjustment Account	788,250	0	135,524	923,774
Short Term Compensated Absences Account	0	(2,650)	0	(2,650)
Financial Instruments Adjustment Account	(7,356)	0	0	(7,356)
Deferred Capital Receipts	926	0	0	926
Collection Fund	372	0	0	372
Council Tax Adjustment Account	0	0	0	0
Pensions Reserve	(325,802)	0	0	(325,802)
	643,919	**(2,650)**	**117,735**	**759,003**
Usable Reserves				
Usable Capital Receipts Reserve	0	0	0	0
Major Repairs Reserve	3,927	0	0	3,927
Reserves	29,202	0	0	29,202
HRA Balance	799	0	0	799
General Fund Balance	10,179	0	0	10,179
	44,107	**0**	**0**	**44,107**
Total Equity	**688,026**	**(2,650)**	**117,735**	**803,110**

The 2009/10 opening balances have also been restated with regard to the Council's PFI contracts to reflect the following:

- initial recognition of the assets provided under the QICS PFI contract at the capital cost contained in the financial model rather than the market value of the assets at the commencement of the contract.

- additional assets provided under the Waste Services PFI contract but not previously recognised on the balance sheet.

The following table summarises the restatement of the 2009/10 balance sheet.

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Prepayments £000	Finance Lease Liability £000	Capital Adjustment Account £000	PFI General Reserve £000	Revaluation Reserve £000
Closing Balance 2009/10	29,878	5,239	3,908	(20,341)	(8,556)	(3,908)	(2,898)
Prior Year Transactions							
(i) Waste PFI							
Additional Assets Provided Under the Contract	11	665	0	0	0	0	0
Depreciation – Additional Assets Provided Under the Contract	0	(135)	0	0	0	0	0
Reverse Prepayment – Additional Assets Provided Under the Contract	0	0	(258)	0	135	258	0
Finance Lease Liability Recognised	0	0	0	(676)	0	0	0
Finance Lease Liability – Repayment of Principal	0	0	0	177	(177)	0	0
(ii) QICS PFI							
Initial Recognition of Assets Provided Under the Contract	0	0	0	2,757	(2,757)	0	0
Finance Lease Liability – Repayment of Principal	0	0	0	(252)	252	0	0
In Year Transactions							
(i) Waste PFI							
Additional Assets Provided Under the Contract	267	61	0	0	0	0	0
Depreciation – Additional Assets Provided Under the Contract	(5)	(130)	0	0	0	0	0
Reverse Prepayment – Additional Assets Provided Under the Contract	0	0	(170)	0	135	170	0
Finance Lease Liability Recognised	0	0	0	(329)	0	0	0
Finance Lease Liability – Repayment of Principal	0	0	0	73	(73)	0	0
(ii) QICS PFI							
Finance Lease Liability – Repayment of Principal	0	0	0	(80)	80	0	0
Restated Closing Balance 31st March 2010	**30,151**	**5,700**	**3,480**	**(18,671)**	**(10,961)**	**(3,480)**	**(2,898)**

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Dwellings	The value of dwellings held on the balance sheet is subject to impairments due to an estimated increase or decrease in house prices statistics as advised by CLG. The Council uses the Quarter 4 (Dec 2010) statistics on which to base the impairment for the year, however if the Quarter 1 (Mar 2011) figure is materially different, it may be necessary to amend the value of dwellings further.	The change in value will be dependent on the change in house price statistics as reported at Quarter 1.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £12,980.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

3. EVENTS AFTER THE BALANCE SHEET DATE

On the 19 May 2011, the Government agreed to a change in the way that Social Housing is valued. The Beacon Factor which determines the basis for valuing dwellings, includes a an adjustment factor which measures the difference between private open market rented and socially rented property at a regional level. Since 2005 the adjustment factor for Shropshire (West Midlands region) has been 49%, however the new directions now state that the adjustment factor should be 34%. The effect of this change is a revaluation loss within the Council Dwellings figure. This has been treated as an adjusting event within the accounts and the necessary amendments have been made within the relevant statements.

The Statement of Accounts was authorised for issue by the S151 Officer on 30 June 2011. Events taking place after this date are not reflected in the financial statement or notes and no further post balance sheet events have been identified.

4. EXCEPTIONAL ITEMS

The Government has agreed a change in the way that Social Housing is valued. The Beacon Factor which determines the basis for valuing dwellings, includes a an adjustment factor which measures the difference between private open market rented and socially rented property at a regional level. Since 2005 the adjustment factor for Shropshire (West Midlands region) has been 49%, however the new directions now state that the adjustment factor should be 34%. The effect of this change is a revaluation loss within the Council Dwellings figure which is chargeable to the Housing Revenue Account. This equates to £67,693,963 and has been shown as an exceptional item on the face of the Comprehensive Income and Expenditure Statement.

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation and impairment of non current assets	58,149	75,450	0	0	(133,599)
Revaluation losses on Property Plant and Equipment	0	0	0	0	0
Movement in the market value of Investment Properties	(191)	0	0	0	191
Capital grants and contributions applied	(35,168)	(27)	0	0	35,195
Revenue expenditure funded from capital under statute	18,445	120	0	0	(18,565)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment	(11,383)	0	0	0	11,383
Capital expenditure charged against the General Fund and HRA balances	(1,168)	0	0	0	1,168

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	667	(149)	2,798	0	(3,316)
Use of the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	(2,487)	0	2,487
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	418	0	(418)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:					
Reversal of Major Repairs Allowance credited to the HRA	0	73	0	(73)	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(343)	(69)	0	0	412
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 43)	38,526	659	0	0	(39,185)
Employer’s pension contributions and direct payments to pensioners payable in the year	(21,789)	(304)	0	0	22,093

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,102)	0	0	0	1,102
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,929	(19)	0	0	(1,910)
Total Adjustments	**46,990**	**75,734**	**(107)**	**(73)**	**(122,544)**

2009/10 Comparative Figures

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation and impairment of non current assets	30,985	0	0	0	(30,985)
Revaluation losses on Property Plant and Equipment	29,148	(14,719)	0	0	(14,429)
Movement in the market value of Investment Properties	0	0	0	0	0
Capital grants and contributions applied	(26,895)	0	0	0	26,895
Revenue expenditure funded from capital under statute	5,523	0	0	0	(5,523)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0

2009/10 Comparative Figures	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserves £000**	**Major Repairs Reserve £000**	**Movement in Unusable Reserves £000**
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment	(9,958)	0	0	0	9,958
Capital expenditure charged against the General Fund and HRA balances	(3,624)	(817)	0	0	4,441
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,973	89	4,132	0	(10,194)
Use of the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	(4,095)	0	4,095
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	105	0	(105)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:					
Reversal of Major Repairs Allowance credited to the HRA	0	74	0	(74)	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(315)	(69)	0	0	384

2009/10 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 43)	34,178	520	0	0	(34,698)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,113)	(286)	0	0	21,399
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	271	0	0	0	(271)
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(604)	21	0	0	583
Total Adjustments	**43,674**	**(15,187)**	**(68)**	**(74)**	**(28,345)**

6. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund:							
Advisory Service Reserve	50	(50)	0	0	0	0	0
Area Based Grant Reserve	2,167	(1,676)	1,176	1,667	(1,667)	275	275
Building Maintenance Reserve	78	(78)	0	0	0	0	0
Connexions Legacy Reserve	441	(118)	45	368	(203)	39	204
Council Elections Reserve	414	(378)	0	36	0	154	190
Craven Arms Auction Yard Reserve	70	0	0	70	0	0	70
CYPS Directorate Reserve	595	(1,094)	960	461	(170)		291
Economic Development Workshops Major Maintenance Reserve	79	0	42	121	0	69	190
Education – Staff Sickness Insurance Reserve	951	(2,280)	1,627	298	(15)	0	283
Education – Theft Insurance Reserve	144	(150)	44	38	0	17	55
Fire Liability Reserve	1,701	0	8	1,709	0	97	1,806
Housing Reserve	25	(25)	0	0	0	0	0
Landfill Allowance Trading Scheme Reserve	0	0	355	355	(134)	0	221
Legal Disbursements Reserve	59	0	110	169	(82)	13	100
Local Authority Business Growth Incentive Reserve	507	(485)	28	50	(7)	0	43
Major Planning Inquiries Reserve	61	0	956	1,017	(613)	30	434
Motor Insurance Reserve	150	(85)	97	162	(42)	187	307
PFI Buildings Equipment Replacement Reserve	249	(2)	38	285	(33)	34	286
Resources Efficiency Reserve	1,973	(2,418)	1,253	808	(405)	14	417
Revenue Commitments for Future Capital Expenditure Reserve	5,667	(3,962)	519	2,224	(1,249)	1,718	2,693
Schools Building Maintenance Insurance Reserve	0	0	285	285	0	91	376
School Meals – Academic Year Reserve	83	(83)	0	0	0	0	0
Severe Weather Reserve	0	(1,000)	1,000	0	0	0	0
Shire Catering and Cleaning Efficiency Reserve	91	(187)	176	80	(170)	324	234
Shropshire Waste Partnership (Smoothing Reserve)	7,260	0	3,885	11,145	0	2,705	13,850
Shropshire Waste Partnership (General Reserve)	2,747	0	2,133	4,880	(1,400)	2,240	5,720
Theatre Severn – Repairs & Maintenance Reserve	0	0	155	155	(155)	0	0
TMO Vehicle Replacement Reserve	688	(90)	816	1,414	(562)	461	1,313
Transport – Academic Year Reserve	0	0	0	0	0	0	0
Unitary Transformation Reserve	0	0	149	149	(102)	166	213
Voluntary Early Retirement/Severance Reserve	1,300	(4,407)	4,992	1,885	(2,094)	1,286	1,077
Waste Management Reserve	435	(385)	0	50	(50)	0	0
Youth Service Vehicle Replacement Reserve	58	(58)	0	0	0	0	0

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Directorate Carry Forwards:							
- Community Services	0	(24)	0	(24)	24	0	0
- Community Services – County Training	0	(1,141)	0	(1,141)	1,141	0	0
- Development Services	37	(37)	40	40	(40)	0	0
- Development Services – Highways	(2,386)	0	2,386	0	0	0	0
- Resources, Legal & Democratic	208	(208)	446	446	(446)	206	206
Total	**25,902**	**(20,421)**	**23,721**	**29,202**	**(8,474)**	**10,126**	**30,854**

RESERVES

Advisory Service - established from prior years' unapplied retained Standards Fund grant balances.

Area Based Grant - established from unapplied Area Based Grant balances. Commitments have been made against these balances in 2011/12.

Connexions Legacy - established from the process of liquidating the old external Connexions Company with effect from 31 March 2007. The Agreement to transfer the assets of the old Company to Shropshire County Council stipulates that "the Distributable Funds shall only be applied for the benefit of young persons and for no other purpose whatsoever".

Council Elections - established to meet the periodic cost of Council Elections which take place every four years. In 2010/11, £154,000 was transferred to this reserve to fund the cost of future elections.

Craven Arms Auction Yard - has been established to cover the expected future costs associated with maintaining the new development at the former Craven Arms Auction Yard site.

CYPS Directorate - this reserve was established from overall directorate underspends in 2004/05. This reserve has been applied to one-off spending initiatives which are time-limited and not covered by base budget provision. It has also been used in year and previous years to support the directorate's base budget overspends.

Economic Development Workshops Major Maintenance - set up to meet the costs of major maintenance of Economic Development Workshops.

Education Staff Sickness Insurance - schools' self help insurance for staff sickness with premiums met from delegated budgets. Any surplus generated is used to benefit contributing schools and schools' related budgets.

Education Theft Insurance - this is the schools' self help insurance scheme to cover equipment damage and losses. Any surplus generated is used to benefit contributing schools and schools' related budgets.

Fire Liability - this is required to meet the cost of excesses on all Council properties.

Landfill Allowance Trading Scheme - this reserve has been set up to recognise the notional surplus generated because the council's liability for waste disposal tonnage since 2005/06 has been less than the allowances allocated by DEFRA. As this represents a notional surplus it **cannot** be spent. This reserve has only been set up because the accounting guidelines require it.

Legal Disbursements - this helps to meet extraordinary legal costs incurred by service directorates over and above budgets..

Local Authority Business Growth Incentive - this reserve has been established using grant from the Department for Communities and Local Government. The reserve will be spent on schemes that will benefit business development within Shropshire.

Major Planning Inquiries –this reserve is used to meet the one-off costs of major planning inquiries, and is a corporate reserve.

Major Repairs Reserve –this reserve is used to meet the costs of major repairs to be undertaken on the Council's housing stock.

Motor Insurance - an internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.

PFI Buildings Equipment Replacement - this was established in 2007/08 to fund replacement equipment in PFI buildings. This relates to items of equipment not covered by the PFI contract, that the council are responsible for maintaining.

Resources Efficiency - established for investment in new developments, particularly information technology, that client directorates would not be expected to meet from their internal service level agreements for support services.

Revenue Commitments for Future Capital Expenditure - this reserve comprises underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants. This sum is available to fund commitments against capital schemes in 2011/12.

Schools Building Maintenance Insurance - the schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school. In broad terms this includes annual contract maintenance, programmed structural repairs, mechanical and electrical contract maintenance and reactive essential maintenance works.

School Meals - Academic Year - this reserve was held to support financial years when there has been a higher than average number of school days.

Shire Catering and Cleaning Efficiency - this is built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.

Shropshire Waste Partnership (Smoothing Reserve) – the PFI smoothing reserve reflects the budgeted contributions in the early years of the Waste PFI contract that will be used to smooth the step up in the Unitary Charge once additional facilities come on line. The PFI smoothing reserve will ensure that the Shropshire Waste Partnership does not pay for services in advance of receiving them but that once costs are increased in line with the contract money is available to meet those costs.

Shropshire Waste Partnership (General Reserve) - the general reserve arises from SWP underspends and this will be earmarked towards future capital and revenue pressures in the budget. Also includes notional entries relating to prepayments relevant to the IFRS accounting treatment.

Theatre Severn Repairs & Maintenance - established from underspends within culture and leisure, the reserve will be earmarked towards future capital and revenue expenditure on repairs, maintenance and replacement of essential equipment at the Theatre.

TMO Vehicle Replacement - this reserve was set up to meet the costs of replacement vehicles by the Integrated Transport Unit

Transport – Academic Year - this reserve was held to support financial years when there has been a higher than average number of school days, or to support transport base budget spending pressures.

Transformation - Required to fund invest to save projects in order to deliver the transformation programme involved in moving to the New Operating Model for the Council.

Voluntary Early Retirement/Severance - used to help meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.

Waste Management - to meet potential claims from our contractors. .

Directorate Carry Forwards – this represents any agreed carry forwards in the Directorate's budget at the end of the year.

7. OTHER OPERATING EXPENDITURE

2009/10 £000		2010/11 £000
5,462	Parish Council Precepts	5,325
111	Levies	109
105	Payments to the Government Housing Capital Receipts Pool	418
6,062	Gains/losses on the disposal of non current assets	518
0	Gains/losses on change in valuation of non-current assets	(992)
11,740		**5,378**

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000		2010/11 £000
14,979	Interest payable and similar charges	15,861
19,689	Pensions interest cost and expected return on pensions assets	16,496
(771)	Interest receivable and similar income	(778)
1,819	Income and expenditure in relation to investment properties and changes in their fair value	243
0	Other investment income	0
(1,135)	Debt Charges Income	(1,095)
3,387	(Surpluses)/deficits on Trading Activities	2,926
131	Collection Fund Adjustment	0
38,099		**33,653**

9. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000		2010/11 £000
(130,796)	Council tax income	(134,639)
(73,240)	Non domestic rates	(81,634)
(33,853)	Non ringfenced government grants	(31,861)
(26,895)	Capital grants and contributions	(19,579)
(264,784)		**(267,713)**

10. ASSETS – FIXED ASSETS

The figures below provide information on the movement of fixed assets held by the Council during 2010/11. Following the introduction of capital asset accounting the fixed assets are now shown at their current value.

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra-structure £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation								
At 1 April 2010	234,647	837,437	25,584	344,204	5,434	30,702	**1,478,008**	39,737
Additions	4,499	17,745	7,396	22,570	675	11,835	**64,720**	3,204
Donations	0	869	0	0	0	0	**869**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	16,342	0	0	0	0	**16,342**	53
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,299)	(25,519)	0	0	(6)	(71)	**(99,895)**	(268)
Derecognition - disposals	(517)	(201)	0	0	0	0	**(718)**	0
Derecognition - other	0	(10,017)	(3,361)	0	(52)	0	**(13,430)**	(25)
Assets reclassified (to)/from Held for Sale	0	(1,124)	0	0	0	0	**(1,124)**	0
Other movements in cost or valuation	0	22,644	0	1,146	50	(23,813)	**27**	0
At 31 March 2011	**164,330**	**858,176**	**29,619**	**367,920**	**6,101**	**18,653**	**1,444,799**	**42,701**
Depreciation and Impairments								
At 1 April 2010	(5,426)	(63,392)	(12,245)	(68,285)	(864)	(29)	**(150,241)**	(3,885)
Depreciation charge for 2010/11	(2,589)	(18,535)	(4,726)	(9,250)	(456)	0	**(35,556)**	(1,969)
Depreciation written out to the Revaluation Reserve	0	15,257	0	0	0	0	**15,257**	494
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	981	0	0	0	0	**981**	125
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	552	0	0	0	0	**552**	142
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(971)	(379)	0	(89)	0	(82)	**(1,521)**	0
Derecognition - disposals	10	0	0	0	0	0	**10**	0
Derecognition - other	0	8,472	3,362	0	51	0	**11,885**	25
Other movements in depreciation and impairment	0	408	0	82	0	17	**507**	0
At 31 March 2011	**(8,976)**	**(56,636)**	**(13,609)**	**(77,542)**	**(1,269)**	**(94)**	**(158,126)**	**(5,068)**
NBV at 31 March 2011	**155,354**	**801,540**	**16,010**	**290,378**	**4,832**	**18,559**	**1,286,673**	**37,633**
NBV at 31 March 2010	**229,221**	**774,045**	**13,339**	**275,919**	**4,570**	**30,673**	**1,327,767**	**35,852**

NOTES TO THE CORE FINANCIAL STATEMENTS

The comparative movements in 2009/10 were as detailed below:

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra-structure £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant &\Equipment £000
Cost or valuation								
At 1 April 2009	217,721	829,317	25,636	322,784	7,768	8,256	**1,411,482**	32,906
Additions	1,120	14,602	6,104	19,688	698	22,420	**64,632**	3,579
Donations	0	0	0	0	0	0	**0**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	18,467	0	0	(483)	2	**17,986**	1,930
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,097	(11,226)	0	0	(626)	0	**3,245**	0
Derecognition - disposals	(306)	(6,172)	(9)	0	0	(88)	**(6,575)**	0
Derecognition - other	0	(583)	(6,268)	(60)	(19)	0	**(6,930)**	(432)
Assets reclassified (to)/from Held for Sale	0	(265)	0	0	0	0	**(265)**	0
Other movements in cost or valuation	1,015	(6,703)	121	1,792	(1,904)	112	**(5,567)**	1,754
At 31 March 2010	**234,647**	**837,437**	**25,584**	**344,204**	**5,434**	**30,702**	**1,478,008**	**39,737**
Depreciation and Impairments								
At 1 April 2009	(2,518)	(43,853)	(14,724)	(59,263)	(1,517)	(14)	**(121,889)**	(3,615)
Depreciation charge for 2009/10	(2,561)	(17,487)	(4,206)	(8,648)	(393)	0	**(33,295)**	(1,722)
Depreciation written out to the Revaluation Reserve	0	4,432	0	0	20	0	**4,452**	1,020
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,011	0	0	0	0	**1,011**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(103)	0	0	0	0	**(103)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(307)	(13,050)	0	0	(14)	(134)	**(13,505)**	0
Derecognition - disposals	3	167	2	0	0	0	**172**	0
Derecognition - other	0	210	6,268	60	19	0	**6,557**	432
Other movements in depreciation and impairment	(43)	5,281	415	(434)	1,021	119	**6,359**	0
At 31 March 2010	**(5,426)**	**(63,392)**	**(12,245)**	**(68,285)**	**(864)**	**(29)**	**(150,241)**	**(3,885)**
NBV at 31 March 2010	**229,221**	**774,045**	**13,339**	**275,919**	**4,570**	**30,673**	**1,327,767**	**35,852**

Included in the above balances for operational land and buildings are 6 primary schools for which instructions have been issued, but full ownership has not yet transferred to the Diocese. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998). Work commenced on the transfers in 2008/09, this included the preparation and checking of plans, sites visits and meetings with Head Teachers. This detailed work is necessary because in many circumstances the schools are now physically different and it is necessary to ensure that the transfers relate purely to the school function and not other uses which may now be on site. Instructions have been passed to Legal Services for the completion of the transfers and transfers were completed for 10 schools in 2008/09, with a further 3 schools completed in 2009/10. The remaining 6 are awaiting formal legal completion and the asset value of these schools will be removed from the Council's balance sheet on completion of the legal transfer.

The total net book value for the 6 schools based on current market value is £8,789,000.

Depreciation

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

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

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £30,228,000. Similar commitments at 31 March 2010 were £10,346,000. The major commitments were:

- Primary School Amalgamations - £6,108,000.
- Shrewsbury Music Hall - £4,759,000.
- Oswald Park Leisure Centre - £2,272,000.
- Flaxmill Project - Purchase of Arriva Depot - £2,125,000.
- HRA Major Repairs Programme - £10,875,000 (over next 4 years).

Revaluations

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

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

Valuations of Non Current Assets carried at Current Value

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Total £'000
Carried at Historical Cost	0	4,691	16,010	**20,701**
Valued at Fair Value as at:				
01-Apr-10	0	262,482	0	**262,482**
01-Apr-09	0	141,999	0	**141,999**
01-Apr-08	155,354	211,789	0	**367,143**
01-Apr-07	0	118,736	0	**118,736**
01-Apr-06	0	61,843	0	**61,843**
Total Cost or Valuation	**155,354**	**801,540**	**16,010**	**972,904**

11. INVESTMENT PROPERTIES

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

2009/10 £000		2010/11 £000
(1,332)	Rental income & service charges from investment property	(1,271)
680	Direct operating expenses arising from investment property	713
(652)	**Net gain/(loss)**	**(558)**

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

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

2009/10 £000		2010/11 £000
42,010	Balance at start of the year	36,045
	Additions:	
400	- Purchases	536
0	- Construction	0
0	- Subsequent expenditure	0
(3,609)	Disposals	(230)
(2,470)	Net gains/losses from fair value adjustments	(801)
	Transfers:	
0	- To/from Inventories	0
(286)	- To/from Property, Plant and Equipment	(505)
0	Other changes	0
36,045	Balance at end of the year	**35,045**

12. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are between 3 and 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £234,000 charged to revenue in 2010/11 was charged to services within the service headings in the Net Expenditure of Services.

	2010/11			2009/10		
	Internally Generated Assets	**Other Assets**	**Total**	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at start of year:						
- Gross carrying amounts	0	889	889	0	1,212	1,212
- Accumulated depreciation	0	(462)	(462)	0	(742)	(742)
Net carrying amount at start of year	0	427	427	0	470	470
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	245	245	0	229	229
- Acquired through business combinations	0			0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairments losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	(38)	(38)
Impairments losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(234)	(234)	0	(234)	(234)
Other changes	0	0	0	0	0	0
Net carrying amount at end of the year	**0**	**438**	**438**	**0**	**427**	**427**
Comprising:						
- Gross carrying amounts	0	920	920	0	889	889
- Accumulated amortisation	0	(482)	(482)	0	(462)	(462
	0	**438**	**438**	**0**	**427**	**427**

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Investments:				
Loans and receivables	1,150	1,113	66,306	99,932
Available for sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	**1,150**	**1,113**	**66,306**	**99,932**
Debtors:				
Loans and receivables	1,472	1,583	0	0
Financial assets carried at contract amounts	0	0	30,950	33,926
Total Debtors	**1,472**	**1,583**	**30,950**	**33,926**
Borrowing:				
Financial liabilities at amortised cost	278,302	277,918	2,431	4,938
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	**278,302**	**277,918**	**2,431**	**4,938**
Other Long Term Liabilities:				
PFI and finance lease liabilities	20,830	18,837	0	0
Total Other Long Term Liabilities	**20,830**	**18,837**	**0**	**0**
Creditors:				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	47,879	51,099
Cash overdrawn	0	0	4,215	7,672
Total Creditors	**0**	**0**	**52,094**	**58,771**

Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	(15,858)	0	0	0	(15,858)	(14,920)	0	0	0	(14,920)
Losses on derecognition	0	0	0	0	0	0	0	0	0	0
Reductions in fair value	0	0	0	0	0	0	0	0	0	0
Impairment losses	0	(3)	0	0	(3)	0	(59)	0	0	(59)
Fee expense	0	0	0	0	0	0	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(15,858)**	**(3)**	**0**	**0**	**(15,861)**	**(14,920)**	**(59)**	**0**	**0**	**(14,979)**

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest income	0	737	0	0	737	0	725	0	0	725
Interest income accrued on impaired financial assets	0	41	0	0	41	0	46	0	0	46
Increases in fair value	0	0	0	0	0	0	0	0	0	0
Gains on derecognition	0	0	0	0	0	0	0	0	0	0
Fee income	0	0	0	0	0	0	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**778**	**0**	**0**	**778**	**0**	**771**	**0**	**0**	**771**
Gains on revaluation	0	0	0	0	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0
Net gain/(loss) for the year	**(15,858)**	**775**	**0**	**0**	**(15,083)**	**(14,920)**	**712**	**0**	**0**	**(14,208)**

Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £967,000 are advanced to clients receiving residential/nursing care who following assessment are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £365,000. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 1.89% to 5.31% for loans from the PWLB, 3.61% to 4.01% for Market Loans and 0.25% to 1.91% for loans and receivables, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		**31 March 2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	49,200	52,414	49,200	52,343
Long term creditors	228,718	234,753	231,229	254,413

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2011		**31 March 2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Loans and receivables				
Cash	19,390	19,390	9,670	9,670
Fixed Term Deposits	46,720	46,984	90,145	90,344
Long term debtors	1,472	1,472	1,583	1,583
Long term investments	1,150	1,150	1,113	1,113

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest below current market rates.

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

Exceptional Items

Early in October 2008, the Icelandic bank Landsbanki Islands HF went into administration. Following steps taken by the Icelandic Government at this time its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. At that time the former Bridgnorth District Council had £1 million deposited with this institution the details of which and how it was accounted for in 2008/09 are shown below.

Invested	Maturity	Amount	Interest Rate	Carrying Amount	Impairment
2/10/2008	3/11/2008	£1,000,000	6.1%	£726,981	£278,200

The deposit was accounted for based on the latest available guidance which indicated a recovery rate of 83%. In calculating the impairment the estimated repayment dates and amounts detailed in the following table were used.

Date	Repayment
March 2010	21%
December 2010	21%
December 2011	21%
December 2012	20%

Bridgnorth District Council therefore recognised an impairment of £278,200 in 2008/09 based on recovering 83% of the deposit with the recovery being achieved by 2012.

Following Local Government Reorganisation on 1 April 2009 this issue has now been inherited by Shropshire Council. All local authorities who placed deposits with Landsbanki submitted claims to the Landsbanki Winding up Board in October 2009. All claims submitted were accepted as priority claims by the Board and have more recently been accepted as priority claims by the Icelandic courts however, this is currently subject to appeal.

Compensation is being provided through a series of interest-bearing bonds in a range of currencies. Latest information suggests that 95% of the deposit may now be repaid in eight instalments. The revised payment profile and estimated payment dates are detailed in the table below.

Date	Repayment Profile (Priority Status)
December 2011	22.17%
December 2012	8.87%
December 2013	8.87%
December 2014	8.87%
December 2015	8.87%
December 2016	8.87%
December 2017	8.87%
December 2018	19.46%

Recovery is subject to the following uncertainties and risks:

- Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is currently subject to appeal.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a bond which will allow creditors of old Landsbanki to enjoy rights in new Landsbanki.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming the bond remains at its current value. Therefore if preferential creditor status is not achieved the recoverable amount may only be 33%. On the basis of legal advice obtained by local authorities and advice provided by the Local Government Association, it remains the most likely outcome that the claims will enjoy priority status.

Based on this latest information, a reassessment of the recoverable amount at 31 March 2011 is required. As this reassessment is a change in an accounting estimate it has been accounted for in 2010/11 as this is the year in which the revised estimate has been made. The recoverable amount has been calculated by using the present value of the expected future cash flows discounted at the deposits original interest rate of 6.10%. The carrying amount of £757,437 as at 31 March 2011 is made up of the carrying amount of £713,148 as at 31 March 2010 plus interest credited to the Income & Expenditure Account in 2010/11 of £44,289. Based on the revised calculation the recoverable amount has now reduced to £750,267 resulting in an Impairment adjustment of £3,238 and an interest adjustment of £3,932 being recognised in 2010/11.

As the available information is not definitive as to the amounts and timings of payments to be made it is likely that further adjustments will be made to the accounts in future years.

14. STOCK

Stocks are shown at the lower of cost price or net realisable value.

	Road Materials		Visitor Centres and TIC Retail Stock		Shire Services		Leisure Services		Travel Tokens		Other		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	182	218	109	103	192	184	32	22	68	21	87	82	670	630
Purchases	958	490	142	149	125	132	198	255	0	90	753	801	2,176	1,917
Recognised as an expense in the year	(652)	(526)	(152)	(143)	(118)	(124)	(198)	(245)	(18)	(43)	(738)	(796)	(1,876)	(1,877)
Written off balances	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance outstanding at year-end	**488**	**182**	**99**	**109**	**199**	**192**	**32**	**32**	**50**	**68**	**102**	**87**	**970**	**670**

15. CONSTRUCTION CONTRACTS

At 31 March 2011 the Council had no construction contracts in progress.

16. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2011.

2008/09 £000	2009/10 £000		2010/11 £000
		Amounts falling due within one year:	
4,163	17,743	Government Departments	10,668
19,700	28,410	General Debtors	30,599
4,352	6,780	Payments in Advance	8,815
(2,388)	(4,199)	Provision for Bad Debts	(4,450)
25,827	**48,734**		**45,632**
		Amounts falling due after one year:	
96	1,583	Loans (including Car Loans)	1,472
96	**1,583**		**1,472**
25,923	**50,317**		**47,104**

The loans of £1.472m included under long term debtors comprise outstanding car loans to staff and loans to external bodies repayable after a period of more than 12 months.

17. CASH AND CASH EQUIVALENTS

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

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
0	0	Cash held by the Council	0
33,316	9,670	Bank current accounts	19,390
44,045	64,095	Short term deposits with building societies	24,316
77,361	**73,765**	**Total Cash and Cash Equivalents**	**43,706**
4,623	7,672	Bank Overdraft	4,215
4,623	**7,672**	**Cash Overdrawn**	**4,215**

The Council inherited a Euro Bank account from South Shropshire District Council which was originally used to facilitate the management of the 38,000 Euros awarded to the Leonardo da Vinci Programme.

During 2010/11 the final balance of the grant was used and the account was closed on 24 September 2010. Income and 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.

At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate as quoted by the Financial Times.

	Euro €'000	Sterling £'000
Opening Balance	5	5
Income	0	0
Expenditure	(5)	(5)
Closing Balance	**0**	**0**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	0	0	4,354	6,252
Assets newly classified as held for sale:				
- Property, Plant and Equipment	0	0	1,095	266
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	(1,362)
Revaluation gains	0	0	1,000	0
Impairment losses	0	0	(8)	0

	Current 2010/11 £000	Current 2009/10 £000	Non Current 2010/11 £000	Non Current 2009/10 £000
Assets declassified as held for sale:				
- Property, Plant and Equipment	0	0	0	(492)
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(833)	(310)
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	**0**	**0**	**5,608**	**4,354**

19. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2011.

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
3,097	6,221	Government Departments	8,816
38,647	43,289	General Creditors	37,562
2,063	2,851	Collection Fund	3,005
3,365	4,146	Receipts in Advance	4,194
47,172	**56,507**		**53,577**

20. PROVISIONS

	Short Term		Long Term				
	Accumulated Absences Account £000	Total £000	Liability Insurance Provision £000	Single Status Provision £000	Contract Retention Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2010	2,650	**2,650**	3,946	369	176	152	**4,643**
Additional provisions made in 2010/11	4,560	**4,560**	70	0	0	20	**90**
Amounts used in 2010/11	(2,650)	**(2,650)**	(112)	(172)	(76)	0	**(360)**
Unused amounts reversed in 2010/11	0	**0**	0	(197)	0	0	**(197)**
Unwinding of discounting in 2010/11	0	**0**	0	0	0	0	**0**
Balance at 31 March 2011	4,560	**4,560**	3,904	0	100	172	**4,176**

Accumulated Absences – this absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Liability Insurance Provision– This sum has been provided for to meet the cost of excesses on all Council properties as well as the cost of excesses relating to Public and Employers' Liability Claims on or after 1 April 1998. Amounts over the excess are funded by the Council's external insurers. For 2010/11 this cover was provided by Risk Management Partners Ltd, 9 Alie Street, London, E1 8DE.

Single Status – this was established by Bridgnorth District Council to meet the costs of implementing the harmonisation of terms and conditions of service for employees under a nationally negotiated scheme. This exercise has now been completed and so any unused amounts have been released in 2010/11.

Contract Retention – this was established by Oswestry Borough Council to fund contract retentions agreed for Housing improvement relating to the housing stock in Oswestry. A number of retentions have now been agreed and paid, however the remaining balance is still required for future contract retentions.

Other Provisions – this includes a number of small provisions inherited from the District and Borough Councils, including S106 Accrued Interest, Tenancy Deposit Clawbacks, and a planning appeal at Shrewsbury and Atcham .

21. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 6.

22. UNUSABLE RESERVES

31 March 2010 £000		31 March 2011 £000
169,740	Revaluation Reserve	195,228
923,774	Capital Adjustment Account	827,030
(7,356)	Financial Instruments Adjustment Account	(6,945)
926	Deferred Capital Receipts Reserve	821
(325,802)	Pensions Reserve	(234,006)
372	Collection Fund Adjustment Account	1,474
(2,650)	Accumulated Absences Account	(4,560)
759,004	**Total Unusable Reserves**	**779,042**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000	2010/11 £000
155,557	**Balance at 1 April**		169,740
23,348	Upward revaluation of assets	44,289	
(1,012)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(12,138)	
22,336	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		**32,151**
(5,836)	Difference between fair value depreciation and historical depreciation	(5,789)	
(2,562)	Accumulated gains on assets sold or scrapped	(874)	
245	Transfer from Investment Property to PPE	0	
(8,153)	Amount written off to the Capital Adjustment Account		**(6,663)**
169,740	**Balance at 31 March**		**195,228**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings to the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	2010/11 £000
932,995	**Balance at 1 April**		923,774
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(46,838)	- Charges for depreciation and impairment of non-current assets	(37,085)	
2,908	- Revaluation losses on Property, Plant and Equipment	(97,914)	
(234)	- Amortisation of intangible assets	(234)	
(15,953)	- Revenue expenditure funded from capital under statute	(18,565)	
(10,707)	- Amounts of non current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(3,318)	
(70,824)			(157,116)
8,153	Adjusting amounts written out of the Revaluation Reserve		6,663
(62,671)	Net written out amount of the cost of non current assets consumed in the year		(150,453)
	Capital financing applied in the year:		
4,095	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,488	
100	- Use of the Major Repairs Reserve to finance new capital expenditure	4,275	
37,325	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,326	
0	- Application of grants to capital financing from the Capital Grants Unapplied Account	0	
9,959	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	11,383	
4,441	- Capital expenditure charged against the General Fund and HRA balances	1,168	
55,920			53,640
(2,470)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(801)
0	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		870
923,774	**Balance at 31 March**		**827,030**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Accounting in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over a number of years.

Further details of the premiums are provided below:

- In 2006/07 a £800,000 premium was paid due to the restructuring of some market loans. As the original loans were classified as extinguishments under the SORP this amount is being amortised over the life of the replacement loan under Statutory Instrument 573.
- All other premiums related to restructuring prior to 2006, the total sum amortised relating to these premiums was £303,000.
- £69,000 amortisation in relation to the premium transferred from Oswestry Borough Council.

There were no premiums paid or discounts received in 2010/11.

2009/10		**2010/11**	
£000		**£000**	**£000**
(7,739)	**Balance at 1 April**		(7,356)
0	Gain on Soft Loan taken out that was credited to the Comprehensive Income and Expenditure Statement	27	
383	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	384	
383			411
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		0
(7,356)	**Balance at 31 March**		**(6,945)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(227,458)	**Balance at 1 April**	(325,802)
0	Transfer of opening balance in relation to The Hive	(101)
(85,045)	Actuarial gains or (losses) on pensions assets and liabilities	108,989
(34,698)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(38,881)
21,399	Employer's pension contributions and direct payments to pensioners payable in the year	21,789
(325,802)	**Balance at 31 March**	**(234,006)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £000		2010/11 £000
982	**Balance at 1 April**	926
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(56)	Transfer to the Capital Receipts Reserve upon receipt of cash	(105)
926	**Balance at 31 March**	**821**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure

Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000
764	**Balance at 1 April**	372
(392)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,102
372	**Balance at 31 March**	**1,474**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000	2010/11 £000
(3,233)	**Balance at 1 April**		(2,650)
3,233	Settlement or cancellation of accrual made at the end of the preceding year	2,650	
(2,650)	Amounts accrued at the end of the current year	(4,560)	
583	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,910)
(2,650)	**Balance at 31 March**		**(4,560)**

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

	2010/11	
	£000	**£000**
Surplus/(Deficit) for year per Comprehensive Income & Expenditure Statement		(121,402)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	36,061	
Impairment and downward valuations	99,739	
Amortisation	234	
Reductions in fair value of non PWLB Loans	(28)	
Material Impairment Losses on Investments	3	
Increase/Decrease in Interest Creditors	(48)	
Increase/Decrease in Creditors	(2,568)	
Increase/Decrease in Interest and Dividend Debtors	(131)	
Increase/Decrease in Debtors	3,512	
Increase/Decrease in Stock	(300)	
Pension Liability	17,092	
Contributions to/(from) Provisions	1,443	
Carrying amount of non-current assets sold	3,317	
Carrying amount of short and long term investment sold	3,646	
		161,972
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(35,195)	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,800)	
		(37,995)
Net Cash Flows from Operating Activities		**2,575**

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31 March 2010 £000		**31 March 2011 £000**
(1,972)	Interest received	(647)
14,883	Interest paid	15,906

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

31 March 2010 £000		31 March 2011 £000
62,767	Purchase of property, plant and equipment, investment property and intangible assets	62,913
0	Purchase of short term and long term investments	0
0	Other payments for investing activities	0
(3,720)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,401)
(14)	Proceeds from short term and long term investments	0
(45,078)	Other receipts from investing activities	(34,198)
13,955	**Net cash flows from investing activities**	**25,314**

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

31 March 2010 £000		31 March 2011 £000
(27,900)	Cash receipts of short and long term borrowing	(471)
0	Other receipts from financing activities	0
722	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	1,148
4,211	Repayments of short and long term borrowing	2,582
6,058	Other payments for financing activities	604
(16,909)	**Net cash flows from financing activities**	**3,863**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

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

Directorate Income and Expenditure 2010/11	Children & Young People's Services	Community Services	Development Services	Resources, CEX, L&DS	Total
	£000	£000	£000	£000	£000
Fees, charges and other services income	(11,600)	(34,071)	(15,064)	(65,553)	(126,288)
Government grants	(196,058)	(31,514)	(8,244)	(85,640)	(321,456)
Total Income	(207,658)	(65,585)	(23,308)	(151,193)	(447,744)
Employee expenses	36,050	45,585	22,959	38,582	143,176
Other service expenses	203,998	94,594	53,372	139,830	491,794
Support service recharges	10,536	3,023	5,468	15,284	34,311
Total Expenditure	250,584	143,202	81,799	193,696	669,281
Net Expenditure	**42,926**	**77,617**	**58,491**	**42,503**	**221,537**

Directorate Income and Expenditure 2009/10	Children & Young People's Services	Community Services	Development Services	Resources, CEX, L&DS	Total
	£000	£000	£000	£000	£000
Fees, charges and other services income	(19,336)	(37,070)	(17,303)	(48,279)	(121,988)
Government grants	(190,867)	(13,723)	(8,104)	(84,383)	(297,077)
Total Income	(210,203)	(50,793)	(25,407)	(132,662)	(419,065)
Employee expenses	68,351	39,592	20,938	33,261	162,142
Other service expenses	183,251	91,109	51,588	120,178	446,126
Support service recharges	4,818	3,674	5,619	14,207	28,318
Total Expenditure	256,420	134,375	78,145	167,646	636,586
Net Expenditure	**46,217**	**83,582**	**52,738**	**34,984**	**217,521**

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

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

	2009/10 £000	2010/11 £000
Net expenditure in the Directorate Analysis	217,521	221,537
Net expenditure of services and support services not included in the Analysis	(209,366)	(222,858)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	13,727	120,010
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	8,959	2,713
Cost of Services in Comprehensive Income and Expenditure Statement	**30,841**	**121,402**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees , charges & other service income	(124,446)	(14,720)	(2,326)	0	0	0	(141,492)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(1,842)	(31)	0	0	0	0	(1,873)
Income from council tax	0	0	0	0	0	(134,639)	(134,639)
Government grants and contributions	(321,456)	(35,222)	0	0	0	(93,488)	(450,166)
Total Income	**(447,744)**	**(49,973)**	**(2,326)**	**0**	**0**	**(228,127)**	**(728,170)**
Employee expenses	143,176	4,916	0	0	0	0	148,092
Other service expenses	475,574	8,758	16,737	0	0	0	501,069
Support Service recharges	34,311	408	0	0	0	0	34,719
Depreciation, amortisation and impairment	0	155,470	0	0	0	0	155,470
Interest Payments	16,111	431	(11,698)	0	0	0	4,844
Precepts & Levies	109	0	0	0	0	5,325	5,434
Payments to Housing Capital Receipts Pool	0	0	0	0	0	418	418

2010/11	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(474)	(474)
Total expenditure	**669,281**	**169,983**	**5,039**	**0**	**0**	**5,269**	**849,572**
Surplus or deficit on the provision of services	**221,537**	**120,010**	**2,713**	**0**	**0**	**(222,858)**	**121,402**

2009/10 comparative figures	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees , charges & other service income	(121,271)	(14,383)	0	0	0	0	(135,654)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(717)	0	0	0	0	(54)	(771)
Income from council tax	0	0	0	0	0	(130,796)	(130,796)
Government grants and contributions	(297,077)	(26,907)	0	0	0	(90,145)	(414,129)
Total Income	**(419,065)**	**(41,290)**	**0**	**0**	**0**	**(220,995)**	**(681,350)**
Employee expenses	162,142	2,090	0	0	0	0	164,232
Other service expenses	431,001	10,225	19,207	0	0	0	460,433
Support Service recharges	28,318	91	0	0	0	0	28,409
Depreciation, amortisation and impairment	0	42,611	0	0	0	0	42,611
Interest Payments	15,014	0	(10,248)	0	0	0	4,766
Precepts & Levies	111	0	0	0	0	5,462	5,573
Payments to Housing Capital Receipts Pool	0	0	0	0	0	105	105
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	6,062	6,062
Total expenditure	**636,586**	**55,017**	**8,959**	**0**	**0**	**11,629**	**712,191**
Surplus or deficit on the provision of services	**217,521**	**13,727**	**8,959**	**0**	**0**	**(209,366)**	**30,841**

NOTES TO THE CORE FINANCIAL STATEMENTS

The table below provides details of the service specific net expenditure below the Cost of Service level reported in the Comprehensive Income and Expenditure Statement.

BVACoP Divisions of Service	**Children & Young People's Services £000**	**Community Services £000**	**Development Services £000**	**Res, CEX, L&DS and Corporate* £000**	**Employee Benefits £000**	**Total £000**
Central Services to the Public	0	0	638	6,358	148	7,144
Cultural, Environmental, Regulatory & Planning Services	0	21,967	38,209	3,165	1,014	64,355
Education and Children's Services	84,582	116	0	61	(376)	84,383
Highways & Transport Services	0	0	31,102	0	279	31,381
Local Authority Housing (HRA)	0	75,661	0	0	(19)	75,642
Other Housing Services	0	7,970	518	411	(57)	8,842
Adult Social Care	0	68,874	0	0	140	69,014
Corporate and Democratic Core	0	0	0	7,140		7,140
Non Distributed Costs	0	0	399	1,784		2,183
	84,582	**174,588**	**70,866**	**18,919**	**1,129**	**350,084**

* Resources, Chief Executive's Office, Legal & Democratic Services and Corporate

Central Services to the Public	**2010/11 £000**
Central Services to the Public:	
Local Council Tax	1,998
Elections	469
Registration of Births, Deaths & Marriages	263
Emergency Planning	247
Local Land Charges	638
Coroners' Court Services	454
Other Court Services	
Other Services	2,927
Employee Benefits Accrual	148
	7,144

Cultural, Environmental, Regulatory and Planning Services	2010/11 £000
Cultural and Related Services:	
Culture & Heritage	4,446
Recreation & Sport	8,130
Open Spaces	4,033
Tourism	469
Library Service	5,852
	22,930
Environmental Services:	
Waste Disposal	20,186
Street Cleansing	4,184
Community Safety	1,233
Cemetery, Cremation and Mortuary	12
Agricultural Services (Smallholdings)	149
Consumer Protection	5,777
Flood Defence	8
	31,549
Planning and Development Services:	
Building Control	428
Development Control	1,348
Planning Policy	1,913
Environmental Initiatives	1,727
Economic Development	1,674
Community Development	1,772
	8,862
Employee Benefits Accrual	1,014
	64,355

Education and Children's Services	2010/11 £000
Primary Schools	13,615
Secondary Schools	34,967
Special Schools	9,930
Non School Funding	3,187
Children & Families Services:	23,060
Employee Benefits Accrual	(376)
	84,383

NOTES TO THE CORE FINANCIAL STATEMENTS

Highways and Transport Services	2010/11 £000
Transport Planning, Policy & Strategy	2,564
Highways/Roads (Structural)	4,510
Highways/Roads (Routine)	3,226
Construction	8,958
Winter Maintenance	3,025
Street Lighting	1,600
Traffic Management & Road Safety	1,343
Parking Services	(1,446)
Public Transport	7,322
Employee Benefits Accrual	279
	31,381

Local Authority Housing (HRA)	2010/11 £000
Housing Revenue Account	7,948
Exceptional costs relating to revaluation loss on Housing Dwellings	67,694
	75,642

Other Housing Services	2010/11 £000
Housing strategy, advice and enabling	705
Private Sector Housing Renewal	455
Homelessness	1,194
Housing Benefits	247
Other Council Property	(86)
General Fund Housing – Traveller's Sites	164
Supporting People	6,220
Employee Benefits Accrual	(57)
	8,842

Adult Social Care	2010/11 £000
Service Strategy	274
Older People (Aged 65 or over) including Older Mentally Ill	36,610
Adults Aged Under 65 with a Physical Disability or Sensory Impairment	8,202
Adults Aged Under 65 with Learning Disabilities	17,650
Adults Aged Under 65 with Mental Health Needs	5,646
Other Adult Services	492
Supported Employment (including sheltered employment)	0
Employee Benefits Accrual	140
	69,014

Corporate and Democratic Core	2010/11 £000
Corporate Management	4,421
Democratic Representation and Management	2,719
	7,140

Non Distributed Costs	2010/11 £000
Non Distributed Costs	2,183
	2,183

28. SHIRE SERVICES

Shire Services operates as a trading organisation within the Council, delivering catering and cleaning services. Shire Services provides catering services to schools in Shropshire, Worcestershire, Herefordshire, Telford and North Wales, as well as to a range of non-school sites in Shropshire. Cleaning services are provided to schools and other Council premises in Shropshire, including the Area Headquarters.

Shire Services outturn position for 2010/11 is a net operating surplus of £154,000. The surplus has been transferred to Reserves and will be allocated in 2011/12. The Catering service ended the year with a deficit of £6,000, while the Cleaning service ended the year with a surplus of £160,000.

SHIRE SERVICES CATERING - Trading Account 2010/11

2009/10 Total £000		2010/11 Statutory School Catering £000	Other Catering £000	Total £000
	Income			
9,308	Sales and Other Income	7,126	3,641	10,767
886	Education Services	0	0	0
10,194	**Turnover**	7,126	3,641	10,767
	Expenditure			
(5,112)	Employees	(3,924)	(1,609)	(5,533)
(3,469)	Provisions	(2,212)	(1,423)	(3,635)
(342)	Heavy Equipment	(190)	0	(190)
(207)	Fuel Costs	(485)	(1)	(486)
(888)	Other Expenses	(381)	(535)	(916)
(10,018)		(7,192)	(3,568)	(10,760)
175	**Net Operating Income/(Expenditure)**	(66)	73	7
0	Transfers from/(to) Efficiency Reserves	0	0	0
(89)	Transfer from Central Reserves	0	0	0
86	**Net Profit/(Loss) In Year**	**(66)**	**73**	**7**
(225)	FRS17 Adjustment	(10)	(3)	(13)
(139)	**Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)**	**(76)**	**70**	**(6)**

SHIRE SERVICES CLEANING - Trading Account 2010/11

2009/10 £000		2010/11 £000
	Income	
2,918	Charges	2,851
	Expenditure	
(2,452)	Employees	(2,431)
(257)	Other Expenses	(260)
(2,709)		(2,691)
209	**Net Operating Income/(Expenditure)**	160
0	Transfers from Reserves	0
209	**Net Profit/(Loss) In Year**	**160**
81	FRS17 Adjustment	0
128	**Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)**	**160**

29. SHROPSHIRE COUNTY TRAINING

Shropshire County Training has operated as a trading organisation within the Council since 1st September 2004. The principal activity of County Training is the provision of training to enable people of all abilities to gain skills and qualifications required to meet the needs of the local labour market and so help employers to benefit from a better trained or more experienced work force. Up until 31 August 2004, these activities were delivered through Shropshire County Training Ltd., a separate company in which Shropshire County Council owned 100% of the issued share capital.

This is the seventh full year of trading of Shropshire County Training since returning to the Council. The County Training brand contracts with both the Skills Funding Agency (SFA), previously operating as the Learning & Skills Council (LSC) and as a Prime contractor and a Sub Contractor of the Department of Works and Pensions (DWP) funding. Originally up to 2009 County Training had 100% of all New Deal Contracts across Shropshire and Telford & Wrekin but with changing contractual rules, Shropshire Council are unable to act as a Prime Contractor on new contracts and therefore had to become subcontractors to commercial organisations which covered our previous area of operation. As a result of this reduction in income County Training implemented a restructuring programme in July 2009 but due to the number of redundancies and the required informal and formal consultation periods the new structure did not come into force until 10th May 2010 and therefore staff were retained for a much longer period with the redundancy costs being funded in 2010/11 financial year.

As a result County Training traded in 2010/11 and finished the year with a deficit of £719,000. Due to a number of technical accounting adjustments, e.g. FRS17, and additional budget being allocated to the business unit to offset the costs incurred following job evaluation, the overall position for County Training is a Deficit of £507,000 compared with a deficit in 2009/10 of £1,197,000 (after taking account of technical accounting adjustments of (£124,000)). The technical accounting adjustments are outside the control of County Training and should be ignored when assessing the trading position. The loss will be carried forward and it will take 2 years to recover the trading position. Income for 2010/11 at £8,062,000 increased by £1,004,000 from the previous year. Expenditure at £9,023,000 was £892,000 higher than the previous year, and reflects the fluctuating trading conditions experienced.

SHROPSHIRE COUNTY TRAINING – Trading Account 2010/11

2009/10 £000		2010/11 £000
	Income	
7,058	Sales and Other Income	8,062
	Expenditure	
(6,006)	Employees	(6,418)
(1,140)	Training Costs	(1,659)
(883)	Premises and Equipment Costs	(769)
(102)	Other Expenses	(177)
(8,131)		(9,023)
(1,073)	**Net Operating Income/(Expenditure)**	(961)
0	Transfers from/(to) Efficiency Reserves	242
(1,073)	**Net Profit/(Loss) In Year**	**(719)**
(369)	Technical Accounting Adjustments	(18)
245	Job Evaluation	230
(1,197)	**Net Profit/(Loss) Technical Accounting Adjustments**	**(507)**

30. BUILDING CONTROL ACCOUNT

Shropshire Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Team cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	2010/11			2009/10		
	Chargeable £	**Non-Chargeable £**	**Total £**	**Chargeable £**	**Non-Chargeable £**	**Total £**
Employees	651,758	334,816	986,574	653,778	306,663	960,441
Premises	37,097	15,898	52,995	37,097	15,898	52,995
Transport	36,141	18,470	54,611	35,384	16,616	52,000
Supplies & Services	71,589	21,611	93,200	71,557	15,229	86,786
Support Services	264,183	52,610	316,793	264,183	52,610	316,793
Total Expenditure	1,060,768	443,405	1,504,173	1,061,999	407,016	1,469,015
Income	(1,074,070)	(3,452)	(1,077,522)	(1,019,764)	(1,368)	(1,021,132)
Total (Surplus)/Deficit for the Year	**(13,302)**	**439,953**	**426,651**	**42,235**	**405,648**	**447,883**

31. POOLED BUDGETS

During 2010/11, the Council (SC) hosted the Intermediate Care pooled budget with Shropshire Primary Care Trust as shown below. The services covered by the pooled budget contribute to our aim of "creating and protecting a healthy, independent and safe way of life for all". The Council was not involved in any pooled budgets hosted by other partners.

Intermediate Care with SCPCT and Shrewsbury and Telford Hospital Trust

2009/10 Total £		2010/11 Total £
	Gross Funding	
236,849	SCPCT	248,653
965,261	SC	998,319
1,202,110	**Total**	**1,246,972**
1,202,110	**Expenditure**	**1,246,972**
0	**(Surplus)/Deficit**	**0**

32. MEMBERS' ALLOWANCES

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

	2010/11 £	2009/10 £
Basic Allowances	890,324	795,499
Special Responsibility Allowances	302,152	266,618
Expenses	291,829	317,873
Total	**1,484,305**	**1,379,990**

33. DISCLOSURE OF OFFICERS' EMOLUMENTS

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

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Kim Ryley – Chief Executive (started October 2009)	2010/11	£180,000	£2,460	£182,460	£30,060	£212,520
	2009/10	£90,000	£585	£90,585	£14,040	£104,625
Sheila Healy – Chief Executive (left October 2009)	2010/11	£0	£0	£0	£0	£0
	2009/10	£87,697	£608	£88,305	£13,680	£101,985
Assistant Chief Executive Performance & Partnerships (started May 2009)	2010/11	£90,000	£1,827	£91,827	£15,030	£106,857
	2009/10	£72,205	£994	£73,199	£11,264	£84,463

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Assistant Chief Executive Performance & Partnerships (left June 2009)	2010/11	£0	£0	£0	£0	£0
	2009/10	£30,183	£293	£30,476	£4,709	£35,185
Assistant Chief Executive Legal & Democratic Services	2010/11	£100,000	£1,752	£101,752	£16,700	£118,452
	2009/10	£95,000	£1,170	£96,170	£16,528	£112,698
Director of Development Services	2010/11	£135,000	£925	£135,925	£22,545	£158,470
	2009/10	£130,000	£1,170	£131,170	£20,280	£151,450
Director of Community Services	2010/11	£125,000	£1,390	£126,390	£20,875	£147,265
	2009/10	£120,000	£1,170	£121,170	£18,720	£139,890
Director of Children and Young Peoples Services (started May 2010)	2010/11	£126,680	£1,210	£127,890	£21,156	£149,046
	2009/10	£0	£0	£0	£0	£0
Director of Children and Young Peoples Services (left March 2010)	2010/11	£0	£0	£0	£0	£0
	2009/10	£125,000	£1,170	£126,170	£19,500	£145,670
Director of Resources * (left August 2010)	2010/11	£95,703	£1,385	£97,087	£9,347	£106,434
	2009/10	£125,000	£1,170	£126,170	£19,500	£145,670

* Also received standard redundancy payment of £155,831 during 2010/11 in accordance with the Council's policy.

The numbers of officers whose remuneration in 2010/11 exceeded £50,000 is analysed into bands of £5,000 as follows:

2009/10 No. of Employees	Salaried Remuneration Band £000	2010/11 No. of Employees
94	50 to 54	107
31	55 to 59	74
19	60 to 64	40
14	65 to 69	15
10	70 to 74	7
4	75 to 79	13
8	80 to 84	9
1	85 to 89	7
3	90 to 94	5
1	95 to 99	2
1	100 to 104	1
0	105 to 109	0
0	110 to 114	0
0	115 to 119	0
1	120 to 124	1
3	125 to 129	1
0	130 to 134	1
0	135 to 139	1
0	190 to 195	1

2009/10 No. of Employees	Remuneration Band Including One Off Redundancy and Lump Sum Retirement Payments £000	2010/11 No. of Employees
5	50 to 54	2
5	55 to 59	2
3	60 to 64	5
4	65 to 69	2
0	70 to 74	1
3	75 to 79	3
1	80 to 84	2
1	85 to 89	0
1	90 to 94	1
2	95 to 99	2
0	100 to 104	2
0	105 to 109	0
0	110 to 114	0
0	115 to 119	0
0	120 to 124	0
1	125 to 129	0
0	130 to 134	0
0	135 to 139	1
0	150 to 154	1
1	175 to 180	0
0	180 to 184	0
1	185 to 189	0
0	250 to 255	1

34. DISCLOSURE OF AUDIT COSTS

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

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	309	332
Fees payable to the Audit Commission for statutory inspection	39	17
Fees payable to the Audit Commission for the certification of grant claims and returns	90	90
Total	**438**	**439**

35. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the use of DSG for 2010/11 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2010/11	19,986	132,511	152,497
Brought forward from 2009/10	0	0	0
Carry forward agreed in advance	0	0	0
Agreed budgeted distribution in 2010/11	**19,986**	**132,511**	**152,497**
Actual central expenditure	(19,986)	0	(19,986)
Actual ISB deployed to schools	0	(132,511)	(132,511)
Local authority contribution for 2010/11	0	0	0
Carry forward to 2011/12	**0**	**0**	**0**

The level of Schools' Balances, not included within the above statement, is reported in the Balance Sheet; this figure is reconciled below:

	£000
Schools' Balances carried forward to 2011/12	**6,239**
DSG carried forward as a Government Grant Debtor to be Repaid in 2011/12	0
Schools' Balances carried forward to 2011/12	**6,239**
Less	
External balances held by Foundation Schools	(95)
IT Financing	(190)
	(285)
Schools' Balances as Reported in the Balance Sheet	**5,954**

36. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	11,854	16,905
Area Based Grant	20,007	15,646
Local Authority Business Growth Initiative	0	185
Housing and Planning Delivery Grant	0	1,117
Capital Grants & contributions	19,579	26,895
Total	**51,440**	**60,748**

	2010/11 £'000	2009/10 £'000
Credited to Services		
DWP Council Tax Benefit	20,010	19,373
DWP Housing Benefit	61,233	57,207
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	2,082	2,188
DCLG Waste PFI	3,186	3,186
DCLG Social Services PFI	1,523	1,523
DFE Designated Schools Grant	152,497	147,176
DFE School Standards Grant	8,684	8,531
DFE Standards Fund	15,355	13,059
DFE Sure Start, Early Years & Childcare	8,660	6,861
DFE/DE Sixth Forms funding	6,771	6,668
CLG Supporting People Grant	0	6,001
CLG Performance Reward Grant	0	4,378
Other Grants	4,478	5,280
Capital Grants & contributions	14,774	10,430
Donated Assets - PCT	870	0
Total	**300,123**	**291,861**

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

	31 March 2011 £000
Capital Grants Receipts in Advance	
Department of Education	8,521
Department of Transport	3,579
DCLG	3,247
Department of Health	1,481
Other Grants	869
Other Contributions	221
Total	**17,918**

37. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council, being responsible for the statutory framework within which the Council operates, provides the majority of its funding through the payment of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments appear in other parts of the Statement of Accounts.

Members and Officers
Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed. Members are also asked to confirm that their entries in the Register of Clubs and Societies are correct. For 2010/11 Councillor Dee declared that she is a board member of Shropshire Housing Alliance. The Council paid Shropshire Housing Alliance in £193,316.65 in 2010/11. Councillor Burgoyne indicated that she is a member of the OCR Exam Board and the Council paid the Exam Board £531,640 in 2010/11.

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2010/11 was £18,875,000 compared with £18,770,000 for 2009/10.

Entities Controlled or Significantly Influenced by the Authority
As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £1,016,000 from the pension fund for the costs of administration it provided compared with £1,015,000 for 2009/10.

The Council also has group relationships with West Mercia Supplies, South Shropshire Leisure Limited and the North Shropshire Community Asset Trust. Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 112.

38. CAPITAL EXPENDITURE AND FINANCING

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

2009/10 Restated £000		2010/11 £000
250,331	**Opening Capital Financing Requirement (including PFI & Finance Lease)**	**275,504**
	Capital investment	
64,632	Property, Plant and Equipment	64,719
400	Investment Properties	536
229	Intangible Assets	245
15,953	Revenue Expenditure Funded from Capital under Statute	17,185
0	Revenue Expenditure Funded from Capital under Statute (Capitalised Redundancies)	1,379
	Sources of finance	
(4,095)	Capital receipts	(2,487)
(37,325)	Capital grants and other contributions	(34,325)
(4,541)	Direct Revenue Financing (Including MRA)	(5,444)
(9,960)	Minimum Revenue Provision (see note 47)	(11,383)
(120)	Deferred Consideration	0
275,504	**Closing Capital Financing Requirement (including PFI & Finance Lease)**	**305,929**
256,668	Closing Capital Financing Requirement – Supported & Unsupported Borrowing	285,099
18,836	Closing Capital Financing Requirement – PFI & Finance Lease)	20,830
275,504		**305,929**
	Explanation of movements in year	
12,488	Increase in underlying need to borrowing (supported by Government financial assistance)	10,117
10,583	Increase in underlying need to borrow (unsupported by Government financial assistance)	18,314
(32)	Assets acquired under finance leases	(34)
2,134	Assets acquired under PFI contracts	2,028
25,173	**Increase/(decrease) in Capital financing requirement**	**30,425**

39. LEASES

Authority as a Lessee

Finance Leases
The Council has acquired two salt domes that under IAS17 have been classified as finance leases.

The Council also has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. The Council pays an annual unitary charge (in monthly instalments) to the contractor for the assets and services provided under each PFI contract. This annual unitary charge is comprised of two basic elements:

a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

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

	31 March 2011 £000	31 March 2010 (Restated) £000
Buildings	31,233	30,151
Vehicles, Plant and Equipment (salt domes)	123	156
Vehicles, Plant and Equipment (PFI)	6,400	5,701
Total	**37,756**	**36,008**

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

	31 March 2011 £000	31 March 2010 (Restated) £000
Finance lease liabilities (NPV of minimum lease payments):	120,717	122,979
Finance costs payable in future years	191,677	195,084
Minimum lease payments	**312,394**	**318,063**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 (Restated) £000	31 March 2011 £000	31 March 2010 (Restated) £000
Not later than one year	6,328	5,668	2,953	2,261
Later than one year and not later than five years	44,066	37,718	5,649	5,770
Later than five years	262,000	274,677	112,115	114,948
	312,394	**318,063**	**120,717**	**122,979**

The finance lease liabilities detailed above will not agree to the “Deferred Liabilities” total of £20,830k stated on the balance sheet. This is due to the fact that the Waste Services PFI contract provides assets over the life of the contract and, therefore, any statement of future liabilities comprises the liability in relation to those assets already provided under the contract and also the liability in relation to assets yet to be provided under the contract.

Operating Leases

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

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

	31 March 2011 £000	31 March 2010 £000
Expiring Not later than one year	467	227
Expiring Later than one year and not later than five years	1,155	644
Expiring Later than five years	495	354
	2,117	**1,225**

The Authority has sub-let recycling boxes referred to under operating leases to Veolia. The value of payments to be received for these assets is £46,590 per annum until 31 March 2014.

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

	31 March 2011 £000	31 March 2010 £000
Lease payments	1,772	1,614
Sub Lease Receivable	(58)	(58)
	1,714	**1,556**

Authority as Lessor

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

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

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

	31 March 2011 £000
Expiring Not later than one year	526
Expiring Later than one year and not later than five years	406
Expiring Later than five years	998
	1,930

40. PRIVATE FINANCE INITIATIVE SCHEMES

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

a. The Quality in Community Services PFI Project

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

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

The contract was a Private Finance Initiative under the Capital Finance Regulations. The Council was awarded a PFI credit of £20,400,000.

The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

Under the 2009 SORP PFI and similar contracts were required to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Services Concession Arrangements and the detailed accounting requirements were contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009.

Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that Appendix E (Accounting for PFI Transactions and Similar Contracts) applies to the QICS PFI project. The project is, therefore, “on balance sheet” for the Council’s purposes.

The CIPFA 2010/11 Code of Practice on Local Authority Accounting (Chapter 10, Section 4.3, paragraph 10.1.2.61) states that in 2010/11 “there are expected to be no transition issues arising from PFI schemes”.

The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

Unitary Charge and PFI Grant

The Council pays an annual unitary charge (in monthly instalments) for the buildings and services provided under the QICS PFI contract. All the buildings are operational. The Council receives PFI grant from the government which contributes towards the unitary charge.

To date the unitary charge and government PFI grant receipts have been as follows:

Year	Unitary Charge (£000)	Grant Received (£000)
2005/06	0	0
2006/07	2,142	1,459
2007/08	2,838	1,523
2008/09	2,882	1,523
2009/10	2,906	1,523
2010/11	2,964	1,523

Treatment of Existing Assets

The sites of five of the six buildings to be constructed under the contract were already in the ownership of the Council before the contract was entered into and each of these sites had on it a building which required demolition prior to the new buildings being constructed. To reflect the demolitions, each of these buildings was written out of the asset register in 2005/06. The land, which will return to the Council at the end of the contract, continues to be recorded in the Council's asset register.

Treatment of Assets Constructed Under the PFI Contract

Property provided by the operator under a PFI contract is recognised as an asset or assets of the local authority and a related finance lease liability is recognised at the same time. Once recognised assets are depreciated and re-valued in accordance with the Council's policies.

The annual unitary charge payable to the operator for the buildings and services provided under the QICS PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease. This finance lease is classified as "Deferred Liabilities" on the Council's balance sheet.

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- Payment for services - this represents the fair value of the services received each year under the contract.

- Payment for lifecycle replacement - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract
- Payment for assets - this represents the annual lease rental for the asset and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

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

	Year Ended 31 March 2006 (Restated) (£000)	**Year Ended 31 March 2007 (Restated) (£000)**	**Year Ended 31 March 2008 (Restated) (£000)**	**Year Ended 31 March 2009 (Restated) (£000)**	**Year Ended 31 March 2010 (Restated) (£000)**	**Year Ended 31 March 2011 (£000)**
Non Current Assets – Land & Buildings						
Balance Brought Forward	0	0	20,062	19,722	19,382	21,940
- Additions	0	17,645	0	0	0	0
- Revaluation	0	2,757	0	0	2,950	0
- Depreciation	0	(340)	(340)	(340)	(392)	(392)
Balance Carried Forward	0	20,062	19,722	19,382	21,940	21,548
Prepayments						
Balance Brought Forward	0	2,500	0	0	0	0
- Capital Contribution	2,500	0	0	0	0	0
- Release of Capital Contribution	0	(2,500)	0	0	0	0
Balance Carried Forward	2,500	0	0	0	0	0
Finance Lease Liability						
Balance Brought Forward	0	0	(15,115)	(14,872)	(14,617)	(14,338)
- Additions	0	(17,645)	0	0	0	0
- Release of Capital Contribution	0	2,500	0	0	0	0
- Repayment of Principal	0	30	243	255	279	286
Balance Carried Forward	0	(15,115)	(14,872)	(14,617)	(14,338)	(14,052)

N.B. The value of assets and liabilities detailed above for the QICS PFI contract have been restated to reflect initial recognition of the assets provided under the contract at the capital cost contained in the financial model rather than the market value of the assets at the commencement of the contract.

Commitments Under the Contract

Payments under the contract can vary according to availability and performance and are also linked to the Retail Price Index (RPIx) and either the Average Earnings Index (AEI), for the 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 financial years, or the Average Weekly Earning (AWE) statistic for the remainder of the contract. The AEI was replaced as the lead measure of short term changes in average earnings in Great Britain by the AWE statistic from August 2010. Using an assumed 2.50% RPIx, 3.75% AEI / AWE and no performance deductions, the future commitments under the contract, separated into repayments of liability, interest and service charges, are as follows:

Year	Total Unitary Charge Payment (£000)	Service Charges * (£000)	Principal (£000)	Interest (£000)
Amounts Falling Due Within One Year	2,969	1,288	272	1,409
Amounts Falling Due Within 2 - 5 Years	12,283	5,980	922	5,381
Amounts Falling Due Within 6 - 10 Years	16,359	8,737	1,434	6,188
Amounts Falling Due Within 11 - 15 Years	17,634	10,196	2,103	5,335
Amounts Falling Due Within 16 - 20 Years	19,104	11,868	3,126	4,110
Amounts Falling Due Within 21 - 25 Years	20,800	13,172	5,485	2,143
Amounts Falling Due Within Year 26	2,121	1,339	711	71

* comprised of operating costs, lifecycle costs and contingent rental.

b. The Waste Services PFI Project

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

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

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

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

The waste treatment element is also an output based contract. Veolia is proposing to deliver this element of the contract by developing and operating a 90,000 tonne per annum Energy Recovery Facility.

The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

Under the 2009 SORP PFI and similar contracts were required to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Services Concession Arrangements and the detailed accounting requirements were contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009.

Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that Appendix E (Accounting for PFI Transactions and Similar Contracts) applies to the Waste Services PFI project. The project is, therefore, "on balance sheet" for the Council's purposes.

The CIPFA 2010/11 Code of Practice on Local Authority Accounting (Chapter 10, Section 4.3, paragraph 10.1.2.61) states that in 2010/11 "there are expected to be no transition issues arising from PFI schemes".

The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

Unitary Charge and PFI Grant

The Council pays an annual unitary charge (in monthly instalments) for the facilities and services provided under the contract. The Council receives PFI grant from the government which contributes towards the unitary charge.

To date the total unitary charge and government PFI grant receipts have been as follows:

Year	Unitary Charge* (£000)	Grant Received (£000)
2007/08**	5,848	1,459
2008/09	14,371	3,186
2009/10	21,069	3,186
2010/11	22,765	3,186

* comprises the gross monthly unitary charge paid to Veolia and, therefore, includes additional volume related payment streams of landfill and ancillary services
* *from 1st October 2007

Treatment of Existing Assets

The Council has made existing waste infrastructure assets available to the contractor on a peppercorn lease. In its capacity as Contracting Authority for the former Shropshire Waste Partnership, the former County Council purchased some refuse collection vehicles, using pooled grant funding. These infrastructure assets and vehicles made available to the contractor are recorded in the Council's asset register and continue to be depreciated and re-valued in accordance with the Council's policies.

Treatment of Assets Provided Under the PFI Contract

Property provided by the operator under a PFI contract is recognised as an asset or assets of the local authority and a related finance lease liability is recognised at the same time. Once recognised assets are depreciated and re-valued in accordance with the Council's policies.
The annual unitary charge payable to the operator for the facilities and services provided under the Waste Services PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease. This finance lease is classified as "Deferred Liabilities" on the Council's balance sheet.

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- Payment for services - this represents the fair value of the services received each year under the contract.
- Payment for lifecycle replacement - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract
- Payment for assets - this represents the annual lease rental for the asset and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

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

	Year Ended 31 March 2008 (Restated) (£000)	**Year Ended 31 March 2009 (Restated) (£000)**	**Year Ended 31 March 2010 (Restated) (£000)**	**Year Ended 31 March 2011 (£000)**
Non Current Assets – Land & Buildings				
Balance Brought Forward	0	5,693	5,596	8,211
- Existing Assets Reinstated	6,044	0	0	0
- Cumulative Depreciation (Existing Assets)	(351)	0	0	0
- Depreciation in Period		(108)	(161)	(218)
- Additions	0	11	2,776	1,135
- Revaluation	0	0	0	556
Balance Carried Forward	5,693	5,596	8,211	9,684
Non Current Assets - Vehicles, Plant & Equipment				
Balance Brought Forward	0	3,097	4,313	5,700
- Existing Assets Reinstated	2,454	1,031	0	0
- Cumulative Depreciation (Existing Assets)	(727)	(81)	0	0
- Depreciation in Period	(420)	(756)	(1,170)	(1,359)
- Additions	1,790	1,022	2,557	2,059
Balance Carried Forward	3,097	4,313	5,700	6,400

	Year Ended 31 March 2008 (Restated) (£000)	Year Ended 31 March 2009 (Restated) (£000)	Year Ended 31 March 2010 (Restated) (£000)	Year Ended 31 March 2011 (£000)
Prepayments				
Balance Brought Forward	0	561	1,486	3,480
- Planned Capital Expenditure	561	925	1,994	2,240
Balance Carried Forward	561	1,486	3,480	5,720
Finance Lease Liability				
Balance Brought Forward	0	(1,608)	(1,919)	(4,334)
- Additions	(1,789)	(1,033)	(2,825)	(3,141)
- Repayment of Principal	181	722	410	828
Balance Carried Forward	(1,608)	(1,919)	(4,334)	(6,647)

N.B. The value of assets and liabilities detailed above for the Waste Services PFI contract have been restated to reflect the full value of the PFI assets rather than the proportion of assets originally transferred to the operator and assets provided by the operator under the contract and to reflect additional assets provided under the contract but not previously recognised on the balance sheet.

Commitments Under the Contract

Payments under the contract can vary according to availability of services and facilities and the contractor's performance in delivering the service. Payments are also linked to the Retail Price Index (RPIx). Using an assumed 2.5% RPIx, and no performance or unavailability deductions, the future commitments for the unitary charge under the contract are as follows:

Year	Total Unitary Charge Payment (£000)	Service Charges * (£000)	Principal (£000)	Interest # (£000)
Amounts Falling Due Within One Year	18,522	13,915	2,648	1,959
Amounts Falling Due Within 2 - 5 Years	101,747	64,086	4,630	33,031
Amounts Falling Due Within 6 - 10 Years	151,243	93,960	15,711	41,572
Amounts Falling Due Within 11 - 15 Years	169,935	108,774	21,727	39,434
Amounts Falling Due Within 16 - 20 Years	191,051	125,960	31,174	33,917
Amounts Falling Due Within 21 - 24 Years	147,806	100,044	30,644	17,118

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

41. IMPAIRMENT LOSSES

During 2010/11, the Authority has recognised an impairment loss of £1,529,000 on non current assets. This related to £972,000 in relation to HRA housing stock for works in 2010/11 that did not add value and were treated so the assets were impaired. £549,000 for various works to General Fund property that did not add value and were treated so the assets were impaired. £8,000 related to the former Cleobury Mortimer Library which following reclassification from operational to asset held for sale was revalued on a Market Value (MV) basis and compared to the previous Existing Use Value (EUV) there was a fall in value that was charged as an impairment to Other Operating Costs in the CIES as required by the Code.

42. REDUNDANCY COSTS

Included within the Service areas are the costs associated with redundancy and early retirement for employees leaving the council as a result of the restructuring within the council.

The total redundancy costs incurred in 2010/11 were £2,603,010 for redundancy and £987,940 for pension fund strain.

In 2010/11 Shropshire Council were granted a capitalisation direction for statutory redundancy costs and pension strain totalling £1,378,976. Shropshire Council capitalised costs of £1,378,942. The remaining redundancy and strain costs were covered from the Voluntary Early Retirement Reserve and Revenue contributions to Capital Reserve.

43. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2010/11, The Council paid £11,220,000 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £11,185,000 and 14.1%. There were no contributions remaining payable at the year end.

In addition the Council is responsible for all the pension payments relating to added years it has awarded, together with the related increases. In 2010/11 these amounted in total to £2,007,000 representing 2.52% of pensionable pay. This covers all added years costs incurred for people retiring in 2010/11 and previous years. The figures for 2009/10 were £2,371,000 and 3.00%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.

44. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered by Shropshire Council is a funded scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	2010/11	**2009/10**
	£000	**£000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(21,305)	(12,836)
- past service gain/(cost)	(9)	(23)
- curtailment gain/(cost)	(1,071)	(2,150)
	(22,385)	(15,009)
Financing and Investment Income and Expenditure:		
- interest cost	(45,796)	(41,581)
- expected return on assets in the scheme	29,300	21,892
	(16,496)	(19,689)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(38,881)	(34,698)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- actuarial gains and losses	(108,989)	85,045
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(147,870)	50,347
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	38,881	34,698
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	(21,789)	(21,399)

In 2010/11 the Council paid an employer's contribution of £21,789,000 representing 16.7% of employee's pensionable pay, into the Pension Scheme. The figures for 2009/10 were £21,399,000 and 15.6%.

In 2010/11 the Council paid pension strain and augmentation of £851,245 compared to £2,325,270 for 2009/10.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded together with the related increases. In 2010/11 these amounted to £1,482,877 representing approximately 1.31% of pensionable pay. The figures for 2009/10 were £1,503,000 and 1.36%.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2010/11 was an actuarial loss of £93,011,000 (loss of £202,000,000 in 2009/10).

Assets and Liabilities in relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2010/11	**2009/10**
	£000	**£000**
Opening balance at 1 April	(815,453)	(588,917)
Current Service Cost	(21,305)	(12,836)
Interest Cost	(45,796)	(41,581)
Contributions by scheme participants	(7,496)	(7,279)
Actuarial gains and (losses)	102,532	(189,038)
Benefits paid	24,138	26,663
Past service costs	(9)	(23)
Entity combinations	0	0
Curtailments	(1,071)	(2,150)
Settlements	0	0
Closing balance at 31 March	**(764,460)**	**(815,161)**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11	**2009/10**
	£000	**£000**
Opening balance at 1 April	489,550	361,459
Expected rate of return	29,300	21,892
Actuarial gains and losses	6,457	103,993
Employer contributions	21,789	21,399
Contributions by scheme participants	7,496	7,279
Benefits paid	(24,138)	(26,663)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31 March	**530,454**	**489,359**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the authority's liabilities in Shropshire County Pension Fund by £47,439,000 and has been recognised as an actuarial gain in accordance with guidance set down in UITF Abstract 48 since the change is regarded as an adjustment to the actuarial assumptions previously used to estimate the liability. There is no impact upon the General Fund

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 a loss of £39,518,000 (2009/10 loss of £125,885,000).

Scheme History

	2006/07 As restated £000	2007/08 As restated £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities	(414,147)	(482,166)	(412,872)	(815,161)	(764,460)
Fair value of assets	323,231	319,799	252,240	489,359	530,454
Surplus/(deficit) in the scheme	**(90,916)**	**(162,367)**	**(160,632)**	**(325,802)**	**(234,006)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment benefits. The total liability of £234,006 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £822,747.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £21,869,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables. The Council element of the Fund liabilities has been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme 2010/11	2009/10
Long term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.50%
Government Bonds	4.40%	4.50%
Other Bonds	5.10%	5.20%
Other	4.80%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9 yrs	21.2 yrs
Women	24.6 yrs	24.1 yrs
Longevity at 65 for future pensioners:		
Men	23.3 yrs	22.2 yrs
Women	26.1 yrs	25.0 yrs
Rate of inflation	2.90%	3.30%
Rate of increase in salaries	4.40%	5.05%
Rate of increase in pensions	2.90%	3.30%
Rate for discounting scheme liabilities	5.50%	5.60%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%

Assets in the Shropshire County Pension Fund consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2011 %	31 March 2010 %
Equity investments	65.2	63.1
Government Bonds	11.4	13.1
Other Bonds	10.0	10.7
Other assets	13.4	13.1
	100.0	100.0

Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 As restated %	2007/08 As restated %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	(0.6)	(8.6)	(36.3)	(21.3)	(1.2%)
Experience gains and losses on liabilities	0.0	2.6	0.0	0.0	2.4%

45. CONTINGENT LIABILITIES

As part of the Finance Protocol between Shropshire Council and the then Wrekin District Council, a number of contingent liabilities have been identified, the costs will be shared should they arise.

A capital contribution of £370,000 received in 2000/01 and applied to finance a capital project, at Severndale Special School, is repayable (in full or in part) if the terms of the contribution are breached before 2031.

Work on Job Evaluation is still in progress, as a result there is the possibility that the Council may incur costs relating to previous years should backdated pay be agreed.

There are a number of legal cases outstanding that may result in future costs for the Council. These include:

- a legal case pending concerning a former HRA dwelling for which the Council is legally responsible.
- An insurance claim relating to the liability for a Highways maintenance issue.
- An appeal and potential judicial review relating to a planning application in Oswestry
- An appeal and potential judicial review relating to a planning application in Whitchurch

There remains the possibility that some employees of the Council (and former employees who bring a claim within six months of leaving) may bring a claim against the Council to seek retrospective membership of the pension scheme. This would only apply to employees who were employed on a part time basis in the past and as a result were prevented at a particular time from being able to join the Local Government Pension Scheme. The Council has received a significant number of such claims over recent years but the vast majority have now been dealt with either by the Employment Tribunal or by way of settlement. The likelihood of further claims is low but if they were made they could result in the authority incurring costs. It is not possible to be precise as to what the cost might be in any particular case, as it would depend on the employment period being claimed for. However, such claims would not be material to the accounts as they would relate to prior years.

The Council has provided guarantees to a number of Community Bodies that have been admitted to the Shropshire Pension Scheme, to fund any potential pension liabilities. These few bodies are Relate**,** MENCAP, SALC, Coverage Care and South Shropshire Leisure Ltd. Relate has just one member of staff, whilst MENCAP has 1 active member of the Shropshire County Pension Fund, 4 Pensioners and 3 Deferred Members. SALC has 2 active members and 1 Pensioner. South Shropshire District Council offered a guarantee to South Shropshire Leisure Ltd that transferred to Shropshire Council on 1st April 2009. This Employer has 25 active members in the Scheme and 15 deferred members. These do not therefore represent a significant potential liability for the Council. The guarantee for Coverage Care Ltd covers staff Tupe'd to them in a contract entered into 1st March 1997. The Council also provides a guarantee for HMM Arts Ltd which has 4 active members and 1 deferred member.

The Council has entered into two “Funding and Development Agreements” with Development Trust for construction of supported living properties at Old Fort Road, Oswestry and Curriers Lane, Shifnal. Under the agreement the Development Trust will provide the Council will funding of up to £325,000 for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The identification, understanding and management of risk are, by necessity, a major part of the Council’s treasury management activities.

To avoid the Council suffering loss as a result of its treasury management activities a number of risk management procedures have been put in place. The purpose of these procedures is to manage the risks arising from the use of financial instruments down to acceptable and agreed levels.

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

The management of risks associated with the use of financial instruments is undertaken by a central treasury management team. The team works within policies approved by Full Council prior to the start of the year as part of the Treasury Management Strategy. The Authority has written procedures for overall risk management, as well as written policies covering specific areas, such as credit risk, liquidity risk, interest rate risk and the investment of surplus cash which are updated by the treasury team and approved by the Corporate Head of Finance & Commerce.

The Council adopted the revised CIPFA’s Treasury Management Code of Practice in February 2010. It has also set treasury management indicators to control the key risks associated with financial instruments in accordance with CIPFA’s Prudential Code for Capital Finance in Local Authorities.

Credit Risk Exposure

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

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

The main criteria for determining the suitability of investment counterparties is outlined in the Council’s creditworthiness policy which is approved as part of the

Annual Investment Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from the list are approved by the Corporate Head of Finance & Commerce.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £30,000,000.

With security of capital being the main priority lending continues to be restricted to highly credit rated institutions, Part Nationalised Institutions, other Local Authorities and the UK Government via the Debt Management Office (DMO).

In addition to credit ratings the Authority also continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate. In conjunction with our treasury advisor, countries sovereign ratings are also taken into account when placing deposits and institutions credit default swap rates are monitored on a weekly basis and action taken to remove an institution from the approved lending list if required. Credit watches and credit outlooks from all three credit rating agencies are also taken into account.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default and non recovery over the last five financial years, adjusted to reflect current market conditions.

	Amount deposited at 31 March 2011	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2011**	**Estimated maximum exposure to default and uncollectability at 31 March 2011**	**Estimated maximum exposure at 31 March 2011**
	£000	**%**	**%**	**%**	**£000**
Loans and receivables held with counterparties having a default rating of:					
AAA	0	0	0	0	0
AA-	49,490	0.03	0.03	0	0
Other Local Authorities	16,620	0	0	0	0
Debtors (Customers)	14,381	Local Experience	Local Experience	Local Experience	Local Experience

The Authority generally allows its customers 30 days credit. Of the £14,381,000 outstanding from customers £6,504,000 is past its due date for payment. This past due amount is analysed by age as follows:

Age of Debt	**£000**
Less than 3 months overdue	2,198
3 to 6 months overdue	873
7 months to 1 year overdue	914
More than 1 year overdue	2,519
	6,504

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

Liquidity Risk Exposure

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

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

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

The maturity analysis of financial liabilities is as follows:

Age of Debt	**£000**
Less than 1 year	105
Between 1 and 2 years	8,709
Between 2 and 5 years	23,870
Between 5 and 10 years	25,400
More than ten years	220,218
	278,302

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved Treasury Strategy address the main risks and the central treasury team address the operational risks within approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

Interest Risk Exposure

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

Interest rate exposure limits and other prudential limits are set through the Annual Treasury Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Income and Expenditure Account or Statement of Recognised Gains and Losses (STRGL).

As at 31 March 2011 the Council's total outstanding debt (excluding accrued interest) amounted to £277,918,000 of which none of these loans were at stepped interest rates. Out of this balance £228,718,000 relates to fixed rate Public Works Loan Board (PWLB) loans, and £49,200,000 relates to Lenders Option Borrower Option (LOBO) market loans. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. Had long term interest rates been 1% higher than they actually were, and all other circumstances been the same, this would result in an increase in interest payable of £492,000 on the LOBO loans. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2011, £19,390,000 was held in a Call Account. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £193,900. The impact of a 1% fall in interest rates would be a £193,900 loss.

The internal Treasury Team's aim is to outperform the 7 day LIBID investment benchmark.

Interest rate risk is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates, or the authority's cost of borrowing, and provides some compensation for a proportion of any higher costs.

Price Risk

The Authority does not invest in equity shares therefore is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

47. MINIMUM REVENUE PROVISION

The Council is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt.

2009/10 £000		2010/11 £000
7,763	MRP – Supported Borrowing	8,434
1,135	MRP – Telford & Wrekin Council, Probation and Magistrates	1,095
339	MRP – Unsupported Borrowing	648
0	MRP – SALIX (Soft Loans)	59
722	MRP – Quality in Community Services (QICS), Waste PFI and Finance Leases	1,147
9,959	**Total MRP**	**11,383**

As a result of the new Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the calculation of the Minimum Revenue Provision (MRP) has changed to reflect these new requirements. In the new regulation 28, the previous detailed rules have been replaced with a simple duty for an Authority to make an amount of MRP which it considers to be "prudent" each year. The operative date of the change was 31 March 2008 and as such these changes were first applied in 2007/08.

The Council has calculated MRP for supported borrowing (i.e. borrowing that is funded by Central Government grant) in accordance with option 1, the Regulatory Method. This starts with the opening Capital Financing Requirement which is then adjusted for the variance between the former credit ceiling and the capital financing requirement as at 1 April 2004 (known as adjustment "A") when the prudential borrowing system was first introduced. The adjustment "A" total is £4,446,480 (this combines to adjustment "A" values of the previous Authorities who had a Capital Financing Requirement as at 1 April 2010), for information this reduces the Councils MRP by £177,860.

For new unsupported borrowing under the Prudential system (i.e. borrowing for which no Government grant is received which is therefore self-financed) the Council has calculated MRP in accordance with option 3, Asset Life Method. Therefore the Council makes provision over the estimated life of the asset for which the borrowing is undertaken. The outstanding period of estimated life for such assets has been used. 2006/07 was the first year in which unsupported borrowing took place. Due to MRP being calculated based on the previous years Capital Financing Requirement, MRP for unsupported borrowing was included in 2007/08 for the first time.

Changes introduced in 2009/10, to bring the accounting treatment for Private Finance Initiatives in line with International Financial Reporting Regulations, resulted in both Council PFI schemes now being accounted for as on balance sheet. As a result an MRP charge has been included for these schemes, however this is not an additional charge for the Council, it is a reclassification of the part of the unitary charge. Further changes to the finance lease classification in 2010/11, under IFRS has resulted in two previous operating leases now been treated as finance leases.

Following the restructuring to Shropshire Council, with a vestment date of 1 April 2009, at which point the historic debt and capital receipts transferred from the predecessor Authorities; the Council voluntarily set aside capital receipts from the predecessor Authorities as at 1 April 2009 to reduce the Council's Capital Financing Requirement (CFR) and generate Minimum Revenue Provision (MRP) savings in 2009/10. A balance was still held as set aside as at 31/03/10, generating a further saving in 2010/11.

The SALIX (Soft Loans) element of the MRP charge relates to soft loans at zero percent interest that were advanced to the Council to implement energy saving schemes. The savings generated from these schemes are used to repay loan principal, which is treated as an MRP payment.

48. STATEMENT OF FIXED ASSETS

The following table gives an analysis of assets owned by the Council and assets used to carry out the Council services.

2009/10 Total	Asset	As At 31 March 2011 Owned by SC	Leased by SC	Leased to Other Bodies	Owned by Other Bodies	PFI Sites	Total
10	**Administrative Offices**	9	2	0	0	0	11
3	**Advisory Services Centres**	2	0	1	0	0	3
1	**Archives**	1	0	0	0	0	1
4	**Arts**	4	0	0	0	0	4
49	**Business / Commercial Sites**	23	1	25	0	0	49
80	**Car Parks**	78	2	0	0	0	80
8	**Churches / Cemeteries / Crematoriums**	8	0	0	0	0	8
15	**Childrens Centres**	21	2	0	2	0	25
10	**Childrens Services**	5	4	1	0	0	10
5	**Connexions**	3	2	0	0	0	5
6	**Education Centres**	4	2	0	0	0	6
0	**Elections**	0	1	0	0	0	1
26	**Group Homes**	8	13	0	5	0	26
4	**Gypsy Sites**	4	0	0	0	0	4
19	**Highway Properties**	16	2	1	0	0	19
30	**Housing Sites (General Fund)**	16	0	18	0	0	34
0	**Integrated Offender Management**	0	1	0	0	0	1
10	**Learning and Training**	8	2	0	0	0	10
24	**Leisure Facilities**	23	1	0	0	0	24
22	**Libraries**	17	5	0	0	0	22
6	**Markets and Town Halls**	4	0	2	0	0	6
16	**Mental Health and Older Peoples Services**	1	6	0	8	0	15
5	**Mental Health Residential**	2	0	3	0	0	5
8	**Museums**	4	3	1	0	0	8
6	**Multi Occupancy Sites**	0	0	0	0	6	6
26	**Physical and Learning Disabilities**	11	14	6	0	0	31
32	**Public Conveniences**	32	0	0	0	0	32
3	**Registrars (excluding shared facilities)**	1	1	0	1	0	3
7	**Residential Homes for Older People**	1	0	6	0	0	7
157	**Schools**	77	3	0	77	0	157
0	**Substance Misuse**	4	1	0	0	0	5
29	**Smallholdings**	25	4	1	0	0	30
7	**Waste Management Sites**	3	0	1	0	4	8
11	**Youth Centres / Offices**	9	1	0	0	0	10
4,249	**Council Dwellings (HRA)**	0	0	4,240	0	0	4,240
8	**Sheltered Dwellings Communal Rooms**	8	0	0	0	0	8
995	**Garages**	0	0	995	0	0	995

49. FOUNDATION SCHOOLS

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1 April 1999. In 2008/09 this Council had four Foundation schools, for which no opening or closing balances for current assets and liabilities controlled by Foundation schools are included in this Balance Sheet. In 2009/10 two Foundation schools (Holy Cross CE School and Grange Junior School) were amalgamated with existing Council schools to create new non Foundation Schools. Holy Cross CE School is a Diocese owned school and remains in Diocese ownership following amalgamation, thus there is no asset transfer to Shropshire Council. The title to the Grange Junior School is still held by the Governing Body of the Grange Junior School by virtue of an agreement dated 4 December 1996 made between (1) The Shropshire County Council (2) Education Assets Board and (3) The Governing Body of The Grange Junior School, thus although the school is no longer a Foundation School ownership has not yet transferred to Shropshire Council.

The remaining two Foundation schools have an estimated fixed asset valuation of £13,742,600 as at 31 March 2011, the former Foundation School still in the ownership of the Governing Body has an estimated fixed asset valuation of £2,918,900. (These are based on the last Estates Services valuation undertaken as at 1st April 2008). These fixed assets are not included in the fixed asset valuation.

50. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

Trust	Purpose	Balance as at 31 March 2011 £000
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	193
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	123
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	228
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	42
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	427
Shropshire Voluntary Association for the Blind	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	418

Accounts are prepared and published for these organisations, Shropshire Council is not the only trustee and turnover is not material.

Trusts deliver great benefit into the local community and make a valuable contribution but the Council itself does not derive benefit from them.

51. LIABILITY TO DEFRA FOR LANDFILL USAGE

Allowances to use landfill at a specified level are allocated free of charge to Waste Disposal Authorities (WDAs) by DEFRA. The Landfill Allowance Trading Scheme (LATS) operates for 15 annual compliance periods and runs from 1 April 2005 to 31 March 2020. In order that WDAs can plan for the future and establish a market in landfill allowances, the allowances for all 15 annual compliance periods were notified to WDAs on 2 February 2005. WDAs are able to contract with other WDAs to buy and sell allowances for both the current and future compliance periods. There are no balances brought forward into 2010/11 as 2009/10 was a target year and no balances can be carried forward from a target year into the next year under the Waste and Emissions Trading Act 2003 (WET Act). Allowances not used in a target year are forfeited unless a trade can be undertaken in the reconciliation period between April and September 2011. 2009/10 allowances were forfeited, or written down, as no trading was undertaken. Unused allowances from 2010/11 can be carried forward until the next target year (2012/13).

	Allowances No.	**Rate £**	**Value £000**
Balance of LATS Reserve as at 1 April 2010	**21,395**	**16.57**	**355**
Adjust for Changes to 2009/10			
Impairment of Allowances Transferred to Reserve	(1,876)	16.57	(31)
Changes during Reconciliation Period	(19,519)	16.57	(324)
Net Impact on Reserve	**(21,395)**		**(355)**
2010/11 Allowances			
Allowances Issued by DEFRA	59,893	12.50	749
Total Allowances Prior to 2009/10 Utilisation	**59,893**	**12.50**	**749**
Allowances Utilised in Year	**42,205**	**12.50**	**(528)**
Balance of Reserve as at 31 March 2011 (Pre Reconciliation Period)	**17,688**		**221**

52. HERITAGE ASSETS

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the

Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.
Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored by the Council's Museum Service, which operates six museums, a museum resource centre and a mobile museum service. Principal collections of heritage assets held by the Museum Service include:

- The archaeology collection;
- The fine art and decorative art collection;
- The prehistoric collection; and
- The roman collection.

The Museum Service holds inventory information on the heritage assets held, but no relevant information on the cost or value of the heritage assets. As such, these are not currently recognised in the financial statements of the Council. The Council does not propose to recognise these collections in future financial statements as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements. This exemption is permitted by the 2011/12 Code.

In the 2010/11 financial statements included as Community Assets are a small number of statues and historic building remains. In accordance with the Code these are valued at depreciated historic cost, and the majority of these have nil value in the balance sheet due to the age of them and absence of any historic cost information. In 2011/12 these will be reclassified to heritage assets, the carrying amount of these assets as at 31/03/11 is £614,000. In 2011/12 the Council will continue to value these assets at depreciated historic cost, together with other community and heritage assets.

Section 7

Group Accounts

We continue to be innovative in the way that we procure goods and services to deliver savings across the authority

GROUP ACCOUNTS

Introduction

The 2004 Statement of Recommended Practice (SORP) set out comprehensive new requirements for Group Accounts. These require authorities to enhance their Statement of Accounts with information about their interest in subsidiaries, associates and joint ventures in a set of group accounts

A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full group accounts.

WEST MERCIA SUPPLIES

West Mercia Supplies (WMS) is a Purchasing Consortium that was established in 1987. It is constituted as a Joint Committee, Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Borough of Telford & Wrekin.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WMS within this Council. The Council considers that WMS should be accounted for as a Joint Venture (under IAS 31 – Interests in Joint Ventures) with specific regard to the independence that West Mercia Supplies has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

Shropshire's share of West Mercia Supplies' balances is 27%. The company has been incorporated into the Group Accounts using the Proportionate Consolidation method.

COMMUNITY ASSET TRUST

The North Shropshire Community Asset Trust (CAT) was established by North Shropshire District Council with the aims of promoting community regeneration and social development in North Shropshire through commercial opportunities and community involvement including the provision of affordable housing. The CAT was established as a company limited by guarantee although it was never operational.

Shropshire Council has reviewed the accounting treatment that should be applied to the CAT and has concluded that Group Accounts should be prepared for the CAT under the requirements of IAS 7 (Consolidated and Separate Financial Statements).

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.

GROUP ACCOUNTS

South Shropshire Leisure Limited has been included in the accounts as a quasi-subsidiary. 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 paid by Shropshire Council 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 Comprehensive Income and Expenditure Statement 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.

Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2009	**15,529**	**25,902**	**974**	**0**	**1,503**	**43,908**	**851,869**	**895,777**	**2,199**	**897,976**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services	(44,267)	0	14,195	0	0	(30,072)	0	(30,072)	(134)	(30,206)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(61,825)	(61,825)	(351)	(62,176)
Total Comprehensive Income and Expenditure	**(44,267)**	**0**	**14,195**	**0**	**0**	**(30,072)**	**(61,825)**	**(91,897)**	**(485)**	**(92,382)**
Adjustments between Group Accounts and authority accounts	(638)	0	0	0	0	(638)	0	(638)	638	0
Net Increase/Decrease before Transfers	**(44,905)**	**0**	**14,195**	**0**	**0**	**(30,710)**	**(61,825)**	**(92,535)**	**153**	**(92,382)**
Adjustments between accounting basis & funding basis under regulations	43,674	0	(15,187)	(68)	(74)	28,345	(28,345)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(1,231)**	**0**	**(992)**	**(68)**	**(74)**	**(2,365)**	**(90,170)**	**(92,535)**	**153**	**(92,382)**
Transfers to/from Earmarked Reserves	(4,119)	3,300	817	68	2,498	2,564	(2,696)	(132)	47	(85)
Increase/Decrease in 2009/10	**(5,350)**	**3,300**	**(175)**	**0**	**2,424**	**199**	**(92,986)**	**(92,667)**	**200**	**(92,467)**
Balance at 31 March 2010	**10,179**	**29,202**	**799**	**0**	**3,927**	**44,107**	**759,003**	**803,110**	**2,399**	**805,509**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services	(44,442)	0	(75,866)	0	0	(120,308)	0	(120,308)	(1,094)	(121,402)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	141,140	141,140	138	141,278
Total Comprehensive Income and Expenditure	**(44,442)**	**0**	**(75,866)**	**0**	**0**	**(120,308)**	**141,140**	**20,832**	**(956)**	**19,876**
Adjustments between Group Accounts and authority accounts	(1,094)	0	0	0	0	(1,094)	0	(1,094)	1,094	0
Net Increase/Decrease before Transfers	**(45,536)**	**0**	**(75,866)**	**0**	**0**	**(121,402)**	**141,140**	**19,738**	**138**	**19,876**
Adjustments between accounting basis and funding basis under regulations	46,990	0	75,734	(107)	(73)	122,544	(122,544)	0	16	16

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,454**	**0**	**(132)**	**(107)**	**(73)**	**1,142**	**18,596**	**19,738**	**155**	**19,893**
Transfers to/from Earmarked Reserves	(1,772)	1,653	118	107	(1,650)	(1,544)	1,443	(101)	11	(90)
Increase/Decrease in 2010/11	**(318)**	**1,653**	**(14)**	**0**	**(1,723)**	**(404)**	**20,039**	**19,637**	**165**	**19,802**
Balance at 31 March 2011	**9,861**	**30,855**	**785**	**0**	**2,204**	**43,705**	**779,042**	**822,747**	**2,564**	**825,311**

Reconciliation of Movement in Reserves Statement to Balance Sheet where there are Minority Interests

31 March 2010 £000		31 March 2011 £000
805,509	Total Reserves in the Movement in Reserves Statement	825,311
88	Minority interests' share of reserves of subsidiaries	270
805,597	**Total Reserves in the Balance Sheet**	**825,581**

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Sale of capital assets to subsidiaries	0	0	0	0	0	0	0	0	0	0
Purchase of goods and services from subsidiaries	1,094	0	0	0	0	1,094	0	1,094	(1,094)	0
Total adjustments between Group Accounts and authority accounts	**1,094**	**0**	**0**	**0**	**0**	**1,094**	**0**	**1,094**	**(1,094)**	**0**

GROUP ACCOUNTS

The Group Comprehensive Income & Expenditure Statement

2009/10 Group Expenditure £000	Expenditure on Continuing Services	2010/11 SC Net Expenditure £000	Adjustments £000	Group Expenditure £000
3,850	Central Services to the public	7,144	1,035	8,179
71,534	Cultural, Environmental, Regulatory and Planning Services	64,355	(31)	64,324
65,087	Education and Children's Services	84,383	0	84,383
31,412	Highways and Transport Services	31,381	0	31,381
(14,728)	Local Authority Housing (HRA)	7,948	0	7,948
0	Exceptional costs relating to revaluation loss on Housing Dwellings	67,694	0	67,694
3,388	Other Housing Services	8,842	(383)	8,459
70,718	Adult Social Care	69,014	0	69,014
7,543	Corporate and Democratic Core	7,140	0	7,140
7,245	Non Distributed Costs	2,183	0	2,183
	Share of Operating Results of Joint Venture			
(11,788)	- Turnover	0	(13,655)	(13,655)
10,780	- Cost of Sales and Operating Expenses	0	12,934	12,934
245,041	**Cost of Services**	**350,084**	**(100)**	**349,984**
11,739	Other Operating Expenditure	5,378	(2)	5,376
38,179	Financing and Investment Income and Expenditure	33,653	75	33,728
(264,784)	Taxation and Non Specific Grant Income	(267,713)	0	(267,713)
30,175	**(Surplus) or Deficit on Provision of Services**	**121,402**	**(27)**	**121,375**
0	Share of the surplus or deficit on the provision of services by associates	0	0	0
0	Tax expenses of subsidiaries	0	0	0
0	Tax expenses of associates	0	0	0
30,175	**Group (Surplus)/Deficit**	**121,402**	**(27)**	**121,375**
(23,220)	Surplus or deficit on revaluation of non-current assets	(32,151)	0	(32,151)
85,396	Actuarial gains/losses on pension assets/liabilities	(61,550)	(130)	(61,680)
0	Exceptional item relating to Actuarial Gains on Pension Assets/Liabilities due to change in scheme benefits	(47,439)	0	(47,439)
0	Share of other comprehensive income and expenditure of associates and joint ventures	0	0	0
62,176	**Other Comprehensive Income and Expenditure**	**(141,140)**	**(130)**	**(141,270)**
92,351	**Total Comprehensive Income and Expenditure**	**(19,738)**	**(157)**	**(19,895)**

Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure

2009/10				2010/11		
Authority	**Minority Interests**	**Total**		**Authority**	**Minority Interests**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
30,337	(162)	30,175	Surplus of Deficit on the Provision of Services	121,375	(27)	121,348
62,176	0	62,176	Other Comprehensive Income and Expenditure	(141,270)	8	(141,262)
92,513	**(162)**	**92,351**	**Total Comprehensive Income and Expenditure**	**(19,895)**	**(19)**	**(19,914)**

GROUP ACCOUNTS

Group Balance Sheet at 31st March 2011

1 April 2009 (Restated) £000	31 March 2010 (Restated) £000		SC £000	31 March 2011 Adjustments £000	Group £000
		Property, Plant & Equipment			
215,203	229,221	Dwellings	155,354	0	155,354
785,468	774,048	Land & Buildings	801,540	149	801,689
10,912	13,339	Vehicles, Plant and Equipment	16,010	96	16,106
263,535	275,943	Infrastructure	290,378	0	290,378
6,251	4,570	Community	4,832	0	4,832
8,242	30,673	Assets Under Construction	18,559	0	18,559
42,010	36,045	Investment Property	35,045	0	35,045
470	427	Intangible Assets	438	0	438
6,252	4,354	Assets Held for Sale	5,608	0	5,608
1,338,343	**1,368,620**	**Total Non Current Assets**	**1,327,764**	**245**	**1,328,009**
1,127	1,113	Long Term Investment	1,150	0	1,150
1,590	1,263	Investments in Associates and Joint Ventures	0	1,019	1,019
1,766	1,583	Long Term Debtors	1,472	0	1,472
1,342,826	**1,372,579**	**Total Long Term Assets**	**1,330,386**	**1,264**	**1,331,650**
		Current Assets			
644	673	Stocks	970	2	972
43,331	49,313	Debtors	45,632	936	46,568
28,260	26,167	Temporary Investments	22,600	0	22,600
0	1,117	Landfill Usage Allowances	749	0	749
77,361	73,765	Cash & Cash Equivalents	43,706	352	44,058
149,596	**151,035**	**Total Current Assets**	**113,657**	**1,290**	**114,947**
1,492,422	**1,523,614**	**Total Assets**	**1,444,043**	**2,554**	**1,446,597**
		Current Liabilities			
(4,301)	(4,938)	Temporary Loans	(2,431)	0	(2,431)
(63,656)	(56,093)	Creditors	(53,577)	466	(53,111)
0	(762)	Liability to DEFRA for Landfill Usage	(528)	0	(528)
(4,371)	(7,273)	Cash Overdrawn	(4,215)	0	(4,215)
(3,233)	(2,650)	Provisions	(4,560)	0	(4,560)
(75,561)	**(71,716)**	**Total Current Liabilities**	**(65,311)**	**466**	**(64,845)**
1,416,861	**1,451,898**	**Total Assets Less Current Liabilities**	**1,378,732**	**3,020**	**1,381,752**
		Long Term Liabilities			
(254,726)	(277,918)	Long Term Loans	(278,302)	0	(278,302)
(16,733)	(18,837)	Deferred Liabilities	(20,830)	0	(20,830)
(5,163)	(4,643)	Provisions	(4,176)	0	(4,176)
(777)	(765)	Deferred premiums on early repayment of debt	(753)	0	(753)
(13,863)	(18,138)	Capital Grants Receipts in Advance	(17,918)	0	(17,918)
(227,493)	(326,000)	Pensions Liability	(234,006)	(185)	(234,191)
(518,755)	**(646,301)**	**Total Long Term Liabilities**	**(555,985)**	**(185)**	**(556,170)**
898,106	**805,597**	**Total Assets Less Liabilities**	**822,747**	**2,835**	**825,582**
		Financed by:			
(851,834)	(758,468)	Unusable Reserves	(779,042)	185	(778,857)
(46,272)	(47,129)	Usable Reserves	(43,705)	(3,020)	(46,725)
(898,106)	**(805,597)**	**Total Reserves**	**(822,747)**	**(2,835)**	**(825,582)**

Group Cash Flow Statement

2009/10 Group £000	Revenue Activities	SC £000	2010/11 Adjustments £000	Group £000
30,175	Net surplus or (deficit) on the provision of services	121,402	(27)	121,375
(62,234)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(161,972)	(31)	(162,003)
41,533	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37,995	74	38,069
9,474	Net cash flows from operating activities	**(2,575)**	**17**	**(2,558)**
13,955	Investing activities	25,314	(3)	25,311
(16,931)	Financing activities	3,863	34	3,897
6,498	Net (increase) or decrease in cash and cash equivalents	**26,602**	**48**	**26,649**
72,990	Cash and cash equivalents at the beginning of the reporting period	66,093	399	66,492
66,492	**Cash and cash equivalents at the end of the reporting period**	**39,491**	**352**	**39,843**

Notes to Group Accounts

G1. Consolidation of West Mercia Supplies

Figures in respect of West Mercia Supplies have been consolidated using the proportionate consolidation method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WMS £000	SC Share (27%) £000
Turnover	(50,389)	(13,655)
Cost of Goods Sold and Operating Expenses	47,727	12,934
Gain on Disposal of Fixed Asset	(7)	(2)
Interest and Investment Income	75	20
Pensions Interest Cost and Expected Return on Pensions Assets	204	55
Net Operating Surplus	**(2,390)**	**(648)**
Distribution of Surplus to Member Authorities	3,818	1,035
NET DEFICIT FOR THE YEAR	**1,428**	**387**

G2. Consolidation of Community Asset Trust

The operating income (£383,214) of the North Shropshire Community Asset Trust has been included within Housing Services. There was no expenditure incurred by the company in 2010/11.

G3. Consolidation of South Shropshire Leisure Ltd

The operating income (£2,125,316) and expenditure (£2,094,250) of South Shropshire Leisure Limited has been included within Cultural, Environmental and Planning Services. The inter-company transactions with Shropshire Council have been excluded from Culture, Environmental and Planning Services (Income/Expenditure £1,094,434).

G4. Long Term Investment included in Group Balance Sheet.

	WMS £000	SC Share (27%) £000
Assets	19,372	5,250
Liabilities	(15,611)	(4,231)
Value of investment	**3,761**	**1,019**

Section 8

Pension Fund Accounts

The Shropshire County Pension Fund manages risk by diversifying both investments and investment managers

PENSION FUND ACCOUNTS

Shropshire Council acts as Administering Authority for the Shropshire County Pension Fund (SCPF). The fund covers the employees of the Council, other than teachers, for whom separate arrangements exist, and other bodies including unitary, parish and town councils, colleges and voluntary organisations. Full details of SCPF's annual accounts, investment performance and governance arrangements are set out in the Shropshire County Pension Fund Annual Report 2010/11, a copy of which can be accessed at www.shropshirecountypensionfund.co.uk or requested from Pension Services on 01743 252130. A summary of the statement of accounts is shown below.

Pension Fund Account for the year ended 31 March 2011

2009/10 £m		2010/11 £m
	Income	
	Contributions	
40.235	Employers	40.618
15.176	Employees	15.305
10.000	Transfers In from other pension funds	8.381
65.411	**Total Income**	**64.304**
	Expenditure	
	Benefits Payable	
35.150	Pensions	36.928
9.758	Commutation of pensions and lump sum retirement benefits	8.638
0.999	Lump Sums	1.048
0.013	Refund of contributions	0.019
8.972	Transfers to other funds	3.465
1.070	Administrative expenses	1.060
55.962	**Total Expenditure**	**51.158**
9.449	**Net additions from dealings with scheme members**	**13.146**
	Returns on Investments	
20.147	Investment Income	20.416
5.558	Gain/(loss) on cash and currency hedging	9.427
(0.424)	Taxes on Income	(0.197)
207.790	Profits and losses on disposal of investments and changes in value of investments	52.302
(7.969)	Less Investment Management Expenses	(7.247)
225.102	**Net increase (decrease) in the net assets available for benefits during the year**	**74.701**
234.551	**Surplus / (deficit) on the pension fund for the year**	**87.847**
716.155	**Opening net assets of the scheme**	**950.706**
950.706	**Closing net assets of the scheme**	**1,038.553**

PENSION FUND ACCOUNTS

Pension Fund Net Asset Statement as at 31 March 2011

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	31 March 2011 %
		Investment Assets		
		Fixed Interest Securities		
53.616	36.787	Public Sector Bonds	33.373	3.21
0.000	0.000	Other	0.000	0.00
354.671	430.380	Equities	458.594	44.16
		Pooled Investment Vehicles		
68.452	80.783	Unitised Investment Vehicles	86.258	8.31
211.478	353.916	Other Managed Funds	394.912	38.02
		Derivative Contracts		
33.102	0.320	Futures	0.780	0.07
1.326	1.559	Forward Foreign Exchange	0.097	0.01
		Cash Deposits		
0.000	4.854	Margin Balances	5.144	0.50
0.200	34.121	Deposits	57.042	5.49
0.000	0.000	Temporary Investments	9.550	0.92
722.845	**942.720**		**1,045.750**	**100.69**
		Investment Liabilities		
		Derivatives		
(11.112)	(0.147)	Futures	(0.412)	(0.040)
(1.087)	(0.189)	Forward Foreign Exchange	(5.470)	(0.530)
		Other Financial Liabilities		
0.000	(0.440)	Margin Balances	(0.768)	(0.070)
710.646	**941.944**	**Net Investment Assets**	**1,039.100**	**100.05**
		Current Assets		
1.970	2.258	Contributions due from Employers	2.171	0.21
1.981	1.835	Other Current Assets	1.828	0.17
4.093	6.903	Cash Balances	0.024	0.00
		Current Liabilities		
(0.572)	(0.332)	Unpaid Benefits	(0.128)	(0.010)
(1.963)	(1.902)	Other Current Liabilities	(4.442)	(0.420)
716.155	**950.706**	**Net Assets of the Scheme - Available to Fund Benefits as at 31 March**	**1,038.553**	**100.00**

PENSION FUND ACCOUNTS

SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2011
Statement by Consulting Actuary

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £951 million represented 81% of the Funding Target of £1,177 million at the valuation date. The valuation also showed that a common rate of contribution of 11.6% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 5.9% of pensionable pay for 19 years. This would imply an average employer contribution rate of 17.5% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). In particular, there were variations in the approach adopted in setting the Funding Target for certain employees. Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments:		
- pre retirement	7.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £1,326 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £1,223 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2011

Section 9

Housing Revenue Account

We have spent £3.1m on the Decent Homes Works Programme in 2010/11

HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The Housing Revenue Account consists of two statements, the Income and Expenditure Account which shows the detailed income and expenditure included in the authority's Income and Expenditure Account, and the Statement of Movement on the Housing Revenue Account Balance.

HRA INCOME AND EXPENDITURE STATEMENT

2009/10 £ Restated		2010/11 £	£
	Expenditure		
4,314,496	Repairs & Maintenance	4,071,794	
2,579,202	Supervision and Management	2,978,691	
28,334	Rents, rates taxes and other charges	6,493	
4,660,149	Negative Subsidy Payable	4,755,392	
69,401	Provision for Bad or Doubtful Debts	48,400	
2,524,182	Depreciation - Dwellings	2,552,310	
74,286	- Other	73,494	
(14,707,124)	Impairment	7,756,273	
0	Exceptional cost relating to revaluation loss on housing dwellings (Note 11)	67,693,963	
	Debt Management Costs	17,000	
(457,074)	**Total - Expenditure**		**89,953,810**
	Income		
(13,449,310)	Dwelling Rents	(13,757,134)	
(227,813)	Non Dwelling Rents	(248,984)	
(705,909)	Charges for Services and Facilities	(713,680)	
(11,916)	Contributions towards expenditure	(27,153)	
(14,394,948)	**Total - Income**		**(14,746,951)**
(14,852,022)	**Net Cost of HRA Services included in the Comprehensive I&E Statement**		**75,206,860**
91,280	HRA Share of Corporate & Democratic Core		407,920
(14,760,742)	**Net Cost of HRA Services**		**75,614,780**
89,147	(Gain) or loss on sale of HRA Assets		(149,088)
69,404	Interest Payable		65,117
(26,789)	Interest and Investment Income		(30,823)
413,577	Pension Interest Cost and expected return on Pension Asset		366,046
(14,215,403)	**Net Cost of HRA Services**		**75,866,032**

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2009/10 £ Restated		£	2010/11 £	£
(974,914)	**Balance on the HRA at the end of the previous year**			(799,837)
(14,215,403)	Deficit for the Year on HRA Account		75,866,032	
0	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statute.	18,761		
68,581	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute.	68,581		
68,581	**Adjustments between accounting basis and funding basis under statute**		87,342	
(89,147)	Gain or Loss on sale of HRA non-current assets	149,088		
(233,708)	HRA share of contributions to or from the Pension Reserve	(355,306)		
817,042	Capital Funded by the HRA	0		
(74,286)	Transfers to/from the Major Repairs Reserve	(73,494)		
14,719,040	Transfer to/from the Capital Adjustment Account	(75,542,853)		
0	Transfer from VER Reserve	(116,510)		
(817,042)	Transfer to/from Housing Repairs Account	0		
14,321,900	**Transfers to or (from) Reserves**		(75,939,075)	
175,077	(Increase) or Decrease in year on the HRA			14,299
(799,837)	**Balance on the HRA at the end of the current year**			**(785,538)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

2009/10		2010/11
	Total Number of Dwellings at 31st March :	
3,278	Houses and Bungalows	3,270
971	Flats	970
4,249		**4,240**
	Change in Stock	
4,271	Stock at 1st April	4,249
(2)	Less: Sales – Right to Buy	(7)
(20)	Sales – Other	(2)
0	Disposal/restructuring	0
0	Acquisition	0
4,249		**4,240**

2. RENT ARREARS

2009/10 £		2010/11 £
310,388	Due from Current Tenants	157,514
334,239	Due from Former Tenants	344,749
644,627	**Total Rent Arrears 31 March 2010**	**502,263**
(320,981)	Pre-Payments	(315,987)
323,646	**Net Arrears**	**186,276**

As at 31 March 2011, the total provision set aside for housing rent bad debts is £414,937.

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings £	Other Land & Buildings £	Infrastructure Assets £	Total Property, Plant & Equipment £	Investment Properties £	Total £
Cost or Valuation						
At 1 April 2010	234,646,724	1,451,557	52,519	236,150,800	749,275	236,900,075
Additions	4,499,748	0	0	4,499,748	0	4,499,748
Revaluation increase/(decreases) recognised in the Surplus/Deficit on Provision of Services	(74,299,247)	(193,000)	0	(74,492,247)	(100)	(74,492,347)
Derecognition - disposals	(516,900)	(120,000)	0	(636,900)	0	(636,900)
As at 31 March 2011	**164,330,325**	**1,138,557**	**52,519**	**165,521,401**	**749,175**	**166,270,576**
Accumulated Depreciation and Impairment						
At 1 April 2010	(5,425,826)	(77,721)	(32,481)	(5,536,028)	0	(5,536,028)
Depreciation Charge	(2,588,840)	(33,280)	(3,684)	(2,625,804)	0	(2,625,804)
Depreciation written out to the Surplus/Deficit on Provision of Services	0	13,603	0	13,603	0	13,603
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(971,591)	0	0	(971,591)	0	(971,591)
Derecognition - disposals	10,400	0	0	10,400	0	10,400
As at 31 March 2011	**(8,975,857)**	**(97,398)**	**(36,165)**	**(9,109,420)**	**0**	**(9,109,420)**
Net Book Value						
As at 31 March 2011	**155,354,468**	**1,041,159**	**16,354**	**156,411,981**	**749,175**	**157,161,156**
As at 31 March 2010	**229,220,898**	**1,373,836**	**20,038**	**230,614,772**	**749,275**	**231,364,047**

In accordance with the Department for Communities and Local Government ‘Stock

Valuation for Resource Accounting – Guidance for Valuers 2010', the Adjustment Factor for dwellings has changed from 49% to 34%. This has resulted in a revaluation loss of £69.7m on opening value. There was capital expenditure within the year of £971,591 which was considered not to give rise to an increase in the valuation of the Housing Stock and an impairment has been recognised with regard to this, together with an impairment of £179,397 relating to a devaluation of land. In recognition of a general decrease in property valuation of 2.89% during the year, a revaluation loss of £4,587,280 has been recorded in the 2010/11 accounts. There is a difference of £306,732,655 between the tenanted valuation and the District Valuer's Vacant Possession Value of £464,746,447 at 1 April 2010, adjusted for the revised Adjustment Factor on opening value.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

The difference represents the economic cost of the Government of providing council housing at less than market rents.

4. MAJOR REPAIRS RESERVE

2009/10 £		2010/11 £
0	Balance Brought Forward	3,927,534
1,503,126	Amount transferred from previous District Authorities	0
2,598,468	Amount Transferred to the MRR during the Year	2,625,804
(74,286)	Amount Transferred to HRA during the year - Excess Depreciation	(73,494)
(99,774)	Capital Expenditure Financing	(4,275,352)
3,927,534	**Balance Carried Forward**	**2,204,492**

5. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on the Council Housing Stock during the year was financed as follows.

2009/10 £		2010/11 £
0	Reserved Capital Receipts (in lieu of borrowing)	0
159,758	Usable Capital Receipts	165,242
0	Revenue Contributions utilised in year	0
99,774	Major Repairs Allowance	4,275,353
32,000	Government Supported borrowing	32,000
11,917	Government Grants and Contributions	27,153
817,042	Revenue Provision	0
1,120,491	**Total Capital Expenditure on Housing Stock**	**4,499,748**

6. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. 75% of Capital Receipts arising from Right to Buy disposals are subject to National Pooling arrangements payable to CLG.

2009/10 £		2010/11 £
124,000	Sale of Council Houses under Right to Buy (RTB)	537,500
9,040	RTB Discounts Repaid	17,688
309,500	Other Land & Buildings	226,000
0	Mortgage Receipts	0
442,540	Total Capital Receipts from HRA Asset Disposals	781,188
(94,834)	Less Capital Receipts subject to Pooling requirement	(408,218)
347,706	**Net Capital Receipts from HRA Asset Disposals**	**372,970**

7. DEFERRED CHARGES

A charge of £65,581 was made to the HRA in respect of premiums incurred for the premature redemption of debt by Oswestry Borough Council in 2003/04. Charges will continue to apply until 2013/14.

8. FRS17 RETIREMENT BENEFITS

The implementation of accounting arrangements for pensions have been applied to the HRA.

The adjustment needed to meet the Actuary's assessment of the Current Service Cost to the HRA has resulted in a contribution of £355,306 from the pension reserve for the year. The overall impact of these adjustments is nil to the HRA. Further information is given in the note to the Comprehensive Income and Expenditure Statement.

2009/10 £		2010/11 £
106,134	Current Cost of Service	292,742
413,577	Net Return on Assets	366,046
519,711	Movement on Pension Reserve	658,788
(286,004)	Employers Contribution payable to scheme	(303,482)
(233,707)	Contribution to/(from) the Pension Reserve	(355,306)

9. HOUSING SUBSIDY

The breakdown of the amount of subsidy payable is as follows:

2009/10 £		2010/11 £
5,735,641	Management & Maintenance	5,898,224
2,524,182	Major Repair Allowance	2,552,330
464,779	Charge for Capital	423,279
0	Rental Constrain Allowance	0
0	Interest on Receipts	0
(13,404,620)	Guideline Rent Income	(13,623,931)
(4,680,018)	**Housing Element (Subtotal)**	**(4,750,098)**
19,869	Previous Year Adjustment	(5,294)
(4,660,149)	**HRA Subsidy recoupment**	**(4,755,392)**

10. HOUSING REPAIRS ACCOUNT

2009/10 £		2010/11 £
0	Balance Brought Forward 1 April	142,561
599,491	Balance Transferred from previous District Authorities	0
(456,930)	Expenditure on Capital	0
142,561	**Balance Carried Forward 31 March**	**142,561**

11. EXCEPTIONAL ITEM

The Government has agreed a change in the way that Social Housing is valued. The Beacon Factor which determines the basis for valuing dwellings, includes a an adjustment factor which measures the difference between private open market rented and socially rented property at a regional level. Since 2005 the adjustment factor for Shropshire (West Midlands region) has been 49%, however the new directions now state that the adjustment factor should be 34%. The effect of this change is a revaluation loss within the Council Dwellings figure which is chargeable to the Housing Revenue Account. This equates to £67,693,963 and has been shown as an exceptional item on the face of the account.

<u>Section 10</u>
Collection Fund

The Benefits Team have undertaken improvements to the service to provide more prompt responses to customers

COLLECTION FUND

The Collection Fund is a statutory account regarding income and expenditure relating to Council tax and National Non-Domestic Rates (NNDR). It is operated in isolation of the Council's General Fund on behalf of the main precepting authorities – Shropshire Council (including parish and town councils), West Mercia Police Authority and Shropshire and Wrekin Fire Authority.

2009/10		2010/11	
£000		**£000**	**£000**
	Income:		
(139,216)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)		(144,288)
	Transfers from General Fund		
(19,119)	- Council Tax benefits	(19,740)	
7	- Transitional relief	9	
(19,112)			(19,731)
(69,578)	Income collectable from business ratepayers		(65,047)
(227,906)	**TOTAL INCOME**		**(229,066)**
	Expenditure:		
	Precepts		
130,159	- Shropshire Council and Parish and Town Councils	133,124	
18,577	- West Mercia Police	19,366	
8,715	- Shropshire & Wrekin Fire Authority	9,082	
157,451			161,572
	Business rate		
68,559	- payment to national pool	64,327	
468	- costs of collection	463	
69,027			64,790
	Bad and doubtful debts/appeals		
(97)	- write offs	(753)	
754	- provisions	1,619	
657			866
	Contributions		
1,085	- Towards previous year's estimated Collection Fund surplus		498
228,220	**TOTAL EXPENDITURE**		**227,726**
314	**Deficit/(Surplus) for the Year**		**(1,340)**
(763)	Balance brought forward		(449)
(449)	**Balance carried forward**		**(1,789)**

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2010/11 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	61.75	5/9	34.31
A	20,695.20	6/9	13,796.80
B	29,800.30	7/9	23,178.01
C	24,506.05	8/9	21,783.16
D	17,468.60	9/9	17,468.60
E	13,035.15	11/9	15,931.85
F	6,998.20	13/9	10,108.51
G	3,908.60	15/9	6,514.33
H	255.80	18/9	511.60
	116,729.65		**109,327.17**
Adjustment for MoD Properties (683.50 Band D Equivalents) and Collection Rate (98.5%)			966.66
			108,360.51

2. NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

Shropshire Council collects NNDR on behalf of Central Government. All money collected, less allowance relief, is paid over to the national non-domestic rates pool with the exception of an allowance to cover costs of collection. The Government redistributes the pool to local authorities on the basis of a fixed amount per head of population.

At 31 March 2011, the total non-domestic rateable value for all business premises in Shropshire was £197,413,480. The multiplier set by Government to calculate rate bills in 2010/11 was 40.7p for small businesses and 41.4p for all other businesses.

3. COLLECTION FUND SURPLUSES AND DEFICITS

Any surplus or deficit on the Collection 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 West Mercia Police Authority, Shropshire and Wrekin Fire Authority and to this Council.

Section 11

Glossary

Our recycling rates across the County are on the increase

GLOSSARY

Accountable Body	An accountable body receives external funding and is responsible for the financial management of these funds, therefore the accountable body must ensure that robust accounting and performance management arrangements are in place with regard to the distribution and spending of these funds.
Accounting Concepts	The basis on which an organisations financial statements are based to ensure that those statements ‘present fairly’ the financial position and transactions of that organisation. Accounting concepts include ‘materiality’, ‘accruals’, ‘going concern’ and ‘primacy of legislative requirements’.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
Accruals	The accruals accounting concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gains	These may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Losses	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).
Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council’s Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council’s revenue budget. Once calculated the figure is fixed.

GLOSSARY

Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	Right or other access to future economic benefits.
Associated Company	An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.). The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Best Value Accounting Code of Practice (BVACOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Best Value Review / Service Review	A formal review of a specific service, undertaken to establish the efficiency of that service and whether changes can improve the services provided.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

GLOSSARY

Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.
Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision- making powers are set out in the Council’s Constitution.
Capital Adjustment Account	The creation of this account was a new requirement of the SORP in 2007/08. The Capital Adjustment Account combined with the Revaluation Reserve replaced the Fixed Asset Restatement Account and the Capital Financing Account. The Capital Adjustment Account absorbs the effect of differences between UK GAAP and statutory accounting requirements for Local Authorities, providing a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Financing Requirement (CFR)	This sum represents the Council’s underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. fixed assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council’s Minimum Revenue Provision.

GLOSSARY

Capital Receipts	The proceeds from the sale of fixed assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Collection Fund	A separate statutory fund which records Council Tax and non-domestic rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), the national pool of non domestic rates and the billing Council's own General Fund.
Comprehensive Spending Review	Every two years the Government review their spending plans over a rolling three year period and publish revised spending plans over the next three year period for each Government Department.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

GLOSSARY

Council Tax	A local taxation that is levied on dwellings within the local Council area, the actual level of taxation is based on the capital value of the property, which are split into 8 bands from A to H, and the number of people living in the dwelling.
Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council’s total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
De-trunking Capital Grant	This grant provides support in recognition of Shropshire's responsibilities for the routine maintenance of former trunk roads within Shropshire, formerly maintained by the Highways Agency.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.

GLOSSARY

Depreciation	The accounting term used to describe the charge made representing the cost of using tangible fixed assets The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the SORP as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Authority, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.
Fixed Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Formula Grant	The general grant paid to Local Authorities by the Government to support the day to day costs of running its services. Formula grant is made up of two separate elements, redistributed NNDR and RSG.

Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.
General Fund Balance	The reserve held by the Council for general purposes, i.e. against which there are no specific commitments. This comprises Schools' Balances and a balance that is generally available for new expenditure. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.
Housing Revenue Account	The statutory account to which the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

GLOSSARY

Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Local Transport Plan (LTP)	A plan that is used to support a bid to Government for capital resources to fund the local transport network e.g. road improvements.

GLOSSARY

Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Medium Term Financial Plan (MTFP)	A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP covers five years.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
National Non Domestic Rates (NNDR)	Taxation that is levied on business properties, District Councils (i.e. billing authorities) collect this on behalf of the Government. The Government then redistribute these resources to Councils as part of the Formula Grant.
Net Book Value	The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to fixed assets.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.

GLOSSARY

Outturn	Actual expenditure within a particular year. In the Introduction and Financial Report this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.

GLOSSARY

Revaluation Reserve	The creation of this reserve was a new requirement of the SORP for 2007/08. The Revaluation Reserve combined with the Capital Adjustment Account replace the Fixed Asset Restatement Account and the Capital Financing Account. This reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation, therefore the opening balance for 2007/08 was zero. Gains arising before that date have been consolidated into the Capital Adjustment Account.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of fixed assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Specific Grant	A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Supplementary Credit Approvals (SCA)	A term from the old Local Authority capital expenditure system, an SCA represented permission from the Government for the Council to borrow to fund a specific capital project.
Supported Capital Expenditure (SCE)	A term from the current Local Authority capital expenditure system. SCE's effectively replaced SCA's and represent the amount of capital expenditure that the Government will supports through the provision of revenue grant to fund the cost of borrowing, i.e. debt charges and interest payments.
Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.

GLOSSARY

Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Section 12

Accounting for the Quality in Community Services Private Finance Initiative

The QICS PFI has delivered six new community facilities throughout the county to improve the quality of life for the people of Shropshire

ACCOUNTING FOR THE QUALITY IN COMMUNITY SERVICES PRIVATE FINANCE INITIATIVE

During 2006/07 all six of the new Quality in Community Services (QICS) Private Finance Initiative (PFI) buildings became fully operational and payments to the contractor, Integrated Care Solutions (ICS), for the design, construction and maintenance started. This was the first time that the Council had entered into a PFI contract.

When the QICS PFI contract was originally entered into the operator’s provision of assets and related services were not considered to be separable and, therefore, the accounting assessment of the PFI was carried out under Financial Reporting Standard 5 (FRS 5) - Reporting the Substance of Transactions. Under the FRS 5 assessment determined by the Council’s officers and advisors, the risks and benefits, for the duration of the 30 year contract, were considered to lie with the operator (ICS). The project was, therefore, “off balance sheet” for the Council’s purposes in accordance with the requirement of FRS 5. This accounting treatment was subsequently applied in the Council’s 2006/07, 2007/08 and 2008/09 Statement of Accounts.

The Statement of Recommended Practice (SORP) 2009 for the closure of the Council’s 2009/10 accounts redefined the requirements for accounting for PFI and similar contracts. These requirements were contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009 and required these contracts to be accounted for in a manner which was consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government’s Financial Reporting Manual (FReM) in order to assist in the transition to IFRS for 2010/11. IFRIC 12 is the interpretation of IFRS that applied to operators of PFI and similar contracts, and is expected to form part of UK GAAP in due course. The 2009 SORP is consistent with the accounting treatment required of other public sector bodies in the UK set out in the FReM and approved by the Financial Reporting Advisory Board.

The 2010/11 Code of Practice on Local Authority Accounting does not alter the accounting requirements for PFI schemes.

The accounting requirements contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) were subsequently applied in the Council’s 2009/10 and 2010/11 Statement of Accounts.

The following paragraphs provide an explanation as to how the Council will record the QICS PFI arrangement, in financial terms, going forward.

12.1 The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

In order to determine whether or not Appendix E (Accounting for PFI Transactions and Similar Contracts) of the 2009 SORP applies to the QICS

PFI project the Council assessed the contract using the IFRIC 12 Service Concession Arrangements assessment.

Appendix E states:

“PFI contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement. The accounting treatment set out in this Appendix shall apply where:

(a) the local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price; and where
(b) the local authority controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the property at the end of the term of the arrangement.

Where the property is used for its entire life, and there is little or no residual interest, the arrangement would fall within the scope of this Appendix where the authority controls or regulates the services as described in the first condition.”

The QICS PFI meets both of these control tests. The services provided by ICS to the Council amount to buildings maintenance, including cleaning, grounds maintenance and utilities provision. The provision and cost of these services is determined by schedules drawn up by the Council during contract negotiations. Additionally, it is expected that the buildings provided under the contract will have a residual value and the contract decrees that the buildings will revert to the ownership of the Council at the end of the 30 year contract period for nil consideration. Upon reversion the buildings should be fit for purpose for a further 30 year period.

The Council determined, therefore, that Appendix E (Accounting for PFI Transactions and Similar Contracts) of the 2009 SORP applied to the QICS PFI project. The project is, therefore, “on balance sheet” for the Council’s purposes.

The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

12.2 Recognising Assets and Liabilities

Property used in a PFI and similar contract should be recognised as an asset or assets of the local authority. A related liability should also be recognised at the same time.

Assets used by the operator in providing services under the contract will be recognised, at fair value, as assets on the Council’s balance sheet in the year that they are made available for use. This treatment applies to assets constructed under the contract, those previously owned by the Council and transferred or sold to the operator and assets previously owned by the operator. Assets originally transferred to the operator will be restored to the balance sheet at transfer date.

Elements of assets with substantially different useful economic lives will be identified to enable component depreciation to be applied if applicable. The new balance sheet assets will be depreciated and re-valued in the normal way.

At the same time as any new assets or enhancements are recognised on the Council's balance sheet a related liability to the operator to pay for that value will also recognised. This finance lease liability is classified as "Deferred Liabilities" on the Council's balance sheet.

12.2.1. The Accounting Treatment of Upfront Contributions

Where the Council has made upfront payments in mitigation of debt financing needs it will be netted off the lease liability.

During 2005/06, prior to the start of the contract, a total of £2,500,000 was made in upfront contributions to ICS. The purpose of these contributions was to enable demolition and site clearance to take place and effectively provided a contribution towards ICS' capital costs in order to reduce the required debt funding with a consequent reduction in the annual unitary payment. These upfront contributions have, therefore, been accounted for as prepayments, funded by capital receipts, in 2005/06 and subsequently used to reduce the resulting finance lease liability when the assets became available for use by the Council in 2006/07.

12.2.2. The Accounting Treatment of Existing Assets

Five of the six sites were already in the ownership of the Council before the contract was entered into and each of these sites had on it a building which required demolition prior to the new buildings being constructed. The existing buildings were demolished prior to the commencement of the contract and were therefore not donated into the contract. To reflect the demolitions, each of these buildings was written out of the asset register in 2005/06. This approach is consistent with Appendix E of the 2009 SORP.

Under the contract the operator has been provided with a non-exclusive licence to occupy the land on which the properties are situated until the date on which the PFI contract terminates. This means that the land element of the sites was not donated into the PFI transaction and so remain assets of the Council. The 2005/06 and subsequent Statement of Accounts have reflected the fact that the land remains in the Council's asset register. This approach is also consistent with Appendix E of the 2009 SORP.

12.2.3. The Accounting Treatment of New Assets Purchased Prior to Contract Commencement

Some of the QICS PFI buildings required the purchase of new land. These new purchases, which all took place during 2005/06, have been included in the Council's asset register as land purchases in the normal manner since

2005/06. This approach is also consistent with Appendix E of the 2009 SORP.

The land retained in, and added to, the asset register will be periodically re-valued by Property Officers in accordance with the normal SORP valuations requirements.

12.2.4. The Accounting Treatment of Assets Constructed Under the Contract

Under the QICS PFI contract ICS constructed six buildings all of which became fully operational during 2006/07. Payments to the contractor for the design, construction and maintenance started as buildings became operational during 2006/07.

In accordance with Appendix E, therefore, these buildings have been recognised at their capital cost (£17,645,098), as detailed in the operator's financial model, on the Council's balance sheet in 2006/07. The buildings have subsequently been depreciated and also re-valued by the Council (as at April 2006 and April 2009) in accordance with the Council's policies.

Also in accordance with Appendix E of the 2009 SORP, a finance lease liability equivalent to the capital cost of the assets has been created in 2006/07.

12.3 <u>Accounting for the Liability</u>

The annual unitary charge payable to ICS for the buildings and services provided under the QICS PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- **Payment for services** - this represents the fair value of the services received each year under the contract.

- **Payment for lifecycle replacement** - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract.

- **Payment for assets** - this represents the annual lease rental for the assets and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

The finance lease rental is the amount remaining after deducting the fair value of services and lifecycle replacement costs from the expected unitary payments for each year of the contract; the fair value of services, lifecycle replacement costs and expected unitary payments all being derived from the operator's financial model.

The split of the finance lease rental between interest and principal is determined by scheduling out the minimum lease rental payments for the assets across the financial years of the scheme and then determining the interest rate that reduces the total of the payments, plus any unguaranteed residual value, to the initial fair value of the assets.

The implicit interest rate is then applied each year to the opening finance lease liability to give the finance cost for the year. The difference between the total finance lease rental and the finance cost is the principal repayment for the year - the amount by which the liability is to be written down.

The finance lease rental is also likely to be affected by inflation over the life of the contract and this cost, known as the "contingent rental" is determined by deducting the real finance cost and principal and the inflated service charge from the actual unitary charge payment.

The annual principal will be written down against the outstanding finance lease liability and both the annual finance cost and the contingent rental will be expensed as incurred.

All the assets to be constructed by the operator were made available for use at the commencement of the contract and, therefore, a finance lease liability equivalent to the fair value of the assets has been created in 2006/07. The finance lease rental element of the unitary charge associated with payment for assets constructed under the contract has been determined and analysed between interest, principal and contingent rental.

12.4 <u>Capital Accounting</u>

Once fixed assets are recognised on the Balance Sheet, they will be brought fully within the scope of capital accounting. Fixed assets will be depreciated, re-valued and reviewed for impairment in accordance with the general provisions of the SORP.

In accordance with the general provisions of the SORP the buildings constructed under the QICS PFI contract were valued (as at April 2006) by Property Services when the properties were made available for use in 2006/07. The assets were subsequently re-valued by Property Services as at April 2009.

Depreciation on the assets will be charged over the useful life of the assets for the authority, not the contract term.

12.5 <u>Minimum Revenue Provision</u>

Under the previous accounting requirement, most PFI schemes, including the QICS PFI Project, were advance purchase arrangements with regard to the Prudential Framework. A fixed asset acquisition would be recognised at the end of the scheme when the residual asset transferred to the authority, which, if the transfer took place for nil consideration, would have been paid for in advance from the unitary payment.

From a capital financing point of view, PFI schemes would be revenue transactions during the contract life, with a capital financing requirement being triggered only for the residual value when the scheme terminated.

The new arrangements required a fundamentally different approach. Where assets are recognised up front, then a capital financing requirement is triggered much earlier. Schemes will qualify to be credit arrangements under section 7 of the Local Government Act 2003 - arrangements where the recognition of fixed assets is matched by a liability repayable in more than 12 months. The capital financing requirement (CFR) will rise when fixed assets are recognised, bringing schemes within the scope of minimum revenue provision (MRP).

Appendix E of the 2009 SORP states:

“Assets acquired under a PFI and similar contract that are recognised on the authority’s Balance Sheet are subject to minimum revenue provision (MRP) in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance.”

In accordance with the Communities & Local Government (CLG) document “Guidance on Minimum Revenue Provision” the MRP requirement of the QICS PFI project will be met by including within the annual MRP charge an amount equal to the element of the finance lease rental that goes to write down the balance sheet liability.

12.6 <u>The Treatment of the PFI Annuity Grant from Central Government</u>

Both the Department of Health (DoH) and the Department for Communities & Local Government (CLG) are sponsoring the Quality in Community Services (QICS) Project and will jointly provide £20,400,000 in PFI credits to the Council over the life of the contract. These grant payments are paid to the Council in equal instalments every quarter following the handover of the first building in April 2006.

As is normal practice with the receipt of government grant these receipts will be recorded on the Balance Sheet during the year and applied to the revenue accounts as appropriate at the end of each year.

12.7 <u>Disclosure Requirements</u>

The Quality in Community Services (QICS) PFI represents a long term revenue contract and as such must be disclosed in the notes to the Comprehensive Income & Expenditure Statement. A statement of accounting policy in relation to the QICS PFI project is included in the Statement of Accounting Policies section (Note 29) and specific disclosures are set out in the Notes to the Core Financial Statements section (Note 40). Specific disclosures include actual payments made to the contractor and the level of income received from Central Government, the value of assets under the contract held at each balance sheet date and an analysis of the movement in the values, the value of liabilities resulting from the contract at each balance sheet date and an analysis of the movement in the values and details of payments due to be made under the contract (separated into repayments of liability, interest and service charges)

The Explanatory Foreword section of the accounts gives details of the sources of finance available to meet the Council's financial commitments, including those arising from PFI contracts.

12.8 Contract Variations

Over the 30 year life of the contract it is possible that contract variations may be agreed between the operator, ICS, and the Council which could materially affect the accounting treatment arrangements detailed here. The Council will, therefore, review these accounting arrangements on a regular basis and make any adjustments as necessary.

Section 13

Accounting for Waste Service Private Finance Initiative

The new waste PFI contract should deliver significant improvements in landfill diversion recycling and composting performance

ACCOUNTING FOR THE WASTE SERVICES PRIVATE FINANCE INITIATIVE

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

There are two separable elements to the contract:

- a collection and recycling element
- waste treatment services

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

The waste treatment services element is also an output based arrangement. Veolia is proposing to deliver this element of the contract by developing and operating a 90,000 tonne per annum Energy Recovery Facility.

When the Waste Services PFI contract was originally entered into the operator's provision of assets and related services were not considered to be separable and, therefore, the accounting assessment of the PFI was carried out under Financial Reporting Standard 5 (FRS 5) - Reporting the Substance of Transactions. Under the FRS 5 assessment determined by the Council's officers and advisors, the risks and benefits, for the duration of the 27 year contract, were considered to lie with the operator (Veolia ES Shropshire Ltd.) The project was, therefore, "off balance sheet" for the Council's purposes in accordance with the requirement of FRS 5. This accounting treatment was subsequently applied in the Council's 2007/08 and 2008/09 Statement of Accounts.

The Statement of Recommended Practice (SORP) 2009 for the closure of the Council's 2009/10 accounts redefined the requirements for accounting for PFI and similar contracts. These requirements were contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009 and required these contracts to be accounted for in a manner which was consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FReM) in order to assist in the transition to IFRS for 2010/11. IFRIC 12 is the interpretation of IFRS that applied to operators of PFI and similar contracts, and is expected to form part of UK GAAP in due course. The 2009 SORP was consistent with the accounting treatment required of other public sector bodies in the UK set out in the FReM and approved by the Financial Reporting Advisory Board.

The 2010/11 Code of Practice on Local Authority Accounting does not alter the accounting requirements for PFI schemes.

The accounting requirements contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) were subsequently applied in the Council's 2009/10 and 2010/11 Statement of Accounts.

The following paragraphs provide an explanation as to how the Council will record the Waste Services PFI arrangement, in financial terms, going forward.

13.1. The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

In order to determine whether or not Appendix E (Accounting for PFI Transactions and Similar Contracts) of the 2009 SORP applied to the Waste Services PFI project the Council assessed the contract using the IFRIC 12 Service Concession Arrangements assessment.

Appendix E states:

"PFI contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement. The accounting treatment set out in this Appendix shall apply where:

(a) the local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price; and where

(b) the local authority controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the property at the end of the term of the arrangement.

Where the property is used for its entire life, and there is little or no residual interest, the arrangement would fall within the scope of this Appendix where the authority controls or regulates the services as described in the first condition."

The Waste Services PFI meets both of these control tests. The contractor, Veolia, must deliver waste, collection, disposal and recycling services with the property provided (meaning the wheelie bins, kerbside boxes, vehicles and waste sites transferred) and any additional property created according to the terms of the contract. The level of service, to whom the services are provided, where the services are provided and at what cost to the Council are all stipulated within the terms of the contract. The Council has stipulated that certain recycling targets must be achieved.

In terms of the buildings that were transferred to Veolia it is expected that they will have a residual life of 5 years at the end of the 27 year contract. The buildings will revert to the ownership of the Council at the end of the 27 year contract period for nil consideration. In terms of the new facilities to be built by Veolia in accordance with the contract, these are also expected to have a five year residual life and will also revert to the Council for nil consideration. Vehicles, mobile plant and other equipment (bins and boxes) will be handed back at expiry date or termination date in their prevailing condition. Vehicles and plant must be maintained in good working order to deliver the service throughout the contract period.

The Council determined, therefore, that Appendix E (Accounting for PFI Transactions and Similar Contracts) of the 2009 SORP applied to the Waste Services PFI project. The project is, therefore, "on balance sheet" for the Council's purposes.

The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

13.2. Recognising Assets & Liabilities

Property used in a PFI and similar contract should be recognised as an asset or assets of the local authority. A related liability should also be recognised at the same time.

Assets used by the operator in providing services under the contract will be recognised, at fair value, as assets on the Council's balance sheet in the year that they are made available for use. This treatment applies to assets constructed under the contract, those previously owned by the Council and transferred or sold to the operator and assets previously owned by the operator. Assets originally transferred to the operator will be restored to the balance sheet at transfer date.

Elements of assets with substantially different useful economic lives will be identified to enable component depreciation to be applied if applicable. The new balance sheet assets will be depreciated and re-valued in the normal way.

At the same time as any new assets or enhancements are recognised on the Council's balance sheet a related liability to the operator to pay for that value will also recognised. This finance lease liability is classified as "Deferred Liabilities" on the Council's balance sheet.

13.2.1. The Accounting Treatment of Existing Assets

The Council has made existing waste infrastructure assets (the Battlefield, Craven Arms and Whitchurch Integrated Waste Management Facilities) available to the contractor at a peppercorn rent for the duration of the contract.

The land element of the existing waste infrastructure assets has not been donated into the PFI transaction and so remains an asset of the Council. Both the 2007/08 and 2008/09 Statement of Accounts, therefore, reflected the land value and the 2009/10 and 2010/11 Statement of Accounts will continue to reflect this value.

The building element of the existing waste infrastructure assets made available and originally transferred to the contractor have now been restored to the Council's balance sheet, at their fair value as at transfer date, and so included with the reversionary interest of these assets carried within fixed assets on the Council's balance sheet since the commencement of the contract.

In its capacity as Contracting Authority for the former Shropshire Waste Partnership, the former County Council also purchased some refuse vehicles, using pooled grant funding. The vehicles were passed on to Veolia, free of charge, at the start of the contract. These vehicles have also been restored to the Council's balance sheet at their fair value as at transfer date.

The assets restored to the Council balance sheet will be depreciated and re-valued according to the Council's policies.

13.2.2 The Accounting Treatment of Assets to be Provided Under the Contract

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

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

Under the Collection and Recycling Services element of the contract, Veolia planned to upgrade the existing Integrated Waste Management Facilities (IWMF) at Craven Arms and Whitchurch, to develop two new IWMFs to serve the Oswestry and Bridgnorth areas and also to construct a 60,000 tonne per annum In Vessel Composter (IVC) to serve the County.

Under the Waste Treatment element of the contract, Veolia planned to construct and manage a 90,000 tonne per annum Energy from Waste (Energy Recovery Facility (ERF)) treatment facility. Due to planning issues construction of this facility has been unavoidably delayed but it is still anticipated that this facility will be delivered as part of the Waste Services contract. A planning appeal for the ERF is scheduled for September 2011 and the Council is hopeful that the application will be approved at this time. However, the contract does provide for partial termination should planning consent for the ERF facility not be successful.

Assets actually provided under the Waste Services PFI contract will be recognised on the Council's balance sheet in the year that they are made available for use.

The new assets to be constructed under the contract (Bridgnorth IWMF, IVC and ERF) were not scheduled to be available for use until after 2009/10 and, therefore, will not be recognised on the Council's balance sheet until they are actually made available for use. Under the terms of the contract, the former Shropshire County Council has made a total of £2.51m of milestone payments to Veolia to fund the development of the Oswestry IWMF during 2008/09 and 2009/10. During development this has been recorded in the Council's asset register as an asset under construction. Construction of this facility was completed during 2009/10 and once made available for use was recorded on the Council's asset register as an operational asset.

Various vehicles and waste receptacles have actually been made available for use since the commencement of the contract and these have been recorded on the Council's balance sheet at fair value (purchase cost) in the appropriate year.

The assets recognised on the Council's balance sheet have subsequently been depreciated in accordance with the Council's policies.

At the same time as the new assets are recognised on the Council's balance sheet a related finance lease liability to the operator to pay for that value is also recognised.

13.3 <u>Accounting for the Liability</u>

The annual unitary charge payable to Veolia for the facilities and services provided under the Waste Services PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- **Payment for services** - this represents the fair value of the services received each year under the contract.

- **Payment for lifecycle replacement** - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract.

- **Payment for assets** - this represents the annual lease rental for the assets and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

The finance lease rental is the amount remaining after deducting the fair value of services and lifecycle replacement costs from the expected unitary payments for each year of the contract; the fair value of services, lifecycle replacement costs and expected unitary payments all being derived from the operator's financial model.

The split of the finance lease rental between interest and principal is determined by scheduling out the minimum lease rental payments for the assets across the financial years of the scheme and then determining the interest rate that reduces the total of the payments, plus any unguaranteed residual value, to the initial fair value of the assets.

The implicit interest rate is then applied each year to the opening finance lease liability to give the finance cost for the year. The difference between the total finance lease rental and the finance cost is the principal repayment for the year - the amount by which the liability is to be written down.

The finance lease rental is also likely to be affected by inflation over the life of the contract and this cost, known as the "contingent rental" is determined by deducting the real finance cost and principal and the inflated service charge from the actual unitary charge payment.

The annual principal will be written down against the outstanding finance lease liability and both the annual finance cost and the contingent rental will be expensed as incurred.

The assets originally transferred to the operator at the commencement of the Waste Services PFI contract were owned and fully funded by the Council and, therefore, no liability needs to be recognised in relation to these assets. When new assets and enhancements are provided under the contract a corresponding finance lease liability will be recognised by the Council equivalent to the fair value of the new asset or enhancement in order to reflect the liability to the operator for the asset or enhancement. The finance lease rental element of the unitary charge associated with payment for assets constructed under the contract has been determined and analysed between interest, principal and contingent rental.

Where assets scheduled to be provided under the contract are not actually realised as planned, than the relevant proportion of the finance lease rental attributable to these assets will be recognised as a prepayment. Once the asset is provided and, therefore, recognised on the Council's balance sheet, the related liability will also be recognised and the prepayment applied to reduce the outstanding liability.

13.4.Capital Accounting

Once fixed assets are recognised on the Balance Sheet, they will be brought fully within the scope of capital accounting. Fixed assets will be depreciated, re-valued and reviewed for impairment in accordance with the general provisions of the SORP.

Depreciation on the assets will be charged over the useful life of the assets for the authority, not the contract term.

13.5.Minimum Revenue Provision

Under the previous accounting requirement, most PFI schemes, including the Waste Services PFI Project, were advance purchase arrangements with regard to the Prudential Framework. A fixed asset acquisition would be recognised at the end of the scheme when the residual asset transferred to the authority, which, if the transfer took place for nil consideration, would have been paid for in advance from the unitary payment.

From a capital financing point of view, PFI schemes would be revenue transactions during the contract life, with a capital financing requirement being triggered only for the residual value when the scheme terminated.

The new arrangements required a fundamentally different approach. Where assets are recognised up front, then a capital financing requirement is triggered much earlier. Schemes will qualify to be credit arrangements under Section 7 of the Local Government Act 2003 - arrangements where the recognition of fixed assets is matched by a liability repayable in more than 12 months. The capital financing requirement (CFR) will rise when fixed assets are recognised, bringing schemes within the scope of minimum revenue provision (MRP).

Appendix E of the 2009 SORP states:

"Assets acquired under a PFI and similar contract that are recognised on the authority's Balance Sheet are subject to minimum revenue provision (MRP) in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance."

In accordance with the Communities & Local Government (CLG) document "Guidance on Minimum Revenue Provision" the MRP requirement of the Waste Services PFI project will be met by including within the annual MRP charge an amount equal to the element of the finance lease rental that goes to write down the balance sheet liability.

13.6. <u>The Treatment of the PFI Annuity Grant from Central Government</u>

The Department of the Environment, Food and Rural Affairs (DEFRA) is the sponsoring department for the Waste Services PFI project and will provide £40,800,000 in PFI credits to the Council over the life of the contract. These grant payments are paid to the Council in equal instalments every quarter following commencement of the PFI contract on 1st October 2007.

As is normal practice with the receipt of government grant, these receipts are recorded in the Balance Sheet during the year and applied to the revenue accounts as appropriate at the end of each year.

13.7. <u>Waste PFI Reserves</u>

There are a number of reserve balances for the Waste Services PFI contract. There is a Waste Services PFI Reserve of £19,570,000.

There are two elements to the £19,570,000 Waste Services PFI Reserve: a £13,850,000 PFI Smoothing Reserve and a £5,720,000 Prepayment Reserve.

The Smoothing Reserve reflects the budgeted contributions in the early years of the Waste Services PFI contract that will be used to smooth the step up in the unitary charge once additional facilities come on line. The Smoothing Reserve will ensure that the Council does not pay for services in advance of receiving them. The 2010/11 Business Plan anticipates the Smoothing Reserve earning interest at 5% per annum.

A proportion of the annual unitary charge relates to finance lease rentals (comprised of principal, interest and inflation) for assets due to be provided under the contract. Actual capital expenditure and, therefore, the provision of assets, under the Waste Services PFI contract to date have varied from that originally planned. Planned capital expenditure not yet undertaken but still paid for from the finance lease rental element of the unitary charge payment has been recognised by posting prepayments to the Balance Sheet. The Prepayment Reserve reflects these prepayments by holding the proportion of unitary charge payments which relate to assets planned but not yet delivered under the Waste Services PFI contract.

Once the assets are provided the fixed assets and corresponding finance lease liability will be created and the corresponding prepayments will be reversed by expensing to the income and expenditure account (finance lease interest and contingent rental) and using to write down the finance lease liability (finance lease principal).

13.8. Disclosure Requirements

The Waste Services PFI represents a long term revenue contract and as such must be disclosed in the notes to the Comprehensive Income & Expenditure Statement. A statement of accounting policy in relation to the Waste Services PFI project is included in the Statement of Accounting Policies Section (Note 29) and specific disclosures are set out in the Notes to the Core Financial Statements section (Note 40). Specific disclosures include actual payments made to the contractor and the level of income received from Central Government, the value of assets under the contract held at each balance sheet date and an analysis of the movement in the values, the value of liabilities resulting from the contract at each balance sheet date and an analysis of the movement in the values and details of payment due to be made under the contract (separated into repayments of liability, interest and service charges)

The Introduction & Financial Report section of the accounts gives details of the sources of finance available to meet the Council's financial commitments, including those arising from PFI contracts.

13.9. Contract Variations

Over the 27 year life of the contract it is possible that contract variations may be agreed between the operator, Veolia, and the Council which could materially affect the accounting treatment arrangements detailed here. The Council will, therefore, review these accounting arrangements on a regular basis and make any adjustments as necessary.

Statement of Accounts

2010 – 2011

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