

MOVEMENT IN RESERVES STATEMENT

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

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

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	15,529	25,902	974	0	1,503	43,908	852,192	896,100
<u>Movement in reserves during 2009/10</u>								
Surplus or (deficit) on the provision of services	(44,905)	0	14,195	0	0	(30,710)	0	(30,710)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(61,825)	(61,825)
Total Comprehensive Income and Expenditure	(44,905)	0	14,195	0	0	(30,710)	(61,825)	(92,535)
Adjustments between accounting basis & funding basis under regulations (Note 4)	43,674	0	(15,187)	(68)	(74)	28,345	(28,345)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,231)	0	(992)	(68)	(74)	(2,365)	(90,170)	(92,535)
Transfers to/from Earmarked Reserves (Note 5)	(4,117)	3,300	817	68	2,498	2,566	(2,966)	(400)
Increase/Decrease in 2009/10	(5,349)	3,300	(175)	0	2,424	200	(93,136)	(92,935)
Balance at 31 March 2010	10,180	29,202	799	0	3,927	44,108	759,055	803,162

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	10,180	29,202	799	0	3,927	44,108	759,055	803,162
<u>Movement in reserves during 2010/11</u>								
Surplus or (deficit) on the provision of services	(45,536)	0	(8,172)	0	0	(53,708)	0	(53,708)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	141,140	141,140
Total Comprehensive Income and Expenditure	(45,536)			0	0	(53,708)	141,140	87,432
Adjustments between accounting basis & funding basis under regulations (Note 4)	46,990	0	8,040	(107)	(73)	54,850	(54,850)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	1,454	0	(132)	(107)	(73)	1,142	86,290	0
Transfers to/from Earmarked Reserves (Note 5)	(1,771)	1,654	117	107	(1,650)	(1,542)	1,391	(151)
Increase/Decrease in 2010/11	(317)	1,654	(15)	0	(1,723)	(400)	87,681	87,281
Balance at 31 March 2011	9,861	30,856	784	0	2,204	43,705	846,736	890,441

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2009/10				2010/11		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
Expenditure on Continuing Services (Note 26)						
32,429	29,531	2,898	Central Services to the public	33,875	26,731	7,144
96,798	25,079	71,719	Cultural, Environmental, Regulatory and Planning Services	87,923	23,568	64,355
276,127	211,040	65,087	Education and Children's Services	317,466	233,083	84,383
39,481	8,069	31,412	Highways and Transport Services	39,146	7,765	31,381
(333)	14,395	(14,728)	Local Authority Housing (HRA)	22,668	14,720	7,948
73,482	69,590	3,892	Other Housing Services	81,365	72,523	8,842
99,405	28,687	70,718	Adult Social Care	104,148	35,134	69,014
7,543	0	7,543	Corporate and Democratic Core	7,140	0	7,140
7,245	0	7,245	Non Distributed Costs	2,183	0	2,183
632,177	386,391	245,786	Net Cost of Services	695,914	413,524	282,390
		11,740	Other Operating Expenditure (Note 6)			5,378
		38,360	Financing and Investment Income and Expenditure (Note 7)			33,653
		0	Surplus or Deficit of Discontinued Operations			0
		(264,784)	Taxation and Non Specific Grant Income (Note 8)			(267,713)
		31,102	(Surplus) or Deficit on Provision of Services			53,708
		(23,220)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets			(32,151)
		0	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			0
		85,045	Actuarial Gains/Losses on Pension Assets/Liabilities			(108,989)
		61,825	Other Comprehensive Income and Expenditure			(141,140)
		92,927	Total Comprehensive Income and Expenditure			(87,432)

BALANCE SHEET

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

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	£000
		Property, Plant & Equipment (Note 9)		
215,203	229,221	Dwellings	223,048	
785,465	774,045	Land & Buildings	801,540	
10,912	13,339	Vehicles, Plant and Equipment	16,010	
263,521	275,919	Infrastructure	290,378	
6,251	4,570	Community	4,832	
8,242	30,673	Assets Under Construction	18,559	
42,010	36,045	Investment Property (Note 10)	35,045	
470	427	Intangible Assets (Note 11)	438	
6,252	4,354	Assets Held for Sale (Note 17)	5,608	
1,338,326	1,368,593	Total Non Current Assets		1,395,458
1,127	1,113	Long Term Investment	1,150	
1,766	1,583	Long Term Debtors (Note 15)	1,472	
1,341,219	1,371,289	Total Long Term Assets		1,398,080
		Current Assets		
642	670	Stocks (Note 13)	970	
44,019	49,118	Debtors (Note 15)	45,980	
28,260	26,167	Temporary Investments	22,600	
0	1,117	Landfill Usage Allowances (Note 49)	749	
77,361	73,765	Cash & Cash Equivalents (Note 16)	43,706	
150,282	150,837	Total Current Assets		114,005
1,491,501	1,522,126	Total Assets		1,512,085
		Current Liabilities		
(4,301)	(4,938)	Temporary Loans (Note 12)	(101)	
(78,387)	(74,977)	Creditors (Note 18)	(71,843)	
0	(762)	Liability to DEFRA for Landfill Usage (Note 49)	(528)	
(4,623)	(7,672)	Cash Overdrawn (Note 16)	(4,215)	
(87,311)	(88,349)	Total Current Liabilities		(76,687)
1,404,190	1,433,777	Total Assets Less Current Liabilities		1,435,398
		Long Term Liabilities		
(254,726)	(277,918)	Long Term Loans (Note 12)	(280,632)	
(16,733)	(18,837)	Deferred Liabilities (Note 37)	(20,830)	
(8,396)	(7,293)	Provisions (Note 19)	(8,736)	
(777)	(765)	Deferred premiums on early repayment of debt (Note 12)	(753)	
(227,458)	(325,802)	Pensions Liability (Note 42)	(234,006)	
(508,090)	(630,615)	Total Long Term Liabilities		(544,957)
896,100	803,162	Total Assets Less Liabilities		890,441

BALANCE SHEET

		Financed by:		
		Unusable Reserves		
155,557	169,740	Revaluation Reserve (Note 21)	195,229	
932,995	923,774	Capital Adjustment Account (Note 21)	894,724	
(3,233)	(2,650)	Short Term Compensated Absences Account (Note 21)	(4,560)	
(7,739)	(7,356)	Financial Instruments Adjustment Account (Note 21)	(6,945)	
982	926	Deferred Capital Receipts	820	
764	372	Collection Fund	1,474	
323	52	Council Tax Adjustment Account	0	
<u>(227,458)</u>	<u>(325,802)</u>	Pensions Reserve (Note 42)	<u>(234,006)</u>	
852,192	759,055			(846,736)
		Usable Reserves		
0	0	Usable Capital Receipts Reserve (Note 20)	0	
1,503	3,927	Major Repairs Reserve	(2,204)	
25,902	29,202	Reserves (Note 5)	(30,855)	
974	799	HRA Balance	(785)	
<u>15,529</u>	<u>10,179</u>	General Fund Balance (Note 4)	<u>(9,861)</u>	
43,908	44,107			(43,705)
<u>896,100</u>	<u>803,162</u>	Total Equity		<u>(890,441)</u>

CASH FLOW STATEMENT

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

2009/10 £000	Revenue Activities	2010/11 £000	£000
30,710	Net (surplus) or deficit on the provision of services	53,708	
(62,643)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(95,232)	
41,533	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38,410	
9,600	Net cash flows from Operating Activities (Note 22)		(3,114)
13,955	Investing Activities (Note 23)	25,566	
(16,909)	Financing Activities (Note 24)	4,160	
6,646	Net increase or decrease in cash and cash equivalents		26,602
72,738	Cash and cash equivalents at the beginning of the reporting period		66,093
66,093	Cash and cash equivalents at the end of the reporting period (Note 16)		39,491

NOTES TO THE CORE FINANCIAL STATEMENTS

1. MATERIAL RESTATEMENT OF ACCOUNTS DUE TO IFRS TRANSITION

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

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

Comprehensive Income and Expenditure Statement

	2009/10 GAAP			2009/10 IFRS
	Net Expenditure £000	Employee Benefits £000	Capital Charges and Leasing £000	Net Expenditure £000
Central Services	2,807	6	85	2,898
Cultural, Environment and Planning Services	71,343	(628)	1,004	71,719
Education & Children Services	62,233	800	2,054	65,087
Highways, Roads & Transport Services	30,498	(290)	1,204	31,412
	(14,761)	21	12	-14,728
Housing Services	3,876	12	4	3,892
Adult Social Care	70,565	(19)	172	70,718
Corporate & Democratic Core	7,543	0	0	7,543
Non distributed costs	7,245	0	0	7,245
	0			
Net Cost of Services	241,349	(98)	4,535	245,786
Other Operating Expenditure	11,596		144	11,740
Financing and Investment Income and Expenditure	38,770	(455)	45	38,360
Taxation and Non Specific Grant Income	(237,889)		(26,895)	(264,784)
(Surplus) or Deficit on Provision of Services	53,826	(553)	(22,171)	31,102

Balance Sheet

	2009/10 GAAP			2009/10 IFRS
		Employee Benefits £000	Capital Charges and Leasing £000	
Property, Plant & Equipment				
Dwellings	229,221			229,221
Land & Buildings	773,435		610	774,045
Vehicles, Plant and Equipment	13,339			13,339
Infrastructure	275,763		156	275,919
Community	4,570			4,570
Assets Under Construction	-		30,673	30,673
	-			
Investment Property	22,240		13,805	36,045
Intangible Assets	15,691		(15,264)	427
Assets Held for Sale	35,027		(30,673)	4,354
Total Non Current Assets	1,369,286	-	(693)	1,368,593
Long Term	1,113			1,113

NOTES TO THE CORE FINANCIAL STATEMENTS

Investment	-			
Long Term Debtors	1,583			1,583
Total Long Term Assets	1,371,982	-	(693)	1,371,289
Current Assets				
Stocks	670			670
Debtors	49,118			49,118
Temporary Investments	99,932		(73,765)	26,167
Landfill Usage Allowances	1,117			1,117
Cash & Cash Equivalents	73,765			73,765
Total Current Assets	150,837			150,837
Total Assets	1,522,819	-	(693)	1,522,126
Current Liabilities	-			
Temporary Loans	(4,938)			(4,938)
Creditors	(74,977)			(74,977)
Liability to DEFRA for Landfill Usage	(762)			(762)
Cash Overdrawn	(7,672)			(7,672)
Total Current Liabilities	(88,349)	-	-	(88,349)
Total Assets Less Current Liabilities	1,434,470	-	(693)	1,433,777
Long Term Liabilities				
Long Term Loans	(277,918)			(277,918)
Deferred Liabilities	(18,672)		(165)	(18,837)
Provisions	(4,643)	(2,650)		(7,293)
Government Grants Deferred	(118,475)		118,475	
Deferred premiums on early repayment of debt	(765)			(765)
Pensions Liability	(325,802)			(325,802)
Total Long Term Liabilities	(746,275)	(2,650)	118,310	(630,615)
Total Assets Less Liabilities	688,195	(2,650)	117,617	803,162
Financed by:				
Unusable Reserves				
Revaluation Reserve	187,529		(17,789)	169,740
Capital Adjustment Account	788,250		135,524	923,774
Short Term Compensated Absences Account	-	(2,650)		(2,650)
Financial Instruments Adjustment Account	(7,356)			(7,356)
Deferred Capital Receipts	926			926
Collection Fund	372			372

NOTES TO THE CORE FINANCIAL STATEMENTS

Council Tax Adjustment Account	52			52
Pensions Reserve	(325,802)			(325,802)
	643,971	(2,650)	117,735	759,056
Usable Reserves				
Usable Capital Receipts Reserve	-			-
Major Repairs Reserve	3,927			3,927
Reserves	29,202			29,202
HRA Balance	799			799
General Fund Balance	10,179			10,179
	44,107	-	-	44,107
Total Equity	688,078	(2,650)	117,735	803,163

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Dwellings	The value of dwellings held on the balance sheet is subject to impairments due to an estimated increase or decrease in house prices statistics as advised by CLG. The Council uses the Quarter 3 statistics on which to base the impairment for the year, however if the Quarter 4 figure is materially different, it may be necessary to amend the value of dwellings further.	The change in value will be dependent on the change in house price statistics as reported at Quarter 4.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £12,980.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

3. EVENTS AFTER THE BALANCE SHEET DATE

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

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2010/11

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>					
Charges for depreciation and impairment of non current assets	58,149	7,756			(65,906)
Revaluation losses on Property Plant and Equipment					
Movement in the market value of Investment Properties	(191)				(191)
Capital grants and contributions applied	(35,168)	(27)			35,195
Revenue expenditure funded from capital under statute	18,445	120			(18,565)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>					
Statutory provision for the financing of capital investment	(11,383)				11,383
Capital expenditure charged against the General Fund and HRA balances	(1,168)				1,168
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
Use of the Capital Receipts Reserve towards administrative costs of non-current asset disposals			(2,487)		2,487

NOTES TO THE CORE FINANCIAL STATEMENTS

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	418		(418)	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	667	(149)	2,798	(3,316)
Adjustment primarily involving the Major Repairs Reserve:				
Reversal of Major Repairs Allowance credited to the HRA		73		(73)
Use of the Major Repairs Reserve to finance new capital expenditure				
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(343)	(69)		412
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 42)	38,526	355		(38,881)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,789)	0		21,789
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,102)			1,102
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,929	(19)		(1,910)
Total Adjustments	46,990	8,040	(107)	(73) (54,850)

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10 Comparative Figures

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>					
Charges for depreciation and impairment of non current assets	30,985				(30,985)
Revaluation losses on Property Plant and Equipment	29,148	(14,719)			(14,429)
Movement in the market value of Investment Properties					
Capital grants and contributions applied	(26,895)				26,895
Revenue expenditure funded from capital under statute	5,523				(5,523)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>					
Statutory provision for the financing of capital investment	(9,958)				9,958
Capital expenditure charged against the General Fund and HRA balances	(3,624)	(817)			4,441
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
Use of the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	105			(105)	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5,973	89	4,132		(10,194)

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustment primarily involving the Major Repairs Reserve:

Reversal of Major Repairs Allowance credited to the HRA	74	(74)
Use of the Major Repairs Reserve to finance new capital expenditure		

Adjustment primarily involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(315)	(69)	384
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Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 42)	34,178	520	(34,698)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,113)	(286)	21,399

Adjustments primarily involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	271		(271)
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Adjustments primarily involving the Accumulated Absences Account:

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(604)	21	583
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Total Adjustments	43,674	(15,187)	4,132	(179)	(32,440)
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5. TRANSFERS TO/FROM EARMARKED RESERVES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund:							
<i>Balances held by schools under a scheme of delegation</i>	7,139	(7,139)	7,304	7,304	(1,597)	247	(5,954)
Advisory Service Reserve	50	(50)	-	-			
Area Based Grant Reserve	2,167	(1,676)	1,176	1,667	(1,667)	275	275
Building Maintenance Reserve	78	(78)	-	-			
Connexions Legacy Reserve	441	(118)	45	368	(203)	39	204
Council Elections Reserve	414	(378)	-	36		154	190
Craven Arms Auction Yard Reserve	-	-	70	70			70
CYPS Directorate Reserve	595	(1,094)	960	461	(170)		329
Economic Development Workshops Major Maintenance Reserve	79	-	42	121		69	190
Education – Staff Sickness Insurance Reserve	951	(2,280)	1,627	298	(15)		283
Education – Theft Insurance Reserve	144	(150)	44	38		16	54
Fire Liability Reserve	1,701	-	8	1,709		97	1,806
Housing Reserve	-	(25)	25	-			
Landfill Allowance Trading Scheme Reserve	-	-	355	355	(133)		221
Legal Disbursements Reserve	59	-	110	169	(82)	12	100
Local Authority Business Growth Incentive Reserve	507	(485)	28	50	(7)		43
Major Planning Inquiries Reserve	61	-	956	1,017	(613)	30	433
Motor Insurance Reserve	150	(85)	97	162	(41)	187	307
PFI Buildings Equipment Replacement Reserve	249	(2)	38	285	(33)	34	286
Resources Efficiency Reserve	291	(2,418)	2,935	808	(405)	14	417
Revenue Commitments for Future Capital Expenditure Reserve	1,780	(3,962)	4,406	2,224	(1,249)	1,718	2,693
Schools Building Maintenance Insurance Reserve	-	-	285	285		91	376
School Meals – Academic Year Reserve	83	(83)	-	-			
Severe Weather Reserve	-	(1,000)	1,000	-			
Shire Catering and Cleaning Efficiency Reserve	91	(187)	176	80	(170)	324	234
Shropshire Waste Partnership (Smoothing Reserve)	7,610	-	3,535	12,407		2,705	15,112
Shropshire Waste Partnership (General Reserve)	2,655	-	2,653	3,618	(1,400)	2,240	4,458
Theatre Severn – Repairs & Maintenance Reserve	-	-	155	155	(155)		0
TMO Vehicle Replacement Reserve	680	(90)	816	1,414	(563)	461	1,311
Transport – Academic Year Reserve	-	-	-	-			0
Unitary Transformation Reserve	-	-	149	149	(102)	166	213
Voluntary Early Retirement/Severance Reserve	219	(4,407)	6,073	1,885	(2,094)	1,286	1,077
Waste Management Reserve	435	(385)	-	50	(50)		0
Youth Service Vehicle Replacement Reserve	58	(58)	-	-			0
Directorate Carry Forwards:							

NOTES TO THE CORE FINANCIAL STATEMENTS

- Community Services	-	(24)	-	(24)	24	0
- Community Services – County Training	-	(1,141)	-	(1,141)	1,141	0
- Development Services	37	(37)	40	40	(40)	0
- Development Services – Highways	(2,386)	-	2,386	-		0
- Resources, Legal & Democratic	208	(208)	446	446	(446)	206
Total	26,546	(27,560)	37,940	36,934	(11,035)	11,336
						36,807

RESERVES

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

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

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

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

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

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

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

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

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

Fire Liability - **see Fire and Liability Insurance under Provisions below.**

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

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

Local Authority Business Growth Incentive - this reserve has been established using grant from the Department for Communities and Local Government. The reserve will be spent on schemes that will benefit business development within Shropshire 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 expenditure in 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

Resources Efficiency - established for investment in new developments, particularly information technology, that client directorates would not be expected to meet from their internal service level agreements for support services. 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 2011/12.

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Directorate Carry Forwards – this represents 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.

6. OTHER OPERATING EXPENDITURE

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

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£000		£000
14,795	Interest payable and similar charges	15,861
19,689	Pensions interest cost and expected return on pensions assets	16,496
(771)	Interest receivable and similar income	(778)
1,819	Income and expenditure in relation to investment properties and changes in their fair value	243
0	Other investment income	0
(1,135)	Debt Charges Income	(1,095)
3,387	(Surpluses)/deficits on Trading Activites	2,926
38,360		33,653

8. TAXATION AND NON SPECIFIC GRANT INCOMES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

9. ASSETS – FIXED ASSETS

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

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant and Equipment
Cost or valuation								
At 1 April 2010	234,647	837,437	25,584	344,204	5,434	30,702	1,478,008	39,737
Additions	4,499	17,745	7,396	22,570	675	11,835	64,720	3,204
Donations	0	869	0	0	0	0	869	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	16,342	0	0	0	0	16,342	53
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,605)	(25,519)	0	0	(6)	(71)	(32,201)	(268)
Derecognition - disposals	(517)	(201)	0	0	0	0	(718)	0
Derecognition - other	0	(10,017)	(3,361)	0	(52)	0	(13,430)	(25)
Assets reclassified (to)/from Held for Sale	0	(1,124)	0	0	0	0	(1,124)	0
Other movements in cost or valuation	0	22,644	0	1,146	50	(23,813)	27	0
At 31 March 2011	232,024	858,176	29,619	367,920	6,101	18,653	1,512,493	42,701

Depreciation and Impairments

At 1 April 2010	(5,426)	(63,392)	(12,245)	(68,285)	(864)	(29)	(150,241)	(3,885)
Depreciation charge for 2010/11	(2,589)	(18,535)	(4,726)	(9,250)	(456)	0	(35,556)	(1,969)
Depreciation written out to the Revaluation Reserve	0	15,257	0	0	0	0	15,257	494
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	981	0	0	0	0	981	125
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	552	0	0	0	0	552	142
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(971)	(379)	0	(89)	0	(82)	(1,521)	0
Derecognition - disposals	10	0	0	0	0	0	10	0
Derecognition - other	0	8,472	3,362	0	51	0	11,885	25
Other movements in	0	408	0	82	0	17	507	0

NOTES TO THE CORE FINANCIAL STATEMENTS

depreciation and impairment

At 31 March 2011	(8,976)	(56,636)	(13,609)	(77,542)	(1,269)	(94)	(158,126)	(5,068)
NBV at 31 March 2011	223,048	801,540	16,010	290,378	4,832	18,559	1,354,367	37,633
NBV at 31 March 2010	229,221	774,045	13,339	275,919	4,570	30,673	1,327,767	35,852

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

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Assets Under Constructio n £000	Total £000	PFI Assets Included in Property, Plant and Equipment
Cost or valuation								
At 1 April 2009	217,721	829,317	25,636	322,784	7,768	8,256	1,411,482	32,906
Additions	1,120	14,602	6,104	19,688	698	22,420	64,632	3,579
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	18,467	0	0	(483)	2	17,986	1,930
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,097	(11,226)	0	0	(626)	0	3,245	0
Derecognition - disposals	(306)	(6,172)	(9)	0	0	(88)	(6,575)	0
Derecognition - other	0	(583)	(6,268)	(60)	(19)	0	(6,930)	(432)
Assets reclassified (to)/from Held for Sale	0	(265)	0	0	0	0	(265)	0
Other movements in cost or valuation	1,015	(6,703)	121	1,792	(1,904)	112	(5,567)	1,754
At 31 March 2010	234,647	837,437	25,584	344,204	5,434	30,702	1,478,008	39,737

Depreciation and Impairments

At 1 April 2009	(2,518)	(43,853)	(14,724)	(59,263)	(1,517)	(14)	(121,889)	(3,615)
Depreciation charge for 2009/10	(2,561)	(17,487)	(4,206)	(8,648)	(393)	0	(33,295)	(1,722)
Depreciation written out to the Revaluation Reserve	0	4,432	0	0	20	0	4,452	1,020
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,011	0	0	0	0	1,011	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(103)	0	0	0	0	(103)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(307)	(13,050)	0	0	(14)	(134)	(13,505)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

Derecognition - disposals	3	167	2	0	0	0	172	0
Derecognition - other	0	210	6,268	60	19	0	6,557	432
Other movements in depreciation and impairment	(43)	5,281	415	(434)	1,021	119	6,359	0
At 31 March 2010	(5,426)	(63,392)	(12,245)	(68,285)	(864)	(29)	(150,241)	(3,885)
NBV at 31 March 2010	229,221	774,045	13,339	275,919	4,570	30,673	1,327,767	35,852

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

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

Depreciation

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

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

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £19,353,000. Similar commitments at 31 March 2010 were £10,346,000. The major commitments were:

- Primary School Amalgamations - £6,108,000.
- Shrewsbury Music Hall - £4,759,000.
- Oswald Park Leisure Centre - £2,272,000.
- Flaxmill Project - Purchase of Arriva Depot - £2,125,000.

Revaluations

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

- That the property is free from any undisclosed onerous burdens, outgoings or restrictions and that good title can be shown.
- That the land and property is not contaminated (including Radon Gas).
- The property and its values are unaffected by any matters which could be revealed by local search or inspection of any register and that the use and occupation of the asset are lawful.

NOTES TO THE CORE FINANCIAL STATEMENTS

- In valuing the property, plant and machinery have been excluded unless forming part of the structure and normally valued with the building.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional, e.g., Capital Gains Tax , or transaction costs, e.g., Stamp Duty.
- Details concerning “title” have been taken from the Council’s Terrier.
- The property has not been discussed with the Planning Authorities and therefore certain assumptions in respect of planning issues have been made in determining values. The assumptions made are based on information on file available to the Valuer when undertaking the Valuation.

Valuations of Non Current Assets carried at Current Value

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

	Council Dwellings	Other Land and Buildings	Vehicles, plant, Furniture & Equipment	Total
	£'000	£'000	£'000	£'000
Carried at Historical Cost		4,691	16,010	20,701
Valued at Fair Value as at:				
01-Apr-10		262,482		262,482
01-Apr-09		141,999		141,999
01-Apr-08	223,055	211,789		434,844
01-Apr-07		118,736		118,736
01-Apr-06		61,843		61,843
Total Cost or Valuation	223,055	801,540	16,010	1,040,605

10. INVESTMENT PROPERTIES

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

11. INTANGIBLE ASSETS

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

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

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

		2010/11			2009/10	
	Internally Generated Assets £000	Other Assets £000	Total £000		Internally Generated Assets £000	Other Assets £000
Balance at start of year:						
- Gross carrying amounts	0	888	888		0	1,212
- Accumulated depreciation	0	(462)	(462)		0	(743)
Net carrying amount at start of year	0	427	427		0	470
Additions:						
- Internal development	0	0	0		0	0
- Purchases	0	245	245		0	229
- Acquired through business combinations	0				0	0
Assets reclassified as held for sale	0	0	0		0	0
Other disposals	0	0	0		0	0
Revaluations increases or decreases	0	0	0		0	0
Impairments losses recognised or reversed directly in the Revaluation Reserve	0	0	0		0	(38)
Impairments losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0		0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0		0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

Amortisation for the period	0	(234)	(234)	0	(234)	(234)
Other changes	0	0	0	0	0	0
Net carrying amount at end of the year	0	438	438	0	427	427
Comprising:						
- Gross carrying amounts	0	920	920	0	888	888
- Accumulated amortisation	0	(482)	(482)	0	(462)	(462)
	0	438	438	0	427	427

12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Investments:				
Loans and receivables	-	-	66,805	99,931
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	-	-	66,805	99,931
Debtors:				
Loans and receivables	1,472	1,583	-	-
Financial assets carried at contract amounts	-	-	41,142	49,546
Total Debtors	1,472	1,583	41,142	49,546
Borrowing:				
Financial liabilities at amortised cost	280,918	277,918	2,330	4,938
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	280,918	277,918	2,330	4,938
Other Long Term Liabilities:				
PFI and finance lease liabilities	20,830	18,837	-	-
Total Other Long Term Liabilities	20,830	18,837	-	-
Creditors:				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	67,055	74,977
Total Creditors	-	-	67,055	74,977

NOTES TO THE CORE FINANCIAL STATEMENTS

Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	(15,861)				(15,861)	(14,795)	-	-	-	(14,795)
Losses on derecognition						-	-	-	-	-
Reductions in fair value						-	-	-	-	-
Impairment losses		(3)			(3)	-	(59)	-	-	(59)
Fee expense						-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(15,861)	(3)	0	0	(15,864)	(14,795)	(59)	-	-	(14,854)
Interest income		737			737	-	725	-	-	725
Interest income accrued on impaired financial assets		41			41	-	46	-	-	46
Increases in fair value						-	-	-	-	-
Gains on derecognition						-	-	-	-	-
Fee income						-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services		778			778	-	771	-	-	771
Gains on revaluation							-	-	-	-
Losses on revaluation							-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment							-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other							-	-	-	-
Comprehensive Income and Expenditure							-	-	-	-
Net gain/(loss) for the year	(15,861)	775	0	0	(15,086)	14,795	771	-	-	-

Fair Values of Assets and Liabilities

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	49,200	52,414	280,429	306,757
Long term creditors	228,718	234,753	-	-

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

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

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

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

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

Exceptional Items

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 and have more recently been accepted as priority claims by the Icelandic courts however, this is currently subject to appeal.

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

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

Recovery is subject to the following uncertainties and risks:

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

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

Based on this latest information, a reassessment of the recoverable amount at 31 March 2011 is required. As this reassessment is a change in an accounting estimate it has been accounted for in 2010/11 as this is the year in which the revised estimate has been made. The recoverable amount has been calculated by using the present value of the expected future cash flows discounted at the deposits original interest rate of 6.10%. The carrying amount of £757,887 as at 31 March 2011 is made up of the carrying amount of £713,148 as at 31 March 2010 plus interest credited to the Income & Expenditure Account in 2010/11 of £44,739. Based on the revised calculation the recoverable amount has now reduced to £750,267 therefore an Impairment adjustment of £7,619.91 has been recognised in 2010/11.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

13. STOCK

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

	Road Materials		Visitor Centres and TIC Retail Stock		Shire Services		Leisure Services		Travel Tokens		Other		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	182	218	109	103	192	184	32	22	68	21	87	82	670	630
Purchases	958	490	142	149	125	132	198	255	0	90	753	801	2176	1917
Recognised as an expense in the year	(652)	(526)	(152)	(143)	(118)	(124)	(198)	(245)	(18)	(43)	(738)	(796)	(1,876)	(1,877)
Written off balances	0		0		0		0		0		0			
Balance outstanding at year-end	488	182	99	109	199	192	32	32	50	68	102	87	970	670

14. CONSTRUCTION CONTRACTS

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

15. DEBTORS

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

2008/09 £000	2009/10 £000		2010/11 £000
		Amounts falling due within one year:	
4,637	15,574	Government Departments	9,824
20,023	30,963	General Debtors	31,884
4,352	6,780	Payments in Advance	8,452
(2,388)	(4,199)	Provision for Bad Debts	(4,180)
26,624	49,118		45,980
		Amounts falling due after one year:	
96	1,583	Loans (including Car Loans)	1,472
		QICS PFI Long Term Debtor (P133)	
		WASTE PFI Deferred Consideration (p138)	
96	1,583		1,472
26,720	50,701		47,452

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

NOTES TO THE CORE FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS

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

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
-	-	Cash held by the Council	
-	-	Bank current accounts	
77,361	73,765	Short term deposits with building societies	43,706
77,361	73,765	Total Cash and Cash Equivalents	43,706
4,623	7,672	Bank Overdraft	4,215
7,672	7,672	Cash Overdrawn	4,215

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

During 2010-11 the final balance of the grant was used and the account was closed on 24 September 2010. Income and Expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. As the rates fluctuate during the course of a day, an average for that day is used, where the transaction is to be settled at a contracted exchange rate.

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

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

17. ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	0	0	4,354	6,252
Assets newly classified as held for sale:				
- Property, Plant and Equipment	0	0	1,095	265
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	(1,362)
Revaluation gains	0	0	1,000	0
Impairment losses	0	0	(8)	0
Assets declassified as held for sale:				
- Property, Plant and Equipment	0	0	0	(492)
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(833)	(310)
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	0	0	5,608	4,354

NOTES TO THE CORE FINANCIAL STATEMENTS

18. CREDITORS

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

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
16,233	24,110	Government Departments	26,835
39,848	43,870	General Creditors	37,436
2,063	2,851	Collection Fund	3,005
3,365	4,146	Receipts in Advance	4,567
61,509	74,977		71,843

19. PROVISIONS

	Liability Insurance Provision £000	Accumulat ed Absences Account £000	Single Status Provision £000	Contract Retention Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2010	3,945	2,650	369	176	152	4,642
Additional provisions made in 2010/11	70		0	0	0	70
Amounts used in 2010/11	(112)		(172)	(76)	0	(360)
Unused amounts reversed in 2010/11	0		(197)	0	0	(197)
Unwinding of discounting in 2010/11	0		0	0	0	0
Balance at 31 March 2011	3,903		0	100	152	4,155

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

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

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

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

20. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. UNUSABLE RESERVES

31 March		31 March
2010		2011
£000		£000
169,740	Revaluation Reserve	195,228
923,774	Capital Adjustment Account	894,724
(7,356)	Financial Instruments Adjustment Account	(6,945)
926	Deferred Capital Receipts Reserve	820
(325,802)	Pensions Reserve	(233,905)
372	Collection Fund Adjustment Account	1,474
(2,650)	Accumulated Absences Account	(4,560)
759,004	Total Unusable Reserves	846,836

Revaluation Reserve

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

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

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

2009/10		2010/11
£000		£000 £000
155,557	Balance at 1 April	169,740
23,348	Upward revaluation of assets	44,289
(1,013)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(12,138)
22,336	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	32,151
(5,836)	Difference between fair value depreciation and historical depreciation	(5,789)
(2,562)	Accumulated gains on assets sold or scrapped	(874)
245	Transfer from Investment Property to PPE	0
(8,153)	Amount written off to the Capital Adjustment Account	(6,663)
169,740	Balance at 31 March	195,228

Capital Adjustment Account

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Note 4 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	£000
932,995	Balance at 1 April		923,774
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(46,838)	- Charges for depreciation and impairment of non-current assets	(37,085)	
2,908	- Revaluation losses on Property, Plant and Equipment	(30,220)	
(234)	- Amortisation of intangible assets	(234)	
(15,953)	- Revenue expenditure funded from capital under statute	(18,565)	
(10,707)	- Amounts of non current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(3,318)	
(70,824)			(89,422)
8,153	Adjusting amounts written out of the Revaluation Reserve		6,663
(62,671)	Net written out amount of the cost of non current assets consumed in the year		(82,759)
	Capital financing applied in the year:		
4,095	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,488	
100	- Use of the Major Repairs Reserve to finance new capital expenditure	4,275	
37,325	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,326	
0	- Application of grants to capital financing from the Capital Grants Unapplied Account	0	
9,969	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	11,383	
4,441	- Capital expenditure charged against the General Fund and HRA balances	1,168	
55,920			53,640
(2,470)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(801)
0	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		870
923,774	Balance at 31 March		894,724

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance to the Accounting in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over a number of years.

Further details of the premiums are provided below:

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

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

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

Pensions Reserve

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

(325,802) Balance at 31 March

(234,006)

Deferred Capital Receipts Reserve

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

2009/10		2010/11
£000		£000
982	Balance at 1 April	926
-	- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(56)	Transfer to the Capital Receipts Reserve upon receipt of cash	(106)
<u>926</u>	Balance at 31 March	<u>820</u>

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£000		£000
1,026	Balance at 1 April	371
(655)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,103
<u>371</u>	Balance at 31 March	<u>1,474</u>

Accumulated Absences Account

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

22. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31 March 2010 £000		31 March 2011 £000
(1,972)	Interest received	(1,138)
14,883	Interest paid	15,909

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

31 March 2010 £000		31 March 2011 £000
62,767	Purchase of property, plant and equipment, investment property and intangible assets	62,913
0	Purchase of short term and long term investments	0
0	Other payments for investing activities	0
(3,720)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,401)
(14)	Proceeds from short term and long term investments	37
(45,078)	Other receipts from investing activities	(33,983)
<u>13,955</u>	Net cash flows from investing activities	<u>25,566</u>

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

31 March 2010 £000		31 March 2011 £000
(27,900)	Cash receipts of short and long term borrowing	(471)
0	Other receipts from financing activities	0
722	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	1,148
4,211	Repayments of short and long term borrowing	2,582
6,058	Other payments for financing activities	901
<u>(16,909)</u>	Net cash flows from financing activities	<u>4,160</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

Directorate Income and Expenditure 2009/10	Children & Young People's Services £000	Community Services £000	Development Services £000	Resources, CEX, L&DS £000	Total £000
Fees, charges and other services income	19,336	37,070	17,303	48,306	122,015
Government grants	183,532	9,768	5,364	82,767	281,431
Total Income	202,868	46,838	22,667	131,073	403,446
Employee expenses	63,533	39,592	20,938	33,261	157,324
Other service expenses	183,251	89,363	50,802	106,629	430,045
Support service recharges	4,818	3,674	5,619	14,207	28,318
Total Expenditure	251,602	132,629	77,359	154,097	615,687
Net Expenditure	48,734	85,791	54,692	23,024	212,241

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2009/10	2010/11
	£000	£000
Net expenditure in the Directorate Analysis	212,241	221,537
Net expenditure of services and support services not included in the Analysis	(189,623)	(194,508)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	14,301	39,858
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(5,817)	(13,179)
Cost of Services in Comprehensive Income and Expenditure Statement	31,102	53,708

Reconciliation to Subjective Analysis

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

2010/11

	Directorate Analysis £000	Amounts not reported to management for decision	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees , charges & other service income	124,415	14,720	(1,796)				137,339
Surplus or deficit on associates and joint ventures							0
Interest and investment income	1,873						0
Income from council tax						134,639	134,639
Government grants and contributions	321,456	35,195				93,488	450,139
Total Income	447,744	49,915	(1,796)	0	0	228,127	723,990
Employee expenses	143,176	1,445					144,621
Other service expenses	475,824	22,668					498,492
Support Service recharges	34,311						34,344
Depreciation, amortisation and impairment		77,514					77,514
Interest Payments	15,861		(11,383)			16,496	20,974
Precepts & Levies	109					5,325	5,434
Payments to Housing Capital Receipts Pool						418	418
Gain or Loss on Disposal of Fixed Assets						(474)	(474)
Total expenditure	669,281	101,627	(11,383)			21,765	781,290
Surplus or deficit on the provision of services	221,537	51,712	(13,179)			(206,362)	53,708

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10 comparative figures	Directorate Analysis £000	Amounts not reported to management for decision	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total	£000
Fees , charges & other service income	121,244	14,395						135,639
Surplus or deficit on associates and joint ventures								0
Interest and investment income	771							0
Income from council tax						130,796		130,796
Government grants and contributions	281,431	26,895				90,145		398,471
Total Income	403,446	41,290	0	0	0	220,941		665,677
Employee expenses	157,324	1,237						158,561
Other service expenses	415,139	(366)	4,117					418,890
Support Service recharges	28,318							28,318
Depreciation, amortisation and impairment		54,720						54,720
Interest Payments	14,795		(9,934)			19,689		
Precepts & Levies	111					5,462		5,573
Payments to Housing Capital Receipts Pool						105		105
Gain or Loss on Disposal of Fixed Assets						6,062		6,062
Total expenditure	615,687	55,591	(9,934)	0	0	31,318		696,779
Surplus or deficit on the provision of services	212,241	14,304	(5,817)	0	0	(189,623)		31,102

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

BVACoP Divisions of Service	Children & Young People's Services £000	Community Services £000	Development Services £000	Res, CEX, L&DS and Corporate* £000	Total £000
Central Services to the Public	0	0	0	6,358	6,358
Cultural, Environmental, Regulatory & Planning Services	0	21,967	38,209	3,165	63,341
Education and Children's Services	84,582	116	0	61	84,759
Highways & Transport Services	0	0	31,102	0	31,102
Local Authority Housing (HRA)	0	0	0	0	0
Other Housing Services	0	7,970	518	411	8,899
Adult Social Care	0	68,874	0	0	68,874
Corporate and Democratic Core	0	0	0	7,140	7,140
Non Distributed Costs	0	0	1,037	1,784	2,821
	84,582	98,927	70,866	18,919	273,294

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Central Services to the Public	2010/11
	£000
Central Services to the Public:	
Local Council Tax	1,998
Elections	469
Registration of Births, Deaths & Marriages	263
Emergency Planning	247
Local Land Charges	638
Coroners' Court Services	454
Other Court Services	
Other Services	2,927
Employee Benefits Accrual	148
	7,144
Cultural, Environmental, Regulatory and Planning Services	2010/11
	£000
Cultural and Related Services:	
Culture & Heritage	4,446
Recreation & Sport	8,130
Open Spaces	4,033
Tourism	469
Library Service	5,852
	22,930
Environmental Services:	
Waste Disposal	20,186
Street Cleansing	4,184
Community Safety	1,233
Cemetery, Cremation and Mortuary	12
Agricultural Services (Smallholdings)	149
Consumer Protection	5,777
Flood Defence	8
	31,549
Planning and Development Services:	
Building Control	428
Development Control	1,348
Planning Policy	1,913
Environmental Initiatives	1,727
Economic Development	1,674
Community Development	1,772
	8,862
Employee Benefits Accrual	1,014
	64,355
Education and Children's Services	2010/11
	£000
Primary Schools	13,615
Secondary Schools	34,967
Special Schools	9,930
Non School Funding	3,187
Children & Families Services:	23,060
Employee Benefits Accrual	(376)
	84,383

NOTES TO THE CORE FINANCIAL STATEMENTS

Highways and Transport Services	2010/11
	£000
Transport Planning, Policy & Strategy	2,564
Highways/Roads (Structural)	4,510
Highways/Roads (Routine)	3,226
Construction	8,958
Winter Maintenance	3,025
Street Lighting	1,600
Traffic Management & Road Safety	1,343
Parking Services	(1,446)
Public Transport	7,322
Employee Benefits Accrual	279
	31,381
Local Authority Housing (HRA)	2010/11
	£000
Housing Revenue Account	7,948
	7,948
Other Housing Services	2010/11
	£000
Housing strategy, advice and enabling	705
Private Sector Housing Renewal	455
Homelessness	1,194
Housing Benefits	247
Other Council Property	(86)
General Fund Housing – Traveller’s Sites	164
Supporting People	6,220
Employee Benefits Accrual	(57)
	8,842
Adult Social Care	2010/11
	£000
Service Strategy	274
Older People (Aged 65 or over) including Older Mentally Ill	36,610
Adults Aged Under 65 with a Physical Disability or Sensory Impairment	8,202
Adults Aged Under 65 with Learning Disabilities	17,650
Adults Aged Under 65 with Mental Health Needs	5,646
Other Adult Services	492
Supported Employment (including sheltered employment)	0
Employee Benefits Accrual	140
	69,014
Corporate and Democratic Core	2010/11
	£000
Corporate Management	4,421
Democratic Representation and Management	2,719
	7,140
Non Distributed Costs	2010/11
	£000
Non Distributed Costs	2,183
	2,183

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

SHIRE SERVICES CATERING - Trading Account 2010/11

2009/10 Total	Statutory School Catering	2010/11 Other Catering	Total
£000	£000	£000	£000
Income			
9,308	7,126	3,641	10,767
886	0	0	0
<u>10,194</u>	<u>7,126</u>	<u>3,641</u>	<u>10,767</u>
Turnover			
Expenditure			
5,112	3,924	1,609	5,533
3,469	2,212	1,423	3,635
342	190	0	190
207	485	1	486
888	381	535	916
<u>10,019</u>	<u>7,192</u>	<u>3,568</u>	<u>10,760</u>
175	(66)	73	7
0	0	0	0
(89)	0	0	0
<u>86</u>	<u>(66)</u>	<u>73</u>	<u>7</u>
Net Profit/(Loss) In Year			
(225)	(10)	(3)	(13)
<u>(139)</u>	<u>(76)</u>	<u>70</u>	<u>(6)</u>
Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)			

SHIRE SERVICES CLEANING - Trading Account 2010/11

2009/10 £000	2010/11 £000
Income	
2,918	2,851
Expenditure	
2,452	2,431
257	260
<u>2,709</u>	<u>2,691</u>
209	160
0	0
<u>209</u>	<u>169</u>
Net Profit/(Loss) In Year	
81	0
<u>128</u>	<u>160</u>
Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)	

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

SHROPSHIRE COUNTY TRAINING – Trading Account 2010/11

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

NOTES TO THE CORE FINANCIAL STATEMENTS

28. BUILDING CONTROL ACCOUNT

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

	2010/11			2009/10		
	Chargeable*	Non-Chargeable	Total	Chargeable*	Non-Chargeable	Total
	£	£	£	£	£	£
Employees	651,758	334,816	986,574	653,778	306,663	960,442
Premises	37,097	15,898	52,995	37,097	15,898	52,995
Transport	36,141	18,470	54,611	35,384	16,616	52,000
Supplies & Services	71,589	21,611	93,200	71,557	15,229	86,787
Support Services	264,183	52,610	316,793	264,183	52,610	316,793
Total Expenditure	1,060,768	443,405	1,504,173	1,061,699	407,017	1,469,016
Income	(1,074,070)	(3,452)	(1,077,522)	(1,019,764)	(1,368)	(1,021,132)
Total (Surplus)/Deficit for the Year	(13,301)	439,953	426,652	42,235	405,649	447,884

29. POOLED BUDGETS

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

Intermediate Care with SCPCT and Shrewsbury and Telford Hospital Trust

2009/10		2010/11	
Total £		Total £	
236,849	Gross Funding	998,319	
965,261	SCPCT	248,653	
1,202,110	SC	1,246,975	
	Total		
1,202,110	Expenditure	1,246,975	
0	(Surplus)/Deficit	0	

30. MEMBERS' ALLOWANCES

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

	2010/11	2009/10
	£	£
Basic Allowances	890,324	424,770
Special Responsibility Allowances	302,152	637,347
Expenses	291,829	317,873
Total	1,484,305	1,379,990

NOTES TO THE CORE FINANCIAL STATEMENTS

31. DISCLOSURE OF OFFICERS' EMOLUMENTS

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

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers Pension Contributions	Total incl. pension contributions
Kim Ryley – Chief Executive (started October 2009)	2010/11 2009/10	£180,000 £90,000	£1,136 £585	£181,136 £90,683	£30,060 £14,040	£211,196 £104,723
Sheila Healy – Chief Executive (left October 2009)	2010/11 2009/10	0 £87,697	0 £608	0 £88,305	0 £13,680	0 £101,985
Assistant Chief Executive Performance & Partnerships (started May 2009)	2010/11 2009/10	£90,000 £72,205	£826 £994	£90,826 £73,199	£15,030 £11,264	£105,856 £84,463
Assistant Chief Executive Performance & Partnerships (left June 2009)	2010/11 2009/10	0 £30,183	0 £293	0 £30,479	0 £4,709	0 £35,188
Assistant Chief Executive Legal & Democratic Services	2010/11 2009/10	£100,000 £95,000	£826 £1,170	£100,826 £96,170	£16,700 £16,528	£117,526 £112,698
Director of Development Services	2010/11 2009/10	£135,000 £130,000	£723 £1,170	£135,723 £131,170	£22,545 £20,280	£158,268 £151,450
Director of Community Services	2010/11 2009/10	£125,000 £120,000	£723 £1,170	£125,723 £121,170	£20,875 £18,720	£146,598 £139,890
Director of Children and Young Peoples Services (started May 2010)	2010/11 2009/10	£120,430	0	£120,430	£20,112	£140,542
Director of Children and Young Peoples Services (left March 2010)	2010/11 2009/10	0 £125,000	0 £1,170	0 £126,170	0 £19,500	0 £145,670
Director of Resources (left August 2010)	2010/11 2009/10	£55,972 £125,000	£516 £1,170	£56,488 £126,170	£9,347 £19,500	£65,835 £145,670

The Accounts and Audit Regulations 2009 require disclosure of the numbers of officers whose remuneration in 2010/11 exceeded £50,000, analysed into bands of £5,000.

2009/10 No. of Employees	Salaried Remuneration Band £000	2010/11 No. of Employees
94	50 to 54	109
31	55 to 59	75
19	60 to 64	44
14	65 to 69	17
10	70 to 74	7
4	75 to 79	14
8	80 to 84	10
1	85 to 89	7
3	90 to 94	5
1	95 to 99	2
1	100 to 104	2
0	105 to 109	2
0	110 to 114	0
0	115 to 119	0

NOTES TO THE CORE FINANCIAL STATEMENTS

1	120 to 124	1
3	125 to 129	1
0	130 to 134	1
0	135 to 139	1
0	190 to 195	1

2009/10 No. of Employees	Remuneration Band Including One Off Redundancy and Lump Sum Retirement Payments £000	2010/11 No. of Employees
5	50 to 54	3
5	55 to 59	2
3	60 to 64	6
4	65 to 69	1
0	70 to 74	1
3	75 to 79	4
1	80 to 84	2
1	85 to 89	0
1	90 to 94	1
2	95 to 99	0
0	100 to 104	2
0	105 to 109	2
0	110 to 114	0
0	115 to 119	0
0	120 to 124	0
1	125 to 129	0
0	130 to 134	0
0	135 to 139	1
0	150 to 154	1
1	175 to 180	0
0	180 to 184	0
1	185 to 189	0
0	250 to 255	1

32. DISCLOSURE OF AUDIT COSTS

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

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	309	332
Fees payable to the Audit Commission for statutory inspection	17	17
Fees payable to the Audit Commission for the certification of grant claims and returns	90	90
Total	416	439

33. DEDICATED SCHOOLS GRANT

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

34. GRANT INCOME

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

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	11,854	16,905
Area Based Grant	20,007	15,646
Local Authority Business Growth Initiative	0	185
Housing and Planning Delivery Grant	0	1,117
Capital Grants & contributions	19,579	26,895
Total	51,440	60,748
Credited to Services		
DWP Council Tax Benefit	20,010	19,373
DWP Housing Benefit	61,233	57,207
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	2,082	2,188
DCLG Waste PFI	3,186	3,186
DCLG Social Services PFI	1,523	1,523
DFE Designated Schools Grant	152,497	147,176
DFE School Standards Grant	8,684	8,531
DFE Standards Fund	15,355	13,059
DFE Sure Start, Early Years & Childcare	8,660	6,861

NOTES TO THE CORE FINANCIAL STATEMENTS

DFE/DE Sixth Forms funding	6,771	6,668
CLG Supporting People Grant	0	6,001
CLG Performance Reward Grant	0	4,378
Other Grants	4,478	5,280
Capital Grants & contributions	14,774	10,430
Donated Assets - PCT	870	0
Total	300,123	291,861

35. RELATED PARTIES

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

Central Government

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

Members and Officers

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

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2010/11 was £18,786,000 compared with £18,770,000 for 2009/10.

Entities Controlled or Significantly Influenced by the Authority

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

36. CAPITAL EXPENDITURE AND FINANCING

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

2009/10

2010/11

NOTES TO THE CORE FINANCIAL STATEMENTS

Restated £000		£000
250,331	Opening Capital Financing Requirement (including PFI & Finance Lease)	275,504
	Capital investment	
64,632	Property, Plant and Equipment	64,719
400	Investment Properties	536
229	Intangible Assets	245
15,953	Revenue Expenditure Funded from Capital under Statute	17,185
0	Revenue Expenditure Funded from Capital under Statute (Capitalised Redundancies)	1,379
	Sources of finance	
(4,095)	Capital receipts	(2,487)
(37,325)	Capital grants and other contributions	(34,325)
(4,541)	Direct Revenue Financing (Including MRA)	(5,444)
(9,960)	Minimum Revenue Provision (see note 46)	(11,383)
(120)	Deferred Consideration	0
275,504	Closing Capital Financing Requirement (including PFI & Finance Lease)	305,929
256,668	Closing Capital Financing Requirement – Supported & Unsupported Borrowing	285,099
18,836	Closing Capital Financing Requirement – PFI & Finance Lease)	20,830
275,504		305,909
	Explanation of movements in year	
12,488	Increase in underlying need to borrowing (supported by Government financial assistance)	10,117
10,583	Increase in underlying need to borrow (unsupported by Government financial assistance)	18,314
(32)	Assets acquired under finance leases	(34)
2,135	Assets acquired under PFI contracts	2,028
25,174	Increase/(decrease) in Capital financing requirement	30,425

37. LEASES

Authority as a Lessee

Finance Leases

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

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

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

31 March 31 March

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (NPV of minimum lease payments):	120,717	121,865
Finance costs payable in future years	191,677	193,958
Minimum lease payments	312,394	315,823

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	6,328	3,428	2,953	1,147
Later than one year and not later than five years	44,066	37,718	5,649	5,770
Later than five years	262,000	274,677	112,115	114,948
	312,394	315,823	120,717	115,113

Operating Leases

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

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

	31 March 2011 £000	31 March 2010 £000
Expiring Not later than one year	467	227
Expiring Later than one year and not later than five years	1,155	644
Expiring Later than five years	495	354
	2,117	1225

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

31 March 2011 31 March 2010

NOTES TO THE CORE FINANCIAL STATEMENTS

	£000	£000
Lease payments	1,772	1,614
Sub Lease Receivable	(58)	(58)
	1,714	1,556

Authority as Lessor

Operating Leases

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Unitary Charge and PFI Grant

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

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

Year	Unitary Charge (£000)	Grant Received (£000)
2005/06	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
2010/11	2,964	1,523

Treatment of Existing Assets

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

Treatment of Assets Constructed Under the PFI Contract

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

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

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

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

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

	Year Ended 31 March	Year Ended 31 March	Year Ended 31 March	Year Ended 31 March	Year Ended 31 March	Year Ended 31 March

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Commitments Under the Contract

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

Year	Total Unitary Charge Payment	Service Charges *	Principal	Interest
	(£000)	(£000)	(£000)	(£000)
Amounts Falling Due Within One Year	2,969	1,288	354	1,327
Amounts Falling Due Within 2 - 5 Years	12,283	5,980	1,269	5,034
Amounts Falling Due Within 6 - 10 Years	16,359	8,738	1,930	5,691
Amounts Falling Due Within 11 - 15 Years	17,634	10,196	2,645	4,793
Amounts Falling Due Within 16 - 20 Years	19,104	11,869	3,651	3,584
Amounts Falling Due Within 21 - 25 Years	20,800	13,173	5,822	1,805
Amounts Falling Due Within Year 26	2,121	1,339	723	59

* comprised of operating costs, lifecycle costs and contingent rental (if applicable)

b. The Waste Services 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 & Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years.

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

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

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

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

The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Unitary Charge and PFI Grant

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

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

Year	Unitary Charge* (£000)	Grant Received (£000)
2007/08**	5,848	1,459
2008/09	14,371	3,186
2009/10	21,069	3,186
2010/11	22,764	3,186

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

**from 1st October 2007

Treatment of Existing Assets

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

Treatment of Assets Provided Under the PFI Contract

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Year Ended 31 March 2008 (Restated) (£000)	Year Ended 31 March 2009 (Restated) (£000)	Year Ended 31 March 2010 (Restated) (£000)	Year Ended 31 March 2011 (£000)
Fixed Assets - Buildings				
Balance Brought Forward	-	4,803	4,724	4,890
- Existing Assets Reinstated	5,154	-	-	-
- Cumulative Depreciation (Existing Assets)	(351)	-	-	-
- Depreciation in Period	-	(91)	(101)	(138)
- Additions	-	12	267	1,083
- Depreciation in Period	-	-	-	556
Balance Carried Forward	4,803	4,724	4,890	6,391
Fixed Assets - Vehicles, Plant & Equipment				
Balance Brought Forward	-	3,097	4,313	5,700
- Existing Assets Reinstated	2,454	1,031	-	-
- Cumulative Depreciation (Existing Assets)	(726)	(81)	-	-
- Depreciation in Period	(420)	(756)	(1,170)	(1,359)
- Additions	1,789	1,022	2,557	2,059
Balance Carried Forward	3,097	4,313	5,700	6,400
Prepayments				
Balance Brought Forward	-	561	1,486	3,480
- Planned Capital Expenditure	561	925	1,994	2,240
Balance Carried Forward	561	1,486	3,480	5,720
Finance Lease Liability				
Balance Brought Forward	-	(1,608)	(1,919)	(4,334)
- Additions	(1,789)	(1,033)	(2,825)	(3,141)
- Repayment of Principal	181	722	410	828
Balance Carried Forward	(1,608)	(1,919)	(4,334)	(6,647)

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

* comprised of operating costs, lifecycle costs and contingent rental (if applicable)

NOTES TO THE CORE FINANCIAL STATEMENTS

39. IMPAIRMENT LOSSES

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

40. REDUNDANCY COSTS

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

The total redundancy costs incurred in 2010/11 are £2,643,050 for redundancy and £987,160 for pension fund strain.

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

41. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

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

In addition the Council is responsible for all the pension payments relating to added years it has awarded, together with the related increases. In 2010/11 these amounted in total to £x representing x% of pensionable pay. This covers all added years costs incurred for people retiring in 2010/11 and previous years. The figures for 2009/10 were £2,022,000 and 2.43%.

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

42. DEFINED BENEFIT PENSION SCHEMES

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

In 2010/11 the Council paid an employer's contribution of £21,789,000 representing 17.8% of employee's pensionable pay, into the Pension Scheme. The figures for 2009/10 were £21,399,000 and 16.7%.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets and Liabilities in relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

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

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11	2009/10
	£000	£000
Opening balance at 1 April	489,550	361,459
Expected rate of return	29,300	21,892
Actuarial gains and losses	6,457	103,993
Employer contributions	21,789	21,399
Contributions by scheme participants	7,496	7,279
Benefits paid	(24,138)	(26,663)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	530,454	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 £39,518,000 (2009/10 loss of £125,885,000).

Scheme History

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the authority has in the long run to pay post employment benefits. The total liability of £234,006 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £890,441.

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

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used in their calculations have been:

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

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

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

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Experience Gains and Losses

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

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

43. CONTINGENT LIABILITIES

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

A capital contribution of £370,000 received in 2000/01 and applied to finance a capital project, at Severdale 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 1st March 1997.

The Council has entered into two "Funding and Development Agreements" with Development Trust for construction of supported living properties at Old Fort Road, Oswestry and Curriers Lane, Shifnal. Under the agreement the Development Trust will provide the Council will funding of

NOTES TO THE CORE FINANCIAL STATEMENTS

up to £325,000 for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The management of risks associated with the use of financial instruments is undertaken by a central treasury management team. The team works within policies approved by Full Council prior to the start of the year as part of the Treasury Management Strategy. The Authority has written procedures for overall risk management, as well as written policies covering specific areas, such as credit risk, liquidity risk, interest rate risk and the investment of surplus cash which are updated by the treasury team and approved by the Section 151 Officer.

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 Section 151 Officer.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

Liquidity Risk Exposure

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

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

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

Refinancing and Maturity Risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Interest Risk Exposure

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

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

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

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

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

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

Price Risk

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

Foreign Exchange Risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS

45. MINIMUM REVENUE PROVISION

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

2009/10		2010/11
£000		£000
7,763	MRP – Supported Borrowing	8,434
1,135	MRP – Telford & Wrekin Council, Probation and Magistrates	1,095
339	MRP – Unsupported Borrowing	648
0	MRP – SALIX (Soft Loans)	59
698	MRP – Quality in Community Services (QICS), Waste PFI and Finance Leases	1,147
9,935	Total MRP	11,383

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

46. STATEMENT OF FIXED ASSETS

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

2009/10 Total	Asset	As At 31 March 2011					Total
		Owned by SC	Leased by SC	Leased to Other Bodies	Owned by Other Bodies	PFI Sites	
10	Administrative Offices	9	2	0	0	0	11
3	Advisory Services Centres	2	0	1	0	0	3
1	Archives	1	0	0	0	0	1
4	Arts	4	0	0	0	0	4
49	Business / Commercial Sites	23	1	25	0	0	49
80	Car Parks	78	2	0	0	0	80
	Churches / Cemeteries /						
8	Crematoriums	8	0	0	0	0	8
15	Childrens Centres	21	2	0	2	0	25
10	Childrens Services	5	4	1	0	0	10
5	Connexions	3	2	0	0	0	5
6	Education Centres	4	2	0	0	0	6
0	Elections	0	1	0	0	0	1
26	Group Homes	8	13	0	5	0	26
4	Gypsy Sites	4	0	0	0	0	4
19	Highway Properties	16	2	1	0	0	19
30	Housing Sites (General Fund)	16	0	18	0	0	34
0	Integrated Offender Management	0	1	0	0	0	1
10	Learning and Training	8	2	0	0	0	10
24	Leisure Facilities	23	1	0	0	0	24
22	Libraries	17	5	0	0	0	22
6	Markets and Town Halls	4	0	2	0	0	6
	Mental Health and Older Peoples						
16	Services	1	6	0	8	0	15
5	Mental Health Residential	2	0	3	0	0	5
8	Museums	4	3	1	0	0	8
6	Multi Occupancy Sites	0	0	0	0	6	6
	Physical and Learning						
26	Disabilities	11	14	6	0	0	31
32	Public Conveniences	32	0	0	0	0	32
	Registrars (excluding shared						
3	facilities)	1	1	0	1	0	3
	Residential Homes for Older						
7	People	1	0	6	0	0	7
157	Schools	77	3	0	77	0	157
0	Substance Misuse	4	1	0	0	0	5
29	Smallholdings	25	4	1	0	0	30
7	Waste Management Sites	3	0	1	0	4	8
11	Youth Centres / Offices	9	1	0	0	0	10
4249	Council Dwellings (HRA)	0	0	4240	0	0	4240
	Sheltered Dwellings Communal						
8	Rooms	8	0	0	0	0	8
995	Garages	0	0	995	0	0	995

47. FOUNDATION SCHOOLS

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1 April 1999. In 2008/09 this Council had four Foundation schools, for which no opening or closing balances for current assets and liabilities controlled by Foundation schools are included in this Balance Sheet. In 2009/10 two Foundation schools (Holy Cross CE School and Grange Junior School) were amalgamated with existing Council schools to create new non Foundation Schools. Holy Cross CE School is a Diocese owned school and remains in Diocese ownership following amalgamation, thus there is no asset transfer to Shropshire Council. The title to the Grange Junior School is still held by the Governing Body of the The Grange Junior School by virtue of an agreement dated 4 December 1996 made between (1) The Shropshire County Council (2) Education Assets Board and (3) The

NOTES TO THE CORE FINANCIAL STATEMENTS

Governing Body of The Grange Junior School, thus although the school is no longer a Foundation School ownership has not yet transferred to Shropshire Council.

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

48. TRUST ACCOUNTS

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

Trust	Purpose	Balance as at 31 March 2011 £000
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	193
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	103
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	228
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	42
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	427
Shropshire Voluntary Association for the Blind	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	418

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

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

49. LIABILITY TO DEFRA FOR LANDFILL USAGE

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

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	Allowances No.	Rate £	Value £000
Balance of LATS Reserve as at 1 April 2010	21,395	16.57	355
Adjust for Changes to 2009/10			
Impairment of Allowances Transferred to Reserve	(1,876)	16.57	(31)
Changes during Reconciliation Period	(19,519)	16.57	(324)
Net Impact on Reserve	(21,395)		(355)
2010/11 Allowances			
Allowances Issued by DEFRA	58,893	12.50	749
Total Allowances Prior to 2009/10 Utilisation	58,893	12.50	749
Allowances Utilised in Year	42,205	12.50	(528)
Balance of Reserve as at 31 March 2011 (Pre Reconciliation Period)	17,688		221

50. HERITAGE ASSETS

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

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored by the Council's Museum Service, which operates six museums, a museum resource centre and a mobile museum service. Principal collections of heritage assets held by the Museum Service include:

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

£614,000. In 2011/12 the Council will continue to value these assets at depreciated historic cost, together with other community and heritage assets.

51. ACCOUNTING FOR SUSTAINABILITY

During 2010 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 CO₂ 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 both 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 the Shirehall, lighting and insulation upgrades across area HQ's 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.