Shropshire Council

Statement of Accounts

2009-2010

Statement of Accounts

The Statement of Accounts is the formal financial report on the Council's activities as required by the Accounts and Audit Regulations 2003, as Amended 2006, and other statutory provisions.

The statement includes:

Further information about the Council's Accounts can be obtained from the Resources Directorate at the Shirehall.

For details please contact James Walton (01743) 255011, or Cheryl Williams on (01743) 252035.

James Walton
Section 151 Officer.

Section One

Introduction and Financial Report

“The unitary council has made savings of nearly £11m which has enabled substantial investment to improve services.”

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 Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). To make the document as useful as possible to its audience, and so as to make meaningful comparisons between authorities possible, the SORP requires:

- All Statements 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.

For 2009/10 there have been a number of changes to the previous SORP that effect the authority. The most significant of these changes are detailed below:

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5, but on International Financial Reporting Standards (IFRS). This will generally result in PFI properties which are used to deliver the PFI services now being recognised on local authorities' Balance Sheets, along with a liability for the financing of the properties provided by the PFI operator.
- Details of accounting for council tax and national non-domestic rates within the billing authority's and major preceptor's accounts should accurately reflect the "agent" role that the billing authority has.
- Consideration of the accounting treatment is to be followed by all local authorities that have been reorganised from 1 April 2009.

- Five note disclosures have been removed as requirements of the 2009 SORP. These include notes on section 137 expenditure; expenditure on publicity; the building control account; Business Improvement District Schemes; and income under the Local Authorities Goods and Services Act. None of these disclosures are required by accounting standards or legislation. However, authorities can choose to voluntarily disclose any of these notes, if they considered it appropriate to their local circumstances.

- A more detailed disclosure regarding officers' remuneration is required, modifying the current disclosure requirements of banded salaries and extending them to include individual disclosure of the remuneration of senior officers.

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

- Introduction and Financial Report – 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 2009/10.

- The Statement of Responsibilities – this details the responsibilities of the Council and the Section 151 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 Statement of 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 Income and Expenditure Account – 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 Statement of Movement on General Fund Balance** – this provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

- **The Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

- **The Balance Sheet** – like the Income and Expenditure Account this is also fundamental to the understanding of the Council's financial position as at 31 March 2010. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in the Council's 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 deposits repayable on demand less overdrafts repayable on demand.

• **The Notes to the Core Financial Statements** – these 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 a 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 2009/10 and assets and liabilities as at 31 March 2010.

- 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 council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
- The Annual Governance Statement – the Authority is required to carry out an annual review of the effectiveness of the system of internal control, and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2009/10. However, any significant events or developments that occur between 31 March 2010 and the date at which the Statement of Accounts is signed by the Section 151 Officer must also be reported.

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 2009/10 sets out:

- The creation of One Council for Shropshire
- The revenue budget strategy for 2009/10
- The revenue outturn for 2009/10
- The capital programme for 2009/10 – 2011/12
- The capital outturn for 2009/10
- A note on the Council's borrowing position
- A note on the investments 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 Creation of One Council for Shropshire

On 1st April 2009, Shropshire Council was created, combining Shropshire County Council, Bridgnorth District Council, North Shropshire District Council, Oswestry Borough Council, Shrewsbury & Atcham Borough Council and South Shropshire District Council into One Council for Shropshire. The move to one council has given us the opportunity to look at how we provide services in Shropshire, improving them and making them more efficient and responsive to our communities.

Shropshire Council is committed to delivering on the promises made in the business case for One Council for Shropshire:

- Strong visible leadership
- A strong voice for Shropshire
- A local voice for Shropshire
- Improved service delivery
- Better access
- Improved procurement
- Financial savings

Shropshire Council is also committed to making the council work effectively at a local level. Local Joint Committees were introduced to bring council services, and those of our key partners, close to communities. By working alongside Parish and Town Councils, people have been given a powerful say in shaping the future for their communities.

The vision of Shropshire Council is "To improve significantly the quality of life for Shropshire people by working together". We aim to achieve this by using our resources to:

- Give children and young people the best opportunities today and for the future;
- Improve the health and wellbeing of Shropshire's residents;
- Ensure safe and strong communities for everyone in the County;
- Build sustainable communities for local people to live and work in, in Shropshire.

The Council identified six top priorities, out of the 19 priorities identified, to focus on in 2009/10 to help to deliver the aims of the Council:

- Support vulnerable children and young people to improve their life chances
- Improve the housing delivery for which Shropshire Council has direct responsibility
- Maximise vulnerable and older people's income and increase take up of benefits
- Give communities more of a say in service delivery and recognise and respect differences
- Reduce the levels of worklessness and support increased economic prosperity
- Value and improve Shropshire's environment

The budget setting process for the authority aligns closely with the authority's service planning process and budgets are reviewed to ensure that our resources can be invested in our priorities and that we spend public money as effectively as possible.

The Revenue Budget Strategy for 2009/10

The 2009/10 budget strategy was developed on the basis of the "One Council for Shropshire" Business Case proposal. This included the following key assumptions:

- Savings of £7.8m in support services to be delivered from day one of the Unitary Council.
- The equalisation of former district and borough council services to the level of the best former district or borough council over the first three years of the Unitary Council.
- The equalisation of council tax over the first three years of the Unitary Council.

The final budget strategy for 2009/10, agreed by Council in February 2009, improved on these original projections and delivered additional resources to priority areas identified during budget consultation meetings. The budget comprised of the following items:

- Savings of £10.8m from day one of the move to One Council.
- Growth for service equalisation and improvement from day one of £5.7m.
- Council tax increases constrained to 0% in 2009/10 for the whole of the county area.
- Further efficiency savings of £1.1m identified in service delivery areas, reinvested in priority areas.

	£'000	£'000
Resources		
Formula Grant	90,145	
Dedicated Schools Grant	146,999	
Council Tax	124,697	
Collection Fund Surplus	908	
Income	85,055	
Specific Grants	126,215	
		574,019
Expenditure		
Base Budget before Growth and Savings		362,318
Unitary Savings:		
Support Service Staff	(6,878)	
Members Allowances & Elections	(550)	
ICT	(647)	
Internal Audit Contracts	(93)	
Insurance	(613)	
Other Savings Identified (support services non pay budgets)	(1,806)	
Saving in Audit Commission Fees	(217)	
		(10,805)
Efficiency Savings in "Non-Unitary" Areas	(1,153)	
Reinvested in Priorities	1,153	
		0
Removal of District/Borough Reliance on Balances		1,710
Growth:		
Service Equalisation and Improvement	5,676	
Commitments made by Predecessor Authorities	1,827	
Removal of Recharges to Capital (unsustainable)	516	
Income Reduction due to Market Forces (loss of interest, building control, etc.)	1,507	9,526
Expenditure Funded from Specific Grants		126,215
Expenditure Funded from Income		85,055
		574,019

Revenue Outturn for 2009/10

Careful monitoring of budgets during the year has ensured that service pressure areas have been identified early and action has been taken by Directorates to manage potential overspends within their cash limited budgets. The quarterly monitoring reports showed the following positions:

Directorate	Revenue Budget 2009/10 Projected Overspend/(Underspend)				
	Qtr 1 £000	Qtr 2 £000	Qtr 3 £000	Qtr 4 £000	Outturn £000
Children and Young People's Services	0	645	993	797	240
Community Services	343	382	548	285	24
Community Services (County Training)	0	0	0	0	1,141
Development Services	225	228	172	318	(40)
Resources, Chief Executive's Office, Legal & Democratic Services and Corporate Issues	(49)	812	674	(100)	(446)
Total	**519**	**2,067**	**2,387**	**1,300**	**919**

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)	Carry Forwards from 2008/09	Final Budget	Actual Outturn	Over spend/ (under spend)
	£000	£000	£000	£000	£000
Children and Young People's Services	46,683	0	46,683	46,923	240
Community Services	79,721	0	79,721	80,887	1,166
Development Services	60,012	(2,349)	57,663	57,623	(40)
Resources, Chief Executive's Office, Legal & Democratic Services and Corporate Issues	34,639	208	34,847	34,401	(446)
Total	**221,055**	**(2,141)**	**218,914**	**219,834**	**919**

For **Children and Young People's Services** – The final outturn position is a net overspend of £239,513 against base budget provision, after applying available reserves and provisions. This overspend will be carried forward to 2010/11 to be managed as part of the monitoring process within the year.

For **Community Services** the end of year outturn position is a £23,660 overspend plus an overspend on the County Training trading account of £1,141,531. This compares to the 2008/09 year end position for these services of a balanced budget. There is an overspend of £250,000 on Learning Disability services principally due to the cost of transition cases and a growing demand for services, but this is offset by an underspend within Business Strategy and Support.

For **Development Services** the overall position is an underspend of £40,000 (after allowing for a £451,000 underspend within Waste Management being transferred to reserve). In line with previous years, the overspends arising from Highways Maintenance and severe weather (£802,000) will be ring fenced to Highways and funded as a first call on the 2010/11 Highways Maintenance budget. The revised underspend across the remainder of the Directorate of £863,000 as a result of increased vacancy management savings will be carried forward to offset a number of pressures in 2010/11.

For **Resources, Chief Executive's Office, Legal and Democratic Services and Corporate Issues** the overall position is an underspend of £446,000. There is a nil variation against Resources budgets, however Shire Services has a trading deficit of £11,000 for the year which will be carried forward to 2010/11. Within the Chief Executive's Office the most significant underspend is against the Area Partnership budgets and these balances will be carried forward to 2010/11. Legal and Democratic Services have a minor underspend of £2,000. Finally, within Corporate Issues an underspend has been generated within the Local Joint Committee budgets.

The overall overspend of £919,000 against directorate's budgets represents just 0.2% of the original gross budget of £574,019,000. This overspend excludes the effect of below the line items, the impact of which is addressed through general balances. During 2009/10 a below the line underspend of £5,131 was dealt with in this way.

In addition, School balances, including invested sums and Foundation schools, have increased by £96,000 from the previous year. This represents an average of 5.4% of schools' 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.

Under the Council's Financial Management policies, over and underspends for Directorates and schools have been carried forward to 2010/11.

Further detail on the Council's service expenditure can be found within the Income and Expenditure and note 2 to the accounts. It should be noted that the comparative figures shown for 2008/09 are that of Shropshire County Council and therefore the expenditure of Shropshire Council may not be comparable for a number of service areas due to the new services provided within the Unitary Council. These new service areas and the net expenditure incurred during the year have been identified within note 1 to the accounts.

The Capital Programme 2009/10 to 2011/12

When created, the Capital Programme for 2009/10 to 2011/12 was a holding position based on the existing scheme commitments inherited from the six constituent authorities. This included a number of ambitious, large scale schemes, such as the William Brookes School, 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.

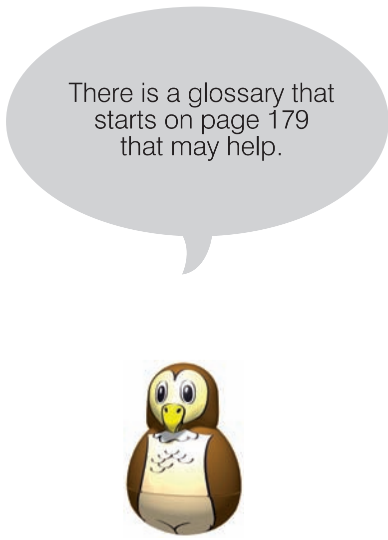
The table below provides a summary of the capital budget for 2009/10 as included in the 2009/10 Budget Book.

Directorate	2009/10 £000	2010/11 £000	2011/12 £000
Community Services	18,992	21,480	7,420
Children and Young People's Services	34,275	45,114	
Development Services			
Local Transport Plan	22,775	25,601	600
Other	8,820	6,363	0
Resources	447	157	0
	85,309	**98,715**	**8,020**

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 of grant funding are schools, highways, transportation and housing.

The table below provides a summary of the capital financing for the capital budget as per the 2009/10 Budget Book.

Financing	**2009/10 £000**	**2010/11 £000**	**2011/12 £000**
Supported Capital Expenditure	21,387	19,676	0
Prudential Borrowing	0	14,980	0
Government Grants	35,367	36,154	0
Other Grants & Contributions	3,606	666	160
Revenue Contributions	7,336	3,079	0
Capital Receipts	17,613	24,160	7,860
	85,309	**98,715**	**8,020**



Capital Outturn for 2009/10

The Capital Budget is monitored throughout the year in order to identify any pressures and to re-profile budgets based on revised expenditure projections. The budget changes as a result of slippage from the previous financial year's capital programme, new capital allocations received, 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 2009/10 as at outturn.

Directorate	Revised Budget Outturn 2009/10 £000	Actual Spend Outturn 2009/10 £000	Variance Outturn 2009/10 £000
Community Services	16,543	11,349	5,194
Children and Young People's Services	38,464	34,344	4,120
Development Services			
Local Transport Plan	19,825	19,220	605
Other	10,795	5,389	5,406
Resources	8,953	7,968	985
	94,580	**78,270**	**16,310**

The table below provides a summary of the capital financing for the capital budget as per the 2009/10 Outturn budget.

Financing	2009/10 £000
Supported Capital Expenditure	21,387
Prudential Borrowing	7,454
Government Grants	36,543
Other Grants & Contributions	6,437
Revenue Contributions	5,121
Major Repairs Allowance	828
Capital Receipts / Capital Receipts Set-aside	16,810
	94,580

The areas of most significant expenditure for schemes undertaken in 2009/10 are as follows:

	Expenditure 2009/10 £000	Scheme Total Budget £000
Community Services		
Development Trust Houses	538	770
Acton Scott Historic Working Farm	422	2,315
Music Hall Refurbishment	644	10,224
Cleobury Resource Centre	417	1,001
Ellesmere Destination Improvements	534	2,241
Community Grants	632	Ongoing
Oswald Park Leisure Centre	2,449	9,916
Private Sector Housing Grants	2,675	Ongoing
Housing Major Repairs Programme	1,120	Ongoing
Children and Young People's Services		
Primary School Amalgamation Programme	1,113	16,246
William Brookes School Renewal	14,109	26,730
Church Stretton Sports Hall	2,259	2,764
Monkmoor Campus	428	18,534
Youth Myplace Schemes	603	4,496
Early Years Programme	2,672	Ongoing
Harnessing ICT	2,499	Ongoing
Asset Management Plan works	1,309	Ongoing
Devolved Formula Capital Projects	3,516	Ongoing
Development Services		
Oswestry Waste Management Site	755	3,040
Tern Valley Business Park	606	4,368
Chartwell Business Park - Bridgnorth	717	1,159
Affordable Housing Schemes	624	Ongoing
Growth Point (including Flaxmill project)	442	Ongoing
Highways and Bridges Infrastructure	15,623	Ongoing
Integrated Transport Plan	3,597	Ongoing
Resources		
Ptarmigan Building	3,773	3,773
Mount McKinley Building	2,810	3,810

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 a reduction in the level of cash that the Council has available for investment.

The Council undertook new borrowing of £17m in November 2009 and further borrowing £10.9m in February 2010 from the Public Works Loans Board (PWLB), which will be used to meet the Council's prudential borrowing requirements.

Investments

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

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only to 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 36, which commences on page 108.

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 the 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 2009, the Council's net pensions liability amounted to £227.5m (includes Shropshire County Council and 5 Shropshire District Councils). In comparison, the deficit amounts to £325.8m at 31 March 2010. Statutory requirements for funding the deficit mean that the financial position of the Council remains 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 46, and the change to the pension liability in 2009/10 is analysed in note 13 to the accounts.

Current and Future Prospects

In 2010/11, Shropshire Council moves into the second year as a unitary council and progresses to the transformation stage. It is intended that, during the year, the Council will work with local partners towards making public services in Shropshire more efficient and responsive to customer needs so that we deliver better value for money and quality of service, for example by joining up our services and sharing premises, expertise and intelligence.

The Council's priorities closely reflect the three key aims that Shropshire partners have committed to in the draft Community Strategy 2010-2020:

- Enterprise and growth, with strong market towns and rebalanced rural settlement;
- Responding to climate change and enhancing our natural and built environment and;
- Healthy, safe and confident people and communities.

The budget planning process for 2010/11 began in the summer of 2009. The key objectives were to direct resources towards priority services and to both continue to equalise council tax across the county and keep council tax increases to a minimum.

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 2010.

The key elements of the 2010/11 budget were:

- A council tax increase of between 0% and 3.5%
- A Collection Fund surplus of £411,680
- Formula Grant of £93,487,500
- Dedicated Schools Grant based on the Department for Children, Schools and Families (DCSF) indicative allocations adjusted for local pupil number projections of £151,369,000
- Savings of £7,540,000
- Growth of £1,947,000, including priority service areas such as Looked After Children, Public Transport, Transition Cases for Young People with Learning Disabilities and Physical Disabilities

Shropshire Council has approved a new five year Capital Programme for 2010/11 to 2014/15. This comprises of the following five elements:

- The existing Approved Capital Budget, including previously approved schemes from the six constituent authorities and previously confirmed grant allocations, mainly in relation to schools, highways, transport and housing.
- Projected new allocations of Central Government grant for 2010/11 to 2014/15, principally for schools, highways, transport and housing.
- Energy saving and carbon reduction schemes developed as part of the Council's Carbon Management Plan that have "payback" periods of 2 to 5 years.
- New schemes to be financed from prudential borrowing.
- Landmark schemes, which are included subject to confirmation of significant levels of external funding.

Shropshire Council has also made two successful bids for funding under the Private Finance Initiative (PFI) to the Homes and Communities Agency and the Department of Health. This funding will enable over 400 extra care housing units to be built for older people and people with dementia across the county, as well as 24 respite units with facilities for dementia sufferers and their carers/families. The combined bids amount to £136 million.

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 Section 151 Officer), 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

The 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.

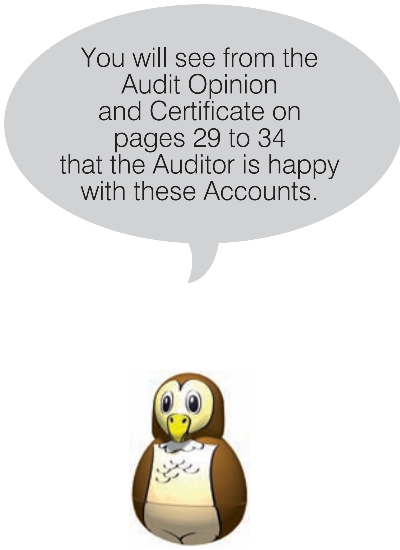
The responsibilities of the Council and its designated Chief Finance Officer, who is the Section 151 Officer, are set out in the Constitution. The Council also has an Annual Governance Statement which is included in this Statement of Accounts. This covers more than just financial matters and is set out in full on pages 160 to 178.

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.
- Integration of revenue and capital planning is allowed.
- 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 2009/10, 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 to 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.

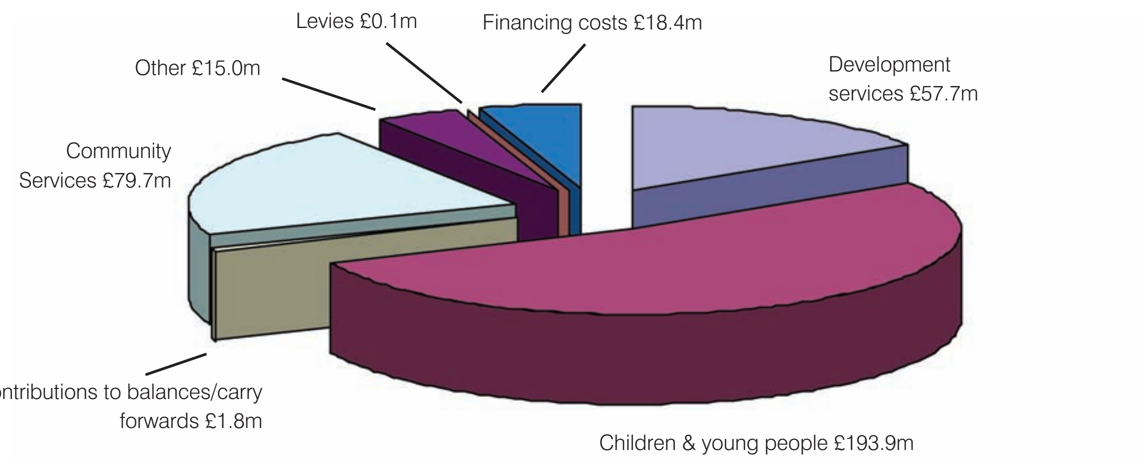
Section Two

The year in view

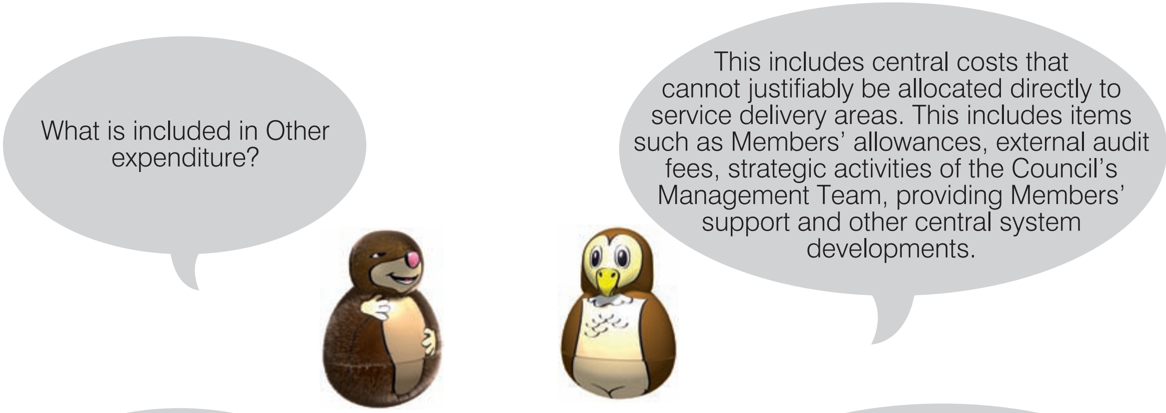
"We have supported over 5,000 Shropshire people to live independently."

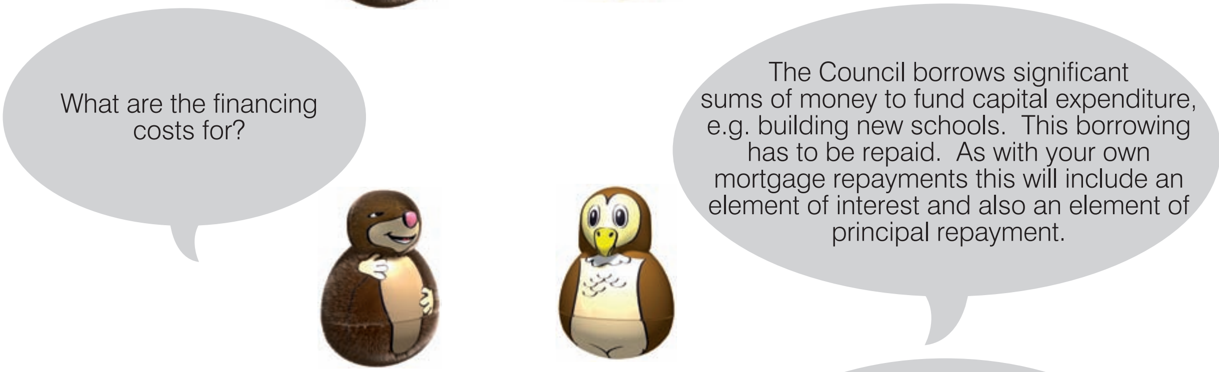
The Year in View

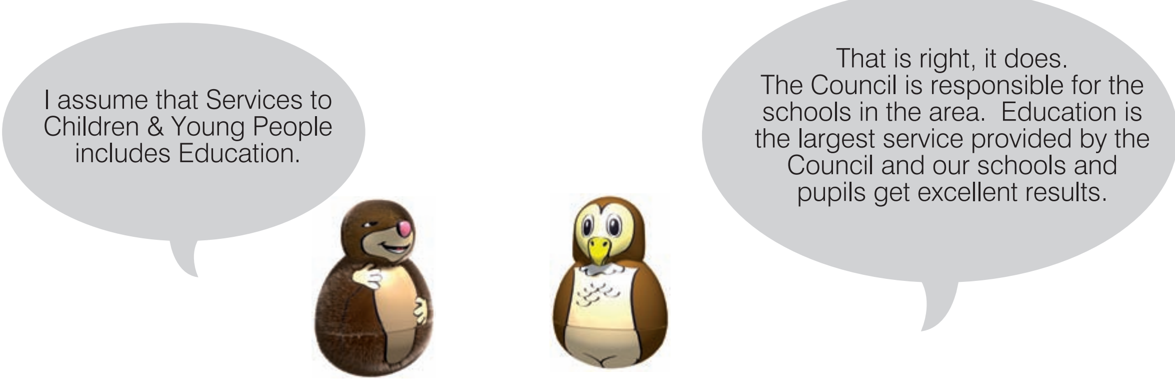
Spending by main service area 2009/10



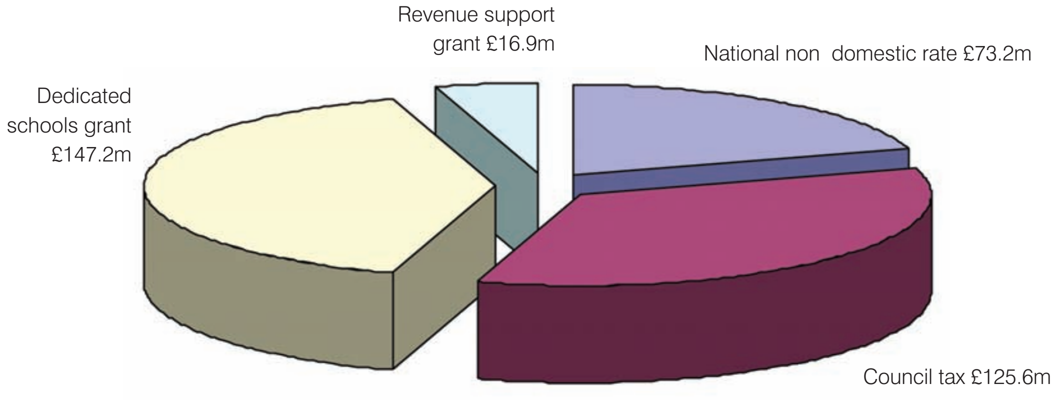
Total spend: £362.9m





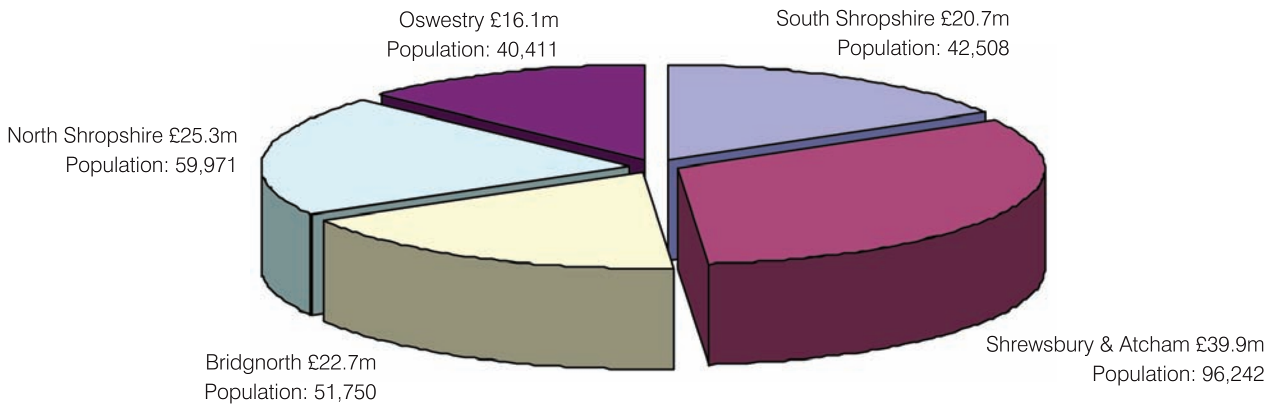


Sources of Finance 2009/10

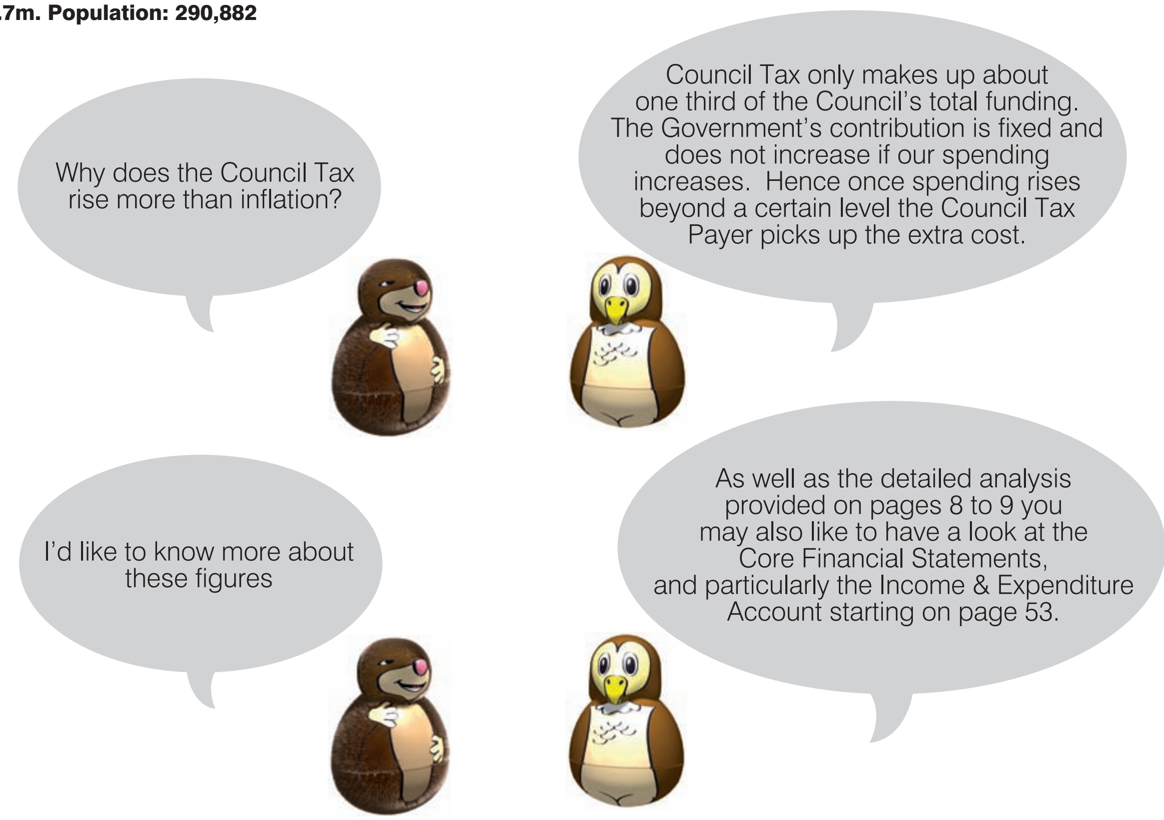


Total Net Income: £362.9m

Council Tax by District 2009/10



Total: £124.7m. Population: 290,882



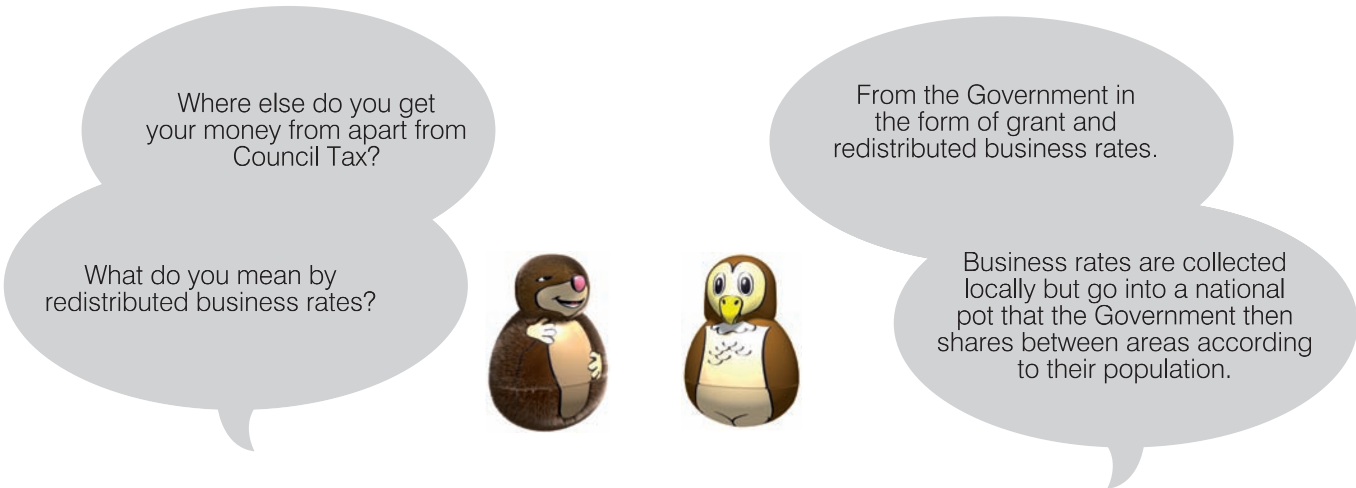
Delivery of council services with council tax and government grant

Spending	**£000**
Primary and Pre-School Education	66,106
Secondary Education	61,508
Special Education	5,392
LEA Centrally Held School Funds	32,099
Other Education Services	3,220
Personal Social Services – Children & Families	20,885
Personal Social Services – Older People	38,254
Other Personal Social Services	30,643
Highways Maintenance	9,361
Other Transportation	7,689
Libraries	3,886
Culture and Heritage	6,755
Leisure & Outdoor Recreation	(1,004)
Housing	1,845
Economic Development	401
Community Development	1,671
Planning	5,683
Waste Collection & Disposal	23,678
Street Scene	5,805
Environmental Health & Licensing	3,397
Trading Standards	1,338
Bereavement Services	(135)
Courts	490
Corporate and Democratic Core	7,814
Capital and Financial Charges	18,364
Flood Defence Levies	111
Contribution to Balances/Controllable Carry Forwards	(1,850)
Other Services	9,520
Total	**362,926**
Income	
Revenue Support Grant (RSG)	16,905
Redistributed Business Rates (NDR)	73,240
Dedicated Schools Grant (DSG)	147,176
Council Tax	125,605
Total	**362,926**

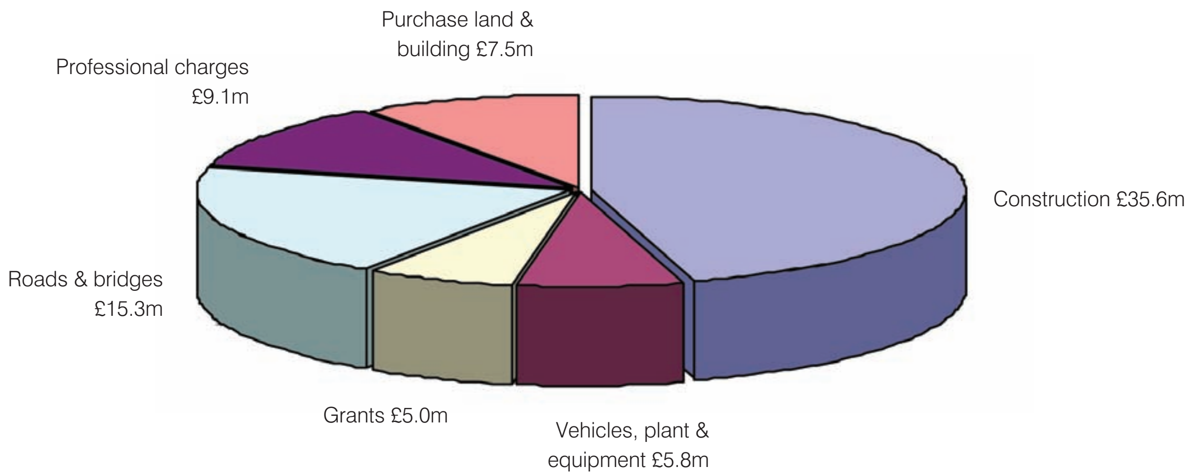
How have we spent your council tax?

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	101.10	147,176	7,491	10,438
Other Education Services	18.16	0	1,345	1,875
Personal Social Services – Children & Families	117.75	0	8,726	12,158
Personal Social Services – Older People	215.70	0	15,983	22,271
Other Personal Social Services	172.79	0	12,803	17,840
Highways Maintenance	52.79	0	3,911	5,450
Other Transportation	43.35	0	3,213	4,476
Libraries	21.91	0	1,624	2,262
Culture and Heritage	38.09	0	2,822	3,933
Leisure & Outdoor Recreation	(5.67)	0	(419)	(585)
Housing	10.40	0	771	1,074
Economic Development	2.26	0	168	233
Community Development	9.42	0	698	973
Planning	32.05	0	2,374	3,309
Waste Collection and Disposal	133.51	0	9,893	13,785
Street Scene	32.74	0	2,425	3,380
Environmental Health & Licensing	19.16	0	1,419	1,978
Trading Standards	7.54	0	559	779
Bereavement Services	(0.77)	0	(56)	(79)
Courts	2.76	0	205	285
Corporate and Democratic Core	44.06	0	3,265	4,549
Capital and Financial Charges	103.55	0	7,673	10,691
Flood Defence Levies	0.62	0	47	64
Contribution from Balances/Controllable Carry Forwards	(10.43)	0	(773)	(1,077)
Other Services	53.68	0	3,978	5,542
Total	**1,216.52**	**147,176**	**90,145**	**125,604**

** 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.*

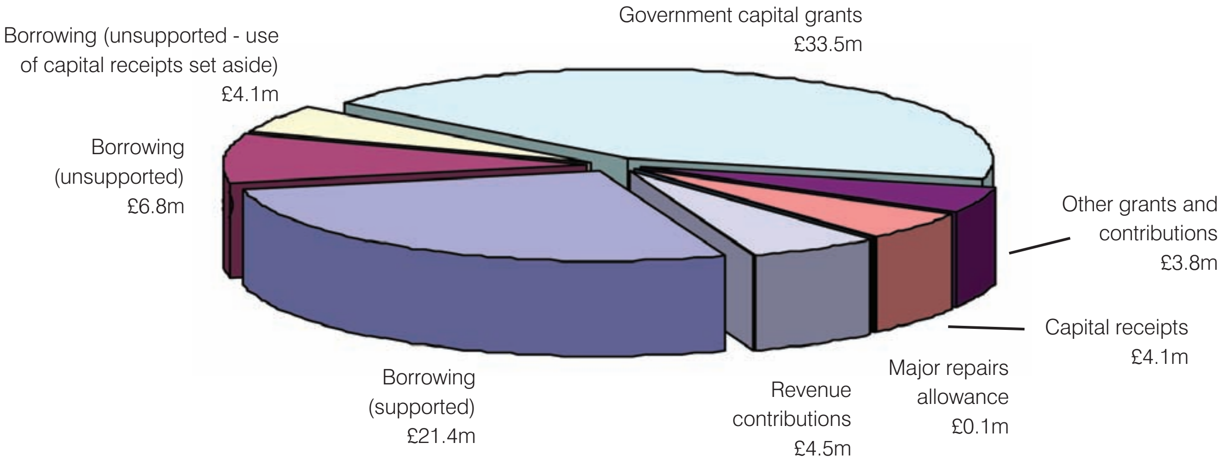


Actual capital expenditure 2009/10

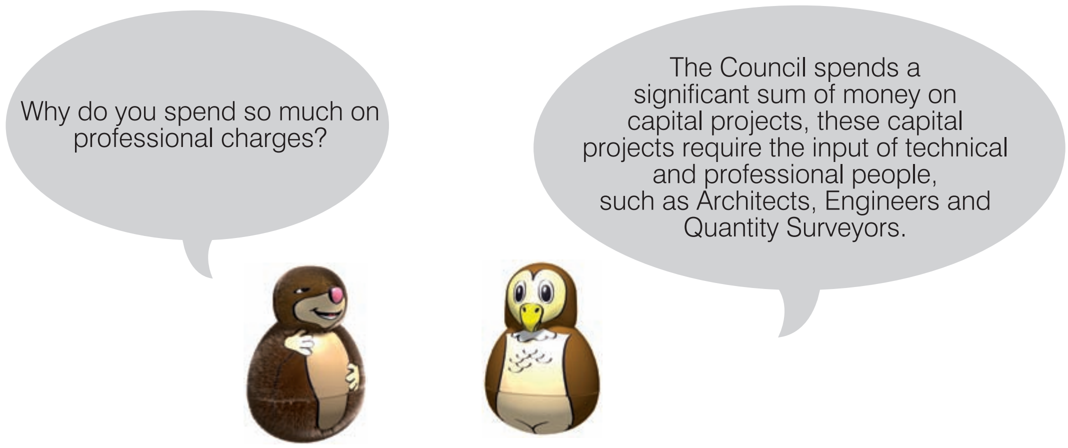


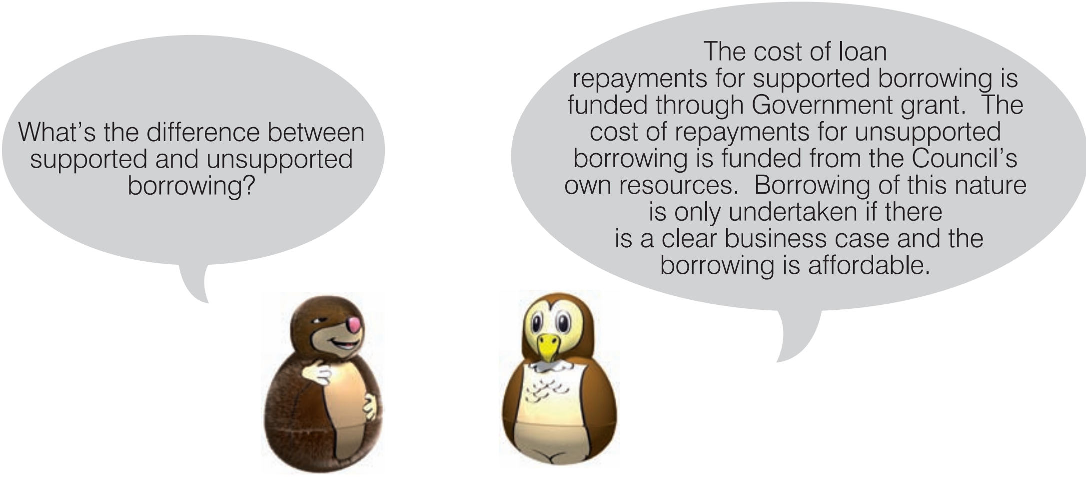
Total Capital Payments: £78.3m

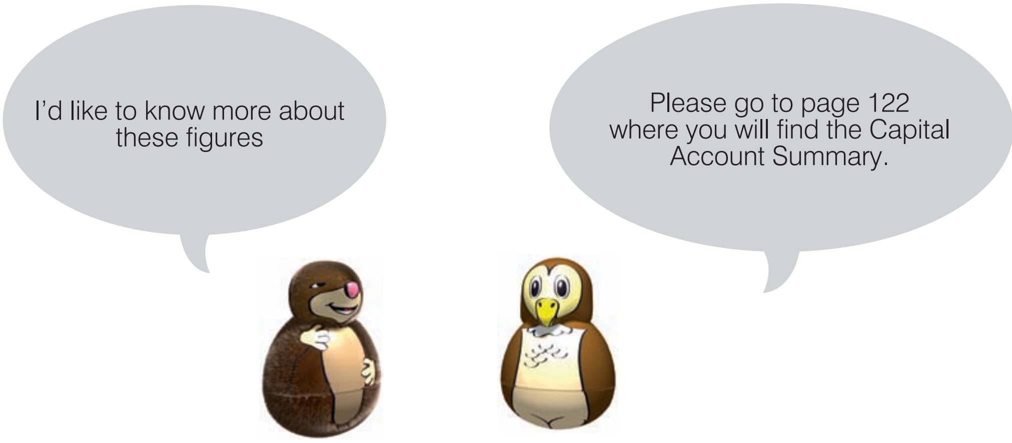
Actual Capital Financing 2009/10



Total Capital Financing: £78.3m




What's the difference between supported and unsupported borrowing?
The cost of loan repayments for supported borrowing is funded through Government grant. The cost of repayments for unsupported borrowing is funded from the Council's own resources. Borrowing of this nature is only undertaken if there is a clear business case and the borrowing is affordable.


I'd like to know more about these figures
Please go to page 122 where you will find the Capital Account Summary.

Section Three

The Statement of Responsibilities

"Our secondary schools recorded their best ever GCSE results in 2009."

The statement of responsibilities for the statement of accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approved by Council

The Statement of Accounts was approved at a meeting of the Council on 24 June 2010.

Malcolm Pate
Chairman of the Council
24 June 2010

Responsibilities of Section 151 Officer as Chief Financial Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certificate of 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 2010 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2003, as amended 2006, and that the Pension Fund Accounts as set out in the separate publication of Shropshire County Pension Fund Annual Report 2009/10 also complies with these regulations.

James Walton
Section 151 Officer
30 September 2010

Section Four

Audit Opinion and Certificate

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

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements, and related notes of Shropshire Council, for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission, in April 2008.

Respective responsibilities of the Section 151 Officer and auditor

The Section 151 Officer's' responsibilities for preparing the accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

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

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

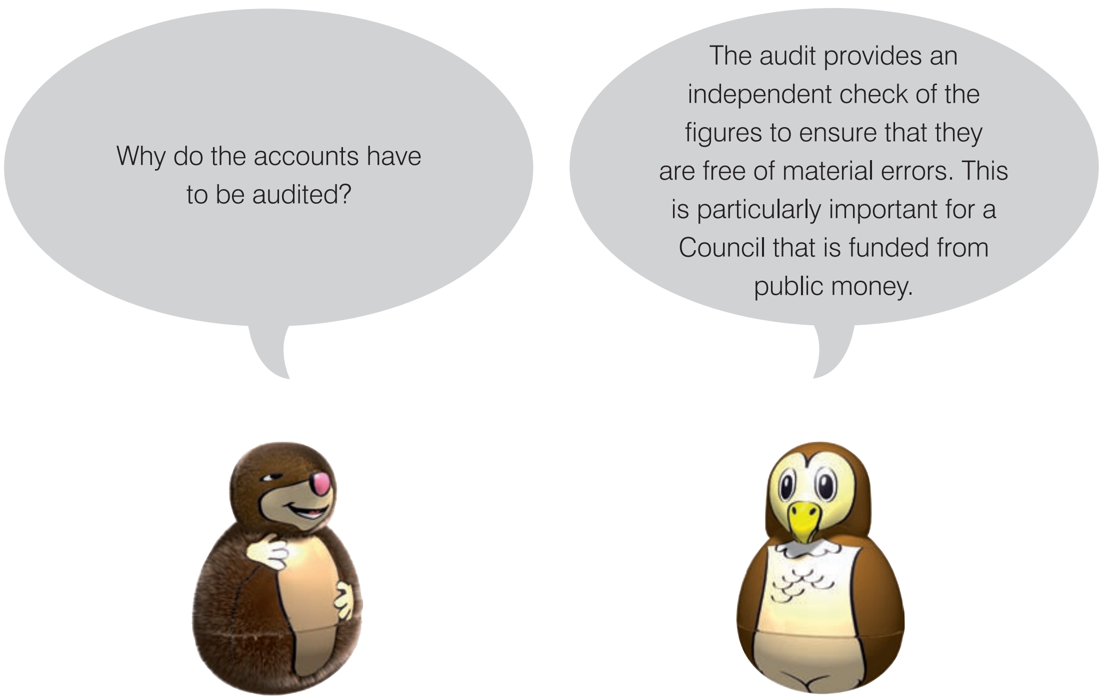
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether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

Opinion:

In my opinion:

- The Authority’s accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.



Opinion on the pension fund accounting Statements

I have audited the pension fund accounting Statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statement have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in April 2008.

Respective responsibilities of the Section 151 Officer and auditor

The Section 151 Officer and Scheme Administrator is responsible for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements, and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Shropshire Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

The audit cannot be formally concluded and audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Grant Patterson
Officer of the Audit Commission
Opus House, Priestly Court,
Staffordshire Technology Park
Beaconside
Stafford
ST18 0LQ
30 September 2010

Section Five

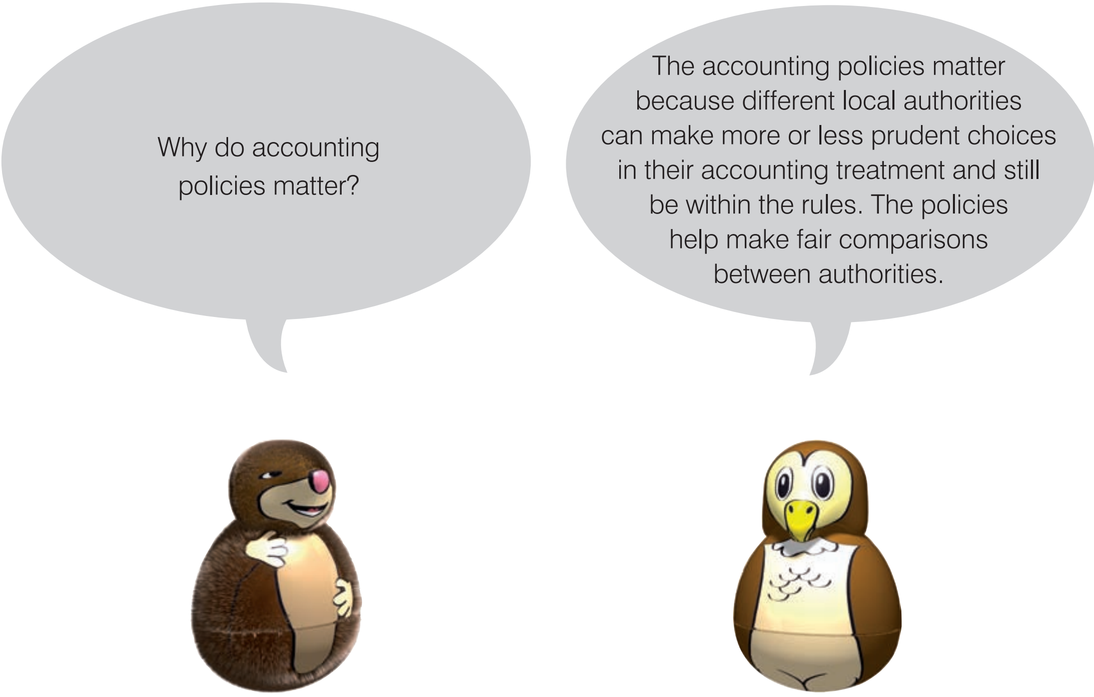
Statement of Accounting Policies

"Our Shropshire Business Enterprise Fund has granted more than £144,000 to support new economic growth".

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: A Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts have been designed to 'present fairly' 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 2009/10 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 2010.

3. Reserves

The Council maintains certain specific revenue reserves in order to meet future expenditure. The purpose of the Council's reserves is explained on pages 124 to 130.

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 Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment 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. No intangible asset life exceeds 5 years.

6. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or, for administrative purposes, on a continuing basis.

Recognition

All expenditure above a de-minimus level (£50,000 for land and operational properties and £10,000 for other operational assets) on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis provided that it yields benefits to the Council for more than one year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Accruals are made for capital works with a value of £75,000 or more undertaken, but not paid for, by the end of the financial year.

Measurement

Fixed assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Fixed assets are subsequently valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1993 Code of Practice on Local Authority Accounting and valued on the following bases:

- Dwellings, land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value.

- Non-operational assets; comprising investment properties, assets that are surplus to requirements and assets under construction: Generally these are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. The exception to this is assets under construction, which are valued at historic cost.

- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in their value, as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains since 1 April 2007 only, the date of the formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The value of each category of assets and of material individual assets that are not being depreciated is reviewed at the end of each financial year for evidence of reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account.

- Otherwise the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for the asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account. The impairment of Housing Revenue Account assets is subject to an annual review of value in line with the requirements of the CLG. In previous years, the District Council's had used the CLG's Quarter 1 figure for the following accounting year in order to calculate the value of impairment. In 2009/10 and in future accounting periods, the impairment of housing assets will now be based on the Quarter 4 figures provided by CLG for the financial year.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

A proportion (75% less any statutory deductions and allowances) of receipts relating to dwellings disposed of under the Right to Buy are payable to the Government through the pooling system. Disposals of other Housing Revenue Account 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.

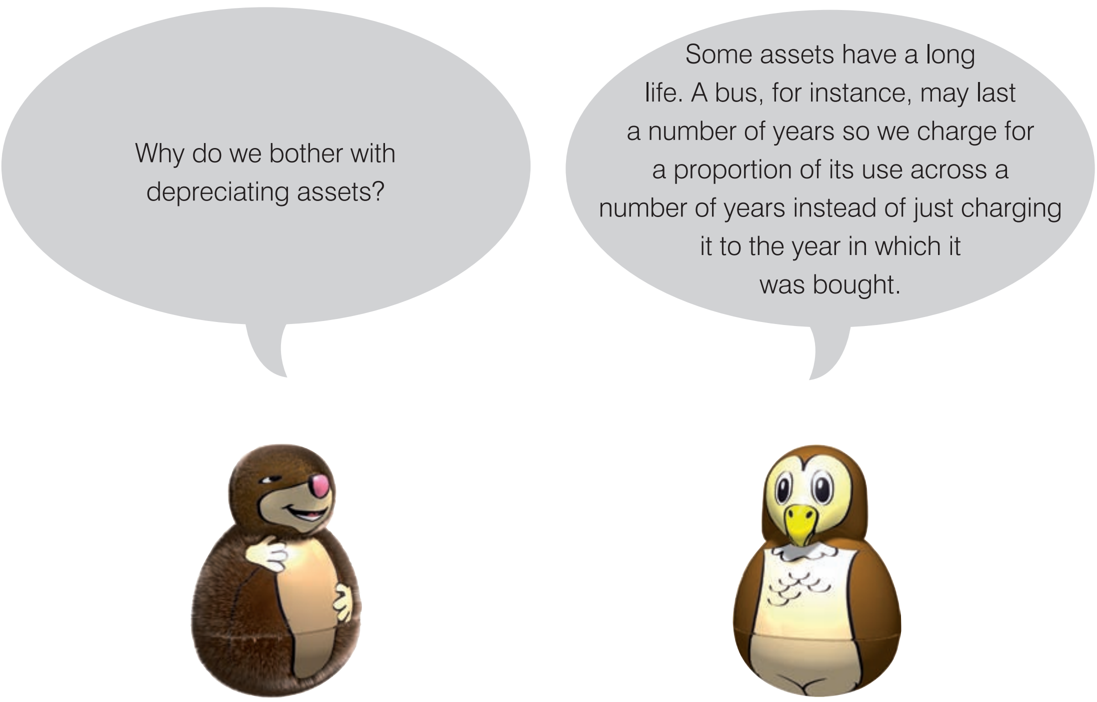
7. Depreciation

Depreciation is provided on all fixed assets with a finite useful life, with the exception of:

- Non-depreciable land.
- Non-operational investment properties.
- Any asset where the depreciation charge would be immaterial.
- Assets under construction.

The finite useful life of an asset is determined at the time of acquisition or revaluation. 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.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.



8. Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service.

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council tax to cover depreciation or 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 12 (The Redemption of Debt). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Interest payable is reported within Net Operating Cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 7 (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 Statement of Movement on the General Fund Balance.

9. Revenue Expenditure Funded from 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 has been charged as expenditure to the relevant service revenue account in the year. Where capital resources have been used to meet this expenditure, this is charged to the Capital Adjustment Account and the expenditure is reversed out of the Statement of Movement on the General Fund Balance so that there is no impact on the level of council tax.

10. 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, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. 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 Income and Expenditure Account after Net Operating Expenditure.

Capital Grants

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other external contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. The balance is then written down against service revenue accounts to offset depreciation or impairment charges made for the related assets, in line with the depreciation policy applied to those fixed assets. The only exception is revenue expenditure funded from capital under statute (see Accounting Policy note 9) for which the grant income is credited directly to the service revenue account to which the expenditure has been charged. When an asset is disposed of any balance on the Government Grants Deferred Account is transferred to the Capital Adjustment Account and included in the calculation of gain or loss on disposal charged to the Income and Expenditure Account.

Government grants and external contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been met and there is reasonable assurance that the grant or contribution will be received.

11. 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.

12. 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.

13. Leases

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation, is explained in Note 12 to the Core Financial Statements. Rentals payable under operating leases are charged to revenue on an accruals basis. The cost of assets acquired under operating leases and the related liability for future rentals payable are not included in the Balance Sheet.

14. 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance. 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 35 to the Core Financial Statements provides details about these soft loans.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Income and Expenditure Account 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 Income and

Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

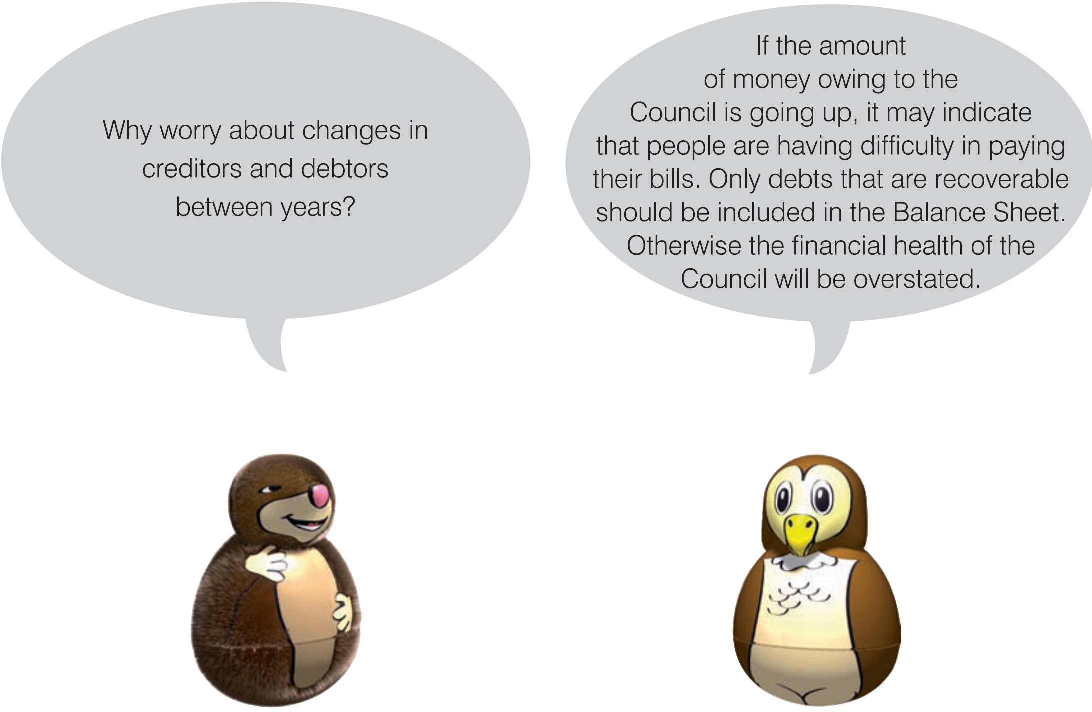
Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan, against which the premium was payable, or discount receivable, when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

16. 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.

17. Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the SORP and FRS18 Accounting Policies. 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.



18. Stocks

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

19. 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.

20. 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.

In preparing Group Accounts the Council has followed CIPFA guidance and, in general, the following policies have been applied:-

- All financial relationships within the scope of Group Accounts have been assessed.
- The Council's accounts have been aligned with UK GAAP (Generally Accepted Accounting Practice) and therefore a number of adjustments have been made to the main financial statements when the SORP diverges with the UK GAAP. This is in order to achieve consolidation on a comparable basis.
- Associates and joint ventures have been accounted for in line with the provisions of FRS 9 – "Associates and Joint Ventures"
- Subsidiaries have been accounted for in line with the provisions of FRS2 – "Accounting for Subsidiary Undertakings".

21. Value Added Tax (VAT)

Only irrecoverable VAT is included in revenue and capital expenditure.

22. Pensions

The pension costs charged to the Council's accounts for its employees have been determined in accordance with the requirements of FRS17, Retirement Benefits. FRS17 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 13 on pages 71 to 76.

23. Foreign Currency Transactions

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

24. 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.

25. PFI – Statement of Accounting Policy for 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 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 now requires these contracts to be accounted for in a manner that is consistent with IFRIC 12 Service Concession Arrangements, contained in the government's Financial Reporting Manual (FReM). The detailed accounting requirements are contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009.

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 the QICS and waste PFI projects. The project is, 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 , these 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 (market 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 elements of the sites were not donated into the PFI transaction and so remain assets of the Council. The 2005/06 and subsequent Statements 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 were recognised on the Council's balance sheet in 2006/07 at their market value as determined by Property Services, and subsequently depreciated and re-valued in accordance with the Council's policies.

Waste 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 assets.

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 finance cost and principal from the nominal finance lease rental contained in the financial model.

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 was 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 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 or 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 Six

Core Financial Statements

"Shire Services retained the Food for Life Silver award for all primary schools with two primary schools achieving the gold level".

Income and Expenditure Account

This statement 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.

2008/09 (Restated) Net Expenditure £000		**2009/10 Gross Expenditure £000**	**2009/10 Income £000**	**2009/10 Net Expenditure £000**
	Expenditure on Continuing Services (Note 2)			
12,061	Central Services	22,693	8,121	14,572
398	Court Services	554	71	483
24,068	Cultural, Environmental and Planning Services	50,889	13,026	37,863
45,181	Education Services (Note 16)	240,674	201,313	39,361
28,279	Highways, Roads and Transport Services	31,975	3,409	28,566
484	Housing Services	6,625	5,661	964
88,029	Social Services	125,278	31,925	93,353
198,500		478,688	263,526	**215,162**
	Expenditure on Acquired Services (Note 1)			
0	Service transferred from Shropshire District Councils	142,066	99,215	42,851
0	**Expenditure on the Housing Revenue Account**	(366)	14,395	(14,761)
198,500	**Net Cost of Services**	620,388	377,136	**243,252**
19,142	(Gain) or loss on disposal of fixed assets			5,918
0	Parish council precepts			5,462
3,298	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			3,690

2008/09 (Restated) Net Expenditure £000		2009/10 Gross Expenditure £000	2009/10 Income	2009/10 Net Expenditure £000
14,052	Interest payable and similar charges			14,795
0	Contribution of housing capital receipts to government pool			105
(3,768)	Interest and Investment Income			(771)
9,295	Pensions Interest Cost & Expected Return on Pensions Assets (Note 13)			19,689
(1,176)	Debt charges income (Note 20)			(1,135)
40,843				47,753
239,343	**Net Operating Expenditure**			**291,005**
(23,095)	General Government Grants (Note 17)			(33,853)
(55,705)	Non-domestic rate income			(73,240)
(109,867)	Demand on Collection Fund			(130,796)
50,676	(Surplus)/Deficit for the Year			**53,116**

Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 (Restated) £000		2009/10 £000
50,676	Deficit for the Year on the Income and Expenditure Account	53,116
(49,548)	Net additional amount required by statute and non statutory proper practice to be debited or credited to the General Fund Balance for the year (Note 21)	(47,766)
1,128	**(Increase)/Decrease in General Fund Balance for the Year**	**5,350**
(10,517)	General Fund Balance brought forward - SCC	(9,388)
0	General Fund Balance brought forward - Districts	(6,141)
(9,388)	**General Fund Balance carried forward** (Note 40)	**(10,179)**
(7,139)	Amount of General Fund Balance held by schools under local management schemes	(7,304)
(2,249)	Amount of General Fund Balance generally available for new expenditure	(2,875)
(9,388)		**(10,179)**

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 (Restated) £000		**2009/10 £000**
50,676	(Surplus)/deficit for the Year on the Income and Expenditure Account	53,116
(60,208)	(Surplus)/deficit arising on revaluation of fixed assets	(23,581)
(12,764)	Actuarial (gains)/losses on pension fund assets and liabilities	85,045
(22,296)		**114,580**
0	Collection Fund Reserve Adjustment	655
(22,296)	**Total recognised (gains)/losses for the year**	**115,235**
0	**Balance Transferred from Districts on opening Balance Sheet**	**(338,653)**
(22,296)		**(223,418)**
(1,484)	**Cumulative effect of Prior Period Adjustments**	

Balance Sheet

The Balance Sheet summarises the year end balances on the Council's accounts. Inter-directorate balances have been eliminated. The balances on the Pension Fund and Trust Accounts are not available for the Council's use and have also been excluded.

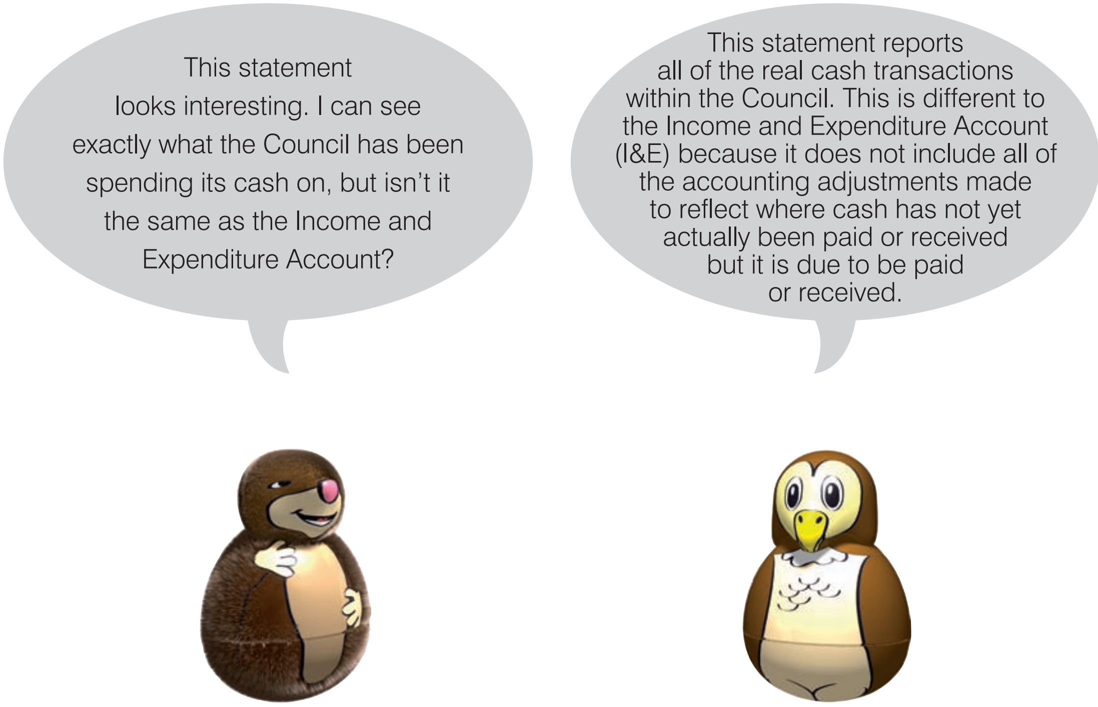
2008/09 (Restated)			2009/10	
£000	£000		£000	£000
128		Intangible Assets (Note 22)	427	
	128			427
		Fixed Assets (Note 22 and 23)		
		Operational		
0		Dwellings	229,221	
271,029		Land	289,411	
397,496		Buildings	483,632	
261,214		Infrastructure	275,919	
5,537		Vehicles, Plant and Equipment	12,721	
599		Community	4,570	
		Non-Operational		
9,210		Investment Assets	22,241	
12,696		Surplus Assets	19,618	
5,796		Assets Under Construction	30,673	
	963,577	Total Fixed Assets		1,368,006
	0	Long Term Investment		1,113
	96	Long Term Debtors (Note 31)		1,583
	963,801	**Total Long Term Assets**		**1,371,129**
		Current Assets		
520		Stocks (Note 30)	670	
27,218		Debtors (Note 31)	49,546	
65,070		Temporary Investments (Note 29)	99,932	
0		Landfill Usage Allowances (Note 38)	1,117	
	92,808			151,265
	1,056,609			1,522,394
		Current Liabilities		
(2,151)		Temporary Loans (Note 32)	(4,938)	
(61,509)		Creditors (Note 37)	(74,977)	
0		Liability to DEFRA for Landfill Usage (Note 38)	(762)	
(4,623)		Cash Overdrawn (Note 39)	(7,672)	
	(68,283)			(88,349)
	988,326	**Total Assets Less Current Liabilities**		**1,434,045**
		Long Term Liabilities		
(251,115)		Long Term Loans (Note 32)	(277,918)	
(18,542)		Deferred Liabilities (Note 12b)	(20,341)	

2008/09 (Restated)			2009/10	
£000	£000		£000	£000
(4,311)		Provisions (Note 49)	(4,643)	
(90,266)		Government grants deferred (Note 47)	(118,475)	
(777)		Deferred premiums on early repayment of debt (Note 27)	(765)	
(160,632)		Pensions Liability (Note 13)	(325,802)	
	(525,643)			(747,944)
	462,683	**Total Assets Less Liabilities**		**686,101**
		Financed by:		
157,420		Revaluation Reserve (Note 42)		187,529
444,218		Capital Adjustment Account (Note 43)		785,845
(7,458)		Financial Instruments Adjustment Account (Note 35)		(7,356)
9		Usable Capital Receipts Reserve (Note 41)		0
0		Deferred Capital Receipts		926
0		Collection Fund		372
323		Council Tax Adjustment Account		52
0		Major Repairs Reserve		3,927
(160,632)		Pensions Reserve (Note 13)		(325,802)
19,415		Reserves (Note 49)		29,630
0		HRA Balance		799
9,388		General Fund Balance (Note 40)		10,179
	462,683	**Total Equity**		**686,101**

Cash Flow Statement

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

2008/09 £000	Revenue Activities	2009/10 £000	£000
(30,725)	**Net inflow on Revenue Activities** (Note 50)		(19,068)
	Servicing of Finance		
	Outflows		
12,588	Interest paid	12,928	
1,220	Interest element of finance lease rental payments	1,783	
	Inflows		
(3,418)	Interest received	(1,972)	
10,390			12,739
	Capital Activities		
	Outflows		
46,253	Purchase of fixed assets & Other Capital cash payments		62,767
0	Other Capital Cash Payments		15,953
	Inflows		
(1,811)	Sale of Fixed Assets	(3,720)	
0	Long Term Investments matured in year	(14)	
(20,160)	Capital Grants (Note 55)	(44,822)	
(1,769)	Other Capital Income	(256)	
(23,740)			(48,812)
2,178	**Net Cash Outflow Before Financing** (Notes 51 and 52)		**23,579**
	Management of Liquid Resources (Note 54)		
(126)	Net increase/(decrease) in short term deposits		28,778
	Financing (Note 53)		
	Outflows		
87	Repayments of amounts borrowed	4,211	
882	Capital Element of PFI Payments	697	
	Inflows		
(1)	New Loans Raised	(27,900)	
968			(22,992)
3,020	**(Increase)/Decrease in Cash** (Notes 39, 51 and 52)		**29,365**


This statement looks interesting. I can see exactly what the Council has been spending its cash on, but isn't it the same as the Income and Expenditure Account?
This statement reports all of the real cash transactions within the Council. This is different to the Income and Expenditure Account (I&E) because it does not include all of the accounting adjustments made to reflect where cash has not yet actually been paid or received but it is due to be paid or received.

Section Seven

Notes to the Core Financial Statements

"Our Local Joint Commitees awarded more than £850,000 to 47 separate projects."

1. Local Government Re-organisation

The Council inherited a number of new services from the District Councils through the transition to a Unitary Council. Expenditure for these services has been included in the Income and Expenditure Account as "Acquired Services" in order that accurate comparisons can be made between the 2009/10 figures and the 2008/09 comparatives, which represent those of Shropshire County Council.

Further analysis of the services feeding into the Acquired Services line is provided below:

Service	Expenditure £000	Income £000	Net Expenditure £000
Local Council Tax Collection	22,933	(20,877)	2,056
Housing Benefits	60,812	(61,351)	(539)
Local Land Charges	1,090	(508)	582
Leisure Services	11,845	(5,001)	6,844
Waste Collection	6,864	0	6,864
Street Cleansing	6,666	(225)	6,441
Bereavement Services	1,565	(1,086)	479
Public Protection (inc Licensing)	4,874	(729)	4,145
Planning Services	4,625	(1,954)	2,671
Economic Development	5,491	(1,202)	4,289
Parking Services	3,477	(3,749)	(272)
Public Transport	3,108	(962)	2,146
Housing Services (General Fund)	4,365	(954)	3,411
Community Development and Safety	2,323	(77)	2,246
Open Spaces	2,028	(540)	1,488
	142,066	**(99,215)**	**42,851**

2. Service Analysis 2009/10

The Best Value Accounting Code of Practice was issued in 2000 by CIPFA, which established a mandatory requirement on local authorities to present a service analysis in a standard form.

BVACoP Divisions of Service	Children & Young People's Services	Community Services	Development Services	Res, CEX, L&DS and Corporate*	Total
	£000	£000	£000	£000	£000
Central Services	0	0	405	14,167	14,572
Court Services	0	0	0	483	483
Cultural, Environmental & Planning Services	0	18,507	15,691	3,665	37,863
Education Services	39,045	46	297	(27)	39,361
Highways, Roads & Transport Services	0	0	28,566	0	28,566
Housing Services	0	796	0	168	964
Social Services	22,756	70,485	112	0	93,353
	61,801	**89,834**	**45,071**	**18,456**	**215,162**
Acquired Services		9,881	29,746	3,224	42,851

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

2008/09 £000	Central Services	2009/10 £000
	Corporate & Democratic Core:	
1,625	Democratic Representation & Management	2,927
3,588	Corporate Management	4,616
5,213		**7,543**
	Central Services to the Public:	
19	Local Council Tax	0
45	Elections	644
359	Registration of Births, Deaths & Marriages	315
222	Emergency Planning	248
1,834	Other Services	(1,534)
2,479		**(327)**
	Other Operating Income and Expenditure:	
113	Precepts & Levies	111
4,256	Non Distributed Costs	7,245
12,061		**14,572**

2008/09 £000	Court Services	2009/10 £000
398	Coroners' Court Services	483
0	Other Court Services	0
398		**398**

2008/09 £000	Cultural, Environmental and Planning Services	2009/10 £000
	Cultural and Related Services:	
2,292	Culture & Heritage	10,695
258	Recreation & Sport	1,452
2,057	Open Spaces	1,241
344	Tourism	342
6,216	Library Service	5,114
11,167		**18,844**
	Environmental Services:	
7,682	Waste Disposal	11,095
712	Community Safety	543
194	Agricultural Services (Smallholdings)	48
1,434	Consumer Protection	1,270
0	Flood Defence	32
10,022		**12,988**
	Planning and Development Services:	
226	Development Control	837
705	Planning Policy	764
479	Environmental Initiatives	558
1,435	Economic Development	3,872
34	Community Development	0
2,879		**6,031**
24,068		**37,863**

2008/09 £000	Education Services	2009/10 £000
11,162	Primary Schools	8,720
20,008	Secondary Schools	15,272
8,459	Special Schools	9,213
5,552	Non School Funding	6,156
45,181		**39,361**

2008/09 £000	Highways, Roads and Transport Services	2009/10 £000
1,880	Transport Planning, Policy & Strategy	2,456
3,439	Highways/Roads (Structural)	3,783
4,446	Highways/Roads (Routine)	3,566
7,153	Construction	7,571
2,975	Winter Maintenance	3,185
1,631	Street Lighting	1,530
2,124	Traffic Management & Road Safety	2,163
(166)	Parking Services	55
4,797	Public Transport	4,257
28,279		**28,566**

2008/09 £000	Housing Services	2009/10 £000
76	Housing strategy, advice and enabling	0
0	Other Council Property	228
149	General Fund Housing – Traveller's Sites	168
259	Supporting People	568
484		**964**

2008/09 £000	Social Services	2009/10 £000
410	Service Strategy	256
21,345	Children & Families Services:	22,777
36,174	Older People (Aged 65 or over) including Older Mentally Ill	37,945
8,006	Adults Aged Under 65 with a Physical Disability or Sensory Impairment	8,680
16,963	Adults Aged Under 65 with Learning Disabilities	17,973
4,327	Adults Aged Under 65 with Mental Health Needs	4,734
816	Other Adult Services	988
(12)	Supported Employment (including sheltered employment)	0
88,029		**93,353**

3. Prior Period Adjustment

Due to a number of changes in accounting practice, it has been necessary to restate the 2008/09 balances in the accounting statement. These accounting adjustments include new accounting practices to account only for the authority's share of the Council Tax balances, the use of IFRIC 12 to account for the authorities PFI schemes. Details of the restatements for the PFI schemes are fully detailed in Note 15.

The restatement of 2008/09 balances for the new accounting practices for Council Tax balances has impacted on the Income and Expenditure Account, the Statement of Movement in General Fund Balance, the Statement of Total Recognised Gains and Losses and the Balance Sheet. Details of the transactions relating to Council Tax only are provided below.

	2008/09 £000	Movement in relation to Council Tax £000	2008/09 Restated £000
Income & Expenditure Account			
Demand on Collection Fund	(109,544)	(323)	(109,867)
(Surplus)/Deficit for the Year	51,642	(323)	51,319
Statement of Movement in General Fund			
Deficit for the Year on the Income & Expediture Account	51,642	(323)	51,319
Net additional amount required by statute and non statutory proper practice to be debited or credited to the General Fund Balance for the year	(50,514)	323	(50,191)
Statement of Total Recognised gains and Losses			
Deficit for the Year on the Income & Expediture Account	51,642	(323)	51,319
Total recognised (gains)/losses for the year	(21.330)	(323)	(21,653)
Balance Sheet			
Debtors	21,950	3,524	25,474
Creditors	(58,307)	(3,201)	(61,508)
Council Tax Adjustment Account	0	323	323

4. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2009/10, the expenditure and matching income relating to such provisions have been as follows:

2008/09 £000		2009/10 £000
	Expenditure	
848	Provision of administrative, professional & technical services	433
9,014	Provision of training	8,158
2,014	Provision of catering & cleaning	2,251
427	Maintenance of land & buildings	189
12,303		**11,031**
	Income	
874	Provision of administrative, professional & technical services	445
9,017	Provision of training	8,159
2,077	Provision of catering & cleaning	2,392
445	Maintenance of land & buildings	190
12,413		**11,186**

The main public bodies to which goods and services have been supplied under this Act are the Borough of Telford & Wrekin, Shrewsbury College of Arts & Technology, Telford College of Arts & Technology, Shropshire Town Councils, Shropshire & Wrekin Fire Authority, Job Centre Plus, schools outside of Shropshire and the Learning Skills Council.

5. Disclosure of Officers' Emoluments

The Accounts and Audit Regulations 2009 require disclosure of the numbers of officers whose remuneration in 2009/10 exceeded £50,000, analysed into bands of £5,000.

2008/09 No. of Employees	Salaried Remuneration Band £000	2009/10 No. of Employees
84	50 to 54	94
44	55 to 59	31
26	60 to 64	19
11	65 to 69	14
6	70 to 74	10
10	75 to 79	4
5	80 to 84	8
0	85 to 89	1
0	90 to 94	3
1	95 to 99	1
0	100 to 104	1
1	105 to 109	0
0	110 to 114	0
1	115 to 119	0
2	120 to 124	1
0	125 to 129	3
1	130 to 134	0
0	135 to 139	0

2008/09 No. of Employees £000	Remuneration Band Including One Off Redundancy and Lump Sum Retirement Payments	2009/10 No. of Employees
5	50 to 54	5
1	55 to 59	5
1	60 to 64	3
1	65 to 69	4
1	70 to 74	0
0	75 to 79	3
1	80 to 84	1
0	85 to 89	1
2	90 to 94	1
1	95 to 99	2
1	100 to 104	0
0	105 to 109	0
0	110 to 114	0
2	115 to 119	0
0	120 to 124	0
0	125 to 129	1
0	130 to 174	0
0	175 to 180	1
0	180 to 184	0
0	185 to 189	1

The following table details emoluments for Senior Officers whose salary is £150,000 or more per year in 2009/10.

Post Holder Information (Post Title & Name)	Salary	Expense Allowances	Total excl. pension contributions 2009/10	Employer's pension contributions	Total incl. pension contributions 2009/10
Kim Ryley Chief Executive (started Oct 2009)	£90,000	£585	£90,585	£14,040	£104,625
Sheila Healy Chief Executive (left Oct 2009)	£87,697	£608	£88,305	£13,680	£101,985

The following table details emoluments for Senior Officers whose salary is between £50,000 and £150,000 per year in 2009/10.

Post Holder Information (Post Title & Name)	Salary	Expense Allowances	Total excl. pension contributions 2009/10	Employer's pension contributions	Total incl. pension contributions 2009/10
Assistant Chief Executive Performance & Partnerships (started May 2009)	£72,205	£994	£73,199	£11,264	£84,463
Assistant Chief Executive Performance & Partnerships (left June 2009)	£30,183	£293	£30,476	£4,709	£35,185
Assistant Chief Executive Legal & Democratic Services	£95,000	£1,170	£96,170	£16,528	£112,698
Director of Development Services	£130,000	£1,170	£131,170	£20,280	£151,450
Director of Community Services	£120,000	£1,170	£121,170	£18,720	£139,890
Director of Children and Young Peoples Services	£125,000	£1,170	£126,170	£19,500	£145,670
Director of Resources	£125,000	£1,170	£126,170	£19,500	£145,670

The following table details emoluments for Senior Officers whose salary was £150,000 or more per year in 2008/09.

Post Holder Information (Post Title & Name)	Salary	Expense Allowances	Total excl. pension contributions 2008/09	Employer's pension contributions	Total incl. pension contributions 2008/09
Carolyn Downs Chief Executive (left January 2009)	£128,588	£833	£129,421	£18,259	£147,680
Sheila Healy Chief Executive (started January 2009)	£40,439	£262	£40,701	£5,742	£46,443

The following table details emoluments for Senior Officers whose salary was between £50,000 and £150,000 per year in 2008/09.

Post Holder Information (Post Title & Name)	Salary	Expense Allowances	Total excl. pension contributions 2008/09	Employers pension contributions	Total incl. pension contributions 2008/09
Head of Chief Executive's Office (left February 2009)	£79,061	£0	£79,061	£11,407	£90,468
Assistant Chief Executive Performance & Partnerships (started January 2009)	£25,414	£228	£25,642	£3,609	£29,251
Assistant Chief Executive Legal & Democratic Services	£94,202	£1,095	£95,297	£13,377	£108,674
Director of Development Services (started January 2009)	£31,102	£262	£31,364	£4,417	£35,781
Director of Development Services (left January 2009)	£93,040	£867	£93,907	£13,212	£107,119
Director of Community Services (started September 2008)	£62,875	£596	£63,471	£8,928	£72,399
Director of Children and Young Peoples Services	£120,733	£1,095	£121,828	£17,144	£138,972
Director of Resources	£123,454	£1,095	£124,549	£17,144	£141,693

6. Redundancy Costs

Included within Non-Distributed Costs are the costs associated with redundancy and early retirement for employees leaving the council as a result of the unitary process.

A number of employees leaving the council in 2009/10 had previously been employed by the District Councils and provision had been made within the District Councils' accounts to fund these costs. The total redundancy costs incurred in 2009/10 relating to the Unitary transition are £1,799,770 for redundancy and £1,431,990 for pension fund strain.

The Council has now moved into the Transformation stage of the Unitary process and further redundancy costs have been incurred in order to deliver ongoing savings within the budget. The total redundancy costs incurred in 2009/10 relating to the Unitary Transformation are £338,940 for redundancy and £331,880 for pension fund strain.

All redundancy and pension fund strain costs have been fully funded by the Voluntary Early Retirement Reserve.

7. Transitional Costs incurred for the Unitary Council

The One Council business case assumed that there would be costs incurred in the transition from six separate authorities to one. To date all of the transitional costs (excluding those related to voluntary early retirement and redundancy which are explained above) have been met from within existing resources. The total transitional costs incurred in 2009/10 amounted to £883,845, compared with £2,286,282 in 2008/09.

8. Members' Allowances

The total of members' allowances paid in 2009/10 amounted to £1,380,000, compared with £840,000 in 2008/09.

9. 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.

	Chargeable* 2009/10 £	Non-Chargeable 2009/10 £	Total 2009/10 £
Employees	653,778	306,663	960,442
Premises	37,097	15,898	52,995
Transport	35,384	16,616	52,000
Supplies & Services	71,557	15,229	86,787
Support Services	264,183	52,610	316,793
Total Expenditure	1,061,999	407,017	1,469,016
Income	(1,019,764)	(1,368)	(1,021,132)
Total (Surplus)/Deficit for the Year	**42,235**	**405,649**	**447,884**

** Note - There is no balance in the Building Control Reserve to cover the deficit in year. The deficit has been charged to revenue in 2009/10.*

10. Pooled Budgets

During 2009/10, the Council (SC) hosted the Intermediate Care pooled budget with Shropshire County 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

2008/09 Total £		2009/10 Total £
	Gross Funding	
242,262	SCPCT	236,849
991,807	SC	965,261
1,234,069	**Total**	**1,202,110**
1,234,069	**Expenditure**	**1,202,110**
0	**(Surplus)/Deficit**	**0**

11. Economic Development Activities

The Council provides a number of workshops and industrial/commercial land and buildings to meet the demand from existing local businesses as well as to attract inward investment. Income from lettings in 2009/10 amounted to £1,373,000, which offset running expenses of £549,000. The figures for 2008/09 were income of £364,000 and running expenses of £223,000.

12. Leases

a. Operating Leases

Vehicles – The amount paid under the terms of operating leases in 2009/10 was £610,000 compared with £487,000 in 2008/09.

Furniture & Equipment – The amount payable under the terms of operating leases in 2009/10 was £82,000 compared with £72,000 in 2008/09.

Land & Buildings – The amount payable under the terms of operating leases in 2009/10 was £960,500 compared with £952,000 in 2008/09.

The Council was committed at 31 March 2010 to making payments of £1,405,000 in 2009/10 under operating leases comprising the following elements:

	Land & Buildings	Plant & Equipment	Vehicles	TOTAL
	£	£	£	£
Leases expiring in 2010/11	43,000	8,000	176,000	**227,000**
Leases expiring between 2011/12 and 2015/16	333,000	108,000	383,000	**824,000**
Leases expiring after 2015/16	354,000	-	-	**354,000**
	730,000	**116,000**	**559,000**	**1,405,000**

Authority as Lessor – With regard to the authority's activity as a lessor, the gross value of assets held for use in operational leases was £26,540,000. All properties have been valued between 01/04/2005 and 01/04/2009 and were subject to cumulative depreciation of £378,000 to 31/03/2010. The Net Book Value of the assets at 31/03/2009 was £26,126,000.

b. Finance Leases

Under IFRIC 12, the liabilities relating to the QICS and Waste PFI are classified as a finance lease and classified as 'Deferred Liabilities' on the Council's balance sheet. Full details about these liabilities are disclosed in full in Note 15.

	2008/09 Restated	2009/10
	£000	£000
Amounts due within 1 year:		
QICS PFI Contract	360	367
Waste PFI Contract	337	1,942
Amounts due after 1 year:		
QICS PFI Contract	16,762	16,395
Waste PFI Contract	108,476	106,534

13. Accounting for Pension Costs – FRS17

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement 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 Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service.

Local Government Pension Scheme:

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 Net 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme	
	2008/09	**2009/10**
	£000	**£000**
Net Cost of Services:		
- current service cost	(15,687)	(12,836)
- past service gain/(cost)	(26)	(23)
- curtailment gain/(cost)	(946)	(2,150)
	(16,659)	**(15,009)**
Net Operating Expenditure:		
- interest cost	(29,549)	(41,581)
- expected return on assets in the scheme	20,254	21,892
	(9,295)	**(19,689)**
Net Charge to the Income and Expenditure Account	**(25,954)**	**(34,698)**
Statement of Movement in the General Fund Balance		
- reversal of net charges made for retirement benefits in accordance with FRS17	**25,954**	**34,698**
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	**(14,925)**	**(21,399)**

In 2009/10 the Council paid an employer's contribution of £21,399,000, representing 16.7% of employee's pensionable pay, into the Pension Scheme. The figures for 2008/09 were £14,925,000 and 15.6%.

In 2009/10 the Council paid pension strain and augmentation of £2,325,270, compared with £1,154,543 for 2008/09.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2009/10 these amounted to £1,503,000, representing approximately 1.36% of pensionable pay. The figures for 2008/09 were £1,442,000 and 1.65%.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £85,045,000 (gain of £12,764,000 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £202,000,000.

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2008/09	**2009/10**
	£000	**£000**
1 April	(482,166)	(588,917)
Current Service Cost	(15,687)	(12,836)
Interest Cost	(29,549)	(41,581)
Contributions by scheme participants	(5,548)	(7,279)
Actuarial gains and (losses)	104,298	(189,038)
Benefits paid	16,752	26,663
Past service costs	(972)	(2,173)
31 March	**(412,872)**	**(815,161)**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2008/09	**2009/10**
	£000	**£000**
1 April	319,799	361,459
Expected rate of return	20,254	21,892
Actuarial gains and losses	(91,534)	103,993
Employer contributions	14,925	21,399
Contributions by scheme participants	5,548	7,279
Benefits paid	(16,752)	(26,663)
31 March	**252,240**	**489,359**

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 £125,885,000 (2008/09 loss of £71,280,000).

Scheme History

	2005/06*	2006/07 As restated	2007/08 As restated	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities	(405,967)	(414,147)	(482,166)	(412,872)	(815,161)
Fair value of assets	304,799	323,231	319,799	252,240	489,359
Surplus/(deficit) in the scheme	**(101,168)**	**(90,916)**	**(162,367)**	**(160,632)**	**(325,802)**

** The council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised)*

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £325,802,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £686,096,000

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.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method - an estimate of the pensions that will be payable in future years 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 2007.

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2008/09	**2009/10**
Long term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.50%
Government Bonds	4.00%	4.50%
Other Bonds	6.00%	5.20%
Other	4.80%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2	21.2
Women	24.0	24.1
Longevity at 65 for future pensioners:		
Men	22.2	22.2
Women	25.0	25.0
Rate of inflation	3.30%	3.30%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.30%	3.30%
Rate for discounting scheme liabilities	7.10%	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 2009	**31 March 2010**
	%	**%**
Equity investments	60.7	63.1
Government Bonds	14.6	13.1
Other Bonds	11.6	10.7
Other assets	13.1	13.1
	100.0	**100.0**

Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06*	2006/07 As restated	2007/08 As restated	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	13.9	(0.6)	(8.6)	(36.3)	(21.3)
Experience gains and losses on liabilities	0.0	0.0	2.6	0.0	0.0

** The council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised)*

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council paid £11,185,000 to the Pensions Agency for teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2008/09 were £10,962,000 and 14.1%.

In addition, the Council is responsible for all of the pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted in total to £2,371,000, representing 3.0% of pensionable pay. This covers all added years costs incurred for people retiring in 2009/10 and previous years. The figures for 2008/09 were £2,022,000 and 2.43%.

The Scheme is a defined benefit scheme, administered by the TPA. Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities (LAs). However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

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

14. Disclosure of Audit Costs

In 2009/10, Shropshire Council incurred the following fees relating to external audit and inspection:

	2008/09 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	210	332
Fees payable to the Audit Commission for statutory inspection	15	17
Fees payable to the Audit Commission for the certification of grant claims and returns	56	90

15. Private Finance Initiative Schemes

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

a. The Quality in Community Services PFI Project

On 21st 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 are now required to be accounted for in a manner that is consistent with the adaptation of IFIC 12 Services Concession Arrangements, and the detailed accounting requirements are 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 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 of 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	Nil	Nil
2006/07	2,142	1,459
2007/08	2,838	1,523
2008/09	2,882	1,523
2009/10	2,906	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 of the assets and can be further split between repayment of the finance lease liabilities, an annual finance charge on the outstanding liabilities 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 overleaf:

	Year Ended 31 March 2006 £000	Year Ended 31 March 2007 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2010 £000
Fixed Assets - Buildings					
Balance Brought Forward		-	20,062	19,722	19,382
- Additions		20,402	-	-	-
- Revaluation		-	-	-	2,950
- Depreciation		(340)	(340)	(340)	(392)
Balance Carried Forward		20,062	19,722	19,382	21,940
Prepayments					
Balance Brought Forward	-	2,500	-	-	-
- Capital Contribution	2,500	-	-	-	-
- Release of Capital Contribution	-	(2,500)	-	-	-
Balance Carried Forward	2,500	-	-	-	-
Finance Lease Liability					
Balance Brought Forward	-	-	(17,775)	(17,455)	(17,122)
- Additions		(20,402)	-	-	-
- Release of Capital Contribution	-	2,500	-	-	-
- Repayment of Principal	-	127	320	333	360
Balance Carried Forward	-	(17,775)	(17,455)	(17,122)	(16,762)

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 Average Earnings Index (AEI). Using an assumed 2.5% RPIx, 3.75% AEI 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	2,931	1,207	367	1,357
Amounts Falling Due Within 2 - 5 Years	12,119	5,663	1,315	5,141
Amounts Falling Due Within 6 - 10 Years	16,125	8,496	1,793	5,836
Amounts Falling Due Within 11 - 15 Years	17,364	9,863	2,506	4,995
Amounts Falling Due Within 16 - 20 Years	18,793	11,556	3,379	3,858
Amounts Falling Due Within 21 - 25 Years	20,441	12,952	5,258	2,231
Amounts Falling Due Within 25 - 27 Years	6,429	4,052	2,145	232

b. The Waste PFI Project

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. Services under the contract commenced on 1st October 2007. On 20th October 2008, Shrewsbury and 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 separable elements to the contract: a collection and recycling element and a waste treatment services element.

The collection and recycling element comprises the kerbside collections of recycling and waste, the operation of the integrated waste management facilities (comprising the household recycling centres and transfer stations) and waste treatment and disposal other than the operation of the 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 are now required to be accounted for in a manner that is consistent with the adaptation of IFIC 12 Services Concession Arrangements, and the detailed accounting requirements are 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 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

** comprises the total 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 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 PFI contract at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below and overleaf:

	Year Ended 31 March 2008 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2010 £000
Fixed Assets - Buildings			
Balance Brought Forward	-	4,803	4,712
- Existing Assets Reinstated	5,154	-	-
- Cumulative Depreciation (Existing Assets)	(351)	-	-
- Depreciation in Period		(91)	(131)
- Additions	-	-	2,091
- Depreciation in Period	-	-	-
Balance Carried Forward	4,803	4,712	6,672

	Year Ended 31 March 2008 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2010 £000
Fixed Assets - Vehicles, Plant & Equipment			
Balance Brought Forward	-	3,069	3,783
- Existing Assets Reinstated	2,455	1,031	-
- Cumulative Depreciation (Existing Assets)	(727)	(81)	-
- Depreciation in Period	(169)	(351)	(410)
- Additions	1,748	398	2,495
- Depreciation in Period	(238)	(283)	(629)
Balance Carried Forward	3,069	3,783	5,239
Prepayments			
Balance Brought Forward	-	569	1,743
- Planned Capital Expenditure	569	1,174	2,165
Balance Carried Forward	569	1,743	3,908
Finance Lease Liability			
Balance Brought Forward	-	(1,571)	(1,420)
- Additions	(1,748)	(398)	(2,496)
- Repayment of Principal	177	549	337
Balance Carried Forward	(1,571)	(1,420)	(3,579)

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	17,047	13,140	1,942	1,965
Amounts Falling Due Within 2 - 5 Years	92,089	60,968	4,661	26,460
Amounts Falling Due Within 6 - 10 Years	147,742	91,084	14,672	41,986
Amounts Falling Due Within 11 - 15 Years	166,037	105,634	20,547	39,856
Amounts Falling Due Within 16 - 20 Years	186,576	122,315	28,620	35,641
Amounts Falling Due Within 21 - 25 Years	187,859	126,738	38,034	23,087

c. Prior Year Restatement

The new FReM based approach to accounting for PFI and similar contracts introduced by the 2009 SORP requires prior period adjustment and restatement of the 2008/09 corresponding amounts in accordance with the provisions of the SORP.

The following tables summarise the restatement of the 2008/09 Income and Expenditure Account, the 2008/09 Balance Sheet and the 2008/09 Statement of Movement on the General Fund Balance.

2008/09 Income and Expenditure Account:

	Net Cost of Services		Net Operating Costs	(Surplus)
	Cultural, Environmental & Planning Services	Social Services	Interest Payable & Similar Charges	/Deficit for the year
	£000	£000	£000	£000
Shropshire Council Closing Balances 2008/09	25,908	88,319	12,565	51,642
Reverse Unwinding of Discount on the Deferred Consideration			220	220
Reverse Amortisation of Deferred Consideration	(289)			(289)
Reverse Capitalisation of the Unitary Charge		729		729
Annual Depreciation in period	413	340		753
Grant Applied		387	(387)	0
Finance Lease Interest	(194)	(1,413)	1,607	0
Finance Lease Principal	(549)	(333)		(882)
Contingent Rental	(47)		47	0
Prepayment (Assets not yet provided under the contract)	(1,174)			(1,174)
Restated Shropshire Council Closing Balances 2008/09	**24,068**	**88,029**	**14,052**	**50,999**

2008/09 Statement of Movement in General Fund

	(Surplus)/Deficit for the Year	Amortisation of Deferred Consideration	Capitalisation of QICS PFI	Depreciation & Impairment of Fixed Assets	Minimum Revenue Provision for Capital Financing	Contributions to Reserves	(Increase)/Decrease in General Fund Balance for the Year
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shropshire Council Closing Balances 2008/09	51,642	(118)	778	(40,240)	9,834	2,221	1,128
Reverse Unwinding of Discount on the Deferred Consideration	220	(171)	(49)				
Reverse Amortisation of Deferred Consideration	(289)	289					
Reverse Capitalisation of the Unitary Charge	729		(729)				
Annual Depreciation	753			(753)			
Grant Applied	0						
Finance Lease Interest	0						
Finance Lease Principal	(882)				882		
Prepayment	(1,174)					1,174	
Restated Shropshire Council Closing Balances 2008/09	**50,999**	**0**	**0**	**(40,993)**	**10,716**	**3,395**	**1,128**

2008/09 Balance Sheet:

	Buildings	Vehicles, Plant & Equipment	Long Term Debtors	Debtors	Finance Lease Liability	Capital Adjestment Account	Reserves
	£000	£000	£000	£000	£000	£000	£000
Shropshire Council Closing Balances 2008/09	373,401	3,755	7,047	21,950	0	(443,834)	(17,672)
Assets Reinstated	4,803	195					
Assets Provided under the Contract	19,722	1,909					
Depreciation	(431)	(322)					
Write Back Deferred Consideration			(6,951)				
Reverse the Deferred Consideration Written Down						(233)	
Depreciation Neutralisation						1,670	
MRP Charge						(1,506)	
Unitary Charge Prepayment – Assets Not Yet Provided				1,744			
Initial Capital Contribution					2,500	(2,500)	
Finance Lease Liability Recognised					(22,548)		
Finance Lease Liability – Repayment of Principal					1,506		
Contribution to Waste PFI General Reserve							(1,744)
Reverse Creation of Long Term Debtor						2,185	
Restated Shropshire Council Closing Balances 2008/09	**397,495**	**5,537**	**96**	**23,694**	**(18,542)**	**(444,218)**	**(19,416)**

16. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families (DCSF), through 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 2009/10 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2009/10	19,099	128,077	147,176
Brought forward from 2008/09	0	0	0
Carry forward agreed in advance	0	0	0
Agreed budgeted distribution in 2009/10	**19,099**	**128,077**	**147,176**
Actual central expenditure	19,099	0	19,099
Actual ISB deployed to schools	0	128,077	128,077
Local authority contribution for 2009/10	0	0	0
Carry forward to 2010/11	**0**	**0**	**0**

The level of Schools' Balances, not included within the above statement, is reported in the Balance Sheet, and detailed in note 40 to the Core Financial Statements: This figure is reconciled below:

	£000
Schools' Balances carried forward to 2010/11	**7,648**
DSG carried forward as a Government Grant Debtor to be Repaid in 2010/11	0
Schools' Balances carried forward to 2010/11	**7,648**
Less	
External balances held by Foundation Schools	(165)
IT Financing	(221)
	(386)
Schools' Balances as Reported in the Balance Sheet (note 39)	**7,262**

17. General Government Grants

The Council's expenditure is partly funded through general government grants such as the Revenue Support Grant and Area Based Grant. The Council also receives grants that are awarded for the general expenditure of the authority. This enables the Council to have full control as to how this funding can be effectively and efficiently spent.

In 2009/10 the funding received through general government grants was as follows:

2008/09 £000		2009/10 £000
7,755	Revenue Support Grant	16,905
14,794	Area Based Grant	15,646
546	Local Authority Business Growth Initiative	185
-	Housing and Planning Delivery Grant	1,117
23,095	**TOTAL**	**33,853**

18. 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 2009/10 is a net operating deficit of £11,000. The deficit has been transferred to Reserves and will be dealt with in 2010/11. The catering service ended the year with a deficit of £139,000, while the cleaning service ended the year with a surplus of £128,000. For catering there has been an increase in income across the service, helped by the DCSF grant funding that was successfully obtained. However, Shire Services has paid a substantial proportion of the total contribution to this funding in the 2009/10 financial year, and the shortfall is £44,000, which will be met in 2010/11. The introduction of Food Standards into Secondary schools in September 2009 has inevitably led to an increase in food costs of the service, however, Shire Services is looking into various initiatives such as new menu ideas and new ways of delivering the service, in order to ensure that the standards do not have an adverse impact on income levels in 2010/11.

For cleaning, the outturn position has been achieved through greater income generation. As an example, Shire Services cleaning management has taken on the responsibility for Shirehall Services, thereby attracting a recharge of £32,000 to the cleaning service.

Other running costs, such as those related to transport, have seen a significant increase over the year and higher costs relating to CRB clearance procedures have affected the labour costs of the service. These will be closely monitored in 2010/11 to ensure that there is no adverse effect, particularly with the introduction of ISA (Independant Safeguarding Authority) regulations.

Shire services catering - Trading Account 2009/10

2008/09 Total £000		**2009/10 Statutory School Catering £000**	**Other Catering £000**	**Total £000**
	Income			
9,188	Sales and Other Income	6,132	3,177	9,308
835	Education Services	886	0	886
10,023	**Turnover**	7,017	3,177	10,194
	Expenditure			
5,103	Employees	3,726	1,386	5,112
3,474	Provisions	2,203	1,266	3,469
303	Heavy Equipment	208	134	342
204	Fuel Costs	207	0	207
902	Other Expenses	566	322	888
9,986		6,911	3,108	10,019
37	**Net Operating Income/(Expenditure)**	**107**	**68**	**175**
0	Transfers from/(to) Efficiency Reserves	0	0	0
15	Transfer from Central Reserves	(89)	0	(89)
52	**Net Profit/(Loss) In Year**	**18**	**68**	**86**
24	FRS17 Adjustment	(167)	(59)	(225)
76	**Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)**	**(149)**	**10**	**(139)**

Shire services cleaning - Trading Account 2009/10

2008/09 £000		2009/10 £000
	Income	
2,615	Charges	2,918
	Expenditure	
2,377	Employees	2,452
227	Other Expenses	257
2,604		2,709
11	**Net Operating Income/(Expenditure)**	**209**
0	Transfers from Reserves	0
11	**Net Profit/(Loss) In Year**	**209**
9	FRS17 Adjustment	81
20	**Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)**	**128**

19. 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 the skills and qualifications required to meet the needs of the local labour market, consequently helping employers to benefit from a better trained and/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 sixth full year of trading of Shropshire County Training, since returning to the Council. The County Training brand contracts with both the Learning & Skills Council (LSC), whose new agency from the 1st April 2010 is the Skills Funding Agency (SFA), and prime contractor of Jobcentre Plus for the Department of Works and Pensions (DWP) funding of the new programme, Flexible New Deal (FND). Originally, County Training received 100% of all New Deal contracts across Shropshire and Telford & Wrekin, but, from September 2009, the two prime contractors which cover the area allocated just 50% of the contracts to County Training, which, together with the various caps put on by the LSC, severely reduced the income available and this necessitated County Training to implement a restructuring programme in July 2009. 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 2009/10 and finished the year with a deficit of £1,073,000. 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 £1,197,000, compared with a surplus in 2008/09 of £3,000 (after taking account of technical accounting adjustments of £545,000). 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 3 years to recover the trading position. Income for 2009/10 at £7,058,000 decreased by £632,000 from the previous year. Expenditure at £8,131,000 is £101,000 lower than in the previous year, and reflects the difficult trading conditions experienced during the year.

SHROPSHIRE COUNTY TRAINING – Trading Account 2009/10

2008/09 £000		2009/10 £000
	Income	
7,690	Sales and Other Income	7,058
	Expenditure	
6,101	Employees	6,006
954	Training Costs	1,140
1,070	Premises and Equipment Costs	883
107	Other Expenses	102
8,232		8,131
(542)	**Net Operating Income/(Expenditure)**	**(1,073)**
0	Transfers from/(to) Efficiency Reserves	0
(542)	**Net Profit/(Loss) In Year**	**(1,073)**
37	Technical Accounting Adjustments	(369)
508	Job Evaluation	245
3	**Net Profit/(Loss) Technical Accounting Adjustments**	**(1,197)**

20. Minimum Revenue Provision

The Council is required by statute to set aside a Minimum Revenue Provision (MRP) for the redemption of external debt.

2008/09 £000		2009/10 £000
8,362	MRP – Supported Borrowing	7,763
1,176	MRP – Telford & Wrekin Council, Probation and Magistrates	1,135
296	MRP – Unsupported Borrowing	339
882	MRP – Quality in Community Services (QICS) and Waste PFI	697
10,716	**Total MRP**	**9,934**

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 the 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 adjustment "A" values of the previous authorities, who had a Capital Financing Requirement as at 1 April 2010). For information, this reduces the Council's 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 year's Capital Financing Requirement, MRP for unsupported borrowing was included in 2007/08 for the first time.

Changes in the 2009/10 Statement of Recommended Practice, to bring the accounting treatment for Private Finance Initiatives in line with International Financial Reporting Regulations, has 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.

Following the restructuring to Shropshire Council, with a vestment date of 1 April 2009, at which point the historic debt and capital receipts from the predecessor authorities transferred; the Council voluntarily set aside capital receipts from the predecessor authorities as at 1 April 2009, in order to reduce the Council's Capital Financing Requirement (CFR) and to generate minimum revenue provision (MRP) savings in 2009/10.

21. Note to the Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

The Statement of Movement on General Fund Balance on page 35 provides a reconciliation of the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The statement includes a figure for the net additional amount required by statute and non statutory proper practice to be debited or credited to the General Fund Balance for the year. An analysis of that figure is provided on page 95.

2008/09 £000		2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(41)	Amortisation of intangible fixed assets	(234)
(40,993)	Depreciation and impairment of fixed assets	(59,842)
0	Depreciation and Impairment on HRA Assets	14,633
8,058	Government Grants Deferred amortisation	4,740
(3,792)	Revenue Expenditure Funded from Capital Under Statute	(5,523)
(19,142)	Net (loss)/surplus on sale of fixed assets (see note below)	(5,918)
323	Transfer to/from Collection Fund Adjustment Account	(271)
0	Amortisation of Premiums - HRA	69
0	Amortisation of Deferred Consideration – Waste PFI	0
(25,953)	Net charges made for retirement benefits in accordance with FRS17	(34,698)
(81,658)		(87,044)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
10,716	Minimum revenue provision for capital financing (Note 20)	9,934
2,641	Capital expenditure charged in year to the General Fund Balance	4,441
0	Capitalisation of Quality in Community Services – PFI	0
0	Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	(105)
0	Write off of overhanging premiums (Note 35)	
315	Amortisation of Financial Instrument Adjustment Account (Note 35)	315
14,925	Employer's contributions payable to Shropshire County Pension Fund and retirement benefits payable direct to pensioners	21,399
28,597		35,984
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
0	Housing Revenue Account balance transferred from Districts	(975)
0	Housing Revenue Account balance	800
3,395	Net transfer to or from earmarked reserves	3,469
3,395		3,294
(49,666)	**Net additional amount required to be debited or credited to the General Fund Balance for the year**	**(47,766)**

Additional information on the Net (loss)/surplus on sale of fixed assets

The net loss on the sale of fixed assets in 2009/10 was £5,918,000. This figure included the transfer of ownership of 3 schools to the Diocese - required as a legal obligation under education legislation (Education Act 1946 or Schools Standards and Framework

1998). The Statement of Recommended Practice requires that where an authority is required to surrender assets without compensation, possibly following a transfer of responsibilities to another part of the public services, the current value of the asset should be written out as a loss on disposal. The transfer of the 3 schools resulted in a loss of £5,746,000 based on their current value. This was added to a loss on the sale of other assets of £172,000, resulting in the net loss of £5,918,000.

22. Assets – Intangible and Fixed Assets

The figures overleaf provide information on the movement of fixed assets held by the Council during 2009/10. Following the introduction of capital asset accounting, the fixed assets are now shown at their current value.

	Intangible Assets	Dwellings	Land	Buildings	Vehicles Plant & Equipt	Infra structure	Community Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
SCC balance b/f 01/04/09	204	0	271,423	407,238	12,189	319,924	1,593	1,012,571
District balance b/f 01/04/09	1,008	217,721	17,618	99,323	6,616	2,860	6,135	351,281
Prior period adjustment (SCC & Districts)	0	0	316	26,012	5,633	0	0	31,961
Restated balance b/f 01/04/09	1,212	217,721	289,357	532,573	24,438	322,784	7,728	1,395,813
Additions	229	1,120	215	14,120	6,042	19,688	698	42,112
Disposals/Write out	(486)	(306)	(1,978)	(4,778)	(6,240)	(60)	(19)	(13,867)
Reclassifications	0	1,015	7,710	(3,041)	319	1,792	(880)	6,915
Revaluations	(67)	15,097	(5,865)	8,097	0	0	(2,093)	15,169
GBV at 31/03/10	888	234,647	289,439	546,971	24,559	344,204	5,434	1,446,142
Depreciation and Impairments								
SCC balance b/f 01/04/09	(76)	0	(394)	(33,837)	(8,434)	(58,710)	(994)	(102,445)
District balance b/f 01/04/09	(666)	(2,518)	0	(8,126)	(3,962)	(553)	(507)	(16,332)
Prior period adjustment (SCC & Districts)	0	0	0	(1,473)	(1,850)	0	0	(3,323)
Restated balance b/f 01/04/09	(742)	(2,518)	(394)	(43,436)	(14,246)	(59,263)	(1,501)	(122,100)
Charge for 2009/10	(272)	12,229	(9,222)	(32,089)	(4,042)	(8,648)	(1,496)	(43,540)
Disposals/Write out	486	3	0	378	6,232	60	19	7,178
Reclassifications	0	(43)	0	228	218	(434)	21	(10)
Revaluations	67	(15,097)	9,588	11,580	0	0	2,093	8,231
Balance at 31/03/10	(461)	(5,426)	(28)	(63,339)	(11,838)	(68,285)	(864)	(150,241)
NBV 31/03/10	**427**	**229,221**	**289,411**	**483,632**	**12,721**	**275,919**	**4,570**	**1,295,901**
NBV 01/04/09	**470**	**215,203**	**288,963**	**489,137**	**10,192**	**263,521**	**6,227**	**1,273,713**
Nature of Asset Holding								
Owned	427	229,221	289,411	455,020	7,482	275,919	4,570	1,262,050
PFI	0	0	0	28,612	5,239	0	0	33,851
	427	**229,221**	**289,411**	**483,632**	**12,721**	**275,919**	**4,570**	**1,295,901**

	Non Operational Investment	Non Operational Surplus	Non Operational Asset Under Construction	Total	Total Intangible & Operational	Overall Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
SCC balance b/f 01/04/09	9,210	12,792	5,810	27,812	1,012,571	1,040,383
District balance b/f 01/04/09	22,680	12,514	2,746	37,940	351,281	389,221
Prior period adjustment (SCC & Districts)	(462)	(311)	0	(773)	31,961	31,188
Restated balance b/f 01/04/09	31,428	24,995	8,556	64,979	1,395,813	1,460,792
Additions	400	0	22,420	22,820	42,112	64,932
Disposals/Write out	(546)	(3,744)	(87)	(4,377)	(13,867)	(18,244)
Reclassifications	(6,906)	45	(54)	(6,915)	6,915	0
Revaluations	(1,071)	(1,068)	(133)	(2,272)	15,169	12,897
GBV at 31/03/10	23,305	20,228	30,702	74,235	1,446,142	1,520,377
Depreciation and Impairments						
SCC balance b/f 01/04/09	0	(96)	(14)	(110)	(102,445)	(102,555)
District balance b/f 01/04/09	(377)	(19)	0	(396)	(16,332)	(16,728)
Prior period adjustment (SCC & Districts)	11	0	0	11	(3,323)	(3,312)
Restated balance b/f 01/04/09	(366)	(115)	(14)	(495)	(122,100)	(122,595)
Charge for 2009/10	(3,286)	(1,966)	(135)	(5,387)	(43,540)	(48,927)
Disposals/Write out	197	65	0	262	7,178	7,440
Reclassifications	39	(14)	(15)	10	(10)	0
Revaluations	2,352	1,420	135	3,907	8,231	12,138
Balance at 31/03/10	(1,064)	(610)	(29)	(1,703)	(150,241)	(151,944)
NBV 31/03/10	**22,241**	**19,618**	**30,673**	**72,532**	**1,295,901**	**1,368,433**
NBV 01/04/09	**31,062**	**24,880**	**8,542**	**64,484**	**1,273,713**	**1,338,197**
Nature of Asset Holding						
Owned	22,241	19,618	30,673	72,532	1,262,050	1,334,582
PFI	0	0	0	0	33,851	33,851
	22,241	**19,618**	**30,673**	**72,532**	**1,295,901**	**1,368,433**

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, and this included the preparation and checking of plans, site 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 to 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.

The total net book value for the 6 schools based on current market value is £8,476,000.

23. Valuations of Fixed Assets carried at Current Value

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

	Dwellings	Land & Buildings	Operational Vehicles, Plant & Equipment	Intangible Assets	Community Assets	Infra-structure	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at Historic Cost	0	3,755	12,721	427	4,570	275,919	297,392
Valued at Current Value in:							
2005/06		98,660	0	0	0	0	98,660
2006/07		91,870	0	0	0	0	91,870
2007/08		163,127	0	0	0	0	163,127
2008/09	229,221	270,535	0	0	0	0	499,756
2009/10		145,096	0	0	0	0	145,096
CV Total	229,221	769,288	0	0	0	0	998,509
Total	**229,221**	**773,043**	**12,721**	**427**	**4,570**	**275,919**	**1,295,901**

	Investment	Surplus	Non Operational Assets Under Construction	Total	Total Operational	Total
	£000	£000	£000	£000	£000	£000
Valued at Historic Cost	405	0	24,197	24,602	297,392	321,994
Valued at Current Value in:						
2005/06	0	60	0	60	98,660	98,720
2006/07	175	0	0	175	91,870	92,045
2007/08	1,425	92	0	1,517	163,127	164,644
2008/09	2,480	8,088	2,000	12,568	499,756	512,324
2009/10	17,756	11,378	4,476	33,610	145,096	178,706
CV Total	21,836	19,618	6,476	47,930	998,509	1,046,439
Total	**22,241**	**19,618**	**30,673**	**72,532**	**1,295,901**	**1,368,433**

24. Capital Expenditure and Financing

The figures below provide information on the financing of capital expenditure. This note complies with the requirements of the Prudential Code.

2008/09 £000		2009/10 £000
240,753	**Opening Capital Financing Requirement**	**253,259**
0	Adjustment for Opening Shropshire Council Balance Sheet	(19,662)
240,753	**Opening Capital Financing Requirement Shropshire Council**	**233,597**
	Capital investment	
41,404	Operational assets	39,497
5,530	Non-operational assets	22,820
13,375	Revenue Expenditure Funded from Capital under Statute	15,953
778	Long Term Debtor – Quality in Community Services (QICS) PFI	0
882	Finance Lease Principal - Quality in Community Services (QICS) PFI & Waste PFI	697
	Sources of finance	
(3,194)	Capital receipts	(4,095)
(32,134)	Government grants and other contributions	(37,325)
(3,419)	Direct Revenue Financing (Including MRA)	(4,541)
(8,658)	Minimum Revenue Provision	(8,103)
(1,176)	Minimum Revenue Provision – TWC & Probation & Magistrates	(1,135)
(882)	Minimum Revenue Provision – Quality in Community Services (QICS) PFI & Waste PFI	(697)
253,259	**Closing Capital Financing Requirement**	**256,668**
	Explanation of movements in year	
10,802	Increase in underlying need to borrow (supported by Government financial assistance)	12,488
1,704	Increase in underlying need to borrow (unsupported by Government financial assistance)	10,583
12,506	**Increase/(decrease) in Capital financing requirement**	**23,071**

25. Statement of Fixed Assets

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

				As at 31 March 2010					
SCC	Districts	Total	Asset	Owned by SC	Leased by SC	Leased to Other Bodies	Owned by Other Bodies	PFI Sites	Total
4	5	9	Administrative Offices	9	1	0	0	0	10
3	0	3	Advisory Services Centres	2	0	1	0	0	3
1	0	1	Archives	1	0	0	0	0	1
1	3	4	Arts	4	0	0	0	0	4
14	35	49	Business / Commercial Sites	22	1	25	1	0	49
2	77	79	Car Parks	78	2	0	0	0	80
0	9	9	Churches / Cemeteries / Crematoriums	9	0	0	0	0	9
14	0	14	Childrens Centres	13	2	0	0	0	15
11	0	11	Childrens Services	5	4	1	0	0	10
5	0	5	Connexions	3	2	0	0	0	5
6	0	6	Education Centres	4	2	0	0	0	6
26	0	26	Group Homes	7	13	0	6	0	26
4	0	4	Gypsy Sites	4	0	0	0	0	4
9	10	19	Highway Properties	16	2	1	0	0	19
0	28	28	Housing Sites (General Fund)	23	0	6	0	0	29
10	0	10	Learning and Training	8	2	0	0	0	10
15	8	23	Leisure Facilities	22	1	0	0	0	23
22	0	22	Libraries	17	5	0	0	0	22
0	6	6	Markets and Town Halls	4	0	2	0	0	6
16	0	16	Mental Health and Older Peoples Services	2	6	0	8	0	16
5	0	5	Mental Health Residential	2	0	3	0	0	5
5	3	8	Museums	4	3	1	0	0	8
6	0	6	Multi Occupancy Sites	0	0	0	0	6	6
26	0	26	Physical and Learning Disabilities	10	14	2	0	0	26
0	32	32	Public Conveniences	32	0	0	0	0	32
3	0	3	Registrars (excluding shared facilities)	1	1	0	1	0	3
8	0	8	Residential Homes for Older People	1	0	6	0	0	7
164	0	164	Schools	77	3	0	77	0	157
29	0	29	Smallholdings	24	4	1	0	0	29
4	2	6	Waste Management Sites	2	0	1	0	4	7
11	0	11	Youth Centres / Offices	8	3	0	0	0	11
0	4271	4271	Council Dwellings (HRA)	0	0	4251	0	0	4251
0	8	8	Sheltered Dwellings Communal Rooms	8	0	0	0	0	8
0	995	995	Garages	0	0	995	0	0	995

26. 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 The 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 The Grange Junior School by virtue of an agreement dated 4 December 1996 made between (1) 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 2010. The former Foundation School still in the ownership of the Governing Body has an estimated fixed asset valuations 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.

27. Deferred Premiums on the Early Repayment of Debt

As at the 31st March 2010, the balance in the Income and Expenditure Account relating to the deferred premiums on three market loans was £765,000. This will continue be charged to the Income and Expenditure Account, and credited against the Financial Instruments Adjustment Account (FIAA), over the life of the replacement loans. The charge to the Income and Expenditure Account in 2009/10, and therefore the credit against the FIAA, was £12,000.

28. 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 2010 £000
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities	192
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire	103
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire	181
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School	33
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends	430
Shropshire Voluntary Association for the Blind	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	416

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.

29. Temporary Investments (loans and receivables)

Investments are shown at amortised cost. As at 31 March 2010, £99,931,000 was placed with highly credit rated banks, building societies, other Local Authorities and the UK Debt Management Office (DMO) for periods of up to 365 days. The accrued interest relating to investments that is included in this figure amounts to £116,000. Further details on the requirements relating to accounting for accrued interest are provided at note 33.

30. Stock

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

2008/09 £000		2009/10 £000
218	Road Materials	182
63	Visitor Centres and TIC Retail Stock	109
184	Shire Services	192
0	Leisure Services	32
0	Travel Tokens	68
55	Other	87
520		**670**

31. Debtors

These are sums of money due to the Council but unpaid at 31 March 2010.

2008/09 (Restated) £000		2009/10 £000
	Amounts falling due within one year:	
4,637	Government Departments	15,574
20,023	General Debtors	30,963
4,352	Payments in Advance	7,208
(2,388)	Provision for Bad Debts	(4,199)
26,624		**49,546**
	Amounts falling due after one year:	
96	Loans (including Car Loans)	1,583
0	QICS PFI Long Term Debtor	0
0	Waste PFI Deferred Consideration	0
96		**1,583**
26,720		**51,129**

The loans of £1,583,000 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.

32. Loans (financial liabilities)

Loans outstanding represent the net amount owing to external lenders. The loans are detailed below with a profile of their maturity.

2008/09 £000		2009/10 £000
	Temporary Loans	
2,151	**Maturing within 1 year**	**4,938**
	Long Term Loans	
2,197	Maturing within 1 year (accrued interest, see note 35)	0
1,000	Maturing in 1 - 2 years	0
7,000	Maturing in 2 - 5 years	23,500
30,800	Maturing in 5 - 10 years	30,200
210,118	Maturing in more than 10 years	224,218
251,115		**277,918**
253,266		**282,856**

33. Accrued Interest

The latest SORP incorporates the requirements of FRS25, FRS26 and FRS29 and therefore the Authority is required to report accrued interest for loans and receivables and financial liabilities as part of the carrying value of the borrowing/investment.

34. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 09 £000	31 March 10 £000	31 March 09 £000	31 March 10 £000
Financial Liabilities at Amortised Cost	251,115	277,918	2,151	4,938
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	**251,115**	**277,918**	**2,151**	**4,938**
Loans and Receivables	0	0	65,070	99,931
Available for Sale Financial Assets	0	0	0	0
Unquoted Equity Investment at Cost	0	0	0	0
Total Investments	**0**	**0**	**65,070**	**99,931**

The financial instrument balances in the above table include accrued interest. The amount included within financial liabilities is £2,326,000. The amount included within loans and receivables amounts to £116,000. Further information on accounting for accrued interest is provided at note 33.

35. Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

	Financial Liabilities; Measured at Amortised Cost	Financial Assets; Loans and Receivables	Total
	£000	**£000**	**£000**
Interest Expense	(14,795)	0	(14,795)
Losses on Derecognition	0	0	0
Impairment Losses	0	(59)	(59)
Interest Payable and Similar Charges	**(14,795)**	**(59)**	**(14,854)**
Interest Income	0	771	771
Gains on Derecognition	0	0	0
Interest and Investment Income	**0**	**771**	**771**
Net Gain/(Loss) for the Year	**(14,795)**	**(712)**	**(14,083)**

Soft Loans

Following a review in this area, it has been identified that interest free loans with a nominal value of £974,000 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 that 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 £323,000. 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 that they are part of national agreements. These loans are not part of the Council's internal policies and therefore are not classified as soft loans.

Fair Value Calculations

In accordance with the latest SORP, each class of financial asset and liability should be disclosed at fair value as a note to the Statement of Accounts. In addition, the methods used in determining such fair values should also be disclosed. The purpose of the fair value calculation is primarily to provide a comparison with the carrying value in the Balance Sheet.

The methods used to calculate the fair value of the authority's outstanding debt has been based on the PWLB rates that applied to new loans as at 31 March 2010. These rates have then been matched, as appropriate, to the duration remaining on an existing loan maturity. The market debt has been based on the equivalent LOBO rates as at 31 March 2010.

For financial assets, the fair value is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender. The authority's investments are all at fixed rates and have therefore been calculated using the comparable fixed deposit rates as at 31 March 2010. The balances held in call accounts are shown as cash.

The summary portfolio position of financial assets and financial liabilities as at 31 March 2010 is as follows:

Financial Assets	Nominal/Principal	Fair Value
Cash	£9,670,000	£9,670,000
Fixed Term Deposits	£90,145,000	£90,344,109

Further details about these assets are provided at note 29.

Financial Liabilities	Nominal/Principal	Fair Value
Market Loans - LOBO	£49,200,000	£52,343,396
PWLB Maturity Loans	£231,228,693	£254,413,305

Further details about these liabilities are provided at note 32.

Premiums & Discounts

The treatment of premiums and discounts arising from the repayment of debt falls into one of two categories:

- Where the repayment falls under the terms of a loan extinguishment, any premiums or discounts arising need to be charged/credited to the Income and Expenditure Account in year. These charges/credits are then reversed in the Statement of Movement on General Fund Balance and transferred to the Financial Instruments Adjustment Account. The balance held in the Financial Instruments Adjustment Account is then written down via the Statement of Movement on the General Fund Balance, over the longer of the remaining life of the loan repaid or the replacement loan. Discounts are credited over the shorter of the remaining life of the loan repaid and 10 years.

- Where the repayment falls under the terms of a loan modification any premium or discount arising needs to be subtracted or added to the carrying value of the loan and charged/credited over the life of the loan.

In 2009/10 £281,000 was transferred into the opening balance of the Financial Instument adjustment Account from Oswestry Borough Council relating to the Housing Stock. This was the balance of the premium on debt restructuring in 2003/04. The £7,739,000 balance of the premiums held in the Financial Instrument Adjustment Account will continue to be amortised over the life of the replacement loans under regulation. This is a continuation of the authority's existing policy. The total value of this amortisation in 2009/10 was £384,000. This sum was charged to the Statement of Movement on General Fund Balance and credited to the Financial Instrument Adjustment Account. As a result, the balance on the Financial Instrument Adjustment Account stands at £7,356,000. 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. Further details are provided at note 27.
- 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 2009/10.

36. Nature and Extent of Risks arising from Financial Instruments

The identification, understanding and management of risks 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 ensure that the risks arising from the use of financial instruments remain within acceptable and agreed levels.

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

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 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 Director of Resources.

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 Director of Resources.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating, the maximum amount is currently limited to £20,000,000.

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 is taken to remove an institution from the approved lending list if required.

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 10 £000
Loans and receivables held with counterparties having a default rating of:	
AAA	3,185
AA	52,260
Other Local Authorities	44,370
Debtors (Customers)	13,038

The authority generally allows its customers 30 days credit. Of the £13,038,000 outstanding from customers at 31 March 2010, £5,142,000 was 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	1,034
3 to 6 months overdue	1,003
7 months to 1 year overdue	7,39
More than 1 year overdue	2,366
	5,142

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. The maturity analysis of the authority's financial liabilities is provided at note 32.

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

Interest Risk Exposure

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or to more of 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 2010, the Council's total outstanding debt (excluding accrued interest) amounted to £280,429,000, of which no loans were repayable at stepped interest rates. Out of this balance, £230,379,000 relates to fixed rate Public Works Loan Board (PWLB) loans, £850,000 relates to a variable rate PWLB loan 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 have resulted in an increase in interest payable of £8,500 on the PWLB loan and £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 2010, £9,670,000 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 £96,700. The impact of a 1% fall in interest rates would have been a £96,700 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 and therefore is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Rate Exposure

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

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 the former Landsbanki being placed in the hands of a resolution committee. The former 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 1st 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. However, an objection has been filed by non priority creditors meaning that all claims are currently being referred to the Icelandic District Court to be resolved, as no agreement was reached during the mediation process.

Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011. 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.

Landsbanki's latest creditors' report was issued on 26 March 2010. This confirms that a settlement has been reached between Landsbanki and the successor bank in Iceland about the way in which the successor will compensate Landsbanki for the assets taken over. 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)
October 2011	22.17%
October 2012	8.87%
October 2013	8.87%
October 2014	8.87%
October 2015	8.87%
October 2016	8.87%
October 2017	8.87%
October 2018	19.47%

Failure to secure preferential creditor status would have a significant impact upon on the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore if preferential creditor status is not achieved, the recoverable amount may only be 38%.

Based on this latest information, a reassessment of the recoverable amount at 31 March 2010 is required. As this reassessment is a change in an accounting estimate, it has been accounted for in 2009/10, 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 deposit's original interest rate of 6.10%. The carrying amount of £772,588 as at 31 March 2010 is made up of the carrying amount of £726,981 as at 31 March 2009, plus interest credited to the Income & Expenditure Account in 2009/10 of £45,607. Based on the revised calculation, the recoverable amount has now reduced to £713,148. Therefore, an impairment adjustment of £59,439.54 has been recognised in 2009/10.

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.

37. Creditors

These are amounts owed by the Council for work done, goods received or services rendered, which had not been paid by 31 March 2010.

2008/09 (Restated) £000		2009/10 £000
16,233	Government Departments	24,110
39,848	General Creditors	43,870
2,063	Collection Fund	2,851
3,365	Receipts in Advance	4,146
61,509		**74,977**

38. 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 Schme (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. 2009/10 is the first of three target years, and there is no balance carried forward from 2008/09, as the Waste and Emissions Trading Act 2003 (WET Act) prevents banked allowances being used in a target year, and all unutilised allowances were cancelled. The WET Act also prevents the banking of allowances accross target years. Allowances not used in a target year are forfeited unless a trade can be undertaken in the reconciliation period bewteen April and the end of September. The authority did not buy or sell any allowances in 2009/10, however trading activity in the reconcilliation period is possible.

	Allowances No.	Rate £	Value £000
Balance of LATS Reserve as at 1 April 2009	**107,824**	**0.00**	**0**
Adjust for Changes to 2008/09			
Impairment of Allowances Transferred to Reserve	0	0.00	0
Changes during Reconciliation Period	0	0.00	0
Net Impact on Reserve	**79,691**		**0**
2009/10 Allowances			
Allowances Issued by DEFRA	67,395	16.57	1,117
Total Allowances Prior to 2009/10 Utilisation	**67,395**	**16.57**	**1,117**
Allowances Utilised in Year	**(46,000)**	**16.57**	**(762)**
Balance of Reserve as at 31 March 2010 (Pre Reconciliation Period)	**21,395**	**16.57**	**355**

39. Cash

2008/09 £000		2009/10 £000
(818)	Cheques issued but unpresented	(1,120)
(3,805)	Net bank and petty cash balances	(6,552)
(4,623)		**(7,672)**

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

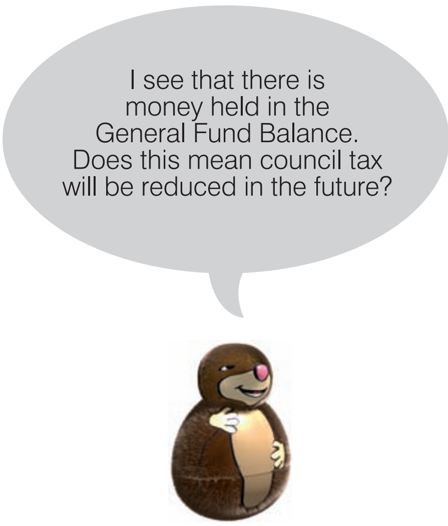
Additional grant was received during 2009/10 for the Leonardi da Vinci Programme and associated expenditure incurred. Income & Expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. As the rates fluctuate during the course of a day, an average for that day is used, where the transaction is to be settled at a contracted exchange rate. 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.

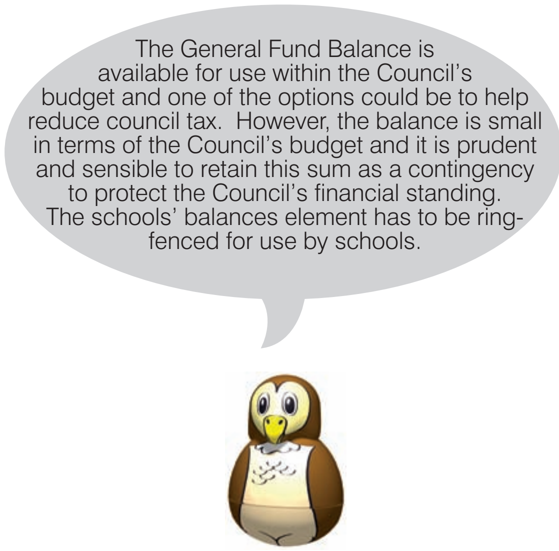
	Euro €'000	Sterling £'000
Opening Balance transferred from South Shropshire District Council	0	0
Income	10	9
Expenditure	(5)	(4)
Closing Balance	**5**	**5**

40. General Fund Balance

This represents the combined accumulated surplus of income over expenditure against the General Fund and Schools' budgets. These sums are separately identifiable and an analysis is provided below:

2008/09 £000		2009/10 £000
2,250	**General Fund**	**2,875**
	Schools' Balances	
5,305	Revenue Balances	5,428
2,074	Invested Balances	2,055
0	Foundation Schools (using the Council's bank account)	0
(240)	IT Financing	(179)
7,139		**7,304**
9,389		**10,179**





Following consultation with the Schools' Forum and Headteachers, an element of schools' balances have been used to purchase IT equipment for schools. The cost of this equipment is then recharged to schools over the life of the equipment, effectively operating as an internal leasing arrangement. In addition to the schools' balances held by the Council, a further £165,000 of balances are held by individual Foundation schools who hold their own bank accounts.

41. Usable Capital Receipts Reserve

The table below shows the capital receipts in hand at 31 March 2010, along with the movements in capital receipts that have taken place during the year. In the opening 2009/10 balance sheet for Shropshire Council, capital receipts of £27,229,000 were set aside to reduce the Capital Financing Requirement and Minimum Revenue Provision Charge in 2009/10. In 2009/10, £4,074,000 of borrowing (use of the capital receipts set aside) was required to finance capital expenditure, reducing the capital receipts set aside balance to £23,155,000.

2008/09 £000		2009/10 £000
1,390	Opening Balance Shropshire County Council	9
0	Opening balance transferred from Districts	26,805
0	Third party Capital receipts (between SCC and Districts released to UCR)	415
0	Capital receipts set aside in Opening Balance sheet	(27,229)
1,390	**In hand at 1 April 2009**	**0**
1,813	Net Receipts in year	4,095
(3,194)	Capital Receipts applied to capital expenditure	(4,095)
(1,381)		**0**
9	**In hand at 31 March 2010**	**0**

42. Revaluation Reserve

The Revaluation Reserve was created in the 2007/08 Statement of Accounts and represents the net impact of the revaluation gains accumulated since 1 April 2007. The closing balance on the Reserve at 31 March 2009 was £157,420,000. This increased by £16,740,000 to £174,160,000 in the 2009/10 opening balance sheet for Shropshire Council. The Revaluation Reserve has increased by £13,370,000 in 2009/10, resulting in a closing balance of £187,530,000.

2008/09 £000		2009/10 £000
103,000	Opening Balance Shropshire County Council	157,420
0	Opening balance transferred from Districts	16,740
103,000	Opening Balance	**174,160**
70,942	Revaluations	24,974
(2,301)	Depreciation	(5,866)
(2,476)	Disposals	(4,676)
(11,745)	Impairment	(1,063)
157,420	**Balance at 31 March 2010**	**187,529**

43. Capital Adjustment Account

The system of capital accounting requires the establishment and maintenance of a Capital Adjustment Account. This is set out below:

	Balance at 1 April 2009 £000	Adjustment Opening SC Balance Sheet 1 April 2009 £000	Adjustment PFI Opening Balance Sheet 1 April 2009 £000	Movements in 2009/10 £000	Balance at 31 March 2010 £000
Write-down of deferred Government Grants	43,794	5,770	0	4,740	54,304
Write-down Revenue Expenditure Funded from Capital Under Statute	(40,781)	0	2,500	(5,523)	(43,804)
Capital Receipts set aside used to repay debt	8,132	0	0	0	8,132
Capital Finance					
- Capital Receipts Applied	77,472	27,229	0	4,095	108,796
- Revenue Contributions	65,811	0	0	4,541	70,352
- Capitalisation of Quality in Community Services PFI – Revenue Contribution	2,186	0	(2,186)	0	0
- Amortisation of Deferred Consideration – Waste PFI	(232)	0	232	0	0
Movements on Fixed Assets	313,320	339,055	94	(20,279)	632,190
MRP (less Depreciation & Amortisation provision)	(25,868)	0	(645)	(17,612)	(44,125)
	443,834	**372,054**	**(5)**	**(30,038)**	**785,845**

44. 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 of which 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.

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 3 active members of the Shropshire County Pension Fund, 3 pensioners and 2 deferred members. SALC has 3 active members. 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 on 1st March 1997.

The Council has entered into two "Funding and Development Agreements" with the 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 with 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 if 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.

45. Post balance Sheet Events

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Shropshire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

The S151 Officer authorised the Statement of Accounts for issue on 16 September 2010. This date has been used for the purposes of determining any Post Balance Sheet Events.

46. Related Party Transactions

The Council is required to disclose material transactions with related parties, that is bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of any transactions allows a view to be taken on 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 body or individual's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council, being responsible for the statutory framework within which the Council operates, providing the majority of its funding through the payment of grants and prescribing 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 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 2009/10 Councillor Nutting and Councillor Barker declared that they are Board Members of Severnside Housing. In 2009/10 the Council paid Severnside Housing £2,196,100, of which the majority relates to payments for accommodation associated with the Supporting People programme. There are no other material reported related party transactions between the Council and its members or senior officers.

Details of any exceptional transactions with other public bodies should be disclosed where they are material and may involve the ability for one party to influence another. There are no exceptional material transactions to disclose.

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 2009/10 was £18,770,000, compared with £11,350,000 for 2008/09.

As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. During the year the pension fund had an average cash balance of £3,412,000 in the Council accounts, for which interest of £18,000 was paid by the Council. The Council also received £1,015,000 from the pension fund for the costs of administration it provided, compared with £1,022,000 for 2008/09.

47. Government Grants Deferred

Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on the Government Grants Deferred Account of £118,475,000 represents grants not yet written off.

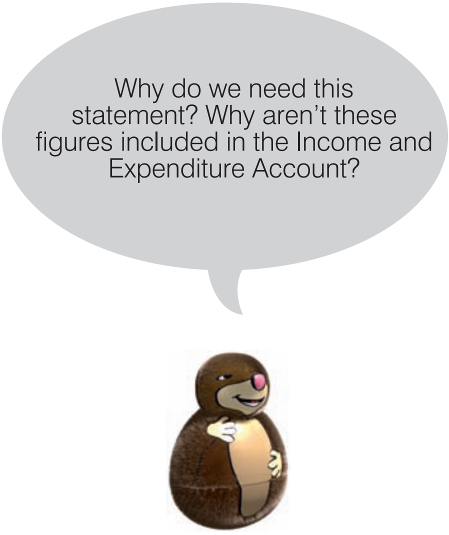
48. Capital Account Summary

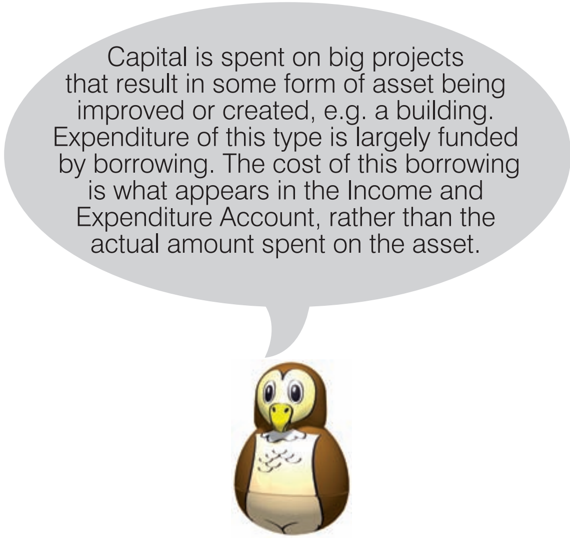
2008/09 Actual £000		2009/10 Actual £000
	Expenditure	
4,843	**Community Services**	11,349
23,023	**Children & Young People's Services**	34,343
	Development Services	
21,683	Highways	19,220
9,467	Other	5,390
1,293	**Resources, Chief Executive's Office and Legal & Democratic Services**	7,968
60,309		**78,270**
	Sources of Finance	
20,340	Borrowing (Supported)	21,387
2,000	Borrowing (Unsupported)	6,848
0	Borrowing (Unsupported – use of capital receipts set aside)	4,074
23,074	Government Capital Grants	33,517
7,170	Other Capital Grants	2,537
1,890	External Contributions	1,271
3,194	Capital Receipts	4,095
0	Major Repairs Allowance	100
2,641	Revenue	4,441
60,309		**78,270**

Capital expenditure is, by definition, on assets whose useful life is greater than that of financial year in which the payment took place. Expenditure generally considered to be capital includes payments on the:

- purchase and reclamation of land.
- purchase, construction, replacement or enhancement of roads and buildings.
- purchase, replacement or enhancement of vehicles and equipment.

Capital transactions are recorded on an accruals basis. Accruals for invoices of £75,000 or above are included in the capital expenditure. This complies with the CIPFA Statement of Recommended Practice and the accounting policy.





Capital Expenditure

Capital expenditure in 2009/10 totalled £78,270,000. The expenditure was incurred on:

	£000	%
Purchase of Land & Buildings	7,530	10
Construction	35,563	45
Furniture, Equipment & Vehicles	5,832	7
Infrastructure	15,265	20
Grants	4,947	6
Professional Charges	9,133	12
	78,270	**100**

The professional charges relate to work on infrastructure and construction.

Commitments under Capital Contracts

Capital contractual commitments as at 31 March 2010 were £10,346,000.

Supported Capital Expenditure (Revenue)

The Council received a Supported Capital Expenditure allocation (borrowing for which debt charges are supported through the Revenue Support Grant from Central Government) of £21,416,000, of which £21,387,000 was applied to finance capital expenditure in 2009/10.

Capital Receipts

Capital receipts of £27,230,000 were set aside for the repayment of debt by the Council as at 1st April 2009, leaving a nil balance of capital receipts in hand. Capital receipts of £4,095,000 were generated during the year. These were fully used to finance capital expenditure in year. In addition to the capital receipts set aside, £4,075,000 was used to finance capital expenditure in 2009/10, leaving a balance of £23,155,000 set aside as at 31st March 2010.

The Directorates/services generating receipts in 2009/10 were:

	£000
Smallholdings	192
Economic Development	65
Children & Young People's Services	282
Community Services	3,098
Housing (HRA & Non-HRA)	436
Resources	22
	4,095

49. Reserves and Provisions

The Council has created a number of specific reserves and provisions as permitted under the provisions of the Local Government and Housing Act 1989. These are to provide for known or anticipated future liabilities, and to assist in protecting essential services. Contributions, charged to the revenue account, are made either on a regular basis, or by appropriation from the Revenue Account when this is considered necessary.

Restated Balance at 31 March 2009 £000		Balance transferred from the Districts 1 April 2009 £000	Expenditure in 2009/10 £000	Income in 2009/10 £000	Balance at 31 March 2010 £000
	Reserves				
50	Advisory Service	-	50	-	-
2,167	Area Based Grant	-	1,676	1,176	1,667
78	Building Maintenance	-	78	-	-
441	Connexions Legacy	-	118	45	368
414	Council Elections	-	378	-	36
-	Craven Arms Auction Yard	70	-	-	70
595	CYPS Directorate	-	1,094	960	461
79	Economic Development Workshops Major Maintenance	-	-	42	121
951	Education – Staff Sickness Insurance	-	2,280	1,627	298
144	Education – Theft Insurance	-	150	44	38
1,701	Fire Liability	-	-	8	1,709
-	Housing	25	25	-	-
-	Landfill Allowance Trading Scheme	-	-	355	355
59	Legal Disbursements	-	-	110	169
507	Local Authority Business Growth Incentive	-	485	28	50
61	Major Planning Inquiries	-	-	956	1,017
-	Major Repairs Reserve	1,503	174	2,599	3,928
150	Motor Insurance	-	85	97	162
249	PFI Buildings Equipment Replacement	-	2	38	285
291	Resources Efficiency	1,664	2,418	1,271	808
1,780	Revenue Commitments for Future Capital Expenditure	3,887	3,962	519	2,224
-	Schools Building Maintenance Insurance	-	-	285	285
83	School Meals – Academic Year	-	83	-	-
-	Severe Weather	-	1,000	1,000	-
91	Shire Catering and Cleaning Efficiency	-	187	176	80
7,610	Shropshire Waste Partnership (Smoothing Reserve)	-	-	3,535	11,145
2,655	Shropshire Waste Partnership (General Reserve)	-	-	2,653	5,308
-	Theatre Severn – Repairs & Maintenance	-		155	155
688	TMO Vehicle Replacement	-	90	816	1,414
-	Transport – Academic Year	-	-	-	-
-	Unitary Transformation	-	-	149	149
219	Voluntary Early Retirement/Severance	1,081	4,407	4,992	1,885
435	Waste Management	-	385	-	50
58	Youth Service Vehicle Replacement	-	58	-	-
21,556		**8,230**	**19,185**	**23,636**	**34,237**
	Directorates Carry Forwards				
	• Community Services	-	24	-	(24)
	• Community Services – County Training		1,141	-	(1,141)
37	• Development Services	-	37	40	40
(2,386)	• Development Services - Highways	-	-	2,386	-
208	• Resources, Legal & Democratic Services, Chief Executive's Office and Corporate	-	208	446	446
(2,141)		**-**	**1,410**	**2,872**	**(679)**
	Provisions				
4,311	Liability Insurance	-	639	273	3,945
-	Single Status	369	-	-	369
-	Contract Retention	176	-	-	176
	Other Provisions	152	-	-	152
4,311		**697**	**639**	**273**	**4,642**
23,726	**TOTAL**	**8,927**	**21,234**	**26,781**	**38,200**

An explanation of the reserves and provisions shown on the previous page is provided below.

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 2010/11.

Building Maintenance - This was established from an underspend within Property Services and slippage in the repairs and maintenance programme for council buildings. In 2009/10 this reserve has been used to fund planned repairs and maintenance on the buildings and the building works associated with the accommodation works for the unitary council.

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 2009/10, £129,000 was used from this reserve to fund the cost of the Unitary elections held in June 2009. As the balance held within the reserve was not required for the purpose of the election, £250,000 was released to the Voluntary Early Retirement Reserve to help meet transition costs.

Craven Arms Auction Yard - This 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 2007/08, 2008/09 and 2009/10 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 - See Liability Insurance and fire liability under Provisions overleaf.

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. An underspend of £110,000 against legal budgets has been contributed to the reserve in 2009/10 to meet future corporate legal disbursement costs.

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 and is fully committed in 2010/11.

Major Planning Inquiries - This reserve is used to meet the one-off costs of major planning inquiries, and is a corporate reserve. There was no expenditure in 2009/10. The balance remaining from the Housing and Planning Delivery Grant received in 2009/10 (£956,000) has been allocated to the reserve to meet the costs of any future liabilities.

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 is responsible for maintaining.

Resources Efficiency - Established for investment in new developments, particularly in information technology, that client directorates would not be expected to meet from their internal service level agreements for support services. This reserve is used for corporate developments such as the development of the server room and electronic data management infrastructure. The reserve is fully committed in 2010/11.

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 2010/11.

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. In 2009/10 there has been some slippage in the programme of works, and therefore the balance of £285,000 will be fully committed in 2010/11.

School Meals - Academic Year - This reserve was held to support financial years in which there have 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 to cover any trading deficits. During 2009/10 Shire Services' overall trading position was a deficit of £11,000, but a £91,000 surplus had been carried forward from the previous year leaving £80,000 available which will be carried forward for 2010/11.

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 Waste Management 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. The SWP Business Plan anticipated the PFI smoothing reserve earning interest at 5% per annum. Interest of £48,641 has been added in 2009/10; applying an interest rate of 0.67% which reflects the average rate the Council has earned on its balances throughout the year. A further £314,355 has been transferred from the General reserve below to make up the shortfall in interest.

Shropshire Waste Partnership (General Reserve) - The general reserve arises from Waste Management underspends and this will be earmarked towards future capital and revenue pressures in the budget. £452,579 was added in 2009/10 and a contribution of £314,355 was made to the smoothing reserve to make up for a shortfall on interest. The balance has also been adjusted for the underspend arising from the prepayment for planned assets not yet provided under the contract (£2,165,000) which is now required under International Financial Reporting Standards.

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. An additional £758,430 was added in 2009/10, which included £82,713 of Bus Services Operators Grant (BSOG), and contributions for the replacement of existing vehicles of £675,717. Expenditure of £89,643 was incurred on the acquisition of vehicles.

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

Unitary Transformation - This reserve has been established from underspends on Organisational Development training programmes and will be used in 2010/11 to fund costs incurred in supporting the transformation programme of the unitary council.

Voluntary Early Retirement/Severance - This is 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. During 2009/10 this reserve has been used to fund the one-off voluntary early retirement and redundancy costs associated with the transition and transformation stages of the Unitary Council.

Waste Management - This has been set up in order to meet potential claims from our contractors. Expenditure of £384,904 was incurred in 2009/10, and all claims up to 2008/09 have now been settled.

Youth Service Vehicle Replacement - This reserve was established to meet the costs of purchasing specialist vehicles for the Youth Service.

Directorate Carry Forwards - This represents the net overspend on directorates' budgets at the end of the year. Under devolved financial arrangements for directorates, any underspend is available for use in 2010/11 or, alternatively, an overspend must be recovered.

Provisions

Liability Insurance Provision and Fire Liability Reserve - The "Liability Insurance Provision" and the "Fire Liability Reserve" are treated as one overall combined balance (as approved by Cabinet on 8 July 2003 as per the "Reserves, Provisions and Balances" report, recommendation C). This sum is now available 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 2009/10 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. As the negotiations around the scheme are still ongoing, this provision has been retained for use 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.

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 Atchham.

50. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the movement on revenue activities in the Cash Flow Statement

	2009/10	
	£000	£000
(Surplus)/Deficit for year per Income & Expenditure Account		**53,116**
Add items not resulting in cash flows		
Depreciation	(45,443)	
Government Grants Deferred Amortisation	4,740	
Write Down Government Expenditure Funded from Capital under statute	(5,523)	
Net loss on sale of fixed assets	(5,918)	
Impairment on Investments	(60)	
Net charges made for retirement benefits	(13,299)	
		(65,503)
		(12,387)
Add/deduct movements in working capital		
Increase/(decrease) in stocks and work in progress	28	
Increase/(decrease) in revenue debtors	(2,209)	
(Increase)/decrease in revenue creditors	9,275	
(Increase)/decrease in provisions	520	
(Increase)/decrease in Collection Fund Adjustment Account	(271)	
		7,343
		(5,044)
Add revenue costs of financing		
Net Interest		(12,241)
Interest on Finance Leases		(1,783)
Net (Inflow)/Outflow on Revenue Activities		**(19,068)**

51. Reconciliation of Net Cash Flow in the Cash Flow Statement to Movement in Net Debt

2008/09 £000		2009/10 £000
(3,020)	Increase/(decrease) in cash in the period	(29,365)
(126)	Cash inflow/(outflow) from increase/(decrease) in liquid resources	21,410
0	Cash inflow/(outflow) from increase/(decrease) in amount relating to major Preceptors & NNDR	7,368
86	Cash inflow/(outflow) from increase/(decrease) in debt financing	(22,992)
(3,060)	**Movement in net debt in the period**	**(23,579)**
(189,003)	**Net debt at 1 April 2009**	**(192,063)**
0	**Adjustments from Districts on Opening Balance Sheet**	**7,944**
	Increase in deferred liabilities from new PFI arrangement in year	(2,496)
(192,063)	**Net debt at 31 March 2010**	**(210,194)**

52. Analysis of Net Debt

	Balance as at 1 April 2009 £000	Adjustment Opening Balance Sheet £000	Adjusted Balance as at 1 April 2009 £000	Cash Flow £000	Non Cash Flow £000	Balance as at 31 March 2010 £000
Cash Overdrawn	(4,623)	26,316	21,693	(29,365)		(7,672)
Short Term Investments	64,405	14,000	78,405	21,410		99,815
Cash from Borrowing (Note 53)	(251,068)	(5,761)	(256,829)	(23,701)		(280,530)
Deferred Premium on Early Repayment of Debt (balance represent non-cash items)	(777)	0	(777)	12		(765)
Major Preceptors & NNDR	0	(8,069)	(8,069)	7,368		(701)
Deferred Liabilities - PFI	0	(18,542)	(18,542)	697	(2,496)	(20,341)
	(192,063)	**7,944**	**(184,119)**	**(23,579)**	**(2,496)**	**(210,194)**

53. Analysis of changes in Financing included in the Cash Flow Statement

	31 March 2009	Adjustment Opening Balance Sheet	Adjusted Balance as at 1 April 2009	31 March 2010	Cash Movement	Non Cash Movement
	£000	£000	£000	£000	£000	£000
Borrowing:						
Temporary Loans	(2,151)	(2,150)	(4,301)	(2,612)	1,689	
Long Term Loans	(216,717)	(3,611)	(220,328)	(228,718)	(8,390)	
Money Market	(32,200)	0	(32,200)	(49,200)	(17,000)	
	(251,068)	(5,761)	(256,829)	(280,530)	(23,701)	
Long Term Liabilities:						
Deferred Premiums on early repayment of debt	(777)	0	(777)	(765)	12	
PFI Deferred Liability	0	(18,542)	(18,542)	(20,341)	697	(2,496)
	(251,845)	**(24,303)**	**(276,148)**	**(301,636)**	**(22,992)**	**(2,496)**

54. Liquid Resources

The Council considers liquid resources to be:

- Current asset investments that are readily disposable (i.e. within 365 days) into known amounts of cash at, or close to, the amount of the investment, or traded in an active market, e.g. gilts, certificates of deposit etc.

- Temporary investments of cash available within 365 days.

55. Analysis of Government Grants included in the Cash Flow Statement

	2009/10
	£000
Revenue Support Grant	**16,905**
Non Domestic Rate Income	**73,240**
Dedicated Schools Grant	**147,176**
Other Revenue Grants:	
Standards Fund	25,897
Supporting People	6,420
ABG	15,646
Sure Start	4,713
Rural Bus Challenge	1,111
LABGI	184
QICS – PFI Credits	1,523
SWP – PFI Credits	3,186
Housing & Planning Delivery Grant	1,117
Total Other Revenue Grants	**297,118**
Capital Grants	
Schools Formula Capital	7,774
Standards Fund	18,617
Early Years	3,637
Department of Transport (LTP)	2,094
Department of Health	619
DEFRA Waste Infrastructure	508
Regional Housing Pot	951
Disabled Facilities Grants	1,042
Growth Fund	1,696
Other	7,884
Total Capital Grants	**44,822**

56. Accounting for Sustainability

During 2009, Shropshire Council was selected to take part in the Carbon Trust Local Authority Carbon Management Programme, and as a result of 9 months' work, has produced the Shropshire Council Carbon Management Plan. This strategy sets out Shropshire's commitment to reduce carbon emissions by 35% by 31st March 2014 from 2008/09 levels, and underpins potential financial savings to the council of around £17.2 million over 5 years. The baseline carbon footprint of 90,608 tonnes CO^2 has been calculated from the total annual energy, waste and transport fuel consumption through its direct activities.

The strategy sets out a wide range of short, medium and long term projects with initial sources of funding. An early activity has been to install automatic meter reading on gas and electricity meters in all buildings to enable more accurate data collection for own monitoring of progress, but also for submission under National Indicator 185 and in readiness for the Carbon Reduction Commitment. Other early projects include replacement boilers at Shirehall, lighting and insulation upgrades across area headquarters and work with schools.

A number of the projects identified can be financed from existing capital and revenue resources and through applications for specific grants. However, additional resources of £6.4m through prudential borrowing will be required to progress a number of schemes. The schemes identified are self-financing, within a period of between 2 and 5 years.

Section Eight
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 constitutes 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 FRS 9 - Associates and Joint Ventures) with specific regard to the independence that West Mercia Supplies has to pursue its own commercial strategy in buying and selling and the access it has 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 gross equity 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 FRS2 (Accounting for Subsidiary Undertakings).

South Shropshire Leisure Limited

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

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

South Shropshire Leisure Limited 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 Income and Expenditure Account and the Balance Sheet. In order to recognise the influence of the other shareholders, the proportion of the society represented by the remaining fourteen allotted shares is shown separately as minority interest.

Group Income & Expenditure Account

2008/09 Restated Group Expenditure £000	Expenditure on Continuing Services	2009/10 SC Net Expenditure £000	Adjustments £000	Group Expenditure £000
13,035	Central Services (Note G1)	14,572	938	15,510
398	Court Services	483		483
24,068	Cultural, Environmental and Planning Services (Note G3)	37,863	(185)	37,678
45,181	Education Services	39,361		39,361
28,279	Highways, Roads and Transport Services	28,566		28,566
484	Housing Services (Note G2)	964	(504)	460
88,029	Social Services	93,353		93,353
	Share of Operating Results of Joint Venture			
(9,969)	- Turnover (Note G1)	0	(11,609)	(11,609)
8,755	- Cost of Sales and Operating Expenses (Note G1)	0	10,638	10,638
	Expenditure on Acquired Services			
0	Services transferred from Shropshire District Councils	42,851		42,851
0	Expenditure on the Housing Revenue Account	(14,761)		(14,761)
198,260	**Net Cost of Services**	**243,252**	**(722)**	**242,530**
19,142	(Gain) or loss on disposal of fixed assets	5,918		5,918
0	Parish Precepts	5,462		5,462
(1)	Share of Joint Venture Profit/Loss on Disposal of Fixed Assets (Note G1)	0	(1)	(1)
3,298	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	3,690		3,690
14,052	Interest payable and similar charges	14,795		14,795
0	Contribution of housing capital receipts to government pool	105		105
(3,768)	Interest and Investment Income	(771)		(771)
(28)	Share of Interest Payable by Joint Venture (Note G1)	0	(4)	(4)
9,295	Pensions Interest Cost & Expected Return on Pensions Assets	19,689	5	19,694
46	Share of Joint Venture FRS17 Interest Cost/Return on Assets (Note G1)	0	61	61
(1,176)	Debt charges income	(1,135)		(1,135)
40,860		**47,753**	**61**	**47,814**
239,120	**Net Operating Expenditure**	**291,005**	**(661)**	**290,344**
(23,095)	General Government Grants	(33,853)		(33,853)
(55,705)	Non-domestic rate income	(73,240)		(73,240)
(109,867)	Demand on Collection Fund	(130,796)		(130,796)
50,453	**(Surplus)/Deficit for the Year**	**53,116**	**(661)**	**52,455**

Group Statement of Movement on the General Fund Balance

2008/09 Group A/C £000		SC £000	2009/10 Adjustments £000	Group A/C £000
50,453	Deficit for the Year on the Income and Expenditure Account	53,116	(661)	52,455
(49,325)	Net additional amount required by statute and non statutory proper practice to be debited or credited to the General Fund Balance for the year	(47,766)	661	(47,105)
1,128	**(Increase)/Decrease in General Fund Balance for the Year**	**5,350**	**0**	**5,350**
(10,516)	General Fund Balance brought forward	(9,388)	0	(9,388)
0	General Fund Balance brought forward – Districts	(6,141)	0	(6,141)
(9,388)	**General Fund Balance carried forward**	**(10,179)**	**0**	**(10,179)**
(7,139)	Amount of County Fund Balance held by schools under local management schemes	(7,304)		(7,304)
(2,250)	Amount of General Fund Balance generally available for new expenditure	(2,875)		(2,875)
(9,388)		**(10,179)**	**0**	**(10,179)**

Reconciliation of the Single Entity Deficit for the Year to the Group Deficit For the Year Ended 31 March 2010

2008/09 £000		2009/10 £000
50,676	Single Entity Deficit	53,116
0	CAT Ltd (Profit)/Loss	(504)
0	South Shropshire Leisure Ltd (Profit)/Loss	(180)
(223)	SC share of Joint Venture (Profit)/Loss – West Mercia Supplies	23
(50,453)	**Group Account Deficit for the year**	**52,455**

Group Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2010

2008/09 Group A/C £000		2009/10 SC £000	Adjustments £000	Group A/C £000
50,453	(Surplus)/deficit for the Year on the Income and Expenditure Account	53,116	(661)	52,455
(60,228)	(Surplus)/deficit arising on revaluation of fixed assets	(23,581)	0	(23,581)
(12,880)	Actuarial (gains)/losses on pension fund assets and liabilities	85,045	170	85,215
(22,655)		**114,580**	**(491)**	**114,089**
0	Collection Fund Reserve Adjustment	655	0	655
(22,655)	**Total recognised (gains)/losses for the year**	**115,235**	**(491)**	**114,744**
0	**Balance Transferred from Districts on opening Balance Sheet**	**(338,653)**	**0**	**(338,653)**
0	**Recognised Interests in CAT Ltd and South Shropshire Leisure Ltd**	**0**	**1,422**	**1,422**
(22,655)		**(223,418)**	**931**	**(222,487)**
(1,484)	**Cumulative effect of Prior Period Adjustments**	**0**	**0**	**0**

Group Balance Sheet at 31st March 2010

2008/09 (Restated) £000		SC £000	2009/10 Adjustments £000	Group £000
128	Intangible Assets	427		427
	Fixed Assets			
	Operational			
0	Dwellings	229,221		229,221
271,029	Land	289,411		289,411
397,496	Buildings	483,632	4	483,636
261,214	Infrastructure	275,919		275,919
5,537	Vehicles, Plant and Equipment	12,721	24	12,745
599	Community	4,570		4,570
	Non-Operational			
9,210	Investment Assets	22,241		22,241
12,696	Surplus Assets	19,618		19,618
5,796	Assets Under Construction	30,673		30,673
963,577	**Total Fixed Assets**	**1,368,006**	**28**	**1,368,034**
	Long Term Investment in Joint Venture (Note G4):			
3,429	- Authority's share of Gross Assets	0	4,906	4,906
(1,891)	- Authority's share of Gross Liabilities	0	(3,662)	(3,662)
0	Long Term Investment	1,113		1,113
96	Long Term Debtors	1,583		1,583
965,339	**Total Long Term Assets**	**1,371,129**	**1,272**	**1,372,401**
	Current Assets			
520	Stocks	670	3	673
26,624	Debtors	49,546	579	50,125
65,070	Temporary Investments	99,932		99,932
0	Landfill Usage Allowances	1,117		1,117
92,214		**151,265**	**582**	**151,847**
1,057,553		**1,522,394**	**1,854**	**1,524,248**
	Current Liabilities			
(2,151)	Temporary Loans	(4,938)		(4,938)
(61,509)	Creditors	(74,977)	414	(74,563)
0	Liability to DEFRA for Landfill Usage	(762)		(762)
(4,623)	Cash Overdrawn	(7,672)	399	(7,273)
(68,283)		(88,349)	813	(87,536)
989,270	**Total Assets Less Current Liabilities**	**1,434,045**	**2,667**	**1,436,712**
	Long Term Liabilities			
(251,115)	Long Term Loans	(277,918)		(277,918)
(18,542)	Deferred Liabilities	(20,341)		(20,341)
(4,311)	Provisions	(4,643)		(4,643)
(90,266)	Government grants deferred	(118,475)		(118,475)
(777)	Deferred premiums on early repayment of debt	(765)		(765)
(160,632)	Pensions Liability	(325,802)	(198)	(326,000)
(525,643)		(747,944)	(198)	(748,142)
463,627	**Total Assets Less Liabilities**	**686,101**	**2,468**	**688,570**
	Financed by:			
157,440	Revaluation Reserve	187,529	20	187,549
444,218	Capital Adjustment Account	785,845		785,845
(7,458)	Financial Instruments Adjustment Account	(7,356)		(7,356)
9	Usable Capital Receipts Reserve	0		0
0	Deferred Capital Receipts	926		926
0	Collection Fund	372		372
(271)	Council Tax Adjustment Account	52		52
0	Major Repairs Reserve	3,927		3,927
(160,632)	Pensions Reserve	(325,802)	(198)	(326,000)
19,415	Reserves	29,630		29,630
0	HRA Balance	799		799
9,388	General Fund Balance	10,179		10,179
0	Interest in subsidiary - CAT	0	1,123	1,123
0	Interest in subsidiary - SSLL	0	37	37
0	Minority interest in subsidiary - SSLL	0	262	262
1,518	Authority's Share of Joint Venture - WMS	0	1,224	1,224
463,627	**Total Equity**	**686,101**	**2,468**	**688,570**

Group Cash Flow Statement

2008/09 £000	Revenue Activities	2009/10 SC £000	Adjustments £000	Group £000
(29,751)	**Net inflow on Revenue Activities**	**(19,068)**	**768**	**(18,300)**
	Dividends from Joint Ventures and Associates			
	Inflows			
(974)	Dividends received	0	(938)	(938)
(974)		**0**	**(938)**	**(938)**
	Servicing of Finance			
	Outflows			
12,588	Interest paid	12,926		12,926
1,220	Interest element of finance lease rental payments	1,783		1,783
	Inflows			
(3,418)	Interest received	(1,972)		(1,972)
10,390		**12,739**	**0**	**12,739**
	Capital Activities			
	Outflows			
46,253	Purchase of fixed assets & Other Capital cash payments	62,767	22	62,789
0	Other Capital Cash Payments	15,953		15,953
	Inflows			
(1,811)	Sale of Fixed Assets	(3,720)		(3,720)
0	Long Term Investments matured in year	(14)		(14)
(20,160)	Capital Grants	(44,822)		(44,822)
(1,769)	Other Capital Income	(256)		(257)
(23,740)		**(48,812)**	**0**	**(48,812)**
2,178	**Net Cash Outflow Before Financing**	**23,579**	**(148)**	**23,431**
	Management of Liquid Resources			
(126)	Net increase/(decrease) in short term deposits	28,778	0	28,778
	Financing			
	Outflows			
87	Repayments of amounts borrowed	4,211		4,211
882	Capital Element of PFI Payments	697		697
	Inflows			
(1)	New Loans Raised	(27,900)		(27,900)
968		**(22,992)**	**0**	**(22,992)**
3,020	**(Increase)/Decrease in Cash**	**29,365**	**(148)**	**29,217**

Notes to Group Accounts

G1. Consolidation of West Mercia Supplies

Figures in respect of West Mercia Supplies have been consolidated using the gross equity method. The amounts included in the Group Income and Expenditure Account are:

	WMS £000	SC Share (27%) £000
Turnover	(43,642)	(11,609)
Cost of Goods Sold and Operating Expenses	39,993	10,638
Gain on Disposal of Fixed Asset	(4)	(1)
Interest and Investment Income	(16)	(4)
Pensions Interest Cost and Expected Return on Pensions Assets	230	61
Net Operating Surplus	**(3,439)**	**(915)**
Distribution of Surplus to Member Authorities	3,526	938
NET DEFICIT FOR THE YEAR	**87**	**23**

G2. Consolidation of Community Asset Trust

The operating income (£503,961) of the North Shropshire Community Asset Trust has been included within Housing Services. There was no expenditure incurred by the company in 2009/10.

G3. Consolidation of South Shropshire Leisure Ltd

The operating income (£1,856,290) and expenditure (£1,671,276) 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 £638,884).

G4. Long Term Investment included in Group Balance Sheet

	WMS £000	SC Share (27%) £000
Assets	18,445	4,906
Liabilities	(13,768)	(3,662)
Value of investment	**4,677**	**1,244**

Section Nine
Pension Fund Accounts

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

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 the Borough of Telford & Wrekin, 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 2009/10, a copy of which can be accessed at www.shropshirecountypensionfund.co.uk A summary of the statement of accounts and compliance with Myners principles is shown below.

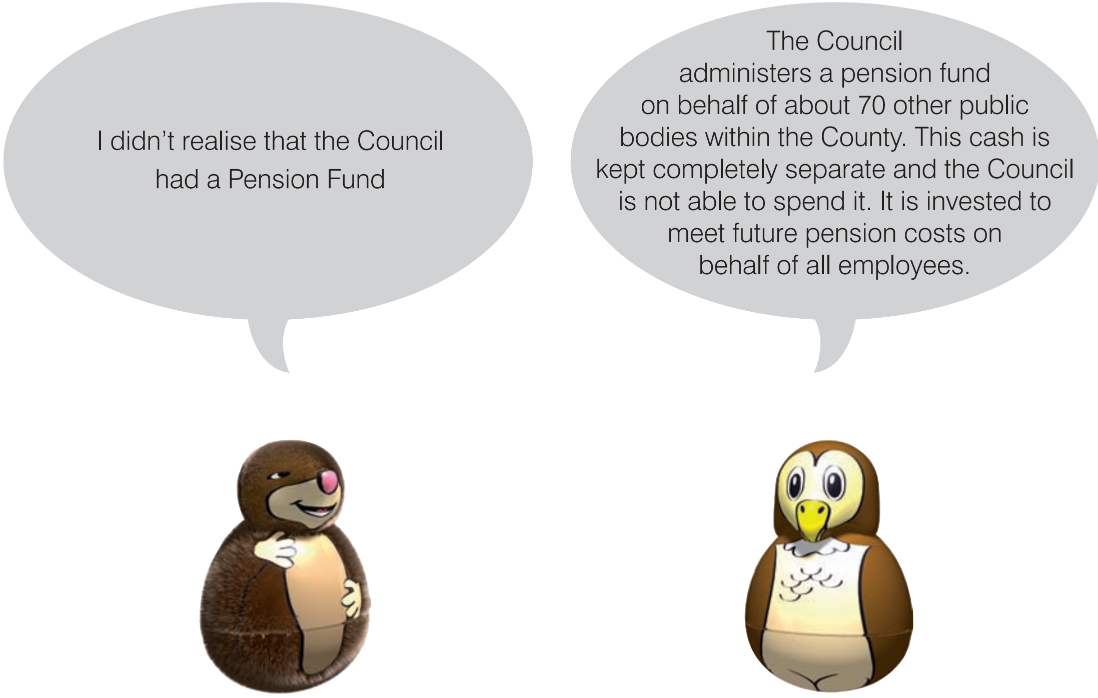
Pension Fund Account for the year ended 31 March 2010

2008/09 (Restated) £000		2009/10 £000
	Income	
	Contributions	
39,164	Employers	40,235
14,910	Employees	15,176
7,666	Transfers In	10,000
61,740	**Total Income**	**65,411**
	Expenditure	
	Benefits Payable	
(30,952)	Pensions	(35,150)
(13,175)	Lump Sums	(10,757)
(65)	Refunds	(13)
(8,591)	Transfers Out	(8,972)
(1,070)	Administrative expenses	(1,070)
(53,853)	**Total Expenditure**	**(55,962)**
	Returns on Investments	
23,518	Investment Income	20,147
(61,090)	Gain/(loss) on cash and currency hedging	5,558
(524)	Irrecoverable Tax	(424)
(156,974)	Changes in Market Value	207,790
(5,912)	Investment management expenses	(7,969)
(200,982)	**Net Returns on Investments**	**225,102**
909,250	**Opening net assets of the scheme**	**716,155**
716,155	**Closing net assets of the scheme**	**950,706**

Pension Fund Net Asset Statement as at 31 March 2010

31 March 2009 (Restated) £000		31 March 2010 £000	%
	Investment Assets		
	Fixed Interest Securities		
28,918	Public Sector Bonds	36,787	3.87
79,272	Corporate Bonds	95,884	10.09
68,452	Index Linked Securities	80,783	8.50
397,438	Equities	571,583	60.12
21,991	Derivatives		
	Futures	320	0.03
	Forward Foreign Exchange	1,559	0.17
	Unit Trusts		
38,388	Property	29,988	3.15
20	Other	19	0.00
75,967	Hedge Funds	86,822	9.13
	Cash Deposits		
	Margin Balances	4,854	0.51
200	Deposits	34,121	3.59
710,646		**942,720**	**99.16**
	Investment Liabilities		
	Derivatives		
	Futures	(147)	(0.02)
	Forward Foreign Exchange	(189)	(0.02)
	Other Financial Liabilities		
	Margin Balances	(440)	(0.05)
710,646	**Net Investment Assets**	**941,944**	**99.07**
	Current Assets		
4,093	Cash	6,903	0.73
3,951	Debtors	4,093	0.43
	Current Liabilities		
(2,535)	Creditors	(2,234)	(0.23)
716,155	**Net Assets at 31 March**	**950,706**	**100.00**

** 2008/09 derivative comparatives not available from Fund Managers*



Myners Principles

The Fund is required to report the level of compliance with six principles of good governance as set out in CIPFA Investment Decision Making and Disclosure in the Local Government Pension Scheme – A Guide to the Application of the Myners Principles. The Shropshire County Pension Fund's compliance statement is published in the Statement of Investment Principles. A summary is shown below;-

1. Effective Decision Making – Full Compliance

The Pensions Committee takes decisions relating to investment objectives, strategic asset allocation and appointment of investment managers. The relatively small size of the Pensions Committee enables it to fully consider investment issues. Members of the Committee receive regular training to support their decision making.

2. Clear Objectives – Full Compliance

The fund has the clear objectives of maintaining a 100% funding level with low and stable employers' contributions. Performance and risk levels are clearly specified in agreements with fund managers.

3. Risk and Liabilities – Full Compliance

An asset / liability review is carried out every 3 years, when a range of factors including longevity and the strength of the employer covenant are considered. The fund recognises that the single most important investment decision is the strategic allocation between equities and bonds.

4. Performance Assessment – Partial Compliance

Formal performance appraisal procedures are in place for investment managers, at both officer and Member level. The level of compliance will be improved by developing similar arrangements for monitoring investment advice.

5. Responsible Ownership – Full Compliance

An external voting agent is appointed to vote at company meetings in the UK and US. The fund also employs a programme of responsible engagement with the UK companies in which it invests. The Statement of Investment Principles outlines the fund approach to responsible investment.

6. Transparency and Reporting – Full Compliance

A range of documents are published relating to the fund investment management, governance and communication arrangements. These documents are available on the Fund's website and published within the Pension Fund Annual Report. Compliance with Myners Principles is monitored and reported to scheme members in the Statement of Investment Principles.

Section Ten

Housing Revenue Accounts

"We have secured funding to provide more than 300 affordable and discounted homes, and have completed 215 new 'local need' affordable homes"

Housing Revenue Accounts

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.

Housing Revenue Account Income and Expenditure Account

	2009/10 £000	2009/10 £000
Income		
Dwelling rents (gross)	(13,449)	
Non-dwelling rents (gross)	(228)	
Charges for services and facilities	(706)	
Contributions towards expenditure	(12)	
		(14,395)
Expenditure		
Repairs and maintenance	4,314	
Supervision and management - General	1,755	
Supervision and management - Special	853	
Negative Housing Revenue Account subsidy payable	4,660	
Provision for Bad or Doubtful Debts	69	
Depreciation of fixed assets - Dwellings	2,524	
Depreciation of fixed assets - Other	74	
Impairment	(14,707)	
		(457)
Net Cost of HRA Services as shown on the Income and Expenditure Account		**(14,852)**
HRA services share of Corporate and Democratic Core		91
Net Cost of HRA Services		**(14,761)**
Gain or loss on sale of HRA fixed assets	89	
Interest payable and similar charges	69	
PWLB Premium Amortised	0	
Interest and investment income	(27)	
Pensions interest cost and expected return on pensions assets	414	
		545
(Surplus)/Deficit for the year on HRA services		**(14,215)**

Statement of Movement on the Housing Revenue Account Balance

	2009/10 £000
Surplus for the year on the HRA Income and Expenditure Account	(14,215)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	13,415
(Increase) or decrease in the Housing Revenue Account Balance	**(800)**
Housing Revenue Account surplus brought forward	0
Housing Revenue Account surplus carried forward	**(800)**

Note of Reconciling Items for the Statement of Movement of HRA Balance

	2009/10 £000	2009/10 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year		
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	14,719	
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute	69	
Gain or loss on sale of HRA fixed assets	(89)	
HRA share of contributions to or from Pensions Reserve	(520)	
		14,179
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year		
Capital expenditure funded by the Housing Revenue Account	817	
Transfer to/from Major Repairs Reserve	(74)	
Transfer to/from Housing Repairs Account	(817)	
Transfer to the Housing Revenue Account (Local Government Re-Organisation Inherited Balance)	(975)	
Payments to SC Pension Fund Employers contributions	286	
		(763)
Net additional amount required by statute to be credited to the HRA Balance for the year		**13,415**

Notes to the Housing Revenue Account

1. Housing Stock

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

2. Rent Arrears

	2009/10 £
Due from Current Tenants	310,388
Due from Former Tenants	334,239
Total Rent Arrears 31 March 2010	**644,627**
Pre-Payments	(320,981)
Net Arrears	**323,646**

As at 31st March 2010, the total provision set aside for housing rent bad debts is £466,935

3. Balance Sheet Value of Assets

Cost or Valuation	Dwellings £000	Land £000	Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Sub-Total £000	Non-Operational Investment £000	Total £000
Balance b/f 1/4/09	217,721	1,025	979	11	59	**219,794**	1,474	**221,268**
Additions	1,120	0	0	0	0	**1,120**	0	**1,120**
Disposals/Write out	(306)	0	0	0	(6)	**(312)**	(349)	**(661)**
Reclassifications	1,015	(465)	(88)	(11)	0	**451**	(451)	**0**
Revaluations	15,097	0	0	0	0	**15,097**	76	**15,173**
Gross Book Value at 31/03/10	234,647	561	891	0	53	**236,151**	749	**236,900**
Depreciation & Impairments								
Balance b/f 1/4/09	(2,518)	0	(83)	0	(35)	**(2,636)**	(7)	**(2,642)**
Charge for 2009/10	12,229	0	(34)	0	(3)	**12,191**	(83)	**12,109**
Disposals/Write out	3	0	0	0	6	**9**	0	**9**
Reclassifications	(43)	0	37	0	0	**(7)**	7	**0**
Revaluations	(15,097)	0	2	0	0	**(15,094)**	83	**(15,012)**
Gross Book Value at 31/03/10	(5,426)	0	(78)	0	(32)	**(5,536)**	0	**(5,536)**
NBV 31/03/10	**229,221**	**561**	**813**	**0**	**20**	**230,615**	**749**	**231,364**
NBV 01/04/09	**215,203**	**1,025**	**896**	**11**	**23**	**217,158**	**1,467**	**218,626**

The Council's Head of Estates has advised that no general impairment should be charged to the 2009/10 accounts. However there was capital expenditure within the year of £306,901 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 £82,640 relating to a devaluation of land. In recognition of a general increase in property valuation of 7.1% during the year, an impairment of 10.7% recorded in the 2008/09 accounts has been partly reversed in 2009/10.

There is a difference of £223,542,234 between the tenanted valuation and the District Valuer's Vacant Possession Value of £438,184,610 at 1 April 2009. 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 in recognition of the fact that the properties are occupied by tenants on secure rent which is less than would be obtainable on the open market. The difference represents the economic cost to the Government of providing council housing at less than market rents.

4. Major Repairs Reserve

	2009/10 £
Balance Brought Forward	0
Amount Transferred from previous District Authorities	1,503,126
Amount Transferred to the MRR during the Year	2,598,468
Amount Transferred to HRA during the year - Excess Depreciation	(74,286)
Capital Expenditure Financing	(99,774)
Balance Carried Forward	**3,927,534**

5. Capital Expenditure and Finance

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

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

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 £
Sale of Council Houses under Right to Buy (RTB)	124,000
RTB Discounts Repaid	9,040
Other Land & Buildings	309,500
Mortgage Receipts	0
Total Capital Receipts from HRA Asset Disposals	**442,540**
Less Capital Receipts subject to Pooling requirement	(94,834)
Net Capital Receipts from HRA Asset Disposals	**347,706**

7. Deferred Charges

A charge of £68,851 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 £233,707 from the pension reserve for the year. The overall impact of these adjustments is nil to the HRA. Further information is given in note 13 to the Income and Expenditure Account.

	2009/10 **£**
Current Cost of Service	106,134
Net Return on Assets	413,577
Movement on Pension Reserve	519,711
Employers Contribution payable to scheme	(286,004)
Contribution to/(from) the Pension Reserve	(233,707)

9. Housing Subsidy

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

	2009/10 £
Management & Maintenance	5,735,641
Major Repair Allowance	2,524,182
Charge for Capital	464,779
Rental Constrain Allowance	0
Interest on Receipts	0
Guideline Rent Income	(13,404,620)
Housing Element (Subtotal)	**(4,680,018)**
Previous Year Adjustment	19,869
HRA Subsidy recoupment	**(4,660,149)**

10. Housing Repair Account

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

In addition a further £360,112 of capital receipts were utilised to support capital expenditure.

Section Eleven
Collection Fund

"The Council launched a benefits take-up campaign across Shropshire to encourage take up of benefits in rural areas"

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
	£000	**£000**
Income:		
Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)		(139,216)
Transfers from General Fund		
- Council Tax benefits	(19,119)	
- Transitional relief	7	
		(19,112)
Income collectable from business ratepayers		(69,578)
TOTAL INCOME		**(227,906)**
Expenditure:		
Precepts		
- Shropshire Council and Parish and Town Councils	130,159	
- West Mercia Police	18,577	
- Shropshire & Wrekin Fire Authority	8,715	
		157,451
Business rate		
- payment to national pool	68,559	
- costs of collection	468	
		69,027
Bad and doubtful debts/appeals		
- write offs	(97)	
- provisions	754	
		657
Contributions		
- Towards previous year's estimated Collection Fund surplus		1,085
TOTAL EXPENDITURE		**228,220**
Deficit/(Surplus) for the Year		**314**
Balance brought forward		(763)
Balance carried forward		**(449)**

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 2009/10 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	68.00	5/9	37.86
A	20,226.20	6/9	13,484.19
B	29,389.50	7/9	22,858.55
C	24,248.75	8/9	21,554.41
D	17,285.15	9/9	17,285.15
E	12,890.30	11/9	15,754.80
F	6,883.90	13/9	9,943.43
G	3,867.90	15/9	6,446.47
H	250.05	18/9	500.10
	115,109.75		**107,864.96**
Adjustment for MoD Properties (762.10 Band D Equivalents) and Collection Rate (98.5%)			867.34
			106,997.62

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 31st March 2010, the total non-domestic rateable value for all business premises in Shropshire was £195,627,529. The multiplier set by Government to calculate rate bills in 2009/10 was 48.1p for small businesses and 48.5p 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 Twelve

The Annual Governance Statement

"Free internet access at each customer service point gives customer access to council services online."

The Annual Governance Statement

Standards of Governance

1. The Council expects all of its members, officers and contractors to adhere to the highest standards of public service, with particular reference to the formally adopted Codes of Conduct, the Constitution and policies of the Council, as well as the applicable statutory requirements. The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

Scope of Responsibility

2. Shropshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Shropshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3. In discharging this overall responsibility, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, which includes arrangements for the management of risk.

4. The Council continues to review its arrangements against best practice and to implement changes to improve overall governance arrangements.

The Purpose of the Governance Framework

5. The governance framework comprises of the systems and processes, culture and values, by which the authority is directed and controlled, through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievements of Shropshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage these risks efficiently, effectively and economically.

7. The governance framework accords with proper practice and has been in place at Shropshire Council for the year ended 31st March 2010 up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

8. The Governance Framework within Shropshire Council encompasses all systems, processes and procedures covering a wide range of services to the public. The Council's Constitution provides the framework for its decision making processes and sets out the detailed procedures, protocols and codes by which members and officers operate to achieve the Council's objectives. **Appendix A** identifies the process which leads to the preparation of the Annual Governance Statement being signed off and published with the Statement of Accounts.

9. Under the Constitution, the Leader and Cabinet form the decision-making Executive. Their decisions must be in line with the Council's objectives and are subject to examination by a number of overview and scrutiny committees.

10. The Council Management Team (CMT) is responsible for overseeing and monitoring the control environment. These officers are assigned with the ownership of risks and should routinely monitor and review the related controls as an integrated part of the risk management process. This key management responsibility is supported by the designated roles of the three statutory officers; the Head of Paid Service (Chief Executive), the Chief Financial Officer (Director of Resources) and the Monitoring Officer (Assistant Chief Executive, Legal and Democratic Services), plus Internal and External Audit and other external review agencies (e.g. Ofsted, Care Quality Commission etc).

11. The key elements of the governance framework within Shropshire Council can be sub-divided into the following key areas, as detailed below:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

12. The Shropshire Council Corporate Plan 2009/13 was approved by Shropshire Council in July 2009. The annual review process commenced in autumn 2009 to reflect the emerging priorities from Shropshire's Community Strategy and the budget consultation process. Shropshire Council's Transitional Corporate Plan 2010-2013 was approved by Council in February 2010. The plan closely mirrors the Community Strategy for Shropshire. The aims relate to:

    - Enterprise and growth, with strong market towns and rebalanced rural settlements;
    - Responding to climate change and enhancing our natural and built environment;
    - Healthy, safe and confident people and communities.

    Within each of the aims there are identified further priorities for improvement. The plan clearly sets out the targets for 2010/11-2012/13. The Corporate Plan has strong links to other plans within Shropshire Council and in the Shropshire community as a whole. A revised Corporate Plan in line with the Council's emerging Transformation Programme will go to Council in July 2010.

13. Quarterly performance reports are forwarded to CMT, Cabinet and the Corporate Performance Management Group on progress against key objectives and targets. Quarterly performance reports from the corporate performance management system, Performance Plus, are available within 3-4 weeks of the end of each quarter.

14. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.

    - We send out a magazine called 'Your Shropshire' every three months to every household.

- Our website www.shropshire.gov.uk (receiving approximately one million unique visitors a year) can help you find out about our services, many of which you can apply for online.
- We publish a range of leaflets to tell you about our services and produce annual service plans and monitor their performance.
- We provide performance information for local areas.

Reviewing the authority's vision and its implications for the authority's governance arrangements

15. The commitments in Shropshire Council's Transitional Corporate Plan are set in a robust performance framework. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.

16. The Corporate Performance Management Framework was reviewed and updated for 2009/10. A copy of the framework is attached at **Appendix B** and includes:

    - The corporate planning process;
    - Regular performance reports on service plans that go to Directorate Management Teams, portfolio holders and Scrutiny;
    - Corporate performance reports that go to Corporate Performance Management Group, Council Management Team, Cabinet, and Council;
    - Monitoring of the Local Area Agreement.

17. There is an established Risk Management Framework in place, supported by a Risk Management Group, led by the Director of Resources with representatives from all Directorates and other key service areas who have a key role in raising the profile of risk management across all areas of service.

18. The Council has a Risk Management Strategy in place which has been fully reviewed in light of the new Shropshire Council's vision and plans. The strategy sets out roles and responsibilities, and the procedures for managing risks within the Council. This has been signed and endorsed by the Leader of the Council and the Chief Executive.

19. The Leader of the Council is the Member Risk Champion and regular meetings are held to discuss risk management issues and activities.

20. The strategic risks for Shropshire Council have been identified and incorporated into a risk register and action plans have been put in place to ensure that the risks are mitigated as far as possible, to ensure minimal impact on delivering the Council's objectives.

21. Information governance is a strategic risk for the Council. The Director of Resources is the Senior Information Risk Owner (SIRO) and the Information Governance Group considers and reviews risk assessments on the use of personal information on an ongoing basis. Risk assessments are updated to reflect system and service changes.

Measuring the quality of services for users, to ensure that they are delivered in accordance with the authority's objectives and to ensure that they represent the best use of resources

22. The Council carries out the national 'Place Survey' annually, asking a proportion of residents what they think about where they live and the services they receive. Annual budget consultation is carried out around the county for residents and we have a robust complaints process in place.

23. In Shropshire, the results of the survey showed that 87.5 per cent of respondents said they were satisfied with their local area as a place to live. This compares to the national average of 80 per cent. Results also showed that Shropshire is above national average for all other indicators published.

24. Our Citizens Panel takes part in surveys and is involved in detailed focus groups looking at specific projects.

25. Regular performance and risk management reports are produced informing the Council's Management Team, Cabinet, the Corporate Performance Management Group and Risk Management Group on progress.

26. Council receives annual Portfolio Holder Statements including areas of achievement and areas for improvement. An outcome assessment is completed against the corporate aims as part of the Annual Performance Monitoring Report to Council each year.

27. A number of initiatives in relation to procurement activities have delivered significant savings through tendering, improved practices and innovation. Examples include e-auctions (delivered savings of £910,000 over the next five years), corporate framework contracts, flexible procurement of energy, continued active support and links with the Regional Improvement and Efficiency Partnership and collaborative procurement with other Local Authorities.

28. The Council continues to benchmark its services to assist in identifying areas for review and to ensure that as many performance indicators as possible are in the top quartile. Services used include:

- Price Waterhouse Coopers (PWC) national county council initiative.
- Society of County Treasurers (SCT).
- Association for Public Service Excellence (APSE).
- Chartered Institute of Public Finance Accountants (CIPFA).

29. Shropshire Council's estimated savings in 2009/10 of £8,999,000, combined with the actual savings achieved in 2008/09 of £8,328,974, identifies potential cumulative savings of £17,327,974 against a target under the Comprehensive Spending Review 2007 (CSR07) of £25,310,000 for the three years 2008/09 to 2010/11. The identification of cash releasing efficiencies to fund front line service delivery is an integral part of the Council's budgetary process.

30. The move to a Unitary Council for Shropshire achieved future targets for service improvement and delivered efficiency gains in excess of £7.18 million (included in the overall CSR07 efficiency savings) from support service areas, as identified in the "Unitary" business case.

31. Overall, the Audit Commission assessed Shropshire Council in 2008/09 as performing well in arrangements for Managing Finance, Governing the Business and Managing Resources. The Council is the only one of the five 'continuing county councils' following local government reorganisation to be assessed as performing well and, on a simple arithmetic basis, one of the top ten performing single tier and county councils in England.

32. The Audit Commission issued an unqualified opinion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the Use of Resources judgement.

Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

33. Shropshire Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. More detailed procedures and codes of practice are provided in rules and protocols at the end of the Constitution.

34. Within the Constitution, Article 13 sets out the responsibilities and procedures for decision making. These are designed to ensure that all decisions are made in accordance with the following principles:

    - Proportionality (i.e. the action must be proportionate to the desired outcome).
    - Due consultation and the taking of professional advice from officers.
    - Respect for human rights.
    - A presumption in favour of openness.
    - Clarity of aims and desired outcomes.
    - Consideration of alternative options.
    - Recording of reasons for the decision, including details of any alternative options considered and rejected, and
    - That in relation to decisions of the Cabinet, that these are lawful and consistent with the powers delegated by the Council.

35. The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader and up to nine councillors. Major decisions are published in the Executives' Forward Plan

and are discussed with council officers at meetings of the Cabinet which are normally open for the public to attend, except where personal or confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

36. There are five Scrutiny Committees that support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. Scrutiny Committees also monitor the decisions of the Cabinet. They can 'call-in' a decision, enabling them to consider whether the decision is appropriate, and may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

37. Codes of Conduct for both members and staff are contained within the Constitution.

38. The Standards Committee monitors and reviews the operation of the Codes and Protocols to ensure that the aims and principles of the Constitution are given full effect.

39. All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided for officers as necessary and appropriate induction sessions are arranged for all new staff.

40. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer (Director of Resources) and the Monitoring Officer (Assistant Chief Executive, Legal and Democratic Services).

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

41. Financial rules, contract rules, policies and procedures, codes of conduct, financial manuals and guidance are all in place and available to staff in paper and electronic formats. All were reviewed in preparation of the new Unitary authority. Codes and protocols forming part of the Constitution are reviewed on a regular basis or in the light of significant change.

42. The Monitoring Officer (Assistant Chief Executive Legal and Democratic Services) is responsible for making recommendations for ways in which the Constitution can be amended or improved. Changes to the Constitution must be approved by full Council, subject to the Assistant Chief Executive, Legal and Democratic Services, making routine revisions and replacing references to any repealed or amended legislation, or secondary legislation with current references.

43. In addition to the above, in order to allow the Council to make the many decisions that are required on a daily basis, responsibilities for certain decisions are delegated to Senior Officers, who are identified in Section 8 of the Constitution "Delegations to Officers".

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement in the Role of the Chief Financial Officer in Local Government (2010)

44. The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Systems operating within Shropshire Council are based upon a framework of regular management information and financial reporting to councillors and officers. The financial management system includes:

    - A strong culture amongst our Service Managers and Directorate Management Teams of being responsible for financial management. Our managers work very hard to get the best service for their clients from the available resources.

- A detailed medium term financial planning process.
- Identification of high risk budgets for more detailed monitoring.
- A detailed capital appraisal process which feeds into a five year capital strategy.
- Monthly financial monitoring reports to managers, indicating projected financial performance against budgets.
- Quarterly revenue budget monitoring reports to Cabinet and Strategic Overview and Scrutiny Committee.
- Quarterly capital monitoring reports to Cabinet and Strategic Overview and Scrutiny Committee.
- Officer delegated decisions in accordance with approved delegations, codes and policies (e.g. Treasury Management).
- Highly effective Internal Audit.
- Effective working relationships with the Audit Commission.

45. The system of internal financial control is subject to regular review by both the Council's Internal and External Auditors who adhere to professional standards.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

46. The Council has in place an effective Audit Committee who is seen as a key part of providing assurance on the Council's overall system of internal control and corporate governance arrangements. The committee undertakes the core functions of an audit committee as identified in CIPFA's Audit Committee – Practical Guide for Local Authorities, and has a full work programme. The committee monitors the work of both internal and external audit and receives a range of other reports for scrutiny. An ongoing training programme has been put in place for all Audit Committee members to ensure that they have the appropriate skills and knowledge to scrutinise and challenge the reports that they receive. They also consider the annual report on the review of the effectiveness of the Council's system of Internal Audit.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

47. The Assistant Chief Executive, Legal and Democratic Services, and her team have a key role in ensuring compliance with the Constitution and issuing advice and guidance on new legal developments and compliance with current legislation. The Unit is Lexcel accredited and has Legal Officers who specialise in specific areas of Council activity e.g. Education, Social Care and Health, etc.

48. Officers in Legal and Democratic Services have a key role to play in helping to ensure that the principles enshrined in the Constitution (sustainable decision-making, robust scrutiny, the rules of natural justice, standards of conduct, efficiency, transparency and high standards of corporate governance) are delivered in practice through the Council's administrative process.

49. The Director of Resources also has a responsibility to highlight any proposal, decision or course of action which will involve any lawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

'Whistle blowing' and receiving and investigating complaints from the public

50. 'Whistle blowing' arrangements are in place and any irregularities identified are investigated by Internal Audit or the appropriate officers within the Service Directorates. Leaflets on 'Speaking Up About Wrongdoing' which incorporates 'whistle blowing' were re-distributed to staff members, contractors and partners in January 2010. Human Resources carry out regular briefing sessions for staff on harassment and bullying, speaking up about wrongdoing and code of conduct. A reminder to all staff about the process for speaking up about wrong doing was provided on the intranet in January 2010.

51. Standards Committee is responsible for the monitoring and overview of the Speaking Up About Wrongdoing Policy and receives an annual report.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

52. Members undergo individual development reviews which are member led. A six monthly rolling programme of seminars tailored to meet their development reviews is put on for members who are also supported in their attendance at external conferences. Topics of specialist interest have included safeguarding for both children and young people, recognising the corporate parent responsibility and vulnerable adults.

53. Senior officers' development priorities are identified via the Council's appraisal system. Additionally, during the past eighteen months, top team development projects have been developed and delivered. Future development plans will focus around four key areas: membership and leadership development; essential skills development; transformational development and career development.

54. In relation to specific generic training, such as to ensure risk management is embedded throughout the Council, monthly general awareness training sessions are held which are open to all staff. In relation to information governance, all staff handling personal data are undergoing an internet training package.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

55. Twenty eight Local Joint Committees (LJCs) were set up following the inauguration of the new Council in June 2009. Each local committee meets quarterly and is made up of Shropshire Councillors and town and parish councillors, all with an equal vote. The committees work with local people and organisations, involving them in decision making and holding public service providers to account. The committees strengthen the role of the existing town and parish councils, improve the quality of parish delivery and help to promote parish planning.

56. Each local committee has a delegated budget calculated on a per head of population basis, together with a sparsity factor to acknowledge the rurality of the county. Financial procedures are in place, with local decisions on priorities determined by the Committee Members.

57. The Citizens' Panel was established by the Shropshire Partnership in February 2008. The panel currently consists of approximately 1,700 local people from all areas of Shropshire, who take part in consultations on an ad hoc basis.

58. The Consultation Portal, hosted by the Shropshire Partnership, is an online database listing all past, current and planned consultation activities that the Council and its partners are involved in. The portal provides summary information about each consultation and provides contact details and a link to the relevant document or website so that members of the public can find out more if they wish to. The portal can be accessed through the Shropshire Partnership's website www.shropshirepartnership.org.uk

59. In addition to the above there are a number of other ways in which the Council seeks views and consults with various groups such as:

- Speaking Out Group: A group of 15-20 young people aged 11 to 18 giving young people a voice in the work of Shropshire Council.

- Forums: Such as the Shropshire Partnership's Equalities Forum.

- Taking Part: A group of adults with learning disabilities, supported by advocates, that gives adults with learning disabilities the opportunity to influence service provision and development.

- Youth Parliament: Local Democracy Week is held in October which encourages young people throughout the county to stand for election as a Member of Youth Parliament (MYP). Elections are held annually in January. Voting takes place in schools, colleges and community venues. All young people aged 13-19 are entitled to vote.

  The role of the MYP is to represent the views of young people in Shropshire. Each January young people vote on their top issues and the two most popular issues then form the basis for the MYP manifesto for the year. The MYPs also choose a regional issue to support. In addition they represent young people on a range of groups, such as the Leadership Board and scrutiny panels and attend meetings with lead officers as well as monthly meetings with the Young People's Speaking Out Group.

Incorporating good governance arrangements in respect of partnerships and other group working, as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

60. The Council's governance arrangements in respect of partnerships and other group working are identified within the Constitution, Financial Rules and Corporate Performance Management Framework.

61. The Council's work in partnership and with other groups utilises aspects of the governance framework already in place, such as performance, risk and financial management processes.

62. The Voluntary Sector Compact is a set of shared principles and guidelines for effective partnership working between Shropshire Council and the voluntary and community sector (VCS). The current Compact was adopted by the Council in November 2009. A Compact Implementation Group leads Compact work for the County and links to a Compact Champions Network, and sub groups focusing on disputes and resolution, training and communications and funding and commissioning. Shropshire Compact has recently been voted best Unitary Resourced Compact by the national body, Compact Voice.

63. Shropshire Voluntary and Community Sector Assembly is now well established as the voice of the VCS in Shropshire. The assembly has over 300 members and is formed of a Board and 14 forums of interest: groups of organisations with a common interest (for example heritage, disability, health and social care, arts, housing etc.) The assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and promotion of funding opportunities.

Review of Effectiveness

64. Shropshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of Internal Control. The review of the effectiveness of the governance arrangements is informed by the Corporate Directors and senior managers within the authority who

have responsibility for the development and the maintenance of the internal control environment. All Corporate Directors have confirmed that, to their knowledge, internal control systems and governance arrangements are operating adequately in their areas and/or steps are being taken to address known areas of weakness; the work of Internal Audit and Risk Management; findings and comments made by the External Auditors, other review agencies and inspectorates and the Head of Paid Service (Chief Executive), Chief Financial Officer (the Director of Resources) and the Monitoring Officer (the Assistant Chief Executive Legal and Democratic Services).

65. The Cabinet monitors the effectiveness of the internal control system via the consideration of regular performance and financial information reports from senior management. Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on the performance in their area.

66. Scrutiny Committees have a role in the review of policies and their outcomes, development of new policies, and in the performance of services. Scrutiny chairs produce an annual report on the work of their panels.

67. The Internal Audit Service continually works with managers in assessing the control environment and enhancing controls where necessary. There is in place a four year risk based strategic internal audit plan which examines all key financial and managerial systems, endorsed by the Audit Committee. Internal Audit's objectives include:

- Independently reviewing and appraising systems of control throughout the authority.
- Recommending improvements in systems, procedures, controls, and productivity in achieving the corporate aims and objectives.
- Working in partnership with our External Auditors ensuring effective audit cover and optimising available audit resources.
- Working within the authority's Counter Fraud and Anti Corruption Strategy and undertaking fraud and irregularity investigations as necessary.

Significant Governance Issues

68. We have been advised on the implications of the result of the review of the effectiveness of the governance framework and whilst generally satisfied with the effectiveness of the Council's corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements, the Council has identified the following issues for attention in the coming year to ensure continuous improvement of the systems in place:

- The delivery of the Transformation Programme to ensure that we build on the success of the delivery of the new Shropshire Council, with focus on ensuring that we work together and demonstrate our capability of making major change happen successfully; that we continue to change to respond to the new challenges that we face; that we know best how we can improve the services we offer; that we offer our staff a "new deal" and that we are committed in keeping staff up to date on what is happening. The management of risk will be a key part to ensuring the continued delivery of high quality services.

- International Financial Reporting Standards (IFRS): To continue with our programme of work, to ensure that the Council meets the deadlines for producing accounts that are compliant with the International Financial Reporting Standards.

Leader

Chief Executive

Annual Governance Statement (AGS) Framework 2009/10 APPENDIX A

Governance Framework – Key Documents/Functions

- Partnership Community Strategy
- Local Area Agreement
- Constitution
- Corporate Plan
- Performance Plan
- Service Planning Framework
- Portfolio Holder Statements
- Business Transformation Projects
- Community Engagement Strategy
- Communication Strategy
- ICT Strategy
- Human Resources Strategy
- Dignity and Respect Policy
- Performance Management Framework
- Schedule of Council Meetings
- Core Values
- Council Procedure Rules
- Record of Decisions
- Partnership Guidance
- Code of Conduct for Members
- Members Induction and Training Programme
- Code of Conduct for Employees
- Officer and Member Protocols
- Register of Interests
- Confidential Reporting Policy
- Code of Corporate Governance
- Risk Management Strategy
- Risk Registers and Control Frameworks
- Counter-Fraud and Anti Corruption Strategy
- Whistle Blowing Policy
- Capital Appraisal Process
- Information Governance Policy

Authority and Directorate Policies, Business Plan and Risk Registers

Council Management Team with responsibility for drafting AGS after evaluating assurances and supporting evidence

Performance Management & Data Quality

- Embedded system
- Operates throughout the organisation
- Internal and external reviews
- Action orientated
- National/Local KPIs
- Periodic progress reports
- Corporate Performance Management Group
- Data Quality Strategy

Risk Management

- Risk Management Strategy
- Embedded in planning processes and project/partnershi p methodologies
- Effectiveness evaluated
- Outcomes reported to Committee
- Training Programme

Information Governance

- Corporate Information Governance Policy
- Training Programme
- Outcomes reported to Committee

Legal and Regulatory Assurance

- Monitoring Officer's reports
- Sections of Committee Reports
- Legal Advice

Members' Assurance

- Standards Committee
- Scrutiny Function

Ongoing assurance on adequacy and effectiveness of controls over key risks

- Procurement Strategy
- Contract Rules
- Financial Rules
- Medium Term Financial Plan/Budgets
- Treasury Management Framework
- Annual Statement of Accounts
- Scheme of Delegation
- Delegations to Officers
- Complaints Process
- Voluntary Sector Compact
- Social Inclusion Strategy
- Equalities and Diversity Policy and Action Plan
- Business Continuity Plan
- Health and Safety Policy

Annual Governance Statement

Signed by the Leader of the Council, Chief Executive and Director of Resources and published with the Statement of Accounts

Independent review and approval by Audit Committee who examine draft AGS

Review of the Effectiveness of the system of Internal Audit

Assurances by Directors/ Service Heads

- Annual Management Assurance Statements
- Periodic Reports

Other Sources of Assurance (including third-party)

- Reports by Inspectors
- Service Review reports
- Fraud Reports and Investigations
- Ombudsman reports
- Post Implementation reviews of projects
- Investors in People Accreditation

Financial Management

- Medium Term Financial Plan
- Revenue Budget and Capital programme
- Revenue and Capital Monitoring reports
- Treasury Management
- Schools Accredited under FMSIS Standard
- Statement of Accounts
- Compliance with Codes of Accounting Practice
- Statutory returns
- Grant Claims

Internal Audit

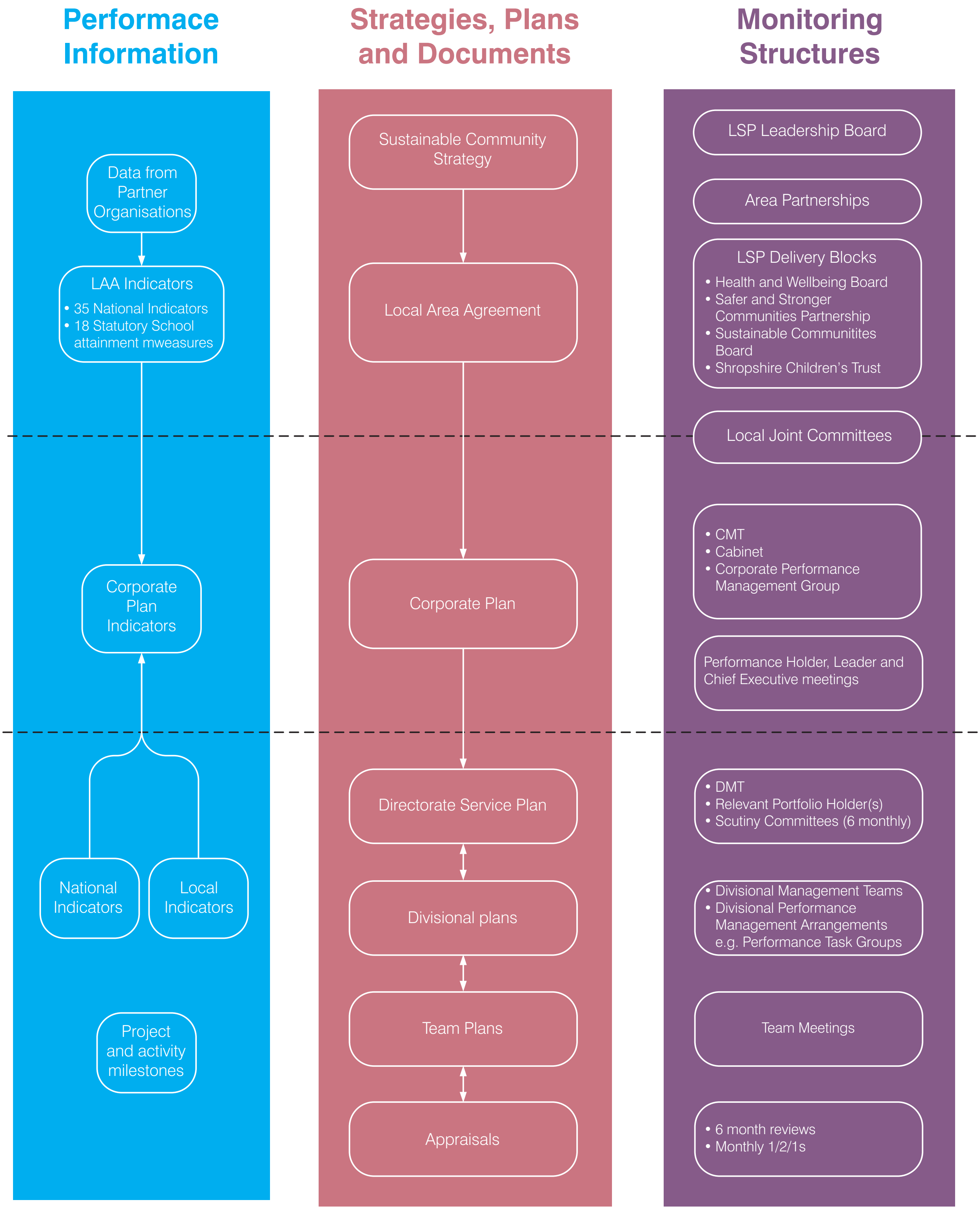
- Operates under approved Strategy and Terms of Reference
- Approved risk based plans
- Periodic and annual reports to Audit Committee, including Head of Audit's opinion
- CIPFA Code compliance assessment
- External Audit Review

External Audit

- Annual Plan
- Annual Governance Report
- Annual Audit and Inspection Letter
- Audit Opinion and VFM conclusion
- Comprehensive Area Assessment
- Use of Resources assessment
- Ad hoc reports

Corporate Finance Management Framework
APPENDIX B

Customer Intelligence



Section Thirteen

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 organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

Accounting Policies

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.

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.

Annual Governance Statement

This was a new statement introduced in 2007/08 and replaces the previously published Statement on Internal Control. The Annual Governance Statement explains how the Council has complied with the code of Corporate Governance during 2008/09 and also reports the outcome of the annual review of the effectiveness of the system of internal control. The Annual Governance Statement is included within the Statement of Accounts.

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 FRS17 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.

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 and major equipment.

Capital Financing Account (CFA)

This account, combined with the Fixed Asset Restatement Account, was replaced in 2007/08 by the Revaluation Reserve and the Capital Adjustment Account. This account represented amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets, or for the repayment of external loans and certain other financing transactions.

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.

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 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.

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 reviews its spending plans over a rolling three year period and publishes 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.

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, 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 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 to 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 each local authority to fund the cost of running its schools.

Deferred Charges

This has been replaced in 2008/09 by Revenue Expenditure Funded By Capital Under Statute. Preferred charges used to represent expenditure that was classified as capital but that did not result in the creation of a fixed asset.

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Depreciation

The accounting term used to describe the charge made representing the cost of using tangible 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 shareholders' 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.

Financial Reporting Standard 17 (FRS 17) – Accounting for Retirement Benefits

This Financial Reporting Standard requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet but does not impact on Council tax.

Fixed Asset Restatement Account (FARA)

This account, combined with the Capital Financing Account, was replaced in 2007/08 by the Revaluation Reserve and the Capital Adjustment Account. It reflected any surpluses or deficits arising from valuations and disposals of land and property and also any balances arising from the introduction of the capital accounting system on 1st April 1994.

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, mainly in Government but also in 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 their 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.

Government Grants Deferred

Grants and other external contributions towards capital expenditure are written off to the income and expenditure account as the assets to which they relate are depreciated. The balance on the Government Grants deferred account represents grants not yet written off.

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.

Income and Expenditure Account

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 or capital appreciation or both.

Joint Venture

An organisation in which the Council is involved, whereby 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 Area Agreement (LAA)

The Council is the accountable body for the LAA, which is a partnership with other public bodies from across the County to work towards jointly agreed targets for local public services that have been agreed with the Government. The objectives of the LAA are financed from a combination of partners' own resources and grants received from the Government.

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.

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).

Myners' Principles

A set of 10 principles issued by Government which Pension Schemes are required to consider and to publish their degree of compliance with. The principles require Pension Schemes to disclose, for example, the effectiveness of decision making, performance management reporting and approach to shareholder voting.

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 redistributes 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.

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.

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 replaced 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) and 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 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.

Statement of Movement on General Fund Balance

This provides a reconciliation showing how the balance of resources generated/ consumed in the year links in with statutory requirements for raising Council tax.

Statement of Recommended Practice (SORP)

A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Statement of Total Recognised Gains and Losses (STRGL)

This statement demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

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. SCEs effectively replaced SCAs and represent the amount of capital expenditure that the Government will support 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.

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.

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 redefines the requirements for accounting for PFI and similar contracts. These requirements are contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009 and require these contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements-contained in the government's Financial Reporting Manual (FReM), as this will assist in the transition to IFRS for 2010/11. IFRIC 12 is the interpretation of IFRS that is 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.

A number of accounting issues need to be addressed in relation to the QICS PFI for the Council's 2009/10 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.

14.1 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 has 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 has determined, therefore, that Appendix E (Accounting for PFI Transactions and Similar Contracts) of the 2009 SORP applies 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, as well as if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

14.2 Recognising Assets and Liabilities

Property used in a PFI, or 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 (market 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 be recognised. This finance lease liability is classified as "Deferred Liabilities" on the council's balance sheet.

14.2.1 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.

14.2.2 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 elements of the sites were not donated into the PFI transaction and so remain assets of the Council. The 2005/06, and subsequent, Statements 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.

14.2.3 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.

14.2.4 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 market value (£20,402,050), as determined by Council valuations as at April 2006, 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 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 market value of the assets has been created in 2006/07.

14.3 Accounting for the Liability

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 finance cost and principal from the nominal finance lease rental contained in the financial model.

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.

14.4 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.

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.

14.5 Minimum Revenue Provision

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 require a fundamentally different approach. Where assets are recognised up front, a capital financing requirement is triggered much earlier. Schemes will qualify to be credit arrangements under section 7 of the Local Government Act 2003 - where 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.

14.6 The Treatment of the PFI Annuity Grant from Central Government

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.

14.7 Disclosure Requirements

The Quality in Community Services (QICS) PFI represents a long term revenue contract and, as such, must be disclosed in the notes to the Income & Expenditure Account. A statement of accounting policy in relation to the Waste Services PFI project is included in the Statement of Accounting Policies section (Note 24) and specific disclosures are set out in the Notes to the Core Financial Statements section (Note 15). 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.

In addition to the above disclosures, the Council has produced a note of the prior period adjustments arising as a result of the change in accounting requirements for PFI and similar contracts under Appendix E of the 2009 SORP. This note is included in the Notes to the Core Financial Statements section (Note 15).

14.8 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 Fifteen

Accounting for the Waste Services 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 (IWMFs) (comprising of the household recycling centres and transfer stations) and waste treatment and disposal, other than the operation of the proposed Energy Recovery Facility (ERF). 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 IWMFs to service the Oswestry and Bridgnorth areas and the development of an In Vessel Composting Facility (IVC).

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 redefines the requirements for accounting for PFI and similar contracts. These requirements are contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009 and require these contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12-Service Concession Arrangements contained in the government’s Financial Reporting Manual (FReM), as this will 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.

A number of accounting issues need to be addressed in relation to the Waste Services PFI for the Council’s 2009/10 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.

15.1. 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 Waste Services PFI project the Council has 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 has determined, therefore, that Appendix E (Accounting for PFI Transactions and Similar Contracts) of the 2009 SORP applies 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, as well as in the event that there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

15.2. 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 (market 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 to 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 the value of the assets will also recognised. This finance lease liability is classified as "Deferred Liabilities" on the Council blanace sheet.

15.2.1. The Accounting Treatment of Existing Assets

The Council has made existing waste infrastructure assets (the Battlefield, Craven Arms and Whitchurch IWMFs 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 Statement of Accounts will continue to reflect this value.

The building elements 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. Therefore they are included with the reversionary interest of the 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 assets will be depreciated and re-valued according to the Council's policies.

15.2.2 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 plans to upgrade the existing IWMFs 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 IVC to serve the County.

Under the waste treatment element of the contract, Veolia plans to construct and manage a 90,000 tonne per annum ERF treatment facility.

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) are 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 2007/08 and 2008/09. 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 the facilities was made available for use it 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.

15.3 Accounting for the Liability

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 finance cost and principal from the nominal finance lease rental contained in the financial model.

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, 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.

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

15.5. 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 require 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 - where 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.

15.6. The Treatment of the PFI Annuity Grant from Central Government

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 and capital accounts as appropriate at the end of each year.

15.7. Waste PFI Reserves

There are a number of reserve balances for the Waste Services PFI contract. There is a Waste Services PFI Reserve of £16,453,000.

There are two elements to the £16,453,000 Waste Services PFI Reserve: a £11,145,000 PFI Smoothing Reserve and a £5,308,000 General 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. £700,000 of the General Reserve has been funded by the proceeds from the sale of the former district councils' trade waste business. The 2009/10 Business Plan anticipates the Smoothing Reserve earning interest at 5% per annum. The earmarked Waste Services PFI General Reserve arises from Waste Services underspends and an unused contingency budget. Waste Services underspends have increased substantially during 2009/10 due to prepayments (£3,908,000) made for assets planned but not yet delivered under the Waste Services PFI contract.

The Waste Services PFI contract assumes that the Council will directly fund the acquisition of a site for an IWMF to service the Bridgnorth area and also a site for an IVC. It also assumes that the Council will directly fund the cost of the new IWMF that will be built to serve the Oswestry area. Some of these capital items will be funded from revenue contributions to balances held within the Revenue Commitments for Future Capital Expenditure.

15.8. Disclosure Requirements

The Waste Services PFI represents a long term revenue contract and as such must be disclosed in the notes to the Income & Expenditure Account. A statement of accounting policy in relation to the Waste Services PFI project is included in the Statement of Accounting Policies section (Note 24) and specific disclosures are set out in the Notes to the Core Financial Statements section (Note 15). 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.

In addition to the above disclosures, the Council has produced a note of the prior period adjustments arising as a result of the change in accounting requirements for PFI and similar contracts under Appendix E of the 2009 SORP. This note is included in the Notes to the Core Financial Statements section (Note 15).

15.9. 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

2009-2010

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