Appendix 2

Analytical Review of Shropshire Council's Statement of Accounts for 2010/11

1. The analytical review for 2010/11 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Income and Expenditure Account Expenditure on Continuing Services – Central Services**

2010/11 £000	2009/10 £000	Increase £000
7,144	2,898	4,246

The increase is predominantly due to the treatment of the Performance Reward Grant that the Council was due to receive in 2009/10. The accounts for 2009/10 included additional income to recognise the grant that was due to the Council. In 2010/11 the Government announced that it would not be paying Authorities the second instalment of the grant that was due, and so the Council has had to fund the reduction in the debtor that had been created for this grant, thereby artificially increasing the level of expenditure in 2010.11.

- **Income and Expenditure Account Expenditure on Continuing Services – Education and Children's Services**

2010/11 £000	2009/10 £000	Increase £000
84,383	65,087	19,296

The increase in net expenditure between years is mainly due to capital charges for schools. Capital charges for Schools increased by £22m in 2010/11 which was due to downward revaluation charges on land following a valuation in 2010/11. .

- **Income and Expenditure Account Expenditure on Continuing Services – Housing Revenue Account**

2010/11 £000	2009/10 £000	Increase £000
7,948	(14,728)	22,676

The increase in value is due to the impairment value of dwellings used within the Housing Revenue Account. In 2009/10, the value of dwellings were considered to have increased significantly and therefore a negative impairment charge was charged to the Housing Revenue Account. In 2010/11, the indices on House prices show that there has been a decrease in values and therefore a £7m impairment charge has been charged to the HRA.

- **Income and Expenditure Account Other Comprehensive Income and Expenditure – Actuarial Gains/Losses on Pension Assets/Liabilities**

2010/11 £000	2009/10 £000	Decrease £000
(108,989)	85,045	(194,034))

The decrease has occurred to the actuaries indicating that there has been an actuarial gain in 2010/11 on the Pension Liability. This is partially due to the Government's announcement that inflation on pensions would now be linked to CPI rather than RPI as had previously been the case. Also the Pension Scheme was subject to a full valuation in March 2010 which has resulted in gains and losses on assets and liabilities.

- **Balance Sheet Non Current Assets – Assets Under Construction**

2010/11 £000	2009/10 £000	Decrease £000
18,559	30,673	(12,114)

The decrease in the value of assets under construction is due to assets that have been completed in 2010/11 and there for transferred to Land & Buildings. The most significant of which was the new William Brookes school, which was operational from September 2010.

- **Balance Sheet Current Assets– Cash & Cash Equivalents**

2010/11 £000	2009/10 £000	Decrease £000
43,706	73,765	(30,059)

This reduction was due to a policy decision by the Council, to not undertake further prudential borrowing in 2010/11 to fund the Capital Programme, but instead to utilise cash balances that were currently being invested on a short term basis..

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

2010/11 £000	2009/10 £000	Increase £000
(234,006)	(325,802)	(91,796)

The Pension Liability has increased significantly to reflect the actuarial gain which has taken place within the Fund due to the full valuation of the scheme and due to the change in inflation used within the scheme from RPI to CPI.

- **Balance Sheet Unusable Reserves – Revaluation Reserve**

2010/11 £000	2009/10 £000	Decrease £000
195,229	169,740	25,489

Estates Services undertook a number of revaluations as part of the five year rolling programme of asset revaluations, this also included revaluation of the previous OBC fixed assets. The larger revaluation increase in 2010/11 reflects a slight improvement in the market since 2009/10 and also the nature of the assets that were valued in 2010/11. A number of the assets valued were on a Depreciated Replacement Cost (DRC) basis as they were of a specialist nature e.g. schools, sports centres, libraries and waste management facilities and as build costs have continued to increase the building values of these assets were subject to valuation increases. Of the assets valued on Existing Use Value (EUV) the majority of the increase in value related to the revaluation of the entire smallholding stock. This increase reflected that these assets had not been valued for 5 years and in this time there had been some change in value.

- **Balance Sheet Unusable Reserve – Compensated Absences Account**

2010/11 £000	2009/10 £000	Increase £000
(4,560)	(2,650)	(1,910)

In 2009/10 the accrual for employee leave was based on an average of 0.2 days owed to the Authority. In 2010/11 the average is 2.9 days that the authority would owe employees is they were to leave on 31st March 2011.

Appendix 2

2. The analytical review will be part of the papers to be considered by the Audit Commission during the annual audit and will be used in forming their opinion on the Statement of Accounts that will be reported in the Audit Opinion and Certificate.