

# Statement of Accounts 2011-2012





# ANNUAL STATEMENT OF ACCOUNTS 2011/12

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

The statement includes:

1. An Explanatory Foreword (pages 1 to 13)
2. The Statement of Responsibilities (pages 14 to 15)
3. The Audit Opinion and Certificate (pages 16 to 19)
4. The Core Financial Statements comprising:-
  - The Movement in Reserves Statement (pages 20 to 21)
  - The Comprehensive Income and Expenditure Statement (page 22)
  - The Balance Sheet (pages 23 to 24)
  - The Cash Flow Statement (page 25)
5. The Notes to the Core Financial Statements (pages 26 to 123)
6. Group Accounts:
  - Introduction (pages 124 to 125)
  - The Group Movement in Reserves Statement (page 126 to 128)
  - The Group Comprehensive Income and Expenditure Statement (pages 129 to 130)
  - The Group Balance Sheet (page 131)
  - The Group Cash Flow Statement (page 132)
  - The Group Account Notes (page 133)
7. The Pension Fund Accounts (pages 134 to 137)
8. The Housing Revenue Account (pages 138 to 143)
9. The Collection Fund (pages 144 to 145)
10. Glossary (pages 146 to 157)

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

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

Rachel Musson  
Corporate Head of Finance & Commerce



## Section 1

# Explanatory Foreword



**The Council is open to fresh ideas and new ways of working in order to continue to improve its services.**

## EXPLANATORY FOREWORD

### The Statement of Accounts

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

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be in an identical format.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

For 2011/12 there have been a number of changes detailed in the Code, the most significant of these changes, that affect the Authority, are detailed below:

- Requirement to adopt FRS30 Heritage Assets within the financial statements which involves carrying heritage assets at valuation on the balance sheet, new disclosure requirements within the notes to the accounts and a commentary on the relationship between heritage assets and community assets.
- Consider the accounting requirements for the Community Infrastructure Levy.
- Amendments to the disclosure requirements for related party transactions, exit packages, trust funds and financial instruments.
- Accounting for the Carbon Reduction Commitment Scheme.
- Clarification over when to account for the Council's interest in Joint Ventures.

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

- **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2011/12.
- **The Statement of Responsibilities** – this details the responsibilities of the Council and the Chief Financial Officer concerning the Council's financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit.
- **The Core Financial Statements**, comprising:

## EXPLANATORY FOREWORD

- **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into ‘usable reserves’ and other reserves.
- **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council’s activities. It brings together all of the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
- **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council’s financial position as at 31 March 2012. It shows the balances and reserves at the Council’s disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- **The Cash Flow Statement** – this consolidated statement summarises the Council’s inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.
- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements and include the Council’s accounting policies.
- **Group Accounts** – group financial statements are required in order to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the authority is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.
- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council’s own finances. This statement is an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2011/12 and assets and liabilities as at 31 March 2012.
- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.
- **The Collection Fund** – This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

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

## EXPLANATORY FOREWORD

### Financial Report

This section of the Statement of Accounts for 2011/12 sets out:

- The revenue outturn for 2011/12
- The capital programme for 2011/12 – 2013/14
- The capital outturn for 2011/12
- Significant Changes in the Statement of Accounts for 2011/12
- A note on the Council's Borrowing Position
- A note on the Investment Strategy of the Council
- A note on the Pensions Liability within the Statement of Accounts
- Current and future prospects
- The Council's stewardship responsibilities and financial management policies

### Revenue Outturn for 2011/12

Revenue budgets are monitored and reported on a monthly basis in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising. Budget monitoring reports during the course of the year have shown the following position:

	Month 3 £000	Month 4 £000	Month 5 £000	Month 6 £000	Month 7 £000	Month 8 £000	Month 9 £000	Month 10 £000	Month 11 £000	Outturn £000
Assessment & Eligibility	0	213	949	954	994	999	669	678	611	1,192
Learning & Skills	0	(200)	(93)	(97)	(100)	(209)	(419)	(513)	(503)	(815)
Safeguarding	0	(494)	(497)	(495)	(797)	(640)	(808)	(998)	(1,058)	(1,056)
Care & Wellbeing	0	0	0	(60)	(60)	(60)	(250)	(250)	(250)	(417)
Public Protection	0	211	214	213	223	168	122	128	(3)	(82)
Leisure, Libraries & Community Action	290	645	412	385	402	266	147	78	125	79
Environmental Maintenance	0	0	0	0	0	0	50	50	33	(260)
Customer Care & Involvement	(30)	(30)	(30)	(25)	(20)	(57)	(48)	(110)	(107)	(243)
Commissioning & Procurement	0	0	0	0	0	0	(37)	(20)	(48)	(77)
Business Growth & Prosperity	200	199	217	220	258	234	132	62	(92)	(150)
Facilities Management	0	(4)	(4)	360	529	671	967	800	826	482
Environment	735	821	803	909	932	739	807	707	376	(176)
SMB	0	(1)	3	5	(4)	(3)	(7)	1	6	13
Finance & Commerce	(40)	(84)	(89)	(91)	(63)	(62)	(67)	(83)	(101)	(128)
Business Improvement	(10)	(45)	(51)	(100)	(77)	47	42	41	15	(145)
Organisation Development	0	18	0	(2)	(35)	(34)	(56)	(64)	(64)	(152)
Strategic Planning	0	30	4	1	(26)	(57)	(85)	(84)	(83)	(154)
Legal & Democratic	(84)	(81)	(79)	(68)	(69)	(61)	(87)	(105)	(100)	(212)
Corporate	0	(213)	(202)	(16)	(3)	(18)	25	(75)	(75)	(408)
<b>TOTAL</b>	<b>1,061</b>	<b>985</b>	<b>1,557</b>	<b>2,093</b>	<b>2,084</b>	<b>1,923</b>	<b>1,097</b>	<b>243</b>	<b>(492)</b>	<b>(2,709)</b>

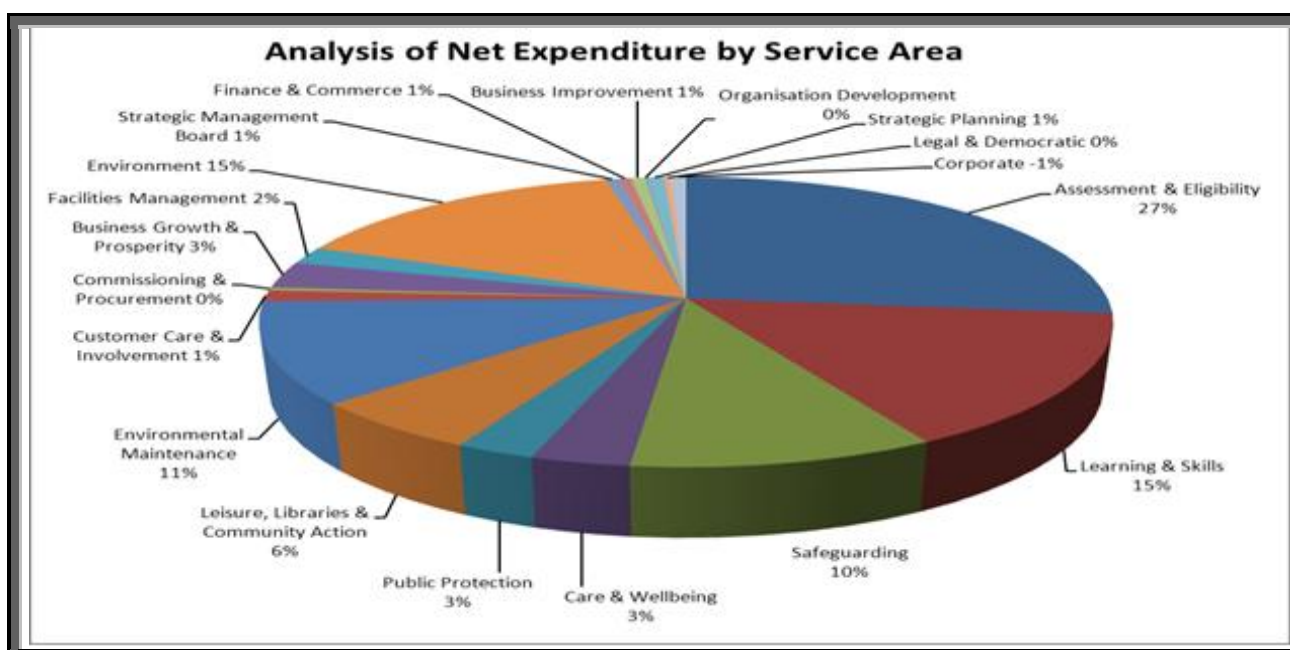


## EXPLANATORY FOREWORD

The Council's financial position for 2011/12 has improved when compared to projections made at Period 11, generating an underspend of £2.709m. This underspend is as a result of a number of variations across the majority of services and represents the continued efforts of senior managers to retain tight control over budgets in the final months of the financial year. Since period 7, the Council implemented a spending freeze on specific items of expenditure and undertook other targeted management action in service areas.

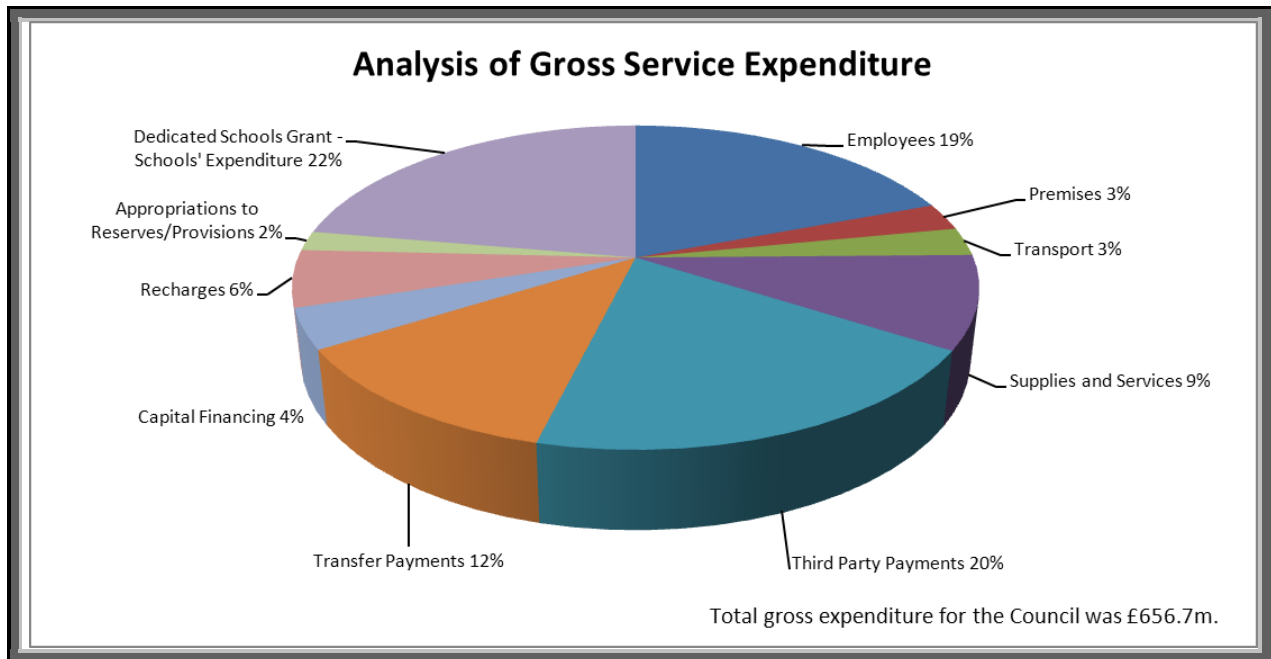
The final outturn position for each Service Area is shown in the table below which compares actual net expenditure with the approved budget.

	Budget (incl. in year virements) £000	Carry forwards from 2010/11 £000	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Assessment & Eligibility	58,812	0	58,812	60,004	1,192
Learning & Skills	35,057	0	35,057	34,242	(815)
Safeguarding	23,445	0	23,445	22,389	(1,056)
Care & Wellbeing	7,703	0	7,703	7,286	(417)
Public Protection	5,896	0	5,896	5,814	(82)
Leisure, Libraries & Community Action	12,792	206	12,998	13,077	79
Environmental Maintenance	25,697	0	25,697	25,437	(260)
Customer Care & Involvement	2,932	0	2,932	2,689	(243)
Commissioning & Procurement	902	0	902	825	(77)
Business Growth & Prosperity	6,822	0	6,822	6,672	(150)
Facilities Management	3,845	0	3,845	4,327	482
Environment	34,636	0	34,636	34,460	(176)
SMB	1,332	0	1,332	1,346	14
Finance & Commerce	1,285	0	1,285	1,157	(128)
Business Improvement	1,602	0	1,602	1,457	(145)
Organisation Development	296	0	296	144	(152)
Strategic Planning	1,897	0	1,897	1,744	(153)
Legal & Democratic	850	0	850	638	(212)
Corporate	(1,116)	0	(1,116)	(1,526)	(410)
<b>TOTAL</b>	<b>224,685</b>	<b>206</b>	<b>224,891</b>	<b>222,182</b>	<b>(2,709)</b>

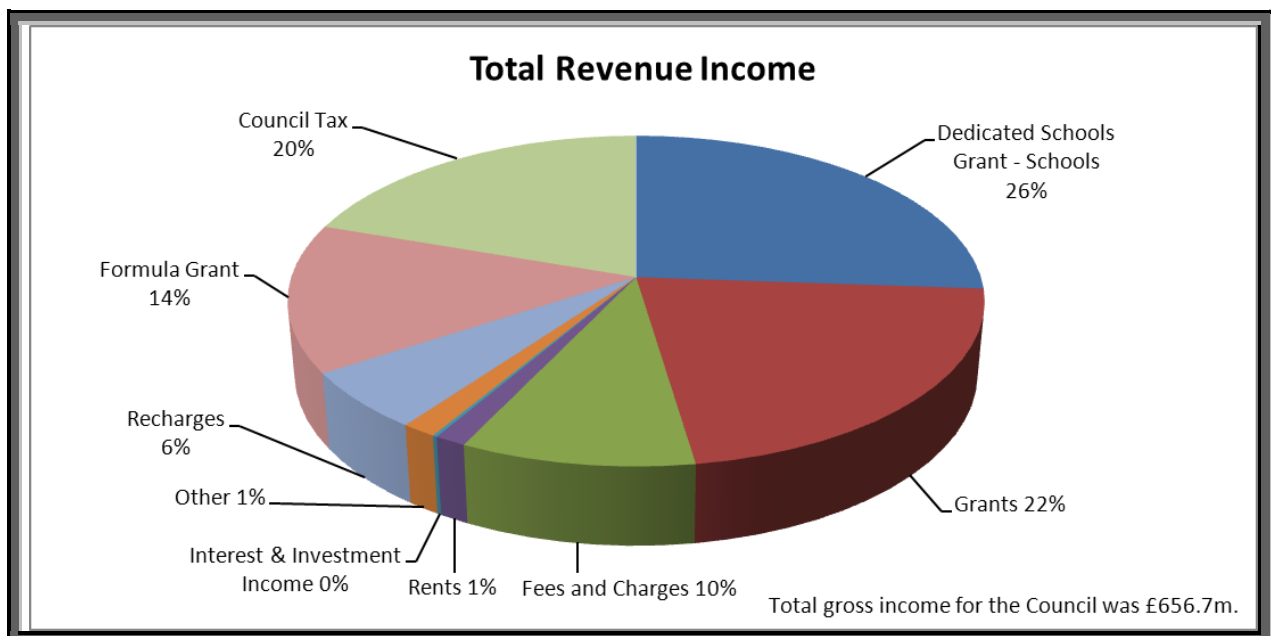


## EXPLANATORY FOREWORD

The gross expenditure for the Council was £656.7 million, which was spent on the following types of expenditure:



The total sources of income, including service income and income received centrally, is shown in the pie chart below.



The overall underspend of £2.709 million against service area's budgets represents 0.4% of the original gross budget of £661 million.

In addition, School balances, including invested sums, have decreased by £1.135 million from the previous year. Schools' balances have to be ring-fenced for use by schools, and schools have the right to spend those balances at their discretion.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Note 30 to the Accounts.

## EXPLANATORY FOREWORD

### The Capital Programme 2011/12 to 2014/15

The Capital Strategy for the four years 2011/12 to 2014/15 details the capital schemes that Council plans to deliver in that period. The Strategy is based around two over-riding principles:

- It is priority led; and
- That the revenue costs are affordable.

The table below provides a summary of the capital budget for 2011/12 to 2014/15 as included in the 2011/12 Budget Book.

Service Area	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
<b>General Fund</b>				
Area Directors	3,790	173	23	23
Central Departments	1,975	925	300	300
<b>Head of Service</b>				
People	28,107	9,793	9,060	9,060
Places	39,283	22,476	18,548	15,233
<b>Total General Fund</b>	<b>73,155</b>	<b>33,367</b>	<b>27,931</b>	<b>24,616</b>
<b>Housing Revenue Account</b>				
People	4,477	2,625	2,625	2,625
<b>Total Capital Programme</b>	<b>77,632</b>	<b>35,992</b>	<b>30,556</b>	<b>27,241</b>

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

The table below provides a summary of the capital financing for the capital budget as per the 2011/12 Budget Book.

Financing	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Supported Capital Expenditure	16	16	16	16
Prudential Borrowing (including self-financing)	16,924	4,225	4,056	4,073
Capital Grants & Contributions	39,707	22,594	20,468	20,418
Revenue Contributions	1,931	175	175	125
Major Repairs Allowance	4,060	2,609	2,609	2,609
Capital Receipts	14,994	6,373	3,232	0
	<b>77,632</b>	<b>35,992</b>	<b>30,556</b>	<b>27,241</b>

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### Capital Outturn for 2011/12

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

The table below provides a summary of the revised capital budget and expenditure for 2011/12 as at outturn which shows slippage into the next financial year and any overspends in 2011/12.

Service Area	Revised Budget 2011/12 £000	Actual Spend 2011/12 £000	Variance 2011/12 £000
<b>General Fund</b>			
Area Directors	4,784	4,607	177
Central Departments	3,376	2,877	499
<b>Head of Service</b>			
People	23,973	21,085	2,888
Places	30,284	28,778	1,506
<b>Total General Fund</b>	<b>62,417</b>	<b>57,347</b>	<b>5,070</b>
<b>Housing Revenue Account</b>			
People	6,257	6,617	(360)
<b>Total Capital Programme</b>	<b>68,674</b>	<b>63,964</b>	<b>4,710</b>

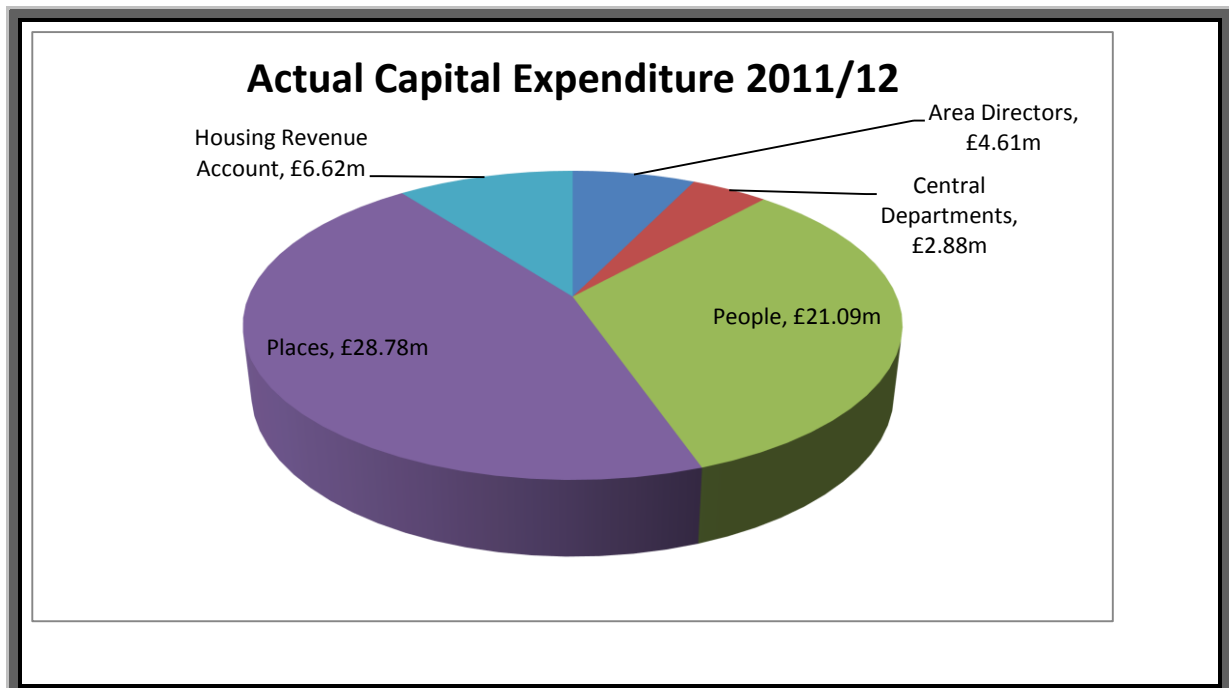
The table below provides a summary of the capital financing for the actual capital expenditure for 2011/12.

Financing	2011/12 £000
Supported Capital Expenditure	1,200
Prudential Borrowing (including self-financing)	2,896
Capital Grants & Contributions	44,302
Revenue Contributions	2,193
Major Repairs Allowance	4,813
Capital Receipts	8,383
Use of capital receipts set-aside	177
	<b>63,964</b>

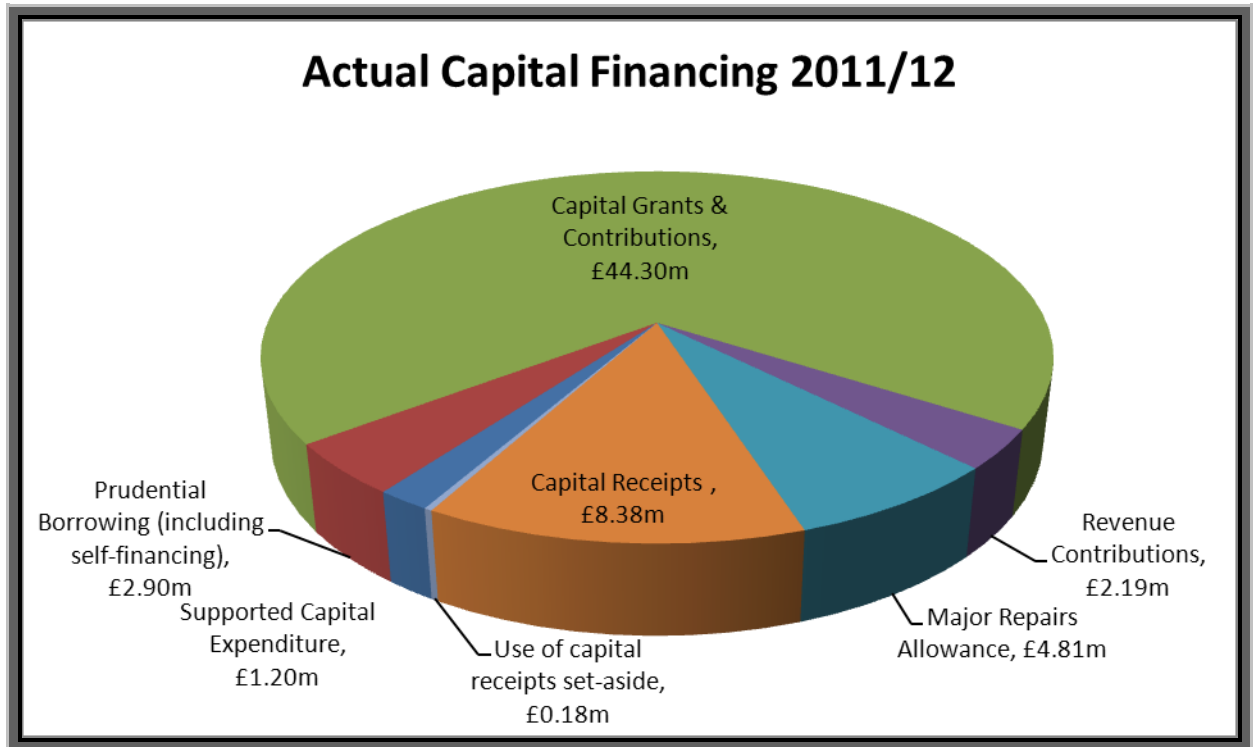
## EXPLANATORY FOREWORD

The areas of most significant expenditure for schemes undertaken in 2011/12 are as follows:

	Expenditure 2011/12 £000	Scheme Total Budget £000
<b>Area Directors</b>		
Community Grants	328	Ongoing
Oswestry Park Recreation Centre	2,792	10,771
Oswestry Depot	1,250	1,565
<b>Central Departments</b>		
Affordable Housing Schemes	517	Ongoing
Virtual Desktop Infrastructure	1,348	2,500
Council Wide Area Network	498	1,000
<b>People</b>		
Disabled Facilities Grants	2,119	Ongoing
Assesment & Care Management Schemes	555	Ongoing
Primary School Schemes	1,165	Ongoing
Primary School Amalgamation Programme	7,787	Ongoing
Secondary School Schemes	987	Ongoing
14-19 Special Education Diploma Programme	1,764	Ongoing
Devolved Formula Capital - Allocated by schools	1,790	Ongoing
Special Education Needs Schemes	1,136	Ongoing
Housing Major Repairs Programme	6,617	Ongoing
<b>Places</b>		
Culture & Heritage Schemes	2,351	Ongoing
Economic Development Schemes	820	Ongoing
Rural Access & Play Schemes	1,158	Ongoing
Growth Point Programme (including Flaxmill project)	2,164	Ongoing
Sustainability Schemes	1,421	Ongoing
Highways & Bridges Infrastructure	17,147	Ongoing
Integrated Transport Plan	2,579	Ongoing



## EXPLANATORY FOREWORD



### **Significant Changes within the Statement of Accounts for 2011/12**

The Council undertakes an analytical review each year on the Statement of Accounts to help understand the key changes on the Accounts over the course of the year. For 2011/12 the most significant items include:

- The self financing borrowing inherited for the Housing Revenue Account at £83m has been charged to the Income and Expenditure Statement and has increased the long term liabilities of the Council
- Heritage Assets are separately identified within the Fixed Assets on the Balance Sheet
- Provisions have increased on the Balance Sheet which reflects the new provision for redundancy costs that the Council are committed to in 2012/13 (£1.3m) and the provision for the Carbon Reduction Commitment (£0.4m).

### **Borrowing**

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

Due to the reduction in the capital programme and slippage within the programme, no additional borrowing was required on current schemes. However the Council did

## EXPLANATORY FOREWORD

inherit the borrowing requirement relating to the Housing Revenue Account from DCLG leading to extra PWLB loans of £83.5m being taken out.

### **Investments**

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

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

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

Further details of investment activities are provided within Note 48, which commences on page 107.

### **Local Government Pension Scheme**

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

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

As at 1 April 2011, the Council's net pensions liability amounted to £234m. In comparison, the deficit amounts to £286m at 31 March 2012. Statutory requirements for funding the deficit means the financial position of the Council remains healthy, as the deficit will be met by increased contributions over the remaining working life of employees.

Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 26, and the change to the pension liability in 2011/12 is analysed in note 46 to the accounts.

## EXPLANATORY FOREWORD

### **Current and Future Prospects**

The Council's Strategic Priorities are described by the following key elements, which underpin the Council's transformation programme, which itself provides the framework for the delivery of budget savings over the short and medium term:

- Flourishing Shropshire Communities;
- Greater Public Confidence;
- Better Health and Wellbeing;
- Better Education Attainment and Work Placed Skills;
- Economic Growth and Prosperity;
- Modern Infrastructure and Different Ways of Working; and
- Organisational Development and Behaviour Change.

The medium term financial strategy agreed by members in February 2011 identified savings of £17.602m to be implemented in 2012/13 and a further £24.074m for 2013/14. These savings were categorised into 3 different phases for approval during the course of 2011/12.

As part of the further development of the Financial Strategy, managers were required to attend Business Challenge events in January 2012. This process allowed the Senior Management Board to scrutinise budgets and saving targets with a view to ensuring all savings were achievable and had robust delivery plans, and to identify if any savings could be brought forward.

Budget pressures will continue to be identified and refined over the medium term. The following areas require further refinement (over the next twelve months) before consideration for inclusion in the 2013/14 budget (or potential revision of the 12/13 budget):

- Changes to the funding mechanism for local authorities, including the localisation of Business Rates with the detailed methodology to be used still to be agreed. This introduces a further level of uncertainty to the Council's resource projections in the short, medium and long term.
- Reduction in available funding resulting from the localisation of Council Tax Support and the implementation of the Universal Credit.
- Demographic Growth, particularly in services provided by Assessment and Eligibility, post transformation of the service.
- Further reductions in demand for income generating services resulting in unachievable income targets and questionable sustainability.
- Government set charges for such areas as Carbon Reduction Tax and Landfill Tax are unknown beyond 2012/13 and an allowance will need to be built into future budgets should current tax levels increase.
- The movement of schools to Academy status is expected to impact on Council funding and resources.
- The basis for recharging back-office costs to frontline services is currently being reviewed.
- The impact of reducing our asset base (generation of capital receipts) can have a negative impact on revenue funding if an asset currently provides an income stream to the authority.

The Council has also agreed to create a new Council-owned company (ip&e (Group) Ltd), as a vehicle for delivering a range of public services in Shropshire. Further work



## EXPLANATORY FOREWORD

on the services to be transferred into this organisation and the impact this has on the Council's financial position will be determined over the course of this year.

Shropshire Council has continued with its policy of reducing the level of prudential borrowing for the capital programme by funding schemes by capital receipts instead. The level of capital receipts required over the four year period is £35.6m and the council is continuing with its asset management strategy to identify whether these potential receipts can be generated.

### **The Council's Stewardship Responsibilities and Financial Management Policies**

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

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

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

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

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

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

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

The responsibilities of the Council and its designated Chief Finance Officer, who is the Corporate Head of Finance & Commerce, are set out in the Constitution. The

## EXPLANATORY FOREWORD

Council also has an Annual Governance Statement which accompanies this Statement of Accounts which covers more than pure financial matters.

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

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

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

## Section 2

# Statement of Responsibilities



**More adult social care clients in Shropshire are choosing how their care needs and outcomes are being met through self-directed support**

## STATEMENT OF RESPONSIBILITIES

### The Council's Responsibilities

The Council is required to:

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

### Responsibilities of Chief Financial Officer

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

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

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

The Corporate Head of Finance & Commerce has also:

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

## CERTIFICATE OF CHIEF FINANCIAL OFFICER

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2012 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011, and that the Pension Fund Accounts as set out in the separate publication of Shropshire County Pension Fund Annual Report 2011/12 also complies with these Regulations.

Rachel Musson  
Corporate Head of Finance & Commerce  
27 September 2012

## STATEMENT OF RESPONSIBILITIES

### **Approved by Council**

The council's Statement of Accounts for 2011/12 was formally approved at a meeting of the Council on 27 September 2012.

Malcolm Pate  
Chairman of the Council  
27 September 2012



## Section 3

# Audit Opinion & Certificate



**Our schools have seen an increase in the number of pupils achieving 5 or more grades A\*-C at GCSE or equivalent**

# AUDIT OPINION AND CERTIFICATE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

### Opinion on the financial statements

I have audited the financial statements of Shropshire Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Corporate Head of Finance & Commerce is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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



# AUDIT OPINION AND CERTIFICATE

## Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Shropshire Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## Opinion on other matters

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

## Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

## Opinion on the pension fund accounting statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

# AUDIT OPINION AND CERTIFICATE

## **Respective responsibilities of the Corporate Head of Finance & Commerce and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Corporate Head of Finance & Commerce is responsible for the preparation of the Authority and Group's Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

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

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

# AUDIT OPINION AND CERTIFICATE

## **Respective responsibilities of the Authority and the auditor**

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

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Shropshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

## AUDIT OPINION AND CERTIFICATE

### **Delay in certification of completion of the audit**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Grant Patterson  
District Auditor  
Audit Commission  
Opus House  
Priestley Court  
Staffordshire Technology Park  
Beaconside  
Stafford  
ST18 0LQ  
30 September 2012

## Section 4

# Core Financial Statements



For 4 years Shire Services have gained the “Silver Food for Life’ charter-mark from the Soil Association for using locally produced food, with full traceability for all our ingredients in our school meals.

## MOVEMENT IN RESERVES STATEMENT

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

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

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

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	10,179	29,202	799	0	3,927	44,107	759,003	803,110
<b><u>Movement in reserves during 2010/11</u></b>								
Surplus or (deficit) on the provision of services	(45,536)	0	(75,866)	0	0	(121,402)	0	(121,402)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	141,140	141,140
<b>Total Comprehensive Income and Expenditure</b>	<b>(45,536)</b>	<b>0</b>	<b>(75,866)</b>	<b>0</b>	<b>0</b>	<b>(121,402)</b>	<b>141,140</b>	<b>19,738</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	46,990	0	75,734	(107)	(73)	122,544	(122,544)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,454</b>	<b>0</b>	<b>(132)</b>	<b>(107)</b>	<b>(73)</b>	<b>1,142</b>	<b>18,596</b>	<b>19,738</b>
Transfers to/from Earmarked Reserves (Note 8)	(1,772)	1,653	118	107	(1,650)	(1,544)	1,443	(101)
<b>Increase/Decrease in 2010/11</b>	<b>(318)</b>	<b>1,653</b>	<b>(14)</b>	<b>0</b>	<b>(1,723)</b>	<b>(402)</b>	<b>20,039</b>	<b>19,637</b>
<b>Balance at 31 March 2011</b>	<b>9,861*</b>	<b>30,855</b>	<b>785</b>	<b>0</b>	<b>2,204</b>	<b>43,705</b>	<b>779,042</b>	<b>822,747</b>

\* Includes Council's General Fund Balance and School Balances. Level of School Balances is disclosed at Note 38.

## 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	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2011</b>	9,861*	30,855	785	0	2,204	0	43,705	779,042	822,747
<b><u>Movement in reserves during 2011/12</u></b>									
Surplus or (deficit) on the provision of services	(15,983)	0	(84,402)	0	0	0	(100,385)	0	(100,385)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(20,492)	(20,492)
<b>Total Comprehensive Income and Expenditure</b>	<b>(15,983)</b>	<b>0</b>	<b>(84,402)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100,385)</b>	<b>(20,492)</b>	<b>(120,877)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	24,695	0	84,452	0	(2,204)	5,751	112,694	(112,694)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>8,712</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>(2,204)</b>	<b>5,751</b>	<b>12,309</b>	<b>(133,186)</b>	<b>(120,877)</b>
Transfers to/from Earmarked Reserves (Note 8)	(5,968)	5,829	162	0	0	0	23	(23)	0
<b>Increase/Decrease in 2011/12</b>	<b>2,744</b>	<b>5,829</b>	<b>212</b>	<b>0</b>	<b>(2,204)</b>	<b>5,751</b>	<b>12,332</b>	<b>(133,209)</b>	<b>(120,877)</b>
<b>Balance at 31 March 2012</b>	<b>12,605*</b>	<b>36,684</b>	<b>997</b>	<b>0</b>	<b>0</b>	<b>5,751</b>	<b>56,037</b>	<b>645,833</b>	<b>701,870</b>

\* Includes Council's General Fund Balance and School Balances. Level of School Balances is disclosed at Note 38.

## 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.

2010/11			2011/12			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
<b>Expenditure on Continuing Services (Note 30)</b>						
33,875	(26,731)	7,144	Central Services to the public	29,606	(24,394)	5,212
34,779	(11,378)	23,401	Cultural and Related Services	32,018	(12,350)	19,668
38,166	(6,347)	31,819	Environmental and Regulatory Services	36,022	(5,812)	30,210
14,978	(5,843)	9,135	Planning Services	15,774	(6,722)	9,052
317,466	(233,083)	84,383	Education and Children's Services	284,981	(220,120)	64,861
39,146	(7,765)	31,381	Highways and Transport Services	36,168	(9,179)	26,989
22,668	(14,720)	7,948	Local Authority Housing (HRA)	15,929	(15,573)	356
67,694	0	67,694	Exceptional costs relating to revaluation loss on Housing Dwellings	0	0	0
0	0	0	Exceptional costs relating to Housing settlement payment	83,350	0	83,350
78,436	(69,594)	8,842	Other Housing Services	79,025	(70,235)	8,790
104,148	(35,134)	69,014	Adult Social Care	99,821	(37,371)	62,450
7,140	0	7,140	Corporate and Democratic Core	6,583	0	6,583
2,183	0	2,183	Non Distributed Costs	1,637	0	1,637
<b>760,679</b>	<b>(410,595)</b>	<b>350,084</b>	<b>Net Cost of Services</b>	<b>720,914</b>	<b>(401,756)</b>	<b>319,158</b>
		5,378	Other Operating Expenditure (Note 9)			28,730
		33,653	Financing and Investment Income and Expenditure (Note 10)			29,434
		(267,713)	Taxation and Non Specific Grant Income (Note 11)			(276,937)
		<b>121,402</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>100,385</b>
		(32,151)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(25,699)
		(61,550)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			46,191
		(47,439)	Exceptional item relating to Actuarial (Gains) on Pension Assets/Liabilities due to change in scheme benefits			0
		<b>(141,140)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>20,492</b>
		<b>(19,738)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>120,877</b>



## BALANCE SHEET

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

31 March 2011 £000		31 March 2012 £000	£000
	Property, Plant & Equipment (Note 12)		
155,354	Dwellings	157,342	
801,540	Land & Buildings	797,173	
16,010	Vehicles, Plant and Equipment	15,662	
290,378	Infrastructure	300,820	
4,832	Community	4,276	
18,559	Assets Under Construction	7,803	
0	Surplus Assets	1,728	
0	Heritage Assets (Note 13)	2,456	
35,045	Investment Property (Note 14)	35,603	
438	Intangible Assets (Note 15)	846	
5,608	Assets Held for Sale (Note 21)	2,703	
<b>1,327,764</b>	<b>Total Non Current Assets</b>		<b>1,326,412</b>
1,150	Long Term Investment	945	
1,472	Long Term Debtors (Note 16)	2,141	
<b>1,330,386</b>	<b>Total Long Term Assets</b>		<b>1,329,498</b>
	Current Assets		
970	Inventories (Note 17)	1,064	
45,632	Short Term Debtors (Note 19)	42,091	
22,600	Short Term Investments	5,008	
749	Landfill Usage Allowances (Note 52)	764	
43,706	Cash & Cash Equivalents (Note 20)	76,472	
<b>113,657</b>	<b>Total Current Assets</b>		<b>125,399</b>
<b>1,444,043</b>	<b>Total Assets</b>		<b>1,454,897</b>
	Current Liabilities		
(2,431)	Short Term Borrowing (Note 16)	(11,018)	
(53,577)	Short Term Creditors (Note 22)	(66,600)	
(528)	Liability to DEFRA for Landfill Usage (Note 52)	(537)	
(4,215)	Bank Overdraft (Note 20)	(2,178)	
(4,560)	Provisions (Note 23)	(6,588)	
<b>(65,311)</b>	<b>Total Current Liabilities</b>		<b>(86,921)</b>
<b>1,378,732</b>	<b>Total Assets Less Current Liabilities</b>		<b>1,367,976</b>
	Long Term Liabilities		
(278,302)	Long Term Borrowing (Note 16)	(352,947)	
(20,830)	Deferred Liabilities (Note 42)	(21,867)	
(4,176)	Provisions (Note 23)	(4,476)	
(753)	Deferred premiums on early repayment of debt (Note 16)	(742)	
(17,918)	Grants Receipts in Advance - Capital (Note 39)	(39)	
(234,006)	Pensions Liability (Note 46)	(286,035)	
<b>(555,985)</b>	<b>Total Long Term Liabilities</b>	<b>(666,106)</b>	
<b>822,747</b>	<b>Net Assets</b>		<b>701,870</b>

## BALANCE SHEET

31 March 2011 £000		31 March 2012	
		£000	£000
	Financed by:		
	<b>Unusable Reserves</b>		
195,228	Revaluation Reserve (Note 25)	214,441	
827,030	Capital Adjustment Account (Note 25)	726,024	
(4,560)	Short Term Compensated Absences Account (Note 25)	(4,626)	
(6,945)	Financial Instruments Adjustment Account (Note 25)	(6,574)	
821	Deferred Capital Receipts (Note 25)	731	
1,474	Collection Fund (Note 25)	1,872	
(234,006)	Pensions Reserve (Note 46)	(286,035)	
<b>779,042</b>			<b>645,833</b>
	<b>Usable Reserves</b>		
0	Usable Capital Receipts Reserve (Note 24)	0	
2,204	Major Repairs Reserve	0	
30,855	Reserves (Note 8)	36,684	
0	Capital Grants Unapplied Account	5,751	
785	HRA Balance	997	
9,861	General Fund Balance (Note 7)	12,605	
<b>43,705</b>			<b>56,037</b>
<b>822,747</b>	<b>Total Reserves</b>		<b>701,870</b>

## 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.

2010/11 £000	Revenue Activities	2011/12	
		£000	£000
121,402	Net (surplus) or deficit on the provision of services	100,385	
(161,972)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(121,960)	
37,995	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	58,673	
<b>(2,575)</b>	<b>Net cash flows from Operating Activities (Note 26 and 27)</b>		<b>37,098</b>
25,314	Investing Activities (Note 28)	12,056	
3,863	Financing Activities (Note 29)	(83,957)	
<b>26,602</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(34,803)</b>
66,093	Cash and cash equivalents at the beginning of the reporting period		39,491
<b>39,491</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>		<b>74,294</b>



## Section 5

# Notes to the Core Financial Statements



**Attendance at leisure facilities across Shropshire has increased during 2011/12.**

# **1. Accounting Policies**

## **1.1 General**

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

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

## **1.2 Basis of Accounting for Items of Expenditure and Income**

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

All payments made which related to the financial year 2011/12 have been included in the accounts, together with any identifiable and material sums which still remain to be paid for goods and services provided up to 31 March 2012.

## **1.3. Reserves**

The Council maintains certain specific revenue reserves to meet future expenditure. The purpose of the Council's reserves is explained on pages 53 to 56.

## **1.4. Provisions**

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

## **1.5. Non Current Assets - Intangible**

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

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

## **1.6. Non Current Assets – Property, Plant and Equipment**

Property, plant and equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

### Recognition

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

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

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority; and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and should be charged to revenue.

The Council only recognises Community schools within the balance sheet. Foundation, Voluntary Aided, Voluntary Controlled and Academy schools (on 125 year peppercorn lease) are not recognised on the basis that the Council does not have control over the service provided in these schools. The only exception to this is schools that should have transferred to Diocese or Governor ownership under Education Legislation; but the legal transfer has not been completed. These are still recognised in the Council balance sheet with an additional note disclosing that they are due to transfer.

### Initial Measurement

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

### Measurement after recognition

Property, plant and equipment assets are subsequently valued at fair value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

<b>Category</b>	<b>Valuation Method (Fair Value definition)</b>
<u>Operational</u>	
Council Dwellings	Existing Use Value – Social Housing (EUV-SH)
Land & Buildings	Existing Use Value (EUV) – in accordance with UKPS 1.3 of the RICS Valuation Standards.
	Depreciated Replacement Cost (DRC) – for specialist properties where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold.
Vehicles, Plant & Equipment	Depreciated Historic Cost (HC)
Infrastructure	Historic Cost (HC)
Community Assets	Historic Cost (HC)
<u>Non-operational</u>	
Surplus Assets	Existing Use Value (EUV) or Depreciated Replacement Cost (DRC) applying the same assumptions relating to the level of usage, etc. as those of the most recent valuation as an operational asset
Assets Under Construction	Historic Cost (HC)

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum of five years. When new material assets are acquired/constructed or assets substantially enhanced, the asset will be valued in the financial year following when the asset becomes operational. When an asset is re-valued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

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

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

### Componentisation

Where components of an asset are significant in value in relation to the total value of the asset as a whole and they have substantially different economic lives, they are



recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1 April 2010. Significant assets for this purpose are properties with a capital value of £2.5m or over, where depreciation is £100,000 per annum or over, or any component that represents 25% of the total capital value.

### Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

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

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

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

Where a component of an asset is replaced or restored, the carrying amount of the old component is derecognised, based on the cost of the new component indexed back to the last valuation date.

## **1.7. Investment Properties**

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

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

Investment properties held at fair value are not depreciated. The fair value of investment properties shall reflect market conditions at the Balance Sheet date; this means the periodic (5-yearly) revaluation approach may only be used where the

carrying amount does not differ materially from that which would be determined using fair value at Balance Sheet date.

## **1.8. Non-Current Assets Held for Sale**

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

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

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

## **1.9. Impairment**

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

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

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

The impairment of Housing Revenue Account assets is subject to an annual review of value in line with the requirements of the CLG; this is based on the quarterly house price statistics published by CLG. In 2011/12, as this data has not been published by CLG, equivalent data from the Office for National Statistics (ONS) has been used.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **1.10. Depreciation**

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

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

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

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

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

## **1.11. Charges to Revenue for Non-Current Assets**

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

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

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

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 1.15 (The Redemption of Debt). Depreciation, Amortisation and revaluation/impairment losses are therefore replaced by revenue provision transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Interest payable is reported within Net Operating cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 1.10 (Depreciation), is charged directly to service revenue accounts.

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

## **1.12. Revenue Expenditure Funded from Capital under Statute**

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

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

## **1.13. Government Grants and Contributions**

### Revenue Grants

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

### Capital Grants

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

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General

Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

### Community Infrastructure Levy

The Council has elected to charge Community Infrastructure Levy (CIL) with effect from 1 January 2012. The levy applies to planning applications for the following types of development:

- Applications for the creation of a new dwelling (unless it is an "affordable dwelling", or is a conversion not involving any new build) and
- Residential extensions of 100 sq. metres (1,076 square foot) or more new build floorspace.

The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects. This will largely be capital expenditure and includes roads and other transport schemes, flood defences, schools and other education facilities, medical facilities, sporting and recreation facilities and open spaces. Five percent of CIL charges will be used to meet the administrative costs of operating the levy.

CIL is received without outstanding conditions; it is therefore recognised in the Comprehensive Income and Expenditure Statement in accordance with the Council CIL instalment policy, following commencement date of the chargeable development in accordance with the accounting policy for government grants and contributions set out above.

## **1.14. Heritage Assets**

Tangible Heritage Assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture. Intangible heritage asset are intangible assets with cultural, environmental, or historical significance.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment. However, due to the unique nature of Heritage Assets, some of the measurement rules are relaxed in relation to the categories of Heritage Assets held as detailed below. This is due to the lack of valuation information and the disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

### **▪ Outdoor Statues/Monuments/Historic Building Remains**

The Council has a small number of assets relating to Outdoor Statues/Monuments/Historic Building Remains. These assets are reported on the balance sheet, but valuation of these assets is not practical due to the unique nature and lack of comparable market values. These assets are held on the balance sheet

at depreciated historic cost, where this is available. Where historic cost information is not available due to the age of the asset, the assets are held at nil value.

The Council's Historical Environment Team, including the Shropshire Archaeology Service manage the Council's historic environment and archaeological sites. The Council does not consider that reliable cost or valuation information can be obtained for the assets held under the Historic Environment and Archaeology Service and the majority would fall into the de-minimus category. This is because of the unique nature of the assets held and lack of comparable market values. It is also recognised that the cost of obtaining this information outweighs any benefits. Consequently, the Council does not recognise these assets on the balance sheet, other than those included under Statues/Monuments/Historic Building Remains.

#### ▪ **Museum and Archives artefacts**

##### Museum Service

The Shropshire Museum Service runs a countywide service which collects, documents, preserves, exhibits and interprets the material remains of Shropshire's natural and human history for public benefit. The service operates six museums, a museum resource centre and a mobile museum service.

The Museum Service holds 530,000 objects with an estimated 40% documented and 72,000 full catalogue entries. The collection includes items on loan to the service, but in general the Museum Service will not accept material on permanent or long term loan.

Principal collections held by the Museum Service include:

- Agricultural
- Archaeology (including Prehistory, Roman, Medieval, Post-Medieval and Foreign)
- Archives
- Biology
- Costume & Textiles
- Decorative & Applied Arts
- Ethnography
- Fine Art
- Geological
- Numismatics
- Social History

The Museum Service has a Collections Policy which contains the Acquisition and Disposal Policies together with more details of the Museum Service and the collections held.

The acquisition priorities vary between the principal collections based on existing gaps in the collection and the capabilities and resources available to the service to

adequately store, conserve and display collections. For all collections there are defined procedures to be undertaken once it is established an item falls with the Museum Service's collecting policy as follows:

1. An acquisition statement is prepared which considers the items significance, relevance to the collection and potential impact upon the service.
2. The potential acquisition is discussed by the Museum Service's Curatorial Board which takes a decision on the appropriateness of the acquisition.

The Museum Service exercises due diligence and makes every effort not to acquire, whether by purchase, gift, bequest or exchange, any object or specimen unless the governing body can acquire a valid title to the item.

By definition, the Museum Service has a long-term purpose and should possess permanent collections in relation to its stated objectives. As a consequence there is a strong presumption against the disposal of any items in the museum's collection. In the event of the Museum Service closing the collections would be offered to other museum authorities and neither the collections nor individual items within them would be sold to generate income.

In exceptional circumstances, where the Museum Service is legally free to dispose of an item, any decision will only be taken after preparation of a full disposal statement for due consideration by the Curatorial Board and agreement of Cabinet. Decisions will not be taken with the principal aim of generating funds and any monies received will be applied for the benefit of the collections.

Complete holdings are not valued, as items are generally unique and full valuation would be extremely expensive; however, some significant items have a market valuation at purchase or insurance valuation. As a consequence only those items for which the Museum Service holds an existing valuation (above a de-minimus threshold of £5,000) are recognised in the balance sheet. These principally consist of fine art paintings and items of decorative art. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Any new acquisitions will be recognised at purchase price valuation. Assets are not subject to a revaluation cycle, with revaluations only undertaken where required by the Museum Service.

A full current valuation of the museum's heritage assets is not available as:

1. It is recognised that due to scale of the collection and current documentation issues mean that the cost of obtaining this information outweighs any benefits.
2. Items are generally held for their unique historic value for Shropshire rather than any financial value. This contextual relevance is hard to quantify in financial terms and in most cases makes the object unique.

### Archives

The Shropshire archives and local studies service preserves and makes accessible documents, books, maps, photographs, plans and drawings relating to Shropshire past and present. The collection consists of 807 cubic metres of archives, of which it is estimated 50% is catalogued, consisting of 260,000 existing record entries, across 8,500 separate collections. Not all material is owned by the Council, with a significant proportion on deposit from record owners. No reliable cost or valuation

information is held for holdings, with items generally unique and valuation would be considered to be extremely expensive. Consequently the Council does not recognise these assets on the balance sheet.

Shropshire Archives has an Acquisition and Disposal policy. Shropshire Archives will acquire material for the study of all aspects of Shropshire past and present. Material will be acquired by transfer, gift, purchase or deposit. All gifts and deposits will be completed with a written agreement. Shropshire Archives will only acquire material if the responsible officer is satisfied that the vendor, donor or depositor has a valid title to the material and will not acquire material if it cannot provide adequate storage or professional care for it. Shropshire Archives will not acquire museum artefacts and will consult with other similar collecting institutions if a conflict of interest is thought possible.

Shropshire Archives will, with the written agreement of any depositor and subject to the terms of any statutory or other regulatory measure, transfer material to a more suitable collecting institution if it is judged that the material and potential users of that material will benefit from their re-location. All transfers shall be recorded.

Shropshire Archives will, with the written agreement of any depositor and subject to the terms of any statutory or other regulatory measure, evaluate and select for destruction or return, material not considered worthy of permanent preservation.

There is a strong presumption against the disposal by sale of any material in Shropshire Archives ownership. If materials are to be sold they should first be offered to other appropriate public collecting institutions. Any decision to sell materials shall be the responsibility of Shropshire Council on the advice of the County Archivist. All monies received by Shropshire Archives from the sale of material shall be used for the benefit of the Service's collections.

#### ▪ **Civic Regalia**

The Council does not hold significant items of Civic Regalia and no current valuation information is held for these items. Consequently the Council does not recognise these assets on the balance sheet.

#### Heritage Assets – Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

### **1.15. Capital Receipts**

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



## 1.16. The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the statutory "Minimum Revenue Provision" (MRP) requirements. For supported borrowing MRP is 4% p.a. of the adjusted (by the *A adjustment*) Capital Financing Requirement. For unsupported borrowing under the Prudential system MRP is calculated over the estimated life of the asset for which the borrowing is undertaken. For assets under on-balance sheet PFI contracts and finance leases, the annual principal payment amount in the PFI or finance lease model is used as the MRP payment amount, with no additional charges above those within the contract. This amount is transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

## 1.17. Leases

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

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

- 1) the lease transfers ownership of the asset to the lessee by the end of the lease term
- 2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised
- 3) the lease term is for the major part of the economic life of the asset
- 4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, and
- 5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

### The Council as Lessee

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

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

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

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

### The Council as Lessor

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

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

## **1.18. Financial Assets**

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

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

incorporated into the Core Financial statements, instead Note 13 to the Core Financial Statements provides details about these soft loans.

### **1.19. Financial Liabilities**

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

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

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

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

### **1.20. Interest on Surplus Funds and Balances**

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

### **1.21. Cash and Cash Equivalents**

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

## **1.22. Debtors and Creditors**

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

## **1.23. Inventories**

Inventories and stock are valued at the lower of cost price or net realisable value.

## **1.24. Costs of Support Services**

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

## **1.25. Group Accounts**

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

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

## **1.26. Value Added Tax (VAT)**

Only irrecoverable VAT is included in revenue and capital expenditure.

## **1.27. Employee Benefits**

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

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

An accrual has been calculated for other staff based on the amount of untaken leave as at 31 March.

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

Full details of the Council's accounting for pension costs are given in Note 46 on pages 102 to 106.

### **1.28. Foreign Currency Transactions**

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

### **1.29. Carbon Reduction Commitment Allowances**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### **1.30. Prior Period Adjustments**

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

### **1.31. PFI – Statement of Accounting Policy Private Finance Initiative Schemes (PFI)**

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

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

Since 2009 PFI and similar contracts have been accounted for in a manner that is consistent with the adaptation of IFRIC 12 Services Concession Arrangements contained in the government's Financial Reporting Manual (FRoM).

### **IFRIC 12 Service Concession Arrangements**

Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that the Code requirements for PFI and PPP arrangements apply to both the QICS and Waste Services PFI projects. The projects are, therefore, "on balance sheet" for the Council's purposes.

### **Treatment of Upfront Contributions**

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

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

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

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

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

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

*All of the buildings constructed under the contract became operational during 2006/07. The assets have been recognised on the Council's balance sheet in*

2006/07 at their capital cost, as detailed in the operator's financial model, and subsequently depreciated and re-valued in accordance with the Council's policies. The Accounting Treatment of New Assets Purchased Prior to Contract Commencement: Some of the QICS PFI buildings required the purchase of new land. These new purchases, which all took place during 2005/06, have been included in the Council's asset register as land purchases in the normal manner since 2005/06. This approach is also consistent with Code guidance on PFI and PPP arrangements.

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

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

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

Where assets scheduled to be provided under the contract are not actually realised as planned, then the relevant proportion of the finance lease rental attributable to these assets will be recognised as a prepayment. Once the asset is provided and, therefore, recognised on the Council's balance sheet, the related liability will also be recognised and the prepayment applied to reduce the outstanding liability.

### **Treatment of the Resulting Liability**

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

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

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

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

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

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

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

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

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

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

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

### **The Accounting Treatment of Upfront Contributions**

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

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



reduce the resulting finance lease liability when the assets became available for use by the Council in 2006/07.

### **Treatment of Payment Deductions**

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

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

### **Minimum Revenue Provision (MRP)**

As PFI assets are recognised on the authority's balance sheet, they are subject to MRP in the same way as assets acquired using other forms of borrowing. In accordance with the Communities & Local Government (CLG) document "Guidance on Minimum Revenue Provision" the MRP requirement of both PFI projects is met by including within the annual MRP charge an amount equal to the element of the finance lease rental that goes to write down the balance sheet liability. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **PFI Credits**

PFI credits are received from the government in the form of a specific grant on an annuity basis.

### **Waste PFI Reserves**

There is a Waste Services PFI Reserve of £22.8m, as at 31/03/12 for the Waste Services PFI contract. There are two elements to the £22.8m Waste Services PFI Reserve: a £16.8m PFI Smoothing Reserve and a £6m Prepayment Reserve.

The Smoothing Reserve reflects the budgeted contributions in the early years of the Waste Services PFI contract that will be used to smooth the step up in the unitary charge once additional facilities come on line. The Smoothing Reserve will ensure that the Council does not pay for services in advance of receiving them. The 2011/12 Business Plan anticipates the Smoothing Reserve earning interest at 5% per annum.

Planned capital expenditure not yet undertaken but still paid for from the finance lease rental element of the unitary charge payment has been recognised by posting prepayments to the Balance Sheet. The Prepayment Reserve reflects these prepayments by holding the proportion of unitary charge payments which relate to assets planned but not yet delivered under the Waste Services PFI contract.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)*.

The amendments to IFRS 7-Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, the transfers described by the standard do not occur frequently in local authorities. Further clarification will be detailed in the 2012/13 Code and any disclosures deemed necessary will be detailed in the 2012/13 accounts.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty regarding future levels of funding for local government. The Council has undertaken the rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.
- The authority takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. One such judgement has been taken around schools and particularly that Voluntary Aided or Controlled schools are not controlled by the Council and so are not included within the asset valuations. The asset valuation does however include balances relating to assets that are awaiting formal completion to the Diocese. Until detailed work is completed regarding the elements of the assets to be transferred, these will remain on balance sheet.
- The authority is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. The Council acts as accountable body for the Growing Places Fund which is a grant scheme controlled by the LEP. The Council has concluded that the role of accountable body is to be deemed as an agent, and therefore the full grant should not be accounted within the authority's accounts.

#### 4. 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.

There is a significant risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2012:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation involving an inspection is carried out every 5 years. An impairment and valuation review is carried out as a desk exercise for properties not valued in the year.	There is a risk of material adjustment in the year when the property is revalued.
Dwellings	The value of dwellings held on the balance sheet is subject to impairments due to an estimated increase or decrease in house prices. The Council accounting policy is to use CLG statistics at December (Q4) each year, as the basis of this estimate. In 2011/12, as this data has not been published by CLG, equivalent data from the Office for National Statistics (ONS) has been used. Once the CLG data is published, if this is materially different from the ONS data, it may be necessary to amend the value of the dwellings.	The change in value will be dependent on the change in house price statistics once reported by CLG.
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 £13,798.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to.	The expense or the income could be either higher or lower than expected.

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

## 5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Corporate Head of Finance & Commerce on 29 June 2012. Events taking place after this date are not reflected in the financial statement or notes and no further post balance sheet events have been identified.

## 6. EXCEPTIONAL ITEM

From 1 April 2012 the Housing Subsidy System has been abolished and replaced with Self Financing. Under this change the requirement to make annual CLG determined payments to the Government ends but has required a payment for a one-off allocation of debt. Due to the timing of this transaction between the Council and the Government taking place on 28 March 2012 the payment of £83.350m has been shown as an exceptional item on the face of the account.

## 7. 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.

2011/12	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	33,237	1,014	0	2,695	0	36,946
Revaluation losses on Property Plant and Equipment	15,048	0	0	0	0	15,048
Movement in the market value of Investment Properties	(134)	0	0	0	0	(134)
Amortisation of intangible assets	352	0	0	0	0	352
Capital grants and contributions applied	(44,286)	(16)	0	0	0	(44,302)
Income in relation to donated assets	(50)	0	0	0	0	(50)
Revenue expenditure funded from capital under statute	16,012	83,350	0	0	0	99,362

2011/12

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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	29,125	979	0	0	0	30,104
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(14,448)	0	0	0	0	(14,448)
Capital expenditure charged against the General Fund and HRA balances	(2,134)	(59)	0	0	0	(2,193)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(5,751)	0	0	0	5,751	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,570)	(998)	8,570	0	0	2
Use of the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	(8,382)	0	0	(8,382)
Contribution from the Capital Receipts Reserve to finance new expenditure.	255	0	(255)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	67	0	0	67
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	0	0	0	0	0
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	86	0	(86)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(4,813)	0	(4,813)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
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	(302)	(69)	0	0	0	(371)

2011/12

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 43)	28,449	317	0	0	0	28,766
Employer's pension contributions and direct payments to pensioners payable in the year	(22,732)	(196)	0	0	0	(22,928)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	(398)	0	0	0	0	(398)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	22	44	0	0	0	66
<b>Total Adjustments</b>	<b>24,695</b>	<b>84,452</b>	<b>0</b>	<b>(2,204)</b>	<b>5,751</b>	<b>112,694</b>

2010/11 Comparative Figures

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	58,149	75,450	0	0	0	(133,599)
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movement in the market value of Investment Properties	(191)	0	0	0	0	191
Capital grants and contributions applied	(35,168)	(27)	0	0	0	35,195
Revenue expenditure funded from capital under statute	18,445	120	0	0	0	(18,565)

**2010/11 Comparative Figures**

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(11,383)	0	0	0	0	11,383
Capital expenditure charged against the General Fund and HRA balances	(1,168)	0	0	0	0	1,168
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	667	(149)	2,798	0	0	(3,316)
Use of the Capital Receipts Reserve towards new expenditure	0	0	(2,487)	0	0	2,487
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	418	0	(418)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	0	0	0	0	0
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	73	0	(73)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	0	0
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(343)	(69)	0	0	0	412
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 43)	38,526	659	0	0	0	(39,185)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,789)	(304)	0	0	0	22,093

## 2010/11 Comparative Figures

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

## 8. 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 2011/12.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
<b>General Fund:</b>							
Connexions Legacy Reserve	368	(203)	39	204	(220)	16	0
Council Elections Reserve	36	0	154	190	(190)	43	43
Craven Arms Auction Yard Reserve	70	0	0	70	(70)	0	0
CYPS Directorate Reserve	461	(170)		291	(208)	0	83
Economic Development Workshops Major Maintenance Reserve	121	0	69	190	0	42	232
Education – Staff Sickness Insurance Reserve	298	(15)	0	283	0	167	450
Education – Theft Insurance Reserve	38	0	17	55	0	21	76
Fire Liability Reserve	1,709	0	97	1,806	(500)	140	1,446



	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
Landfill Allowance Trading Scheme Reserve	355	(134)	0	221	0	7	228
Legal Disbursements Reserve	169	(82)	13	100	(100)	50	50
Local Authority Business Growth Incentive Reserve	50	(7)	0	43	(43)	0	0
Local Support Services Grant Reserve	1,667	(1,667)	275	275	(196)	205	284
Local Joint Committee Reserve	0	0	0	0	0	61	61
Major Planning Inquiries Reserve	1,017	(613)	30	434	0	63	497
Motor Insurance Reserve	162	(42)	187	307	(14)	368	661
People Services Reserve	0	0	0	0	0	1,607	1,607
PFI Buildings Equipment Replacement Reserve	285	(33)	34	286	(227)	0	59
Resources Efficiency Reserve	808	(405)	14	417	(258)	156	315
Revenue Commitments for Future Capital Expenditure Reserve	2,224	(1,249)	1,718	2,693	(1,644)	1,365	2,414
Schools Building Maintenance Insurance Reserve	285	0	91	376	0	305	681
Severe Weather Reserve	0	0	0	0	0	600	600
Shire Catering and Cleaning Efficiency Reserve	80	(170)	324	234	(611)	377	0
Shropshire Waste Partnership (Smoothing Reserve)	11,145	0	2,705	13,850	(123)	2,675	16,402
Shropshire Waste Partnership (General Reserve)	4,880	(1,400)	2,240	5,720	0	693	6,413
Theatre Severn – Repairs & Maintenance Reserve	155	(155)	0	0	0	20	20
TMO Vehicle Replacement Reserve	1,414	(562)	461	1,313	(28)	490	1,775
Transformation Reserve	149	(102)	166	213	(19)	873	1,067
Voluntary Early Retirement/Severance Reserve	1,885	(2,094)	1,286	1,077	(3,482)	3,626	1,221
Waste Management Reserve	50	(50)	0	0	0	0	0
Directorate Carry Forwards:							
- Community Services	(24)	24	0	0	0	0	0
- Community Services – County Training	(1,141)	1,141	0	0	0	0	0
- Development Services	40	(40)	0	0	0	0	0
- Development Services – Highways	0	0	0	0	0	0	0
- Resources, Legal & Democratic	446	(446)	206	206	(206)	0	0
<b>Total</b>	<b>29,202</b>	<b>(8,474)</b>	<b>10,126</b>	<b>30,854</b>	<b>(8,140)</b>	<b>13,970</b>	<b>36,684</b>

## **RESERVES**

**Connexions Legacy** - established from the process of liquidating the old external Connexions Company with effect from 31 March 2007. The balance has been fully applied in 2011/12.

**Council Elections** - established to meet the periodic cost of Council Elections which take place every four years.

**Craven Arms Auction Yard** - had 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. The balance remaining on this reserve is for known commitments.

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

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

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

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

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

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

**Local Authority Business Growth Incentive** - this reserve was established using grant from the Department for Communities and Local Government. This has been fully committed in 2011/12.

**Local Joint Committees** – this reserve represents the balance of funding remaining within Local Joint Committees in each financial year which will be spent on commitments in the next financial year.

**Local Support Services Grant** - established from unapplied Local Support Services Grant balances. Commitments have been made against these balances in 2011/12.

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

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

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

**People Services** - this reserve was established to safeguard the council against pressures within Assessment & Eligibility and external children's placements given the service areas volatility.

**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 service areas would not be expected to meet from their internal service level agreements for support services.

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

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

**Severe Weather** – this reserve is required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.

**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

**Transformation** - Required to fund invest to save projects in order to deliver the service transformation programme.

**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** – was used to meet potential claims from our contractors. This reserve is no longer held.

**Directorate Carry Forwards** – this represented any agreed carry forwards in the Directorate’s budget at the end of the year. Council policy has now changed so that any under or overspends are charged directly to the General Fund rather than a specific earmarked reserve.

## 9. OTHER OPERATING EXPENDITURE

2010/11 £000		2011/12 £000
5,325	Parish Council Precepts	5,839
109	Levies	109
418	Payments to the Government Housing Capital Receipts Pool	255
518	(Gains)/losses on the disposal of non current assets	21,535
(992)	(Gains)/losses on change in valuation of non-current assets	992
<b>5,378</b>		<b>28,730</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000		2011/12 £000
15,861	Interest payable and similar charges	16,819
16,496	Pensions interest cost and expected return on pensions assets	11,458
(778)	Interest receivable and similar income	(738)
243	Income and expenditure in relation to investment properties and changes in their fair value	(688)
0	Other investment income	0
(1,095)	Debt Charges Income	(1,058)
2,926	(Surpluses)/deficits on Trading Activities	3,640
<b>33,653</b>		<b>29,434</b>

## 11. TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11 £000		2011/12 £000
(134,639)	Council tax income	(135,670)
(81,634)	Non domestic rates	(72,761)
(31,861)	Non ringfenced government grants	(28,855)
(19,579)	Capital grants and contributions	(39,651)
<b>(267,713)</b>		<b>(276,937)</b>

## 12. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of fixed assets held by the Council during 2011/12. 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	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost or valuation</b>									
At 1 April 2011	164,330	858,176	29,619	367,920	6,101	0	18,653	<b>1,444,799</b>	42,701
Adjustment Heritage Assets	0	0	0	0	(762)	0	0	<b>(762)</b>	0
At 1 April 2011	164,330	858,176	29,619	367,920	5,339	0	18,653	<b>1,444,037</b>	42,701
Additions	6,617	16,103	4,649	20,237	469	0	3,913	<b>51,988</b>	3,676
Donations	0	50	0	0	0	0	0	<b>50</b>	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	19,034	0	0	0	0	0	<b>19,034</b>	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(14,482)	0	0	0	0	0	<b>(14,482)</b>	0
Derecognition - disposals	(1,027)	(23,190)	(176)	0	0	0	0	<b>(24,393)</b>	0
Derecognition - other	0	(1,541)	(4,028)	(75)	(397)	0	0	<b>(6,041)</b>	(514)
Assets reclassified (to)/from Held for Sale	0	(2,312)	0	0	0	0	(483)	<b>(2,795)</b>	0
Other movements in cost or valuation	0	(8,922)	36	0	58	1,891	(14,257)	<b>(21,194)</b>	(320)
At 31 March 2012	<b>169,920</b>	<b>842,916</b>	<b>30,100</b>	<b>388,082</b>	<b>5,469</b>	<b>1,891</b>	<b>7,826</b>	<b>1,446,204</b>	<b>45,543</b>
<b>Depreciation and Impairments</b>									
At 1 April 2011	(8,976)	(56,636)	(13,609)	(77,542)	(1,269)	0	(94)	<b>(158,126)</b>	(5,068)
Adjustment Heritage Assets	0	0	0	0	104	0	0	<b>104</b>	0
At 1 April 2011	(8,976)	(56,636)	(13,609)	(77,542)	(1,165)	0	(94)	<b>(158,022)</b>	(5,068)
Depreciation charge for 2011/12	(2,646)	(16,198)	(4,947)	(9,795)	(425)	(40)	0	<b>(34,051)</b>	(2,101)
Depreciation written out to the Revaluation Reserve	0	4,958	0	0	0	0	0	<b>4,958</b>	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	426	0	0	0	0	0	<b>426</b>	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	435	0	0	0	0	0	<b>435</b>	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,014)	(1,829)	0	0	0	0	0	<b>(2,843)</b>	(787)
Derecognition - disposals	58	1,245	103	0	0	0	0	<b>1,406</b>	0

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Derecognition - other	0	377	4,015	75	397	0	0	4,864	514
Other movements in depreciation and impairment	0	21,479	0	0	0	(123)	71	21,427	820
At 31 March 2012	<b>(12,578)</b>	<b>(45,743)</b>	<b>(14,438)</b>	<b>(87,262)</b>	<b>(1,193)</b>	<b>(163)</b>	<b>(23)</b>	<b>(161,400)</b>	<b>(6,622)</b>
<b>NBV at 31 March 2012</b>	<b>157,342</b>	<b>797,173</b>	<b>15,662</b>	<b>300,820</b>	<b>4,276</b>	<b>1,728</b>	<b>7,803</b>	<b>1,284,804</b>	<b>38,921</b>
<b>NBV at 31 March 2011</b>	<b>155,354</b>	<b>801,540</b>	<b>16,010</b>	<b>290,378</b>	<b>4,832</b>	<b>0</b>	<b>18,559</b>	<b>1,286,673</b>	<b>37,633</b>

The comparative movements in 2010/11, restated for the change in accounting policy for Heritage Assets; were as detailed below:

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost or valuation</b>								
At 1 April 2010	234,647	837,437	25,584	344,204	5,434	30,702	<b>1,478,008</b>	39,737
Additions	4,499	17,745	7,396	22,570	675	11,835	<b>64,720</b>	3,204
Donations	0	869	0	0	0	0	<b>869</b>	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	16,342	0	0	0	0	<b>16,342</b>	53
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,299)	(25,519)	0	0	(6)	(71)	<b>(99,895)</b>	(268)
Derecognition - disposals	(517)	(201)	0	0	0	0	<b>(718)</b>	0
Derecognition - other	0	(10,017)	(3,361)	0	(52)	0	<b>(13,430)</b>	(25)
Assets reclassified (to)/from Held for Sale	0	(1,124)	0	0	0	0	<b>(1,124)</b>	0
Other movements in cost or valuation	0	22,644	0	1,146	50	(23,813)	<b>27</b>	0
At 31 March 2011	<b>164,330</b>	<b>858,176</b>	<b>29,619</b>	<b>367,920</b>	<b>6,101</b>	<b>18,653</b>	<b>1,444,799</b>	<b>42,701</b>
<b>Depreciation and Impairments</b>								
At 1 April 2010	(5,426)	(63,392)	(12,245)	(68,285)	(864)	(29)	<b>(150,241)</b>	(3,885)
Depreciation charge for 2010/11	(2,589)	(18,535)	(4,726)	(9,250)	(456)	0	<b>(35,556)</b>	(1,969)
Depreciation written out to the Revaluation Reserve	0	15,257	0	0	0	0	<b>15,257</b>	494
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	981	0	0	0	0	<b>981</b>	125
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	552	0	0	0	0	<b>552</b>	142

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(971)	(379)	0	(89)	0	(82)	(1,521)	0
Derecognition - disposals	10	0	0	0	0	0	10	0
Derecognition - other	0	8,472	3,362	0	51	0	11,885	25
Other movements in depreciation and impairment	0	408	0	82	0	17	507	0
At 31 March 2011	<b>(8,976)</b>	<b>(56,636)</b>	<b>(13,609)</b>	<b>(77,542)</b>	<b>(1,269)</b>	<b>(94)</b>	<b>(158,126)</b>	<b>(5,068)</b>
<b>NBV at 31 March 2011</b>	<b>155,354</b>	<b>801,540</b>	<b>16,010</b>	<b>290,378</b>	<b>4,832</b>	<b>18,559</b>	<b>1,286,673</b>	<b>37,633</b>
<b>NBV at 31 March 2010</b>	<b>229,221</b>	<b>774,045</b>	<b>13,339</b>	<b>275,919</b>	<b>4,570</b>	<b>30,673</b>	<b>1,327,767</b>	<b>35,852</b>

### Voluntary Aided and Controlled Schools

The Council does not recognise Voluntary Aided or Controlled on the basis that the Council does not have control over the service provided in these schools.

Included in the above balances for other 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. 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 £8.757 million.

The schools amalgamation programme has merged 6 Primary Schools in the Shropshire Council area. These were a mixture of Community, Foundation and Voluntary Schools. Under the Schools Standards and Framework 1998 where one of the original schools that merged was a Voluntary School, the new merged school former is a Voluntary School and school ownership should transfer to the Diocese. Five part schools sites have been identified current still in the Council ownership, that should now be transferred to the Diocese and work to transfer these has commenced. The total net book value for the 5 part schools, based on current market value is £14,235,000 and will be removed from the Council's balance sheet on completion of the legal transfer.

Review of the schools in Shropshire Council ownership has identified 2 further schools and part of another school for which there is a legal obligation to transfer ownership under Education legislation and work to transfer these has commenced. The total net book value schools, based on current market value is £7.150 million and will be removed from the Council's balance sheet on completion of the legal transfer.

### 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. The Council had four Foundation schools, for which no opening or closing balances for current assets and liabilities controlled by Foundation schools are included in this Balance Sheet.

In 2009/10 two Foundation schools (Holy Cross CE School and Grange Junior School) were amalgamated with existing Council schools to create new non Foundation Schools. Holy Cross CE School is a Diocese owned school and remains in Diocese ownership following amalgamation, thus there is no asset transfer to Shropshire Council. The title to the Grange Junior School is still held by the Governing Body of the Grange Junior School by virtue of an agreement dated 4 December 1996 made between (1) The Shropshire County Council (2) Education Assets Board and (3) The Governing Body of The Grange Junior School, thus although the school is no longer a Foundation School ownership has not yet transferred to Shropshire Council. This school has an estimated fixed asset valuation of £2.918 million. (These are based on the last Estates Services valuation undertaken as at 1 April 2008). These fixed assets are not included in the fixed asset valuation.

In 2011/12 The Corbet School changed its status from a Foundation School to a Academy school, with effect from 01/09/11. As an Academy school the Council still hold no interest in the school and thus the school does not need to be recognised in the Council asset register.

### Academy School

In 2011/12 two schools became Academies, The Corbet School (as detailed above) and the Marches School & Technology College, that became an Academy School as at 01/08/11. The School land and premises are now leased by the Council to the Academy school on a 125 year peppercorn rent. On this basis the school is now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2011/12 was £19.5m.

The Priory School is to transfer to Academy School status with effect from 01/06/12. The value of this school in the 2011/12 accounts is £11.7m.

### **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 2012, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in



2012/13 and future years budgeted to cost £15.998 million. Similar commitments at 31 March 2011 were £30.228 million. The major commitments were:

- Affordable Housing Schemes - £1.188 million.
- Oswestry MyPlace Scheme - £1.394 million.
- Shrewsbury Music Hall - £4.120 million.
- Highway Depot Redevelopments - £2.000 million.
- HRA Major Repairs Programme - £3.546 million.

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

## **Valuations of Non Current Assets carried at Current Value**

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

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>Total £'000</b>
Carried at Historical Cost	0	26,378	15,662	0	42,040
Valued at Fair Value as at:					
01-Apr-11	0	90,007	0		90,007
01-Apr-10	0	254,712	0		254,712
01-Apr-09	0	127,287	0	10	127,297
01-Apr-08	157,342	182,497	0	1,718	341,557
01-Apr-07	0	116,292	0		116,292
<b>Total Cost or Valuation</b>	<b>157,342</b>	<b>797,173</b>	<b>15,662</b>	<b>1,728</b>	<b>971,905</b>

### 13. HERITAGE ASSETS

#### Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	<b>Museum and Archives artefacts £'000</b>	<b>Outdoor Statues/ Monuments/Historic Building Remains £'000</b>	<b>Civic Regalia £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>				
1 April 2010*	251	608	0	<b>859</b>
Additions*	0	80	0	<b>80</b>
Disposals*	0	0	0	<b>0</b>
Revaluations*	1,026	0	0	<b>1,026</b>
Impairment Losses/(reversals) recognised in the Revaluation Reserve*	0	0	0	<b>0</b>
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services *	0	0	0	<b>0</b>
Depreciation*	0	(35)	0	<b>(35)</b>
<b>31 March 2011*</b>	<b>1,277</b>	<b>653</b>	<b>0</b>	<b>1,930</b>
<b>Cost or Valuation</b>				
1 April 2011	0	580	0	<b>580</b>
Additions	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
Revaluations	0	0	0	<b>0</b>
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	<b>0</b>
Depreciation	0	(54)	0	<b>(54)</b>
<b>31 March 2012</b>	<b>1,277</b>	<b>1,179</b>	<b>0</b>	<b>2,456</b>

\* 2010/11 figures are transactions that would have taken place had the accounting standard on Heritage Assets been adopted in that financial year; these are not reflected in the balance sheet due to being below the Council's materiality level for restatement.

### **Museum and Archives artefacts**

The Council's collection of Museum and Archives artefacts are reported in the balance sheet at market valuation at purchase or provided for insurance valuation. These principally consist of fine art paintings and items of decorative art. Valuations are only subject to revaluation as required by the Museum Service and the collection is not subject to depreciation.

The Museum Service also holds assets within their collections that are on loan to the Museum Service. These are not included in the Council balance sheet, but for insurance purposes significant artefacts have been valued in total at £1.2m.

### **Outdoor Statues/Monuments/Historic Building Remains**

The Council's Outdoor Statues/ Monuments/Historic Building Remains are reported in the balance sheet at depreciated historic cost and are not subject to revaluation. Due to the age of the assets, historic cost information is not available for a number the assets and as such these are held at nil value.

### **Civic Regalia**

The Council does not hold significant items of Civic Regalia and no current valuation information is held for these items. Consequently the Council does not recognise these assets on the balance sheet.

## **14. 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.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
(1,271)	Rental income & service charges from investment property	(1,247)
713	Direct operating expenses arising from investment property	693
<b>(558)</b>	<b>Net (gain)/loss</b>	<b>(554)</b>

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:

2010/11 £000		2011/12 £000
36,045	Balance at start of the year	35,045
	Additions:	
536	- Purchases	1,888
0	- Construction	0
0	- Subsequent expenditure	0
(230)	Disposals	(1,494)
(801)	Net gains/losses from fair value adjustments	134
	Transfers:	
0	- To/from Inventories	0
(505)	- To/from Property, Plant and Equipment	30
0	Other changes	0
<b>35,045</b>	<b>Balance at end of the year</b>	<b>35,603</b>

## 15. 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 £352,000 charged to revenue in 2011/12 was charged to services within the service headings in the Net Expenditure of Services.

	2011/12			2010/11		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
- Gross carrying amounts	0	920	920	0	889	889
- Accumulated depreciation	0	(482)	(482)	0	(462)	(462)
Net carrying amount at start of year	0	438	438	0	427	427
Additions:						
- Internal development	0	0	0	0	0	0
- Purchases	0	760	760	0	245	245
- Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0

	2011/12			2010/11		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Revaluations increases or decreases	0	0	0	0	0	0
Impairments losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairments losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(352)	(352)	0	(234)	(234)
Other changes	0	0	0	0	0	0
<b>Net carrying amount at end of the year</b>	<b>0</b>	<b>846</b>	<b>846</b>	<b>0</b>	<b>438</b>	<b>438</b>
<b>Comprising:</b>						
- Gross carrying amounts	0	1,360	1,360	0	920	920
- Accumulated amortisation	0	(514)	(514)	0	(482)	(482)
	<b>0</b>	<b>846</b>	<b>846</b>	<b>0</b>	<b>438</b>	<b>438</b>

## 16. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
<b>Investments:</b>				
Loans and receivables	945	1,150	81,480	66,306
Available for sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total investments</b>	<b>945</b>	<b>1,150</b>	<b>81,480</b>	<b>66,306</b>
<b>Debtors:</b>				
Loans and receivables	2,141	1,472	0	0
Financial assets carried at contract amounts	0	0	42,091	45,632
<b>Total Debtors</b>	<b>2,141</b>	<b>1,472</b>	<b>42,091</b>	<b>45,632</b>
<b>Borrowing:</b>				
Financial liabilities at amortised cost	(352,947)	(278,302)	(11,018)	(2,431)
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total Borrowings</b>	<b>(352,947)</b>	<b>(278,302)</b>	<b>(11,018)</b>	<b>(2,431)</b>

	Long term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
<b>Other Long Term Liabilities:</b>				
PFI and finance lease liabilities	(21,867)	(20,830)	0	0
<b>Total Other Long Term Liabilities</b>	<b>(21,867)</b>	<b>(20,830)</b>	<b>0</b>	<b>0</b>
<b>Creditors:</b>				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	(66,600)	(53,577)
Cash overdrawn	0	0	(2,178)	(4,215)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(68,778)</b>	<b>(57,792)</b>

## Income, Expense, Gains and Losses

	2011/12					2010/11				
	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	(16,869)	0	0	0	(16,869)	(15,858)	0	0	0	(15,858)
Losses on derecognition	0	0	0	0	0	0	0	0	0	0
Reductions in fair value	0	0	0	0	0	0	0	0	0	0
Impairment losses	0	50	0	0	50	0	(3)	0	0	(3)
Fee expense	0	0	0	0	0	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(16,869)</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>(16,819)</b>	<b>(15,858)</b>	<b>(3)</b>	<b>0</b>	<b>0</b>	<b>(15,861)</b>
Interest income	0	694	0	0	694	0	737	0	0	737
Interest income accrued on impaired financial assets	0	44	0	0	44	0	41	0	0	41
Increases in fair value	0	0	0	0	0	0	0	0	0	0
Gains on derecognition	0	0	0	0	0	0	0	0	0	0
Fee income	0	0	0	0	0	0	0	0	0	0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>738</b>	<b>0</b>	<b>0</b>	<b>738</b>	<b>0</b>	<b>778</b>	<b>0</b>	<b>0</b>	<b>778</b>
Gains on revaluation	0	0	0	0	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0
<b>Net gain/(loss) for the year</b>	<b>(16,869)</b>	<b>788</b>	<b>0</b>	<b>0</b>	<b>(16,081)</b>	<b>(15,858)</b>	<b>775</b>	<b>0</b>	<b>0</b>	<b>(15,083)</b>

## **Soft Loans**

Following a review in this area it has been identified that interest free loans with a nominal value of £1.257 million are advanced to clients receiving residential/nursing care who following assessment are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £355,000. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

## **Fair Values of Assets and Liabilities**

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

- Estimated ranges of interest rates at 31 March 2012 of 1.28% to 4.42% for loans from the PWLB, 4.29% to 4.73% for Market Loans and 0.25% to 1.45% for loans and receivables, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	49,200	46,288	49,200	52,414
Long term creditors	312,068	333,140	228,718	234,753

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 2012) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables:				
Cash	23,330	23,330	19,390	19,390
Fixed Term Deposits	57,990	58,171	46,720	46,984
Long term debtors	2,141	2,141	1,472	1,472
Long term investments	945	945	1,150	1,150

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 2012) attributable to the commitment to receive interest below current market rates.

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

### **Exceptional Items**

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

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

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

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

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

Following Local Government Reorganisation on 1 April 2009 this issue has now been inherited by Shropshire Council. All local authorities who placed deposits with Landsbanki submitted claims to the Landsbanki Winding up Board in October 2009. All claims submitted were accepted as priority claims by the Landsbanki Winding Up



Board, Icelandic District Court and more recently in 28 October 2011 the Icelandic Supreme Court. This means that the values of local authorities' claims in the Icelandic administrations qualifying for priority settlement are now final and will, at the very least, be equal to the value of the original deposit plus interest accrued to 22 April 2009, or if earlier, the maturity date.

Compensation is being provided through a series of interest-bearing bonds in a range of currencies. At the time LAAP Bulletin 82 Update 5 was issued, the total payment was estimated to be 94.85%. Latest information now suggests that it is likely that 100% of the deposit will be repaid in a number of instalments. After the decision of the Icelandic Supreme Court had been delivered, the Winding Up Board of Landsbanki made its first distribution on 7 December 2011 for those authorities whose deposits had been subject of the test cases litigated in the Supreme Court, and on 17 February 2012 for all other local authority deposits. The February payments attracted interest from 7 December 2011 as the Winding Up Board of Landsbanki had held the relevant amounts in escrow account since then. Under the terms of the distribution proposal, payment of each depositor's claim was made in a basket of currencies with conversions made using Central Bank of Iceland selling rates as at 22 April 2009. The distribution currencies were Icelandic kroner, Euros, US dollars and sterling. The amount distributed represented around 30% of the total due. The future pattern of distributions by the Landsbanki Winding Up Board is not known but based in the latest information the revised payment profile and estimated payment dates are detailed in the table below.

<b>Date</b>	<b>Repayment Profile (Priority Status)</b>
December 2012	8%
December 2013	8%
December 2014	8%
December 2015	8%
December 2016	8%
December 2017	8%
December 2018	22%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

The Icelandic kroner (ISK) distributions already made to authorities have been placed into escrow because, under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release the Icelandic kroner payments held within the Icelandic banking system therefore this is being treated as a new short term investment. This is earning interest at a rate of 3.35% therefore £66 has been accrued and credited to the Comprehensive Income and Expenditure Statement. Based on this latest information, a reassessment of the recoverable amount at 31 March 2012 is required. As this reassessment is a change in an accounting estimate it has been accounted for in 2011/12 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 £793,919 as at 31 March 2012 is made up of the carrying amount of £750,267 as at

31 March 2011 plus interest credited to the Income & Expenditure Account in 2011/12 of £43,652. The Council was due to receive a payment of £300,206 during 2011/12 representing the first distribution from Lansdbanki. This has been recorded as a debtor in the accounts. Based on the revised calculation and the first distribution payment due, the recoverable amount has now reduced to £544,714 therefore an Impairment adjustment of £51,000 has been recognised in 2011/12. The Council has accounted for the exchange difference based on the ISK exchange rate at 31 March 2012 (£1 =202.95 ISK) compared to the exchange rate as at 7 December 2011 (£1 = 185.97 ISK) which amounted to £624 in the Comprehensive Income and Expenditure Statement.

A further revision to Update 6 of LAAP Bulletin 82 has been issued on 12 June 2012 which details revised dividends and timings of distributions. The Authority has considered the impact of this change on the carrying value of the investment and the corresponding impairment, and is not judged to be material.

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.

## 17. INVENTORIES

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	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
<b>Balance outstanding at start of year</b>	488	182	99	109	199	192	32	32	50	68	102	87	970	670
Purchases	595	958	211	142	128	125	135	198	0	0	897	753	1,967	2,176
Recognised as an expense in the year	(407)	(652)	(214)	(152)	(141)	(118)	(147)	(198)	(11)	(18)	(912)	(738)	(1,832)	(1,876)
Written off balances	0	0	(42)	0		0	0	0	0	0	0	0	(42)	0
<b>Balance outstanding at year-end</b>	<b>676</b>	<b>488</b>	<b>54</b>	<b>99</b>	<b>186</b>	<b>199</b>	<b>20</b>	<b>32</b>	<b>39</b>	<b>50</b>	<b>87</b>	<b>102</b>	<b>1,063</b>	<b>970</b>

## 18. CONSTRUCTION CONTRACTS

At 31 March 2012 the Council had no construction contracts in progress.

## 19. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2012.

2010/11 £000		2011/12 £000
10,759	Central Government Bodies	8,172
2,110	Other Local Authorities	2,804
3,854	NHS Bodies	2,051
184	Public Corporations and Trading Funds	3
28,725	Other Entities and Individuals	29,061
<b>45,632</b>		<b>42,091</b>

## 20. CASH AND CASH EQUIVALENTS

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

31 March 2011 £000		31 March 2012 £000
0	Cash held by the Authority	0
19,390	Bank current accounts	23,330
24,316	Short term deposits with building societies	53,142
<b>43,706</b>	<b>Total Cash and Cash Equivalents</b>	<b>76,472</b>
4,215	Bank Overdraft	2,178
<b>4,215</b>	<b>Cash Overdrawn</b>	<b>2,178</b>

## 21. ASSETS HELD FOR SALE

	Current		Non Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
<b>Balance outstanding at start of year</b>	0	0	5,608	4,354
Assets newly classified as held for sale:				
- Property, Plant and Equipment	0	0	2,531	1,095
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	(992)	0
Revaluation gains	0	0	0	1,000
Impairment losses	0	0	0	(8)
Assets declassified as held for sale:				
- Property, Plant and Equipment	0	0	0	0
- Intangible Assets	0	0	0	0
- Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(4,444)	(833)
Transfers from non-current to current	0	0	0	0
<b>Balance outstanding at year end</b>	<b>0</b>	<b>0</b>	<b>2,703</b>	<b>5,608</b>

## 22. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2012.

31 March 2011 £000		31 March 2012 £000
(19,808)	Central Government Bodies	(20,096)
(3,080)	Other Local Authorities	(983)
(173)	NHS Bodies	(1,052)
(75)	Public Corporations and Trading Funds	(204)
(30,441)	Other Entities and Individuals	(44,265)
<b>(53,577)</b>		<b>(66,600)</b>

## 23. PROVISIONS

	Accumulated Absences Account £000	Short Term			Total £000	Liability Insurance Provision £000	Long Term		Total £000
		Redundancy £000	Carbon Reduction Commitment £000	Other £000			Contract Retention Provision £000	Other £000	
<b>Balance at 1 April 2011</b>	4,560	0	0	0	<b>4,560</b>	3,903	101	172	<b>4,176</b>
Additional provisions made in 2011/12	4,626	1,266	441	255	<b>6,588</b>	190	0	398	<b>588</b>
Amounts used in 2011/12	(4,560)	0	0	0	<b>(4,560)</b>	(117)	0	(20)	<b>(137)</b>
Unused amounts reversed in 2011/12	0	0	0	0	<b>0</b>	0	(101)	(50)	<b>(151)</b>
Unwinding of discounting in 2011/12	0	0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>Balance at 31 March 2012</b>	4,626	1,266	441	255	<b>6,588</b>	3,976	0	500	<b>4,476</b>

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

**Redundancy** – this sum has been provided for to meet the anticipated costs of redundancy on the basis that the Council has issued redundancy notices before 31 March 2012.

**Carbon Reduction Commitment** - The Council has an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. The provision has been calculated based on the energy consumed and carbon dioxide emitted during 2011/12 and charged to service areas accordingly.

**Other Short Term Provisions** – this includes provisions for potential contract liabilities that the Council may be liable for.

**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 2011/12 this cover was provided by Risk Management Partners Ltd, 9 Alie Street, London, E1 8DE.

**Contract Retention** – this was established by Oswestry Borough Council to fund contract retentions agreed for Housing improvement relating to the housing stock in Oswestry. It was established during 2011/12 that this balance was no longer required as all anticipated retentions had now been fully paid, therefore this provision was released.

**Other Provisions** – this includes S106 Accrued Interest, Workshop Deposit Clawbacks, and potential profit share clawbacks.

## 24. USABLE RESERVES

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

## 25. UNUSABLE RESERVES

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
195,228	Revaluation Reserve	214,441
827,030	Capital Adjustment Account	726,024
(6,945)	Financial Instruments Adjustment Account	(6,574)
821	Deferred Capital Receipts Reserve	731
(234,006)	Pensions Reserve	(286,035)
1,474	Collection Fund Adjustment Account	1,872
(4,560)	Accumulated Absences Account	(4,626)
<b>779,042</b>	<b>Total Unusable Reserves</b>	<b>645,833</b>

### 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.

2010/11		2011/12	
Restated			
£000		£000	£000
169,740	Balance at 1 April		195,228
	<b>Adjustment Heritage Assets</b>		1,253
	<b>Adjusted Balance at 1 April</b>		<b>196,481</b>
44,289	Upward revaluation of assets	25,534	
(12,138)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,107)	
<b>32,151</b>	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		<b>24,427</b>
(5,789)	Difference between fair value depreciation and historical depreciation	(4,862)	
(874)	Accumulated gains on assets sold or scrapped	(1,605)	
0	Transfer from Investment Property to PPE	0	
<b>(6,663)</b>	Amount written off to the Capital Adjustment Account		<b>(6,467)</b>
<b>195,228</b>	<b>Balance at 31 March</b>		<b>214,441</b>

## Capital Adjustment Account

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

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

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

Note 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000		2011/12 £000	£000
<b>923,774</b>	<b>Balance at 1 April</b>		<b>827,030</b>
	<b>Adjustment Heritage Assets</b>		<b>19</b>
	<b>Adjusted Balance at 1 April</b>		<b>827,049</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(37,085)	- Charges for depreciation and impairment of non-current assets	(36,948)	
(97,914)	- Revaluation losses on Property, Plant and Equipment	(15,047)	
(234)	- Amortisation of intangible assets	(352)	
(18,565)	- Revenue expenditure funded from capital under statute	(99,362)	
(3,318)	- 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	(30,106)	
<b>(157,116)</b>			<b>(181,815)</b>
<b>6,663</b>	Adjusting amounts written out of the Revaluation Reserve		<b>6,467</b>
<b>(150,443)</b>	Net written out amount of the cost of non current assets consumed in the year		<b>(175,348)</b>
	Capital financing applied in the year:		
2,488	- Use of the Capital Receipts Reserve to finance new capital expenditure	8,383	
4,275	- Use of the Major Repairs Reserve to finance new capital expenditure	4,813	
34,326	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	44,302	
0	- Application of grants to capital financing from the Capital Grants Unapplied Account	0	
11,383	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	14,448	
1,168	- Capital expenditure charged against the General Fund and HRA balances	2,193	
<b>53,640</b>			<b>74,139</b>
<b>(801)</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		<b>134</b>
<b>870</b>	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		<b>50</b>
<b>827,030</b>	<b>Balance at 31 March</b>		<b>726,024</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Accounting in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 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 2011/12.

2010/11 £000		2011/12 £000	£000
<b>(7,356)</b>	<b>Balance at 1 April</b>		<b>(6,945)</b>
27	Gain on Soft Loan taken out that was credited to the Comprehensive Income and Expenditure Statement	0	
384	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	383	
<b>411</b>			<b>383</b>
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(12)
<b>(6,945)</b>	<b>Balance at 31 March</b>		<b>(6,574)</b>

## 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.

2010/11 £000		2011/12 £000
(325,802)	<b>Balance at 1 April</b>	(234,006)
(101)	Transfer of opening balance in relation to The Hive	0
108,989	Actuarial gains or (losses) on pensions assets and liabilities	(46,191)
(38,881)	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	(28,766)
21,789	Employer's pension contributions and direct payments to pensioners payable in the year	22,928
<b>(234,006)</b>	<b>Balance at 31 March</b>	<b>(286,035)</b>

### 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.

2010/11 £000		2011/12 £000
926	<b>Balance at 1 April</b>	821
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(105)	Transfer to the Capital Receipts Reserve upon receipt of cash	(67)
0	Write off of Deferred Capital Receipt Debt	(23)
<b>821</b>	<b>Balance at 31 March</b>	<b>731</b>

### 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.

2010/11 £000		2011/12 £000
372	<b>Balance at 1 April</b>	1,474
1,102	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	398
<b>1,474</b>	<b>Balance at 31 March</b>	<b>1,872</b>

### Accumulated Absences Account

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

2010/11 £000		2011/12 £000	2011/12 £000
<b>(2,650)</b>	<b>Balance at 1 April</b>		<b>(4,560)</b>
2,650	Settlement or cancellation of accrual made at the end of the preceding year	4,560	
(4,560)	Amounts accrued at the end of the current year	(4,626)	
<b>(1,910)</b>	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		<b>(66)</b>
<b>(4,560)</b>	<b>Balance at 31 March</b>		<b>(4,626)</b>

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

2010/11 £000		2011/12 £000	2011/12 £000
<b>(121,402)</b>	<b>Surplus/(Deficit) for year per Comprehensive Income &amp; Expenditure Statement</b>		<b>(100,385)</b>
	Adjust net surplus or deficit on the provision of services for non cash movements		
36,061	Depreciation	36,419	
99,739	Impairment and downward valuations	15,443	
234	Amortisation	352	
(28)	Reductions in fair value of non PWLB Loans	12	
3	Material Impairment Losses on Investments	(51)	
(48)	Increase/Decrease in Interest Creditors	37	
(2,568)	Increase/Decrease in Creditors	13,391	
(131)	Increase/Decrease in Interest and Dividend Debtors	2	
3,512	Increase/Decrease in Debtors	623	
(300)	Increase/Decrease in Inventories	(94)	
17,092	Pension Liability	5,838	

2010/11		2011/12	
£000		£000	£000
1,443	Contributions to/(from) Provisions	2,328	
3,317	Carrying amount of non-current assets sold	30,105	
3,646	Carrying amount of short and long term investment sold	17,555	
<b>161,972</b>			121,960
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
(35,195)	Capital Grants credited to surplus or deficit on the provision of services	(50,103)	
(2,800)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,570)	
<b>(37,995)</b>			(58,673)
<b>2,575</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(37,098)</b>

## 27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31 March 2011 £000		31 March 2012 £000
(647)	Interest received	(739)
15,906	Interest paid	16,821

## 28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

31 March 2011 £000		31 March 2012 £000
62,913	Purchase of property, plant and equipment, investment property and intangible assets	51,929
0	Purchase of short term and long term investments	0
0	Other payments for investing activities	855
(3,401)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,338)
0	Proceeds from short term and long term investments	(293)
(34,198)	Other receipts from investing activities	(32,097)
<b>25,314</b>	<b>Net cash flows from investing activities</b>	<b>12,056</b>

## 29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

31 March 2011 £000		31 March 2012 £000
(471)	Cash receipts of short and long term borrowing	(83,350)
0	Other receipts from financing activities	0
1,148	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	2,639
2,582	Repayments of short and long term borrowing	169
604	Other payments for financing activities	(3,415)
<b>3,863</b>	<b>Net cash flows from financing activities</b>	<b>(83,957)</b>

## 30. 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 Service Reporting 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 service areas recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2011/12	People £000	Places £000	Area Directors £000	Corporate Heads £000	Total £000
Fees, charges and other services income	(33,970)	(51,378)	(6,839)	(29,555)	(121,742)
Government grants	(208,664)	(95,201)	(1,896)	(6,994)	(312,755)
<b>Total Income</b>	<b>(242,634)</b>	<b>(146,579)</b>	<b>(8,735)</b>	<b>(36,549)</b>	<b>(434,497)</b>
Employee expenses	59,635	32,397	13,073	21,165	126,270
Other service expenses	313,798	156,022	35,028	(11,798)	493,050
Support service recharges	6,455	8,737	2,752	19,411	37,355
<b>Total Expenditure</b>	<b>379,888</b>	<b>197,156</b>	<b>50,853</b>	<b>28,778</b>	<b>656,675</b>
<b>Net Expenditure</b>	<b>137,254</b>	<b>50,577</b>	<b>42,118</b>	<b>(7,771)</b>	<b>222,178</b>

<b>Directorate Income and Expenditure 2010/11</b>	<b>People £000</b>	<b>Places £000</b>	<b>Area Directors £000</b>	<b>Corporate Heads £000</b>	<b>Total £000</b>
Fees, charges and other services income	(37,575)	(42,252)	(16,077)	(30,382)	(126,286)
Government grants	(223,331)	(93,052)	(2,304)	(2,769)	(321,456)
<b>Total Income</b>	<b>(260,906)</b>	<b>(135,304)</b>	<b>(18,381)</b>	<b>(33,150)</b>	<b>(447,742)</b>
Employee expenses	71,652	34,256	12,127	25,142	143,176
Other service expenses	283,420	155,968	11,081	41,323	491,792
Support service recharges	13,230	7,424	1,894	11,763	34,311
<b>Total Expenditure</b>	<b>368,302</b>	<b>197,648</b>	<b>25,102</b>	<b>78,228</b>	<b>669,279</b>
<b>Net Expenditure</b>	<b>107,396</b>	<b>62,343</b>	<b>6,721</b>	<b>45,077</b>	<b>221,537</b>

### **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 service areas' income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Net expenditure in the Directorate Analysis	221,537	222,178
Net expenditure of services and support services not included in the Analysis	(222,858)	(242,050)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	120,010	84,426
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	2,713	35,831
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>121,402</b>	<b>100,385</b>

### **Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of service areas' 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.

**2011/12**

	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(120,569)	(15,573)	0	0	0	0	(136,142)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(1,173)	(30)	465	0	0	0	(738)
Income from council tax	0	0	0	0	0	(135,670)	(135,670)
Government grants and contributions	(312,755)	(16)	0	0	0	(134,887)	(447,658)
<b>Total Income</b>	<b>(434,497)</b>	<b>(15,619)</b>	<b>465</b>	<b>0</b>	<b>0</b>	<b>(270,557)</b>	<b>(720,208)</b>
Employee expenses	126,270	2,710	0	0	0	0	128,980
Other service expenses	461,502	93,144	(3,090)	0	0	(134)	551,422
Support Service recharges	37,355	371	0	0	0	0	37,726
Depreciation, amortisation and impairment	0	3,709	53,207	0	0	0	56,916
Interest Payments	31,439	131	(14,751)	0	0	0	16,819
Precepts & Levies	109	0	0	0	0	5,839	5,948
Payments to Housing Capital Receipts Pool	0	0	0	0	0	255	255
Gain or Loss on Disposal of Fixed Assets	0	(20)	0	0	0	22,547	22,527
<b>Total expenditure</b>	<b>656,675</b>	<b>100,045</b>	<b>35,366</b>	<b>0</b>	<b>0</b>	<b>28,507</b>	<b>820,593</b>
<b>Surplus or deficit on the provision of services</b>	<b>222,178</b>	<b>84,426</b>	<b>35,831</b>	<b>0</b>	<b>0</b>	<b>(242,050)</b>	<b>100,385</b>

**2010/11 comparative figures**

	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(124,446)	(14,720)	(2,326)	0	0	0	(141,492)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(1,842)	(31)	0	0	0	0	(1,873)
Income from council tax	0	0	0	0	0	(134,639)	(134,639)
Government grants and contributions	(321,456)	(35,222)	0	0	0	(93,488)	(450,166)

**2010/11 comparative figures**

	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
<b>Total Income</b>	<b>(447,744)</b>	<b>(49,973)</b>	<b>(2,326)</b>	<b>0</b>	<b>0</b>	<b>(228,127)</b>	<b>(728,170)</b>
Employee expenses	143,176	4,916	0	0	0	0	148,092
Other service expenses	464,191	8,758	16,737	0	0	0	489,686
Support Service recharges	34,311	408	0	0	0	0	34,719
Depreciation, amortisation and impairment	0	155,470	0	0	0	0	155,470
Interest Payments	27,494	431	(11,698)	0	0	0	16,227
Precepts & Levies	109	0	0	0	0	5,325	5,434
Payments to Housing Capital Receipts Pool	0	0	0	0	0	418	418
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(474)	(474)
<b>Total expenditure</b>	<b>669,281</b>	<b>169,983</b>	<b>5,039</b>	<b>0</b>	<b>0</b>	<b>5,269</b>	<b>849,572</b>
<b>Surplus or deficit on the provision of services</b>	<b>221,537</b>	<b>120,010</b>	<b>2,713</b>	<b>0</b>	<b>0</b>	<b>(222,858)</b>	<b>121,402</b>

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.

<b>SERCoP Divisions of Service</b>	<b>People £000</b>	<b>Places £000</b>	<b>Area Directors £000</b>	<b>Corporate Heads £000</b>	<b>Total £000</b>
Central Services to the Public	0	2,608	0	2,604	5,212
Cultural and Related Services	0	7,088	12,709	(129)	19,668
Environmental and Regulatory Services	4,749	20,165	5,296	0	30,210
Planning and Development Services	108	5,592	1,908	1,444	9,052
Education and Children's Services	64,509	178	0	174	64,861
Highways & Transport Services	681	4,864	21,504	(60)	26,989
Local Authority Housing (HRA)	83,706	0	0	0	83,706
Other Housing Services	7,526	1,188	0	76	8,790
Adult Social Care	61,355	1,250	0	(155)	62,450
Corporate and Democratic Core	371	0	0	6,212	6,583
Non Distributed Costs	0	0	0	1,637	1,637
	<b>223,005</b>	<b>42,933</b>	<b>41,417</b>	<b>11,803</b>	<b>319,158</b>

## 31. SHIRE SERVICES

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

Shire Services outturn position for 2011/12 is a net operating deficit of £112,520. The deficit has been transferred to Reserves and will be dealt with in 2012/13. The Catering service ended the year with a deficit of £174,600, the Cleaning service ended the year with a surplus of £62,081

### SHIRE SERVICES CATERING - Trading Account 2011/12

2010/11 Total		Statutory School Catering £000	2011/12 Other Catering £000	Total £000
<b>£000</b>				
	<b>Income</b>			
10,767	Sales and Other Income	6,910	3,622	10,532
0	Education Services	0	0	0
10,767	<b>Turnover</b>	6,910	3,622	10,532
	<b>Expenditure</b>			
(5,533)	Employees	(3,799)	(1,587)	(5,386)
(3,635)	Provisions	(2,179)	(1,457)	(3,636)
(190)	Heavy Equipment	(216)	(142)	(358)
(486)	Fuel Costs	(206)	(3)	(209)
(916)	Other Expenses	(608)	(371)	(979)
(10,760)		(7,008)	(3,560)	(10,568)
7	<b>Net Operating Income/(Expenditure)</b>	(98)	62	(36)
0	Transfers from/(to) Efficiency Reserves	(1)	(29)	(30)
0	Transfer from Central Reserves	1	29	30
7	<b>Net Profit/(Loss) In Year</b>	<b>(98)</b>	<b>62</b>	<b>(36)</b>
(13)	FRS17 Adjustment	(122)	(46)	(168)
	Appropriation to Reserve	1	29	30
(6)	<b>Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)</b>	<b>(219)</b>	<b>45</b>	<b>(174)</b>

### SHIRE SERVICES CLEANING - Trading Account 2011/12

2010/11 £000		2011/12 £000
	<b>Income</b>	
2,851	Charges	2,638
	<b>Expenditure</b>	
(2,431)	Employees	(2,323)
(260)	Other Expenses	(255)
(2,691)		(2,578)
160	<b>Net Operating Income/(Expenditure)</b>	60
0	Transfers from Reserves	24
160	<b>Net Profit/(Loss) In Year</b>	<b>84</b>
0	FRS17 Adjustment	(46)
	Appropriation to Reserves	24
160	<b>Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)</b>	<b>62</b>



## **32. SHROPSHIRE COUNTY TRAINING**

Shropshire County Training has operated as a trading organisation within the Council since 1 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 and also to support unemployed people into sustained employment. 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 eighth 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) and both Prime Contractors and Sub Contractors of Jobcentre plus for the Department of Works and Pensions (DWP) funding. County Training holds contracts for 100% of all client volumes for the Work Programme with ESG and 50% of Work Programme client volumes with SERCO delivering widely across the Shropshire and the Telford & Wrekin Council areas. Other smaller contracts are also held in the capacity of Sub Contractor, again with an employment / employability focus. In this financial year County Training implemented a further restructuring programme in response to an ever changing and challenging trading environment. Over the summer months the required informal and formal consultation periods took place with the final new structure coming into force on 1 October 2011. The redundancy costs were funded in the 2011/12 financial year.

As a result County Training traded in 2011/12 and finished the year with a surplus of £175,000. Due to a number of technical accounting adjustments, e.g. FRS17, and contribution from the Council's Core Budget to contribute towards the increased costs of staff salaries following Job Evaluation, the overall position for County Training is a Surplus of £448,300 compared with a surplus in 2010/11 of £6,700 (after taking account of technical accounting adjustments of £18,000). The technical accounting adjustments are outside the control of County Training and should be ignored when assessing the trading position.

The year 2011/12 for County Training was year 2 of a 3 year Recovery Plan which has been implemented to recoup the losses incurred during the financial year 2009/10. Following the contribution to reserves of the trading surplus of £448,300, the final balance carried forward, targeted to be recouped by 31.03.13, is £686,530. Income for 2011/12 was £6,891,000, a reduction of £1,171,000 from the previous year, largely due to the completion of the Future Jobs Fund contract with the DWP. Expenditure at £6,866,000 was £2,157,000 lower than the previous year, reflecting the changes in the nature of the contractual expenditure (notably Future Jobs Fund accounting for £706,000 of the change) and the reduction in staffing costs of £1,422,000 resulting from the staffing restructures and careful vacancy and budget management during the year.

## SHROPSHIRE COUNTY TRAINING – Trading Account 2011/12

2010/11 £000		2011/12 £000
	<b>Income</b>	
8,062	Sales and Other Income	6,891
	<b>Expenditure</b>	
(6,418)	Employees	(4,996)
(1,659)	Training Costs	(820)
(769)	Premises and Equipment Costs	(993)
(177)	Other Expenses	(57)
(9,023)		(6,866)
(961)	<b>Net Operating Income/(Expenditure)</b>	25
242	Transfers from/(to) Efficiency Reserves	150
<b>(719)</b>	<b>Net Profit/(Loss) In Year</b>	<b>175</b>
(18)	Technical Accounting Adjustments	(226)
230	Job Evaluation	276
<b>(507)</b>	<b>Net Profit/(Loss) Technical Accounting Adjustments</b>	<b>225</b>

### 33. 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.

	2011/12			2010/11		
	Chargeable £	Non- Chargeable £	Total £	Chargeable £	Non- Chargeable £	Total £
Employees	618,194	318,473	936,667	651,758	334,816	986,574
Premises	62,312	31,970	94,282	37,097	15,898	52,995
Transport	25,445	13,066	38,511	36,141	18,470	54,611
Supplies & Services	99,012	35,832	134,843	71,589	21,611	93,200
Support Services	204,790	105,490	310,280	264,183	52,610	316,793
Total Expenditure	1,009,753	504,831	1,514,583	1,060,768	443,405	1,504,173
Income	(975,530)	(33,113)	(1,008,643)	(1,074,070)	(3,452)	(1,077,522)
<b>Total (Surplus)/Deficit for the Year</b>	<b>34,223</b>	<b>471,717</b>	<b>505,940</b>	<b>(13,302)</b>	<b>439,953</b>	<b>426,651</b>

### 34. POOLED BUDGETS

During 2011/12, 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

2010/11		2011/12
Total £		Total £
<b>Gross Funding</b>		
248,653	SCPCT	226,988
998,319	SC	772,584
<b>1,246,972</b>	<b>Total</b>	<b>999,572</b>
<b>1,246,972</b>	<b>Expenditure</b>	<b>999,572</b>
<b>0</b>	<b>(Surplus)/Deficit</b>	<b>0</b>

### 35. MEMBERS' ALLOWANCES

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

	2011/12	2010/11
	£	£
Basic Allowances	849,376	890,324
Special Responsibility Allowances	275,176	302,152
Expenses	213,968	291,829
<b>Total</b>	<b>1,338,521</b>	<b>1,484,305</b>

### 36. 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	2011/12	£177,570	£0	£177,570	£20,776	£198,346
	2010/11	£180,000	£2,860	£182,860	£30,060	£212,920
Corporate Head of Strategic Planning	2011/12	£90,000	£0	£90,000	£10,530	£100,530
	2010/11	£90,000	£2,627	£92,627	£15,030	£107,657
Corporate Head of Legal and Democratic Services	2011/12	£99,445	£0	£99,445	£11,635	£111,080
	2010/11	£100,000	£1,752	£101,752	£16,700	£118,452
Corporate Head of Finance and Commerce (started July 2011)	2011/12	£75,000	£2,700	£77,700	£8,775	£86,475
	2010/11	£0	£0	£0	£0	£0
Corporate Head of Business Improvement	2011/12	£74,510	£0	£74,510	£8,718	£83,228
	2010/11	£0	£0	£0	£0	£0
Corporate Head of Organisation Development	2011/12	£84,445	£0	£84,445	£9,880	£94,325
	2010/11	£0	£0	£0	£0	£0
Area Director North	2011/12	£99,347	£0	£99,347	£11,624	£110,970
	2010/11	£0	£0	£0	£0	£0
Area Director Central (started September 2011)	2011/12	£58,333	£0	£58,333	£6,825	£65,158
	2010/11	£0	£0	£0	£0	£0
Area Director South	2011/12	£98,650	£0	£98,650	£11,542	£110,192
	2010/11	£0	£0	£0	£0	£0

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Director of Places	2011/12	£134,118	£0	£134,118	£15,692	£149,810
	2010/11	£135,000	£925	£135,925	£22,545	£158,470
Director of Care & Wellbeing	2011/12	£125,000	£0	£125,000	£14,625	£139,625
	2010/11	£125,000	£1,390	£126,390	£20,875	£147,265
Director of People (started May 2010)	2011/12	£144,151	£1,100	£145,251	£16,866	£162,117
	2010/11	£126,680	£5,310	£131,990	£21,156	£153,146
Director of Resources * (left August 2010)	2011/12	£0	£0	£0	£0	£0
	2010/11	£95,703	£1,385	£97,087	£9,347	£106,434

# The Council has pension contributions has now been split between a standard percentage contribution and a lump sum for the Council. As a result the standard percentage per person has decreased and the lump sum payment can not be allocated to specific individuals.

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

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

Salaried Remuneration Band £000	2011/12 No. of Employees	2010/11 No. of Employees
50,000 - 54,999	122	107
55,000 - 59,999	55	74
60,000 - 64,999	29	40
65,000 - 69,999	10	15
70,000 - 74,999	13	7
75,000 - 79,999	6	13
80,000 - 84,999	9	9
85,000 - 89,999	6	7
90,000 - 94,999	2	5
95,000 - 99,999	2	2
100,000 - 104,999	4	1
105,000 - 109,999	0	0
110,000 - 114,999	1	0
115,000 - 119,999	0	0
120,000 - 124,999	0	1
125,000 - 129,999	1	1
130,000 - 134,999	1	1
135,000 - 139,999	0	1
140,000 - 144,999	0	0
145,000 - 149,999	1	0
180,000 - 184,999	1	0
190,000 - 194,999	0	1

	No. of compulsory redundancies		No. of other departures agreed		Total no of exit packages by cost band		Total cost of exit packages in each band £000	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	20	125	37	106	57	231	476	1,824
£20,001 - £40,000	4	31	26	45	30	76	887	2,167
£40,001 - £60,000	0	8	9	19	9	27	429	1,253
£60,001 - £80,000	3	3	6	15	9	18	613	1,257
£80,001 - £100,000	0	2	2	2	2	4	180	334
£100,001 - £150,000	0	1	3	3	3	4	373	453
£150,001 - £200,000	0	1	3	0	3	1	526	169

In 2011/12 Shropshire Council were granted a capitalisation direction for statutory redundancy costs totalling £4,341,401. Shropshire Council capitalised costs of £3,588,293. The remaining redundancy and strain costs were covered from the Voluntary Early Retirement Reserve and general reserves.

### 37. 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:

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	273	309
Fees payable to the Audit Commission for statutory inspection	0	39
Fees payable to the Audit Commission for the certification of grant claims and returns	75	90
Fees payable in respect of other services provided by the Audit Commission during the year	2	0
<b>Total</b>	<b>350</b>	<b>438</b>

### 38. DEDICATED SCHOOLS GRANT

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

Details of the use of DSG for 2011/12 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2011/12	151	25	176
Brought forward from 2010/11	0	0	0
Carry forward agreed in advance	0	0	0
<b>Agreed budgeted distribution in 2011/12</b>	<b>151</b>	<b>25</b>	<b>176</b>
Actual central expenditure	0	(25)	(25)
Actual ISB deployed to schools	(151)	0	(151)
Local authority contribution for 2011/12	0	0	0
<b>Carry forward to 2012/13</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

	£000
<b>Schools' Balances carried forward to 2012/13</b>	<b>5,105</b>
DSG carried forward as a Government Grant Debtor to be Repaid in 2012/13	0
<b>Schools' Balances carried forward to 2012/13</b>	<b>5,105</b>
<b>Less</b>	
IT Financing	(126)
Carbon Financing	(12)
	<b>(138)</b>
<b>Schools' Balances as Reported in the Balance Sheet</b>	<b>4,967</b>

## 39. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	22,491	11,854
Area Based Grant	0	20,007
Local Services Support Grant	1,118	0
New Homes Bonus	2,021	0
Council Tax Freeze Grant	3,225	0
Capital Grants & contributions	39,651	19,579
<b>Total</b>	<b>68,506</b>	<b>51,440</b>
	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
<b>Credited to Services</b>		
DWP Council Tax Benefit	19,936	20,010
DWP Housing Benefit	65,425	61,233
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	2,048	2,082
DCLG Waste PFI	3,186	3,186
DCLG Social Services PFI	1,523	1,523
DFE Designated Schools Grant	173,049	152,497
DFE School Standards Grant	0	8,684
DFE Standards Fund	0	15,355
DFE Sure Start, Early Years & Childcare	0	8,660
DFE/DE Sixth Forms funding	7,846	6,771
DFE Pupil Premium Grant	2,083	0
DFE Early Intervention Grant	9,715	0
DH Learning Disability and Health Reform Grant	4,499	0
Other Grants	3,543	4,478
Capital Grants & contributions	10,402	14,774
Donated Assets	50	870
<b>Total</b>	<b>303,305</b>	<b>300,123</b>

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

	31 March 2012 £000
<b>Capital Grants Receipts in Advance</b>	
Other Grants & Contributions	39
<b>Total</b>	<b>39</b>

## 40. 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 2011/12 Councillor Bennett declared that he is a board member of Transhouse Oswestry. The Council paid Transhouse Oswestry £38,834 in 2011/12. Councillor Mellings declared that he is a member of the Wem PCC (£8,131), the Association of Local Councils (£15,124) and on the board of the Newtown Community & Recreation Association. The total payments to these organisations in 2011/12 was £24,055 and an asset with the value of £29,173 was purchased by the Council and then transferred to the Newtown Community & Recreation Association. Councillor Motley declared an interest in Wenlock Estates who were responsible for the sale of land in Much Wenlock. The sale was processed for £115,000. Councillor M Williams indicated that he is the Chairman of the Shrewsbury Railway Heritage Trust and the Council spent £32,894 on the renovation of the Abbey Station in 2011/12. Councillor Moseley declared that he is Chair of the Flaxmill Maltings, which the Council made total payments of £9,933 to. Councillor Parsons is an executive member of Shopmobility, which received a grant payment of £44,000 in 2011/12.

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 2011/12 was £18.234 million compared with £18.875 million for 2010/11.

Councillors are often members of other public or charitable organisations in their own capacity and these are declared within the Members' register. The Council has made payments of £3.162 million to the public and charitable organisations listed by members.

### **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 £0.969 million from the pension fund for the costs of administration it provided compared with £1.016 million for 2010/11.

The Council also has group relationships with West Mercia Supplies, South Shropshire Leisure Limited and the North Shropshire Community Asset Trust.

Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 124.

## 41. 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.

2010/11 £000		2011/12 £000
<b>275,504</b>	<b>Opening Capital Financing Requirement (including PFI &amp; Finance Lease)</b>	<b>305,929</b>
	<b>Capital investment</b>	
64,719	Property, Plant and Equipment	52,568
536	Investment Properties	1,888
245	Intangible Assets	760
17,185	Revenue Expenditure Funded from Capital under Statute	12,424
1,379	Revenue Expenditure Funded from Capital under Statute (Capitalised Redundancies)	3,588
0	Revenue Expenditure Funded from Capital under Statute (HRA Settlement Payment)	83,350
	<b>Sources of finance</b>	
(2,487)	Capital receipts	(8,383)
(34,325)	Capital grants and other contributions	(44,302)
(5,444)	Direct Revenue Financing (Including MRA)	(7,006)
(11,383)	Minimum Revenue Provision (see note 49)	(14,448)
<b>305,929</b>	<b>Closing Capital Financing Requirement (including PFI &amp; Finance Lease)</b>	<b>386,368</b>
283,854	Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	278,706
1,245	Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	85,795
20,830	Closing Capital Financing Requirement – PFI & Finance Lease	21,867
<b>305,929</b>		<b>386,368</b>
	<b>Explanation of movements in year</b>	
10,117	Increase/(decrease) in underlying need to borrowing (supported by Government financial assistance)	(9,358)
18,314	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	5,410
0	HRA Settlement Payment	83,350
(34)	Assets acquired under finance leases	(35)
2,028	Assets acquired under PFI contracts	1,072
<b>30,425</b>	<b>Increase/(decrease) in Capital financing requirement</b>	<b>80,439</b>



## 42. 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:

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Buildings	32,760	31,233
Vehicles, Plant and Equipment (salt domes)	89	123
Vehicles, Plant and Equipment (PFI)	6,161	6,400
<b>Total</b>	<b>39,010</b>	<b>37,756</b>

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:

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Finance lease liabilities (NPV of minimum lease payments):	117,763	120,717
Finance costs payable in future years	188,304	191,677
<b>Minimum lease payments</b>	<b>306,067</b>	<b>312,394</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	6,378	6,328	(2,846)	2,953
Later than one year and not later than five years	50,370	44,066	11,569	5,649
Later than five years	249,319	262,000	109,041	112,115
	<b>306,067</b>	<b>312,394</b>	<b>117,764</b>	<b>120,717</b>

The finance lease liabilities detailed above will not agree to the “Deferred Liabilities” total of £21.867m stated on the balance sheet. This is due to the fact that the Waste Services PFI contract provides assets over the life of the contract and, therefore, any statement of future liabilities comprises the liability in relation to those assets already provided under the contract and also the liability in relation to assets yet to be provided under the contract.

### Operating Leases

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

The minimum lease payments due for the following financial year under non-cancellable leases committed at 31 March under operating leases years are:

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Expiring Not later than one year	207	467
Expiring Later than one year and not later than five years	1,040	1,155
Expiring Later than five years	532	495
	<b>1,779</b>	<b>2,117</b>

The Authority has sub-let recycling boxes referred to under operating leases to Veolia. The value of payments to be received for these assets is £46,590 per annum until 31 March 2014. A Property Assets has also been sub-let, the value of the payment received for this is £13,000.

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

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Lease payments	2,385	1,772
Sub Lease Receivable	(60)	(58)
	<b>2,325</b>	<b>1,714</b>

### **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:

	<b>31 March</b>
	<b>2012</b>
	<b>£000</b>
Expiring Not later than one year	113
Expiring Later than one year and not later than five years	501
Expiring Later than five years	1,384
	<b>1,998</b>

### **43. PRIVATE FINANCE INITIATIVE SCHEMES**

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

#### **a. The Quality in Community Services PFI Project**

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

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

The contract was a Private Finance Initiative under the Capital Finance Regulations. The Council was awarded a PFI credit of £20.400 million.

#### **The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment**

Since 2009 PFI and similar contracts have been accounted for in a manner that is consistent with the adaptation of IFRIC 12 Services Concession Arrangements contained in the government's Financial Reporting Manual (FReM). Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that this applies to the QICS PFI project. The project is, therefore, "on balance sheet" for the Council's purposes.

There have been no changes in accounting for PPP and PFI arrangements in the CIPFA 2011/12 Code of Practice on Local Authority Accounting. 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:

<b>Year</b>	<b>Unitary Charge (£000)</b>	<b>Grant Received (£000)</b>
2005/06	0	0
2006/07	2,142	1,459
2007/08	2,838	1,523
2008/09	2,882	1,523
2009/10	2,906	1,523
2010/11	2,964	1,523
2011/12	3,032	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.

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 31/03/11	Year Ended 31/03/12
	(£000)	(£000)
<b>Non Current Assets – Land &amp; Buildings</b>		
Balance Brought Forward	21,940	21,548
- Additions	0	0
- Revaluation	0	0
- Depreciation	(392)	(391)
Balance Carried Forward	21,548	21,157
<b>Prepayments</b>		
Balance Brought Forward	0	0
- Capital Contribution	0	0
- Release of Capital Contribution	0	0
Balance Carried Forward	0	0
<b>Finance Lease Liability</b>		
Balance Brought Forward	(14,338)	(14,052)
- Additions	0	0
- Release of Capital Contribution	0	0
- Repayment of Principal	286	272
Balance Carried Forward	(14,052)	(13,780)

### 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 to 2011/12 financial years, or the Average weekly Earning (AWE) statistic for the remainder of the contract. The AEI was replaced as the lead measure of short term changes in average earnings in Great Britain by the AWE statistic from August 2010. Using an assumed 2.50% RPIx, 3.75% AEI / AWE and no performance deductions, the future commitments under the contract, separated into repayments of liability, interest and service charges, are as follows:

Year	Total Unitary Charge Payment (£000)	Service Charges * (£000)	Principal (£000)	Interest (£000)
Amounts Falling Due Within One Year	3,009	1,358	269	1,382
Amounts Falling Due Within 2 - 5 Years	12,453	6,272	892	5,289
Amounts Falling Due Within 6 - 10 Years	16,600	8,987	1,569	6,044
Amounts Falling Due Within 11 - 15 Years	17,911	10,541	2,246	5,124
Amounts Falling Due Within 16 - 20 Years	19,424	12,175	3,453	3,796
Amounts Falling Due Within 21 - 25 Years	18,905	11,960	5,353	1,592

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

## **b. The Waste Services PFI Project**

On 29 September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007. On 20 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 million of PFI credits which are paid as an annual PFI grant.

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

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

Two broad groups of assets are being provided under the Waste Services PFI contract:

- Vehicles and waste receptacles used to deliver the day to day waste service.
- Assets to be constructed under the contract to deliver improved recycling and diversion performance.

Under the Collection and Recycling Services element of the contract, Veolia has upgraded the existing Integrated Waste Management Facilities (IWMF) at Craven Arms and Whitchurch, developed two new IWMFs to serve the Oswestry (in 2009/10) and Bridgnorth (in 2011/12) areas and plans to construct a 60,000 tonne per annum In Vessel Composter (IVC) to serve the County.

Under the Waste Treatment element of the contract, Veolia plans to construct and manage a 90,000 tonne per annum Energy from Waste (Energy Recovery Facility (ERF)) treatment facility. Due to planning issues construction of this facility has been unavoidably delayed but it is still anticipated that this facility will be delivered as part of the Waste Services contract. A planning appeal for the ERF took place in Autumn 2011 and in January 2012 the planning inspector approved the application to build an Energy-from-Waste facility at Battlefield in Shrewsbury. The contract did not provide for partial termination had planning consent for the ERF facility not been successful.

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

Since 2009 PFI and similar contracts have been accounted for in a manner that is consistent with the adaptation of IFRIC 12 Services Concession Arrangements contained in the government's Financial Reporting Manual (FRM). Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that this applies to the Waste PFI project. The project is, therefore, "on balance sheet" for the Council's purposes.

There have been no changes in accounting for PPP and PFI arrangements in the CIPFA 2011/12 Code of Practice on Local Authority Accounting. The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

### Unitary Charge and PFI Grant

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

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

Year	Unitary Charge* (£000)	Grant Received (£000)
2007/08**	5,848	1,459
2008/09	14,371	3,186
2009/10	21,069	3,186
2010/11	22,765	3,186
2011/12	24,384	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 1 October 2007

### Treatment of Existing Assets

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

### Treatment of Assets Provided Under the PFI Contract

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

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

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

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

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

	Year Ended 31/03/11	Year Ended 31/03/12
	(£000)	(£000)
<b>Non Current Assets – Land &amp; Buildings</b>		
Balance Brought Forward	8,211	9,684
- Existing Assets Reinstated	0	0
- Cumulative Depreciation (Existing Assets)	0	0
- Depreciation in Period	(218)	(260)
- Additions	1,135	2,966
- Revaluation	556	(787)
Balance Carried Forward	9,684	11,603
<b>Non Current Assets - Vehicles, Plant &amp; Equipment</b>		
Balance Brought Forward	5,700	6,400
- Existing Assets Reinstated	0	0
- Cumulative Depreciation (Existing Assets)	0	0
- Depreciation in Period	(1,359)	(1,449)
- Additions	2,059	1,210
Balance Carried Forward	6,400	6,161
<b>Prepayments</b>		
Balance Brought Forward	3,480	5,720
- Planned Capital Expenditure	2,240	265
Balance Carried Forward	5,720	5,985
<b>Finance Lease Liability</b>		
Balance Brought Forward	(4,334)	(6,647)
- Additions	(3,141)	(3,676)
- Repayment of Principal	828	2,332
Balance Carried Forward	(6,647)	(7,991)



## Commitments Under the Contract

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

Year	Total Unitary Charge Payment (£000)	Service Charges * (£000)	Principal (£000)	Interest # (£000)
Amounts Falling Due Within One Year	19,136	14,448	(3,151)	7,839
Amounts Falling Due Within 2 - 5 Years	111,470	67,344	10,616	33,510
Amounts Falling Due Within 6 - 10 Years	154,824	96,752	16,742	41,330
Amounts Falling Due Within 11 - 15 Years	173,915	112,010	23,048	38,857
Amounts Falling Due Within 16 - 20 Years	195,660	129,716	33,858	32,086
Amounts Falling Due Within 21 - 24 Years	106,775	72,554	22,772	11,449

\* comprised of operating costs and lifecycle costs

# comprised of finance lease interest and contingent rental

## 44. IMPAIRMENT LOSSES

During 2011/12, the Authority has recognised an impairment loss of £2.843 million on non current assets. This related to £1.014 million in relation to HRA housing stock for works in 2011/12 that did not add value and were treated so the assets were impaired. £1.829 million for various works to General Fund property that did not add value and were treated impairment losses when the assets were revalued.

## 45. 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 2011/12, The Council paid £10.911 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £11.220 million 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 2011/12 these amounted in total to £2.013 million representing 2.6% of pensionable pay. This covers all added years costs incurred for people retiring in 2011/12 and previous years. The figures for 2010/11 were £2.007 million and 2.52%.

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

## 46. DEFINED BENEFIT PENSION SCHEMES

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

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

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

	<b>Local Government Pension Scheme</b>	
	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
- current service cost	(16,788)	(21,305)
- past service gain/(cost)	(67)	(9)
- curtailment gain/(cost)	(453)	(1,071)
	(17,308)	(22,385)
Financing and Investment Income and Expenditure:		
- interest cost	(41,786)	(45,796)
- expected return on assets in the scheme	30,328	29,300
	(11,458)	(16,496)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(28,766)	(38,881)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- actuarial gains and losses	46,191	(108,989)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	17,425	(147,870)

	Local Government Pension Scheme	
	2011/12	2010/11
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	28,766	38,881
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(22,928)	(21,789)

In 2011/12 the Council paid an employer's contribution of £22.928 million representing 17.8% of employee's pensionable pay, into the Pension Scheme. The figures for 2010/11 were £21.789 million and 16.7%.

In 2011/12 the Council paid pension strain and augmentation of £1.937 million compared to £0.851 million for 2010/11.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded together with the related increases. In 2011/12 these amounted to £1.509 million representing approximately 1.37% of pensionable pay. The figures for 2010/11 were £1.483 million and 1.31%.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2011/12 was an actuarial loss of £139.202 million (loss of £93.011 million in 2010/11).

### **Assets and Liabilities in relation to Post Employment Benefits**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Opening balance at 1 April	(764,460)	(815,453)
Current Service Cost	(16,788)	(21,305)
Interest Cost	(41,786)	(45,796)
Contributions by scheme participants	(6,843)	(7,496)
Actuarial gains and (losses)	(27,410)	102,532
Benefits paid	30,323	24,138
Past service costs	(67)	(9)
Entity combinations	0	0
Curtailments	(2,061)	(1,071)
Settlements	2,418	0
<b>Closing balance at 31 March</b>	<b>(826,674)</b>	<b>(764,460)</b>

## Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12 £000	2010/11 £000
Opening balance at 1 April	530,454	489,550
Expected rate of return	30,328	29,300
Actuarial gains and losses	(18,781)	6,457
Employer contributions	22,928	21,789
Contributions by scheme participants	6,843	7,496
Benefits paid	(30,323)	(24,138)
Entity combinations	0	0
Settlements	(810)	0
<b>Closing balance at 31 March</b>	<b>540,639</b>	<b>530,454</b>

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

The actual return on scheme assets in the year was a loss of £11.548 million (2010/11 loss of £39.518 million).

## Scheme History

	2007/08 As restated £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities	(482,166)	(412,872)	(815,161)	(764,460)	(826,674)
Fair value of assets	319,799	252,240	489,359	530,454	540,639
Surplus/(deficit) in the scheme	<b>(162,367)</b>	<b>(160,632)</b>	<b>(325,802)</b>	<b>(234,006)</b>	<b>(286,035)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment benefits. The total liability of £286.035 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £701.870 million.

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 2013 is £21.276 million.

## 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	
	2011/12	2010/11
Long term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.50%
Government Bonds	3.1%	4.40%
Other Bonds	4.1%	5.10%
Other	7.0%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0 yrs	21.9 yrs
Women	24.7 yrs	24.6 yrs
Longevity at 65 for future pensioners:		
Men	23.4 yrs	23.3 yrs
Women	26.2 yrs	26.1 yrs
Rate of inflation	2.5%	2.90%
Rate of increase in salaries	4.0%	4.40%
Rate of increase in pensions	2.5%	2.90%
Rate for discounting scheme liabilities	4.9%	5.50%
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 2012	31 March 2011
	%	%
Equity investments	53.0	65.2
Government Bonds	14.4	11.4
Other Bonds	10.4	10.0
Other assets	22.2	13.4
	100.0	100.0

### **Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	As restated				
	%	%	%	%	%
Differences between the expected and actual return on assets	(8.6)	(36.3)	(21.3)	(1.2)	(3.5)
Experience gains and losses on liabilities	2.6	0.0	0.0	2.4%	0

## 47. CONTINGENT LIABILITIES

The following contingent liabilities have been identified for Shropshire Council:

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

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.
- A legal claim regarding a defective Right to Buy property which the Council sold.
- A legal claim regarding an amendment to a Section 106 agreement in respect of a housing development.
- A series of insurance claims in relation to vibration white finger in relation to former employees.
- A claim relating to outstanding insurance claims made on behalf of Shropshire County Council (pre LGR 1998).

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 did receive a significant number of such claims several years ago 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, Age Concern, ALC, Coverage Care, South Shropshire Leisure Ltd and South Shropshire Housing Association. Relate had just one member of staff who is now in receipt of a pension, MENCAP has 1 active member, 4 Pensioners and 3 Deferred Members, Age Concern has 13 active members, 16 pensioners and 12 deferred members, ALC has 2 active members, 1 Pensioner and 1 deferred member. The guarantee for Coverage Care Ltd covers staff Tupe'd to them in a contract entered into 1 March 1997, they have 31 active members, 117 pensioners and 44 deferred members. South Shropshire District Council offered a guarantee to South Shropshire Leisure Ltd and South Shropshire Housing Association that transferred to Shropshire Council on 1 April 2009. These Employers have jointly 34 active members, 13 pensioners and 19 deferred members. These do not therefore represent a significant potential liability for the Council.

The Council has entered into three "Funding and Development Agreements" with Development Trust for construction of supported living properties. Under these

agreements the Development Trust has provided the Council will funding totalling £926,860 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.

## **48. 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. The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;
- By approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing, its maximum and minimum exposures to fixed and variable rates, its maximum and minimum exposures to the maturity structure of its debt and its maximum annual exposures to investments maturing beyond a year;
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

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 has adopted CIPFA's Treasury Management Code of Practice. It has also set prudential and 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 principal 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 million.

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

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default, adjusted to reflect current market conditions.



	Amount deposited at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectability at 31 March 2012	Estimated maximum exposure at 31 March 2012
	£000	%	%	%	£000
Loans and receivables held with counterparties having a default rating of:					
AAA	0	0	0	0	0
AA-	68,820	0.08	0.08	0	0
Other Local Authorities	12,500	0	0	0	0
Debtors (Customers)	11,573	Local Experience	Local Experience	Local Experience	Local Experience

The Authority generally allows its customers 30 days credit. Of the £11.573 million outstanding from customers £7.490 million 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	2,165
3 to 6 months overdue	1,296
6 months to 1 year overdue	1,132
More than 1 year overdue	2,897
	<b>7,490</b>

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

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

The maturity analysis of financial liabilities is as follows:

<b>Age of Debt</b>	<b>£000</b>
Less than 1 year	8,771
Between 1 and 2 years	10,013
Between 2 and 5 years	18,857
Between 5 and 10 years	32,400
More than ten years	291,568
	<b>361,609</b>

### **Refinancing and Maturity Risk**

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

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

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

### **Interest Risk Exposure**

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

The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. Interest rate exposure limits and other prudential limits are set through this 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 Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure.

As at 31 March 2012 the Council's total outstanding debt (excluding accrued interest) amounted to £361.268 million of which none of these loans were at stepped interest rates. Out of this balance £312.068 million relates to fixed rate Public Works Loan Board (PWLB) loans, and £49.200 million 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 2012, £23.330 million 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 £233,300. The impact of a 1% fall in interest rates would be a £233,300 loss.

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

### **Price Risk**

The Council, excluding the pension fund, does not invest in equity shares or bonds, therefore is not exposed to losses arising from movements in share/bond prices.

### **Foreign Exchange Risk**

The Council has foreign exchange exposure resulting from settlement payments received from Landsbanki. Any foreign exchange transactions are translated into sterling as at the date of the transaction. Foreign currency monetary items are revalued on the balance sheet at the year end, based on the exchange rate at the 31 March. Any differences in value due to differences in exchange rate between the date of the transaction and the end of the financial year will be taken to the Comprehensive Income & Expenditure Statement.

Apart from the Icelandic exposure the Council has no other financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is minimal.

## **49. MINIMUM REVENUE PROVISION**

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
8,434	MRP – Supported Borrowing	9,773
1,095	MRP – Telford & Wrekin Council, Probation and Magistrates	1,058
648	MRP – Unsupported Borrowing	860
59	MRP – SALIX (Soft Loans)	118
1,147	MRP – Quality in Community Services (QICS), Waste PFI and Finance Leases	2,639
<b>11,383</b>	<b>Total MRP</b>	<b>14,448</b>

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 (or payback period on spend to save schemes) for which the borrowing is undertaken. 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, equivalent to the finance lease principal payment on the assets provided; however this is not an additional charge for the Council, it is a reclassification of the part of the unitary charge. Further changes to the finance lease classification in 2010/11, under IFRS has resulted in two previous operating leases now been treated as finance leases.

Following the restructuring to Shropshire Council, with a vestment date of 1 April 2009, at which point the historic debt and capital receipts transferred from the predecessor Authorities; the Council voluntarily set aside capital receipts from the predecessor Authorities as at 1 April 2009 to reduce the Council’s Capital Financing Requirement (CFR) and generate Minimum Revenue Provision (MRP) savings in 2009/10. A balance was still held as set aside as at 31/03/11, generating a further saving in 2011/12.

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.

## **50. 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.

2010/11 Total	Asset	As At 31 March 2012						Total
		Owned by SC	Leased by SC	Leased to Other Bodies	Owned by Other Bodies	PFI Sites		
11	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	
5	Arts	4	0	1	0	0	5	
49	Business / Commercial Sites	20	2	21	0	0	43	
77	Car Parks	72	4	1	0	0	77	
8	Churches / Cemeteries / Crematoriums	5	1	2	0	0	8	
24	Childrens Centres	24	2	0	1	0	27	
10	Childrens Services	4	3	1	0	0	8	
6	Education Centres	4	2	0	0	0	6	
1	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	3	1	0	0	20	
34	Housing Sites (General Fund) Sites	10	1	18	0	0	29	
1	Integrated Offender Management	0	1	0	0	0	1	
10	Learning and Training	7	3	0	0	0	10	
23	Leisure Facilities	22	1	0	0	0	23	
21	Libraries	16	5	0	0	0	21	
6	Markets and Town Halls	4	0	2	0	0	6	
15	Mental Health and Older Peoples Services	0	6	0	7	0	13	
5	Mental Health Residential	1	0	3	0	0	4	
7	Museums	4	3	0	0	0	7	
6	Multi Occupancy Sites	0	0	0	0	6	6	
31	Physical and Learning Disabilities	11	12	6	0	0	29	
29	Public Conveniences	9	0	0	0	0	9	
3	Registrars (excluding shared facilities)	1	1	0	1	0	3	
7	Residential Homes for Older People	1	0	6	0	0	7	
157	Schools	81	3	1	72	0	157	
30	Substance Misuse	25	4	1	0	0	30	
5	Smallholdings	4	1	0	0	0	5	
8	Waste Management Sites	2	0	0	0	5	7	
13	Youth Centres / Offices	12	0	0	0	0	12	
4,240	Council Dwellings (HRA)	0	0	4,203	0	0	4,203	
8	Sheltered Dwellings Communal Rooms	8	0	0	0	0	8	
995	Garages	0	0	995	0	0	995	

## 51. 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	Income	Expenditure	Assets	Liabilities
		£	£	£	£
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	10,729	4,573	200,188	1,000
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	29,277	10,776	121,056	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	7,390	9,514	226,249	0

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	9,662	1,224	41,681	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	48,194	55,652	432,385	12,677
Shropshire Voluntary Association for the Blind	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	44,648	66,344	396,346	0

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.

## 52. 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.

	Balance as at 1/4/11 £000	Upon Recognition £000	Movement After Recognition £000	Balance as at 31/3/12 £000
<b>Current Assets:</b>				
Landfill Usage Allowances	749	16	0	765
<b>Current Liabilities:</b>				
Liability to DEFRA	(528)	0	(9)	(537)
<b>Reserves:</b>				
General Fund	(221)	(16)	9	(228)

## 53. HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

	2010/11*	2011/12
	£000	£000
<b>Cost or Acquisition of Heritage Assets</b>		
Museum and Archives artefacts	0	0
Outdoor Statues/ Monuments/Historic Building Remains	80	580
Civic Regalia	0	0
<b>Total Cost of Purchases</b>	<b>80</b>	<b>580</b>
No Donations or Disposals		

\* 2010/11 figures are transactions that would have taken place had the accounting standard on Heritage Assets been adopted in that financial year; these are not reflected in the balance sheet due to being below the Council's materiality level for restatement.

As per paragraph 4.10.4.5 of the Code, this information is not provided for any period before 1 April 2010 due to complete information not being available prior to the formation of Shropshire Council (1 April 2009).

## 54. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

### Shropshire Museums Collections

Shropshire Museums Collections Management Policy 2012-2017 (approved by Cabinet May 2012) provides full details of the collections held by the Service and the management of the collections. Shropshire Museums collects material which reflects the natural and human history of the historic county of Shropshire. Existing collections are outlined below:

Collection	Current Holdings	Status	Collection Details and items of particular importance
Agricultural	2,200	Active Collection	The Working Farm Museum, its maintenance and its interpretation has been, and remains, the focus for the development of the Agricultural Collection. These include an important collection of hand tools (especially wheelwrighting and blacksmithing tools), implements, feed processing machinery, and vehicles and machinery relating to horse-drawn husbandry. There are significant large-scale individual artefacts including two restored threshing boxes and a working forge. Acton Scott also holds a collection of domestic artefacts relating to the cottage economy. As the scale of the collection developed beyond the storage capacity on site at Acton Scott an off-site store has been established to accommodate reserve collection items.
Archaeology	119,500	Active Collection	The Archaeology Collection reflects more than 10,000 years of human activity in the county, from the first stone tools to the relics of Shropshire's industrial past. Principal current holdings are: <b>Prehistory:</b> The Prehistoric past of the county is represented by stone tools, metalwork and pottery. Early Prehistory and the Iron Age are poorly represented.

Collection	Current Holdings	Status	Collection Details and items of particular importance
			<p>Significant items include a large collection of Bronze Age metalwork and material from excavations such as Bromfield Bronze Age Cemetery.</p> <p><b>Roman:</b> The Roman collection comprises mainly of ceramics and building materials. There is a small collection of metalwork. Significant collections include material from excavations at the Roman towns of Wroxeter, Leintwardine and Whitchurch.</p> <p><b>Medieval:</b> The Medieval collection is represented by a narrow range of material, principally ceramics such as decorated floor tiles. Metalwork and certain other classes of object are underrepresented. Most of the items are Later Medieval in date with very few Early Medieval finds. Significant items include the finds from Shrewsbury Abbey and Bridgnorth Friary.</p> <p><b>Post-Medieval:</b> There is a small collection of Post-Medieval material comprising mainly of ceramics and metalwork. Most of this is of poor quality. This is mainly due to the lack of urban development within the county's historic towns.</p> <p><b>Foreign:</b> There are a small number of artefacts from foreign sources including some Egyptian finds, Roman artefacts and Greek coins. The majority of this material has been transferred to other institutions and a small reference collection retained for educational purposes.</p> <p>Key items within the collection are the Wroxeter excavation archives and specific single finds such as the Wroxeter Roman Mirror, Hadrianic inscription and tombstones. Other chance finds such as the, Dinham Pommel and North Shropshire Pendant are of regional importance.</p>
Archives	14,000	Active Collection	<p>Our written and printed records are a vital source of historic information. Photographs, letters, newspapers and other ephemera can give a unique insight into the history of Shropshire and the lives of its inhabitants.</p> <p>The Museum Service holds a collection of around 9,000 images primarily of topographical views of south Shropshire, townscapes, special events, civic occasions etc. The Museum Service also holds a collection of some 14,000 original manuscripts, typescripts, diaries, notebooks, maps, illustrations, diagrams, annotated books, water-colours, photographs, printed ephemera and appropriate original electronic data and other similar items relating to its collections and the towns of Ludlow, Much Wenlock and Shrewsbury.</p>



Collection	Current Holdings	Status	Collection Details and items of particular importance
Biology	60,000	Active Collection	<p>The Natural History collections contain plants and animals collected from both Shropshire and further afield by people associated with the County. This collection is a remarkable record of the flora and fauna of Shropshire both today and in years past.</p> <p>The Museum Service Natural History collections comprise some 77,000 specimens of fungi, plants, invertebrates and vertebrates currently stored in Ludlow at the Museum Resource Centre. Shropshire Museums holds around 200,000 biological records of living species.</p>
Costume & Textiles	5,000	Active Collection	<p>Shropshire Museums collects costume in order to illustrate the clothing worn by Shropshire inhabitants over time. Wherever possible items are collected that have a strong provenance which associates it with a named individual and contextual information about their life. Shropshire Museums also collects to illustrate the textile products of the county.</p> <p>The Costume and Textile Collection contains items dating from 1700 to 1980. It includes over 100 complete dresses, of which eight date from before 1810, and two are particularly important 18th century examples. There are examples of menswear, including a group of agricultural smocks and some 18th and early 19th century decorative waistcoats. There are also good examples of Victorian children's wear, doll's clothes and some samplers.</p> <p>The collection includes a small number of leather and fur garments and accessories and a group of fans, three constructed of ostrich feathers. There is a good collection of lace and the Kay Kohler Collection of costume, needlework and textiles includes material for many parts of the World.</p> <p>An 18th century mantua (1710), the Hazledine Wedding Dress (1758), Clive of India's Mayoral Robe (1760) and a Postman's Coat of 1860 are among some important items in the collection.</p>
Decorative & Applied Arts	6,000	Active Collection	<p>Shropshire has inspired and been home to generations of artist, craftsmen and writers over the years. Their work gives us an insight into how they perceived the area and both worked and interacted with it. The decorative arts also reflect an aspect of industry within the County in particular the products of the potteries and foundries of Ironbridge Gorge and beyond.</p> <p>The strength of our Decorative Art collection lies in the quality of particular groups rather than single items, in particular our Caughley Collection.</p>

Collection	Current Holdings	Status	Collection Details and items of particular importance
Ethnography	210	Dormant Collection	<p>Like many ethnographic collections in Britain's museums this material has mainly been donated by local individuals who have travelled extensively or worked abroad and brought these items home as souvenirs. It was donated historically to Shropshire's museums as a window on the British Empire and the wider world. Shrewsbury Museums Service's collections included numerous ethnographic items until they were transferred to Birmingham Museum in the 1960s. A small collection of about 200 items is retained on a care and maintenance basis.</p>
Fine Arts	3,700	Active Collection	<p>Shropshire has inspired and been home to generations of artists, craftsmen and writers over the years. Their work gives us an insight into how they perceived the area and both worked and interacted with it. Topographical paintings and prints are also a valuable visual record of the County especially prior to the invention of photography.</p> <p>The Museum Service's current collection consists mainly of paintings including of oils, water-colours and prints, principally of local topographical interest. Views of Shrewsbury, Ludlow and South Shropshire form the largest grouping. There are also small collections from Much Wenlock and Whitchurch. This material includes a notable collection of works by Randolph Caldecott.</p> <p>In 1989 the County Council began a policy of commissioning modern works of art and crafts from Shropshire artists and makers, of either national standing or judged to be of that potential. This group of mainly paintings, alongside some modern art pieces commissioned by Shrewsbury Museums, forms a small contemporary arts collection.</p> <p>Shropshire Museum also currently cares for a collection of paintings which are owned by Shropshire Council but have not been formally transferred to the museum collections. These paintings once hung at Shirehall and the Law Courts and feature notable figures in local administration and well-known views within the County.</p>
Geological	41,500	Active Collection	<p>Shropshire has some of the most varied geology in the whole of Britain. Eleven of the thirteen geological time periods are represented in Shropshire. No other area in Britain of a similar size shows such a diverse range of geological time periods. All over the world there are geological formations named after places in Shropshire such as Ludlow, Wenlock and Caradoc. This shows just how important the geology of Shropshire is, not only locally but worldwide.</p> <p>The Museum Service's Geological collections comprise some 41,500 specimens of fossils, minerals and rocks, currently stored at the Ludlow Museum Resource Centre. The collection has been recognised as one of international importance.</p>

Collection	Current Holdings	Status	Collection Details and items of particular importance
Numismatics	6,000	Active Collection	<p>Shropshire Museums collects numismatics to: Represent the coins struck in Shropshire; Acquire single items or hoards which have regional or national significance and have a demonstrable story to tell about the history of Shropshire; Represent significant events and individuals which have been marked by the presentation or production of a medal or medallion; and Acquire tokens which provide evidence of local businesses Gold doublas within Shropshire.</p> <p>Our current holdings are dominated by Roman coins including 3,500 coins from Wroxeter excavations and approximately 20 Roman Hoards. Other important items include Shrewsbury mint coins dating from the 10th century until the Civil War. Local tokens are also represented. The remaining coins are mainly representative of British coinage with a small number of non-British currencies represented.</p>
Social History	14,775	Active Collection	<p>The Social History collection includes both the everyday things used by local people, and some of their more treasured possessions. They form a valuable record of the way that people used to live, eat, dress, work and play. The strengths of the existing social history collections lie in the local history collections established over the years at Ludlow, Much Wenlock and Whitchurch.</p> <p>At Much Wenlock Museum there is an important collection of material relating to Dr William Penny Brookes, the founding father of the modern Olympic Movement. An element of this collection is on loan from the Much Wenlock Olympic Association and Much Wenlock Town Council.</p>

### **Preservation and Management**

The Museum service forms part of the Visitor Economy Team (Growth and Prosperity) within the Place service area of Shropshire Council. The Shropshire Museums Collections Management Policy 2012-2017 details the preservation and management of the individual collections held by Shropshire Museums. Shropshire Museums' collections are held in trust by Shropshire Council in perpetuity for the benefit, education and enjoyment of the people of Shropshire and visitors to the County.

Shropshire Museums currently employs three members of staff with relevant degrees, a postgraduate Masters or Diploma in Museum Studies and substantial relevant experience to manage the museum sites and collections. These officers make up the core of the Shropshire Museums Curatorial Board which oversees all acquisition and disposal decisions and Collection Management Policy. The Senior Archivist for Shropshire Council also attends the Curatorial Board meetings to provide advice on the curation of archival collections. As part of on-going collection care programmes additional expert curatorial advice and work is commissioned from consultants for specific sections of the collection as required.

Shropshire Museum's aims to store, handle, display and use its collections in a way that minimises the risk of damage and deterioration. An annual review of resources, facilities and activities is used to identify and prioritise collection care projects. In order to ensure that collections can be used, rather than used up, a careful balance between conservation and use has to be achieved. Collections can only benefit present and future users if professional standards of care are applied to ensure their long term survival. In order to ensure high levels of collection care are maintained Shropshire Museums works to the Standards in Museum Care of Collections published by the Museums and Galleries Commission. Shropshire Council has resources in place for a comprehensive operational and maintenance programme for its existing stock of buildings, services and plant.

The acquisition priorities vary between the principal collections based on existing gaps in the collection and the capabilities and resources available to the service to adequately store, conserve and display collections. By definition, the Museum Service has a long-term purpose and should possess permanent collections in relation to its stated objectives. As a consequence, except for curatorial reasons, there is a strong presumption against the disposal of any items in the museum's collection. Any proposed disposals will be made within a strict framework to ensure the public's long term interest in our collections is safeguarded.

The Museum service has a collection management database, the level of catalogued entries varies between collections; however to date only around 40% of the total collection has been catalogued and entered onto the collection management database. The Collection Management Policy estimates there is a backlog of approximately 3,500 days cataloguing and recognises a significant body of work is needed to photograph the collection and revise catalogue entries to make the collection accessible online.

## **55. HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

### **Heritage Assets**

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost, where valuation information is practical to provide. The Authority's accounting policies for

recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see 1.14).

The below section details the transactions that would have taken place had the accounting standard on Heritage Assets been adopted prior to the 2011/12 financial year; these are not reflected in the Council's core financial statements due to being below the Council's materiality level for restatement.

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £676,000 (after adjusting for depreciation previously charged to Capital Adjustment Account) should now be recognised as heritage assets. These assets mainly relate to outdoor statues/monuments/historic building remains which were previously recognised in the community assets classification of property, plant and equipment. The Authority will also recognise an additional £1.25m for the recognition of heritage assets, consisting of museum artefacts that were not previously recognised in the Balance Sheet. This increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have not been restated due to the changes being below the Council's materiality level for restatement however details are provided below of the relevant changes that would have been actioned as a result of the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £858,000. The element that was previously recognised in property, plant and equipment as Community Asset (£616,000) has been reclassified and value increased by £14,000 following reversal of depreciation, which has also increased Capital Adjustment Account by £14,000. The revaluation reserve has increased by £228,000 as a result of Heritage Assets that were not previously recognised on the balance sheet.
- The adjustments that would have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

#### Effect on the Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£000	£000	£000
Property, Plant and Equipment - Community Assets	4,570	(616)	3,954
Heritage Assets	0	858	858
<b>Total Non Current Assets</b>	<b>1,368,593</b>	<b>242</b>	<b>1,368,835</b>
<b>Total Long-term Assets</b>	<b>1,371,289</b>	<b>242</b>	<b>1,371,531</b>
<b>Total Net Assets</b>	<b>1,521,742</b>	<b>242</b>	<b>1,449,455</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	169,740	228	169,968
Capital Adjustment Account	923,774	14	923,788
<b>Total Unusable Reserves</b>	<b>759,003</b>	<b>242</b>	<b>759,245</b>
<b>Net Worth/Total Reserves</b>	<b>803,110</b>	<b>242</b>	<b>803,352</b>

## Comprehensive Income and Expenditure Statement 2010/11

The restatement of the relevant lines of the Comprehensive Income and Expenditure Statement that would have been made, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below. The restatement is required due to depreciation previously charged on a Community Assets (£5,000) which has now been reclassified as a Museum Artefact under Heritage Assets and the new Council accounting policy is to not depreciate Museum Artefacts. The second restatement to the line 'Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets' (£1.026m) is required due to the revaluation of Museum Artefacts, now recognised as Heritage Assets following the application of the new accounting policy and is also recognised in the Revaluation Reserve.

	Net Expenditure as stated 31 March 2011	Restatement	Net Expenditure as restated 31 March 2011
	£000	£000	£000
<b>Expenditure on Continuing Services</b>			
Cultural, Environmental, Regulatory and Planning Services	64,355	(5)	64,350
<b>Net Cost of Services</b>	<b>350,084</b>	<b>(5)</b>	<b>350,079</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>121,402</b>	<b>(5)</b>	<b>121,397</b>
Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	(32,151)	(1,026)	(33,177)
<b>Other Comprehensive Income and Expenditure</b>	<b>(141,140)</b>	<b>(1,026)</b>	<b>(142,166)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(19,738)</b>	<b>(1,031)</b>	<b>(20,769)</b>

## Movement in Reserves Statement 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement that would have taken place, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	General Fund Balance as stated 31 March 2011 £000	General Fund Balance Restatement £000	General Fund Balance restated 31 March 2011 £000	Unusable Reserves as stated 31 March 2011 £000	Unusable Reserves Restatement £000	Unusable Reserves as restated 31 March 2011 £000
Balance as at 31 March 2010	10,179	0	10,179	759,003	241	759,244
Surplus or (deficit) on the provision of Services	(45,536)	5	(45,531)	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	141,140	1,026	142,166
<b>Total Comprehensive Income and Expenditure</b>	<b>(45,536)</b>	<b>5</b>	<b>(45,531)</b>	<b>141,140</b>	<b>1,026</b>	<b>142,166</b>
Adjustments between accounting basis & funding basis under regulations	46,990	(5)	46,985	(122,544)	5	(122,539)

	General Fund Balance as stated 31 March 2011 £000	General Fund Balance Restatement £000	General Fund Balance restated 31 March 2011 £000	Unusable Reserves as stated 31 March 2011 £000	Unusable Reserves Restatement £000	Unusable Reserves as restated 31 March 2011 £000
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	1,454	0	1,454	18,596	1,031	19,627
Transfers to/from Earmarked Reserves	(1,772)	0	(1,772)	1,443	0	1,443
<b>Increase/Decrease in 2010/11</b>	<b>(318)</b>	<b>0</b>	<b>(318)</b>	<b>20,039</b>	<b>1,031</b>	<b>21,070</b>
<b>Balance 31 March 2011</b>	<b>9,861</b>	<b>0</b>	<b>9,861</b>	<b>779,042</b>	<b>1,272</b>	<b>780,314</b>

### Effect on the Opening Balance Sheet 31 March 2011

The restatement of the relevant lines of the Balance Sheet, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated at 31 March 2011 £000	Restatement £000	Restated at 31 March 2011 £000
Property, Plant and Equipment - Community Assets	4,832	(658)	4,174
Heritage Assets	0	1,930	1,930
<b>Total Non Current Assets</b>	<b>1,327,764</b>	<b>1,272</b>	<b>1,329,036</b>
<b>Total Long-term Assets</b>	<b>1,330,386</b>	<b>1,272</b>	<b>1,331,658</b>
<b>Total Net Assets</b>	<b>1,444,043</b>	<b>1,272</b>	<b>1,445,315</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	195,228	1,253	196,481
Capital Adjustment Account	827,030	19	827,049
<b>Total Unusable Reserves</b>	<b>779,042</b>	<b>1,272</b>	<b>780,314</b>
<b>Net Worth/Total Reserves</b>	<b>822,747</b>	<b>1,272</b>	<b>824,019</b>

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets would have been recognised at £1.9m million on the Balance Sheet. This incorporates £1.25m of assets not previously recognised in the Balance Sheet, with a compensating increase to the Revaluation Reserve and of £676,000 previously recognised at cost in community assets, adjusted for depreciation (£19,000) previously charged to Capital Adjustment Account.





## Section 7

# Group Accounts



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

## **GROUP ACCOUNTS**

### **Introduction**

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

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

### **WEST MERCIA SUPPLIES**

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

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

In September 2011 the owners of the WMS appointed a sales agent to pursue the sale of the organisation. Since then a buyer has been found for the stationery division of WMS with the sale completing on 19 April 2012. The WMS name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four Member Authorities. The energy division will continue in operational existence under the trading name of "West Mercia Energy" for the foreseeable future.

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

### **COMMUNITY ASSET TRUST**

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

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

## **GROUP ACCOUNTS**

### **SOUTH SHROPSHIRE LEISURE LIMITED**

This is a company registered as an Industrial and Provident Society. As at 31 March 2012, the Council owned two of the allotted sixteen shares. The shares have equal voting rights, but the Council must represent less than 20% of the vote at all times.

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

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

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

# GROUP ACCOUNTS

## Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	10,179	29,202	799	0	3,927	0	44,107	759,003	803,110	2,403	805,513
<b><u>Movement in reserves during 2010/11</u></b>											
Surplus or (deficit) on the provision of services	(44,442)	0	(75,866)	0	0	0	(120,308)	0	(120,308)	(1,093)	(121,401)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	141,140	141,140	138	141,278
<b>Total Comprehensive Income and Expenditure</b>	<b>(44,442)</b>	<b>0</b>	<b>(75,866)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(120,308)</b>	<b>141,140</b>	<b>20,832</b>	<b>(955)</b>	<b>19,877</b>
Adjustments between Group Accounts and authority accounts	(1,094)	0	0	0	0	0	(1,094)	0	(1,094)	1,094	0
<b>Net Increase/Decrease before Transfers</b>	<b>(45,536)</b>	<b>0</b>	<b>(75,866)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(121,402)</b>	<b>141,140</b>	<b>19,738</b>	<b>139</b>	<b>19,877</b>
Adjustments between accounting basis & funding basis under regulations	46,990	0	75,734	(107)	(73)	0	122,544	(122,544)	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,454</b>	<b>0</b>	<b>(132)</b>	<b>(107)</b>	<b>(73)</b>	<b>0</b>	<b>1,142</b>	<b>18,596</b>	<b>19,738</b>	<b>139</b>	<b>19,877</b>
Transfers to/from Earmarked Reserves	(1,772)	1,653	118	107	(1,650)	0	(1,544)	1,443	(101)	0	(101)
<b>Increase/Decrease in 2010/11</b>	<b>(318)</b>	<b>1,653</b>	<b>(14)</b>	<b>0</b>	<b>(1,723)</b>	<b>0</b>	<b>(402)</b>	<b>20,039</b>	<b>19,637</b>	<b>139</b>	<b>19,776</b>
<b>Balance at 31 March 2011</b>	<b>9,861</b>	<b>30,855</b>	<b>785</b>	<b>0</b>	<b>2,204</b>	<b>0</b>	<b>43,705</b>	<b>779,042</b>	<b>822,747</b>	<b>2,542</b>	<b>825,289</b>
<b><u>Movement in reserves during 2011/12</u></b>											
Surplus or (deficit) on the provision of services	(15,054)	0	(84,402)	0	0	0	(99,456)	0	(99,456)	(619)	(100,075)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(20,492)	(20,492)	(169)	(20,661)

## GROUP ACCOUNTS

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
<b>Total Comprehensive Income and Expenditure</b>	(15,054)	0	(84,402)	0	0	0	(99,456)	(20,492)	(119,948)	(788)	(120,736)
Adjustments between Group Accounts and authority accounts	(929)	0	0	0	0	0	(929)	0	(929)	929	0
<b>Net Increase/Decrease before Transfers</b>	(15,983)	0	(84,402)	0	0	0	(100,385)	(20,492)	(120,877)	141	(120,736)
Adjustments between accounting basis and funding basis under regulations	24,695	0	84,452	0	(2,204)	5,751	112,694	(112,694)	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	8,712	0	50	0	(2,204)	5,751	12,309	(133,186)	(120,877)	141	(120,736)
Transfers to/from Earmarked Reserves	(5,968)	5,829	162	0	0	0	23	(23)	0	(20)	(20)
<b>Increase/Decrease in 2011/12</b>	2,744	5,829	212	0	(2,204)	5,751	12,332	(133,209)	(120,877)	121	(120,756)
<b>Balance at 31 March 2012</b>	12,605	36,684	997	0	0	5,751	56,037	645,833	701,870	2,663	704,533

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

31 March 2011 £000		31 March 2012 £000
825,289	Total Reserves in the Movement in Reserves Statement	704,533
117	Minority interests' share of reserves of subsidiaries	165
<b>825,406</b>	<b>Total Reserves in the Balance Sheet</b>	<b>704,698</b>

## GROUP ACCOUNTS

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserves £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Sale of capital assets to subsidiaries	0	0	0	0	0	0	0	0	0	0
Purchase of goods and services from subsidiaries	929	0	0	0	0	929	0	929	(929)	0
<b>Total adjustments between Group Accounts and authority accounts</b>	<b>929</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>929</b>	<b>0</b>	<b>929</b>	<b>(929)</b>	<b>0</b>

# GROUP ACCOUNTS

## The Group Comprehensive Income & Expenditure Statement

2010/11		2011/12		
Group Expenditure £000	Expenditure on Continuing Services	SC Net Expenditure £000	Adjustments £000	Group Expenditure £000
8,179	Central Services to the public	5,212	764	5,976
23,360	Cultural and Related Services	19,668	(51)	19,617
31,819	Environmental and Regulatory Services	30,210	0	30,210
9,135	Planning Services	9,052	0	9,052
84,383	Education and Children's Services	64,861	0	64,861
31,381	Highways and Transport Services	26,989	0	26,989
7,948	Local Authority Housing (HRA)	356	0	356
67,694	Exceptional costs relating to revaluation loss on Housing Dwellings	0	0	0
0	Exceptional costs relating to Housing settlement payment	83,350	0	83,350
8,459	Other Housing Services	8,790	(320)	8,470
69,014	Adult Social Care	62,450	0	62,450
7,140	Corporate and Democratic Core	6,583	0	6,583
2,183	Non Distributed Costs	1,637	0	1,637
	Share of Operating Results of Joint Venture			
(13,655)	- Turnover	0	(18,310)	(18,310)
12,934	- Cost of Sales and Operating Expenses	0	17,496	17,496
<b>349,973</b>	<b>Cost of Services</b>	<b>319,158</b>	<b>(421)</b>	<b>318,737</b>
5,376	Other Operating Expenditure	28,730	(2)	28,728
33,729	Financing and Investment Income and Expenditure	29,434	69	29,503
(267,713)	Taxation and Non Specific Grant Income	(276,937)	0	(276,937)
<b>121,365</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>100,385</b>	<b>(354)</b>	<b>100,031</b>
0	Share of the surplus or deficit on the provision of services by associates	0	0	0
0	Tax expenses of subsidiaries	0	0	0
0	Tax expenses of associates	0	0	0
<b>121,365</b>	<b>Group (Surplus)/Deficit</b>	<b>100,385</b>	<b>(354)</b>	<b>100,031</b>
(32,151)	(Surplus) or deficit on revaluation of non-current assets	(25,699)	0	(25,699)
(61,680)	Actuarial (gains)/losses on pension assets/liabilities	46,191	166	46,357
(47,439)	Exceptional item relating to Actuarial Gains on Pension Assets/Liabilities due to change in scheme benefits	0	0	0
0	Share of other comprehensive income and expenditure of associates and joint ventures	0	0	0
<b>(141,270)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>20,492</b>	<b>166</b>	<b>20,658</b>
<b>(19,905)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>120,877</b>	<b>(188)</b>	<b>120,689</b>

## GROUP ACCOUNTS

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

Attributable shares of income and expenditure						
2010/11			2011/12			
Authority	Minority Interests	Total		Authority	Minority Interests	Total
£000	£000	£000		£000	£000	£000
121,401	(36)	121,365	(Surplus) or Deficit on the Provision of Services	100,075	(44)	100,031
(141,278)	8	(141,270)	Other Comprehensive Income and Expenditure	20,661	(3)	20,658
<b>(19,877)</b>	<b>(28)</b>	<b>(19,905)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>120,736</b>	<b>(47)</b>	<b>120,689</b>



# GROUP ACCOUNTS

## Group Balance Sheet at 31 March 2012

31 March 2011 £000		SC £000	31 March 2012 Adjustments £000	Group £000
	Property, Plant & Equipment			
155,354	Dwellings	157,342	0	157,342
801,688	Land & Buildings	797,173	104	797,277
16,106	Vehicles, Plant and Equipment	15,662	83	15,745
290,378	Infrastructure	300,820	0	300,820
4,832	Community	4,276	0	4,276
18,559	Assets Under Construction	7,803	0	7,803
0	Surplus Assets	1,728	0	1,728
0	Heritage Assets	2,456	0	2,456
35,045	Investment Property	35,603	0	35,603
438	Intangible Assets	846	0	846
5,608	Assets Held for Sale	2,703	0	2,703
<b>1,328,008</b>	<b>Total Non Current Assets</b>	<b>1,326,412</b>	<b>187</b>	<b>1,326,599</b>
1,150	Long Term Investment	945	0	945
1,019	Investments in Associates and Joint Ventures	0	813	813
1,472	Long Term Debtors	2,141	0	2,141
<b>1,331,650</b>	<b>Total Long Term Assets</b>	<b>1,329,498</b>	<b>1,000</b>	<b>1,330,498</b>
	Current Assets			
972	Inventories	1,064	2	1,066
46,577	Short Term Debtors	42,091	1,243	43,334
22,600	Short Term Investments	5,008	0	5,008
749	Landfill Usage Allowances	764	0	764
44,058	Cash & Cash Equivalents	76,472	479	76,951
<b>114,957</b>	<b>Total Current Assets</b>	<b>125,399</b>	<b>1,724</b>	<b>127,123</b>
<b>1,446,606</b>	<b>Total Assets</b>	<b>1,454,897</b>	<b>2,724</b>	<b>1,457,621</b>
	Current Liabilities			
(2,431)	Short Term Borrowing	(11,018)	0	(11,018)
(53,240)	Short Term Creditors	(66,600)	351	(66,249)
(528)	Liability to DEFRA for Landfill Usage	(537)	0	(537)
(4,215)	Bank Overdraft	(2,178)	0	(2,178)
(4,560)	Provisions	(6,588)	0	(6,588)
<b>(64,974)</b>	<b>Total Current Liabilities</b>	<b>(86,921)</b>	<b>351</b>	<b>(86,570)</b>
<b>1,381,632</b>	<b>Total Assets Less Current Liabilities</b>	<b>1,367,976</b>	<b>3,075</b>	<b>1,371,051</b>
	Long Term Liabilities			
(278,358)	Long Term Borrowing	(352,947)	(42)	(352,989)
(20,830)	Deferred Liabilities	(21,867)	0	(21,867)
(4,176)	Provisions	(4,476)	0	(4,476)
(753)	Deferred premiums on early repayment of debt	(742)	0	(742)
(17,918)	Grants Receipts in Advance - Capital	(39)	0	(39)
(234,191)	Pensions Liability	(286,035)	(205)	(286,240)
<b>(556,226)</b>	<b>Total Long Term Liabilities</b>	<b>(666,106)</b>	<b>(247)</b>	<b>(666,353)</b>
<b>825,406</b>	<b>Total Assets Less Liabilities</b>	<b>701,870</b>	<b>2,828</b>	<b>704,698</b>
	Financed by:			
(778,857)	Unusable Reserves	(645,833)	205	(645,628)
(46,549)	Usable Reserves	(56,037)	(3,033)	(59,070)
<b>(825,406)</b>	<b>Total Reserves</b>	<b>(701,870)</b>	<b>(2,828)</b>	<b>(704,698)</b>

# GROUP ACCOUNTS

## Group Cash Flow Statement

2010/11 Group £000	Revenue Activities	SC £000	2011/12 Adjustments £000	Group £000
121,365	Net surplus or (deficit) on the provision of services	100,385	(354)	100,031
(161,014)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(121,960)	1,005	(120,955)
37,921	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	58,673	(67)	58,606
<b>(1,728)</b>	<b>Net cash flows from operating activities</b>	<b>37,098</b>	<b>584</b>	<b>37,682</b>
25,619	Investing activities	12,056	39	12,095
2,758	Financing activities	(83,957)	(750)	(84,707)
<b>26,649</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(34,803)</b>	<b>(127)</b>	<b>(34,930)</b>
66,492	Cash and cash equivalents at the beginning of the reporting period	39,491	352	39,843
<b>39,843</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>74,294</b>	<b>479</b>	<b>74,773</b>

## GROUP ACCOUNTS

### Notes to Group Accounts

#### **G1. Consolidation of West Mercia Supplies**

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

	WMS £000	SC Share (27%) £000
Turnover	(67,516)	(18,310)
Cost of Goods Sold and Operating Expenses	64,514	17,496
Gain on Disposal of Fixed Asset	(6)	(2)
Interest and Investment Income	66	18
Pensions Interest Cost and Expected Return on Pensions Assets	187	51
<b>Net Operating Surplus</b>	<b>(2,755)</b>	<b>(747)</b>
Distribution of Surplus to Member Authorities	2,818	764
<b>NET DEFICIT FOR THE YEAR</b>	<b>63</b>	<b>17</b>

#### **G2. Consolidation of Community Asset Trust**

The operating income (£320,255) of the North Shropshire Community Asset Trust has been included within Housing Services. There was no expenditure incurred by the company in 2011/12.

#### **G3. Consolidation of South Shropshire Leisure Ltd**

The operating income (£2,206,119) and expenditure (£2,155,439) of South Shropshire Leisure Limited has been included within Cultural, Environmental and Planning Services. The inter-company transactions with Shropshire Council have been excluded from Culture, Environmental and Planning Services (Income/Expenditure £929,027).

#### **G4. Long Term Investment included in Group Balance Sheet.**

	WMS £000	SC Share (27%) £000
Assets	23,580	6,395
Liabilities	(20,582)	(5,582)
<b>Value of investment</b>	<b>2,998</b>	<b>813</b>



## Section 8

# Pension Fund Accounts



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

## PENSION FUND ACCOUNTS

Shropshire Council acts as Administering Authority for the Shropshire County Pension Fund (SCPF). The fund covers the employees of the Council, other than teachers, for whom separate arrangements exist, and other bodies including unitary, parish and town councils, colleges and voluntary organisations. Full details of SCPF's annual accounts, investment performance and governance arrangements are set out in the Shropshire County Pension Fund Annual Report 2011/12, a copy of which can be accessed at [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk) or requested from Pension Services on 01743 252130. A summary of the statement of accounts is shown below.

### Pension Fund Account for the year ended 31 March 2012

2010/11 £000		2011/12 £000
	<b>Income</b>	
	Contributions	
40,618	Employers	42,794
15,305	Employees	14,205
8,381	Transfers In from other pension funds	3,869
<b>64,304</b>	<b>Total Income</b>	<b>60,868</b>
	<b>Expenditure</b>	
	Benefits Payable	
36,928	Pensions	40,424
8,638	Commutation of pensions and lump sum retirement benefits	12,765
1,048	Lump Sums	1,151
19	Refund of contributions	7
3,465	Transfers to other funds	3,563
1,060	Administrative expenses	1,039
<b>51,158</b>	<b>Total Expenditure</b>	<b>58,949</b>
<b>13,146</b>	<b>Net additions from dealings with scheme members</b>	<b>1,919</b>
	<b>Returns on Investments</b>	
20,416	Investment Income	22,780
9,427	Gain/(loss) on cash and currency hedging	(1,513)
(197)	Taxes on Income	(156)
52,302	Profits and losses on disposal of investments and changes in value of investments	31,663
(7,247)	Less Investment Management Expenses	(6,219)
<b>74,701</b>	<b>Net increase (decrease) in the net assets available for benefits during the year</b>	<b>46,555</b>
<b>87,847</b>	<b>Surplus / (deficit) on the pension fund for the year</b>	<b>48,474</b>
<b>950,706</b>	<b>Opening net assets of the scheme</b>	<b>1,038,553</b>
<b>1,038,553</b>	<b>Closing net assets of the scheme</b>	<b>1,087,027</b>

## PENSION FUND ACCOUNTS

### Pension Fund Net Asset Statement as at 31 March 2012

31 March 2011 £000		31 March 2012 £000	%
	<b>Investment Assets</b>		
	Fixed Interest Securities		
33,373	Public Sector Bonds	40,821	3.76
0	Other	0	0
458,594	Equities	465,375	42.82
	Pooled Investment Vehicles		
86,258	Unitised Investment Vehicles	104,479	9.61
394,912	Other Managed Funds	408,363	37.57
	Derivative Contracts		
780	Futures	676	0.06
97	Forward Foreign Exchange	1,471	0.14
	Cash Deposits		
5,144	Margin Balances	5,450	0.50
57,042	Deposits	55,666	5.12
9,550	Temporary Investments	4,610	0.42
<b>1,045,750</b>		<b>1,086,911</b>	<b>100</b>
	<b>Investment Liabilities</b>		
	Derivatives		
(412)	Futures	(609)	(0.06)
(5,470)	Forward Foreign Exchange	(392)	(0.04)
	<b>Other Financial Liabilities</b>		
(768)	Margin Balances	(1,957)	(0.18)
<b>1,039,100</b>	<b>Net Investment Assets</b>	<b>1,083,953</b>	<b>99.72</b>
	<b>Current Assets</b>		
2,171	Contributions due from Employers	2,551	0.23
1,828	Other Current Assets	3,467	0.32
24	Cash Balances	11	0
	<b>Current Liabilities</b>		
(128)	Unpaid Benefits	(85)	(0.01)
(4,442)	Other Current Liabilities	(2,870)	(0.26)
<b>1,038,553</b>	<b>Net Assets of the Scheme - Available to Fund Benefits as at 31 March</b>	<b>1,087,027</b>	<b>100</b>

# PENSION FUND ACCOUNTS

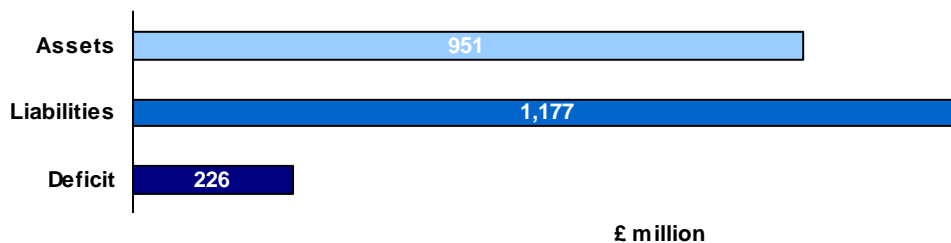
## SHROPSHIRE COUNTY PENSION FUND

### Accounts for the year ended 31 March 2012 Statement by Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund's assets of £951 million represented 81% of the Fund's past service liabilities of £1,177 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 11.6% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 31 March 2011.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

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



## PENSION FUND ACCOUNTS

	<i>For past service liabilities (Funding Target)</i>	<i>For future service liabilities (Common Contribution Rate)</i>
Rate of return on investments (discount rate)		
- pre retirement	7.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	4.5%* per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

\* allowance was also made for short-term public sector pay restraint over a 2 year period, as announced in 2010 by the Government

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	<i>31 March 2011</i>	<i>31 March 2012</i>
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases*	4.4% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

\* a corresponding allowance to that made in the actuarial valuation has been made for short-term public sector pay restraint.

We have also used methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the present value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £1,413 million and £1,540 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £52 million.

**John Livesey**  
**Fellow of the Institute and Faculty of Actuaries**  
**Mercer Limited**  
**June 2012**



## Section 9

# Housing Revenue Account



**The number of council houses meeting the Decent Homes Standard has increased during 2011/12.**

## HOUSING REVENUE ACCOUNT

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

### HRA INCOME AND EXPENDITURE STATEMENT

2010/11		2011/12	
£		£	£
	<b>Expenditure</b>		
4,071,794	Repairs & Maintenance	3,808,495	
2,978,691	Supervision and Management	3,100,587	
6,493	Rents, rates taxes and other charges	17,925	
4,755,392	Negative Subsidy Payable	5,235,361	
48,400	Provision for Bad or Doubtful Debts	40,000	
2,552,310	Depreciation - Dwellings	2,608,970	
73,494	- Other	86,164	
7,756,273	Impairment	1,014,028	
67,693,963	Exceptional cost relating to revaluation loss on housing dwellings (Note 11)	0	
17,000	Debt Management Costs	16,500	
0	Local authority housing settlement payment to Government for HRA self financing	83,350,000	
<b>89,953,810</b>	<b>Total - Expenditure</b>		<b>99,278,030</b>
	<b>Income</b>		
(13,757,134)	Dwelling Rents	(14,635,045)	
(248,984)	Non Dwelling Rents	(230,627)	
(713,680)	Charges for Services and Facilities	(707,045)	
(27,153)	Contributions towards expenditure	(15,909)	
<b>(14,746,951)</b>	<b>Total - Income</b>		<b>(15,588,626)</b>
<b>75,206,860</b>	<b>Net Cost of HRA Services included in the Comprehensive I&amp;E Statement</b>		<b>83,689,404</b>
407,920	HRA Share of Corporate & Democratic Core		370,700
<b>75,614,780</b>	<b>Net Cost of HRA Services</b>		<b>84,060,104</b>
(149,088)	(Gain) or loss on sale of HRA Assets		(20,028)
65,117	Interest Payable		131,320
(30,823)	Interest and Investment Income		(30,695)
366,046	Pension Interest Cost and expected return on Pension Asset		261,574
<b>75,866,032</b>	<b>Surplus or deficit for the year on HRA Services</b>		<b>84,402,275</b>

# HOUSING REVENUE ACCOUNT

## MOVEMENT ON THE HRA STATEMENT

2010/11		£	2011/12	£
(799,837)	<b>Balance on the HRA at the end of the previous year</b>			(785,538)
75,866,032	Deficit for the year on the HRA Income and Expenditure Statement		84,402,275	
18,761	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statute.	(44,100)		
68,581	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute.	68,581		
149,088	Gain or Loss on sale of HRA non-current assets	20,028		
(355,306)	HRA share of contributions to or from the Pension Reserve	(121,405)		
0	Capital Funded by the HRA	0		
(73,494)	Transfers to/from the Major Repairs Reserve	(86,164)		
(75,542,853)	Transfer to/from the Capital Adjustment Account	(84,289,317)		
	<b>Adjustments between accounting basis and funding basis under statute</b>			
(75,735,223)			(84,452,377)	
(116,510)	Transfer from VER Reserve	0		
0	Transfer to/from Capital Reserve	(103,295)		
0	Transfer to/from Housing Repairs Account	(58,802)		
(116,510)	<b>Transfers to or (from) Reserves</b>		(162,097)	
14,299	(Increase) or Decrease in year on the HRA			(212,200)
(785,538)	<b>Balance on the HRA at the end of the current year</b>			<b>(997,738)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING STOCK

2010/11		2011/12
	<b>Total Number of Dwellings at 31 March :</b>	
3,275	Houses and Bungalows	3,270
965	Flats	933
<b>4,240</b>		<b>4,203</b>
	<b>Change in Stock</b>	
4,249	Stock at 1 April	4,240
(7)	Less: Sales – Right to Buy	(4)
(2)	Sales – Other	(1)
0	Disposal/restructuring	(32)
0	Acquisition	0
<b>4,240</b>		<b>4,203</b>

## HOUSING REVENUE ACCOUNT

### 2. RENT ARREARS

2010/11 £		2011/12 £
157,514	Due from Current Tenants	125,757
344,749	Due from Former Tenants	188,644
<b>502,263</b>	<b>Total Rent Arrears as at 31 March</b>	<b>314,401</b>
(315,987)	Pre-Payments	(260,389)
<b>186,276</b>	<b>Net Arrears</b>	<b>54,012</b>

As at 31 March 2012, the total provision set aside for housing rent bad debts is £237,076.

### 3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings £	Other Land & Buildings £	Infrastructure Assets £	Total Property, Plant & Equipment £	Investment Properties £	Total £
<b>Cost or Valuation</b>						
At 1 April 2011	164,330,325	1,138,557	52,519	165,521,401	749,175	166,270,576
Additions	6,616,754	0	0	6,616,754	0	6,616,754
Revaluation increase/(decreases) recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition - disposals	(1,027,300)	0	0	(1,027,300)	(9,250)	(1,036,550)
Derecognition - other	0	0	(52,519)	(52,519)	0	(52,519)
Assets reclassified (to)/from Held for Sale	0	(2,311,700)	0	(2,311,700)	0	(2,311,700)
Other movements in cost or valuation	0	2,311,700	0	2,311,700	0	2,311,700
<b>As at 31 March 2012</b>	<b>169,919,779</b>	<b>1,138,557</b>	<b>0</b>	<b>171,058,336</b>	<b>739,925</b>	<b>171,798,261</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2011	(8,975,857)	(97,398)	(36,165)	(9,109,420)	0	(9,109,420)
Depreciation Charge	(2,645,500)	(33,280)	(16,354)	(2,695,134)	0	(2,695,134)
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,014,028)	0	0	(1,014,028)	0	(1,014,028)
Derecognition - disposals	57,800	0	0	57,800	0	57,800
Derecognition - other	0	0	52,519	52,519	0	52,519
<b>As at 31 March 2012</b>	<b>(12,577,585)</b>	<b>(130,678)</b>	<b>0</b>	<b>(12,708,263)</b>	<b>0</b>	<b>(12,708,263)</b>
<b>Net Book Value</b>						
As at 31 March 2012	<b>157,342,194</b>	<b>1,007,879</b>	<b>0</b>	<b>158,350,073</b>	<b>739,925</b>	<b>159,089,998</b>
As at 31 March 2011	<b>155,354,468</b>	<b>1,041,159</b>	<b>16,354</b>	<b>156,411,981</b>	<b>749,175</b>	<b>157,161,156</b>

## HOUSING REVENUE ACCOUNT

There is a difference of £301.570 million between the tenanted valuation and the District Valuer's Vacant Possession Value of £456.924 million at 1 April 2011.

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

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

### 4. MAJOR REPAIRS RESERVE

2010/11	2011/12
£	£
3,927,534 Balance Brought Forward	2,204,492
0 Amount transferred from previous District Authorities	0
2,625,804 Amount Transferred to the MRR during the Year	2,695,134
(73,494) Amount Transferred to HRA during the year - Excess Depreciation	(86,164)
(4,275,352) Capital Expenditure Financing	(4,813,462)
<b>2,204,492 Balance Carried Forward</b>	<b>0</b>

### 5. CAPITAL EXPENDITURE FINANCING

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

2010/11	2011/12
£	£
0 Reserved Capital Receipts (in lieu of borrowing)	0
165,242 Usable Capital Receipts	528,581
0 Revenue Contributions utilised in year	58,802
4,275,353 Major Repairs Allowance	4,813,462
32,000 Government Supported borrowing	1,200,000
27,153 Government Grants and Contributions	15,909
0 Revenue Provision	0
<b>4,499,748 Total Capital Expenditure on Housing Stock</b>	<b>6,616,754</b>

## HOUSING REVENUE ACCOUNT

### 6. CAPITAL RECEIPTS

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

2010/11		2011/12
£		£
537,500	Sale of Council Houses under Right to Buy (RTB)	326,000
17,688	RTB Discounts Repaid	0
226,000	Other Land & Buildings	673,500
0	Mortgage Receipts	0
781,188	Total Capital Receipts from HRA Asset Disposals	999,500
(408,218)	Less Capital Receipts subject to Pooling requirement	(254,712)
<b>372,970</b>	<b>Net Capital Receipts from HRA Asset Disposals</b>	<b>744,788</b>

### 7. DEFERRED CHARGES

A charge of £68,581 was made to the HRA in respect of premiums incurred for the premature redemption of debt by Oswestry Borough Council in 2003/04. Charges will continue to apply until 2013/14.

### 8. FRS17 RETIREMENT BENEFITS

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

The adjustment needed to meet the Actuary's assessment of the Current Service Cost to the HRA has resulted in a contribution of £121,405 from the pension reserve for the year. The overall impact of these adjustments is nil to the HRA. Further information is given in the note to the Comprehensive Income and Expenditure Statement.

2010/11		2011/12
£		£
292,742	Current Cost of Service	55,454
366,046	Net Return on Assets	261,574
658,788	Movement on Pension Reserve	317,028
(303,482)	Employers Contribution payable to scheme	(195,623)
(355,306)	Contribution to/(from) the Pension Reserve	(121,405)



## HOUSING REVENUE ACCOUNT

### 9. HOUSING SUBSIDY

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

2010/11 £		2011/12 £
5,898,224	Management & Maintenance	6,133,644
2,552,330	Major Repair Allowance	2,608,971
423,279	Charge for Capital	479,354
0	Rental Constrain Allowance	0
0	Interest on Self Financing	29,879
(13,623,931)	Guideline Rent Income	(14,487,209)
<b>(4,750,098)</b>	<b>Housing Element (Subtotal)</b>	<b>(5,235,361)</b>
(5,294)	Previous Year Adjustment	0
<b>(4,755,392)</b>	<b>HRA Subsidy recoupment</b>	<b>(5,235,361)</b>

### 10. HOUSING REPAIRS ACCOUNT

2010/11 £		2011/12 £
142,561	Balance Brought Forward 1 April	142,561
0	Balance Transferred from previous District Authorities	0
0	Expenditure on Capital	(117,561)
<b>142,561</b>	<b>Balance Carried Forward 31 March</b>	<b>25,000</b>

### 11. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

	2011/12 £
Interest paid on mid-year HRA Capital Financing Requirement	99,241
Less Impairment	(1,014,028)
<b>Capital Asset Charges Accounting Adjustment</b>	<b>(914,787)</b>

### 12. EXCEPTIONAL ITEM

From 1 April 2012 the Housing Subsidy System has been abolished and replaced with Self Financing. Under this change the requirement to make annual CLG determined payments to the Government ends but has required a payment for a one-off allocation of debt. Due to the timing of this transaction between the Council and the Government taking place on 28 March 2012 the payment of £83.350m has been shown as an exceptional item on the face of the account.



## Section 10

# Collection Fund



**Our collection rate for Council Tax and Non Domestic Rates has increased in 2011/12**

## COLLECTION FUND

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

2010/11 £000		2011/12 £000	£000
	Income:		
(144,288)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)		(144,845)
	Transfers from General Fund		
(19,740)	- Council Tax benefits	(19,656)	
9	- Transitional relief	9	
(19,731)			(19,647)
(65,047)	Income collectable from business ratepayers		(67,405)
<b>(229,066)</b>	<b>TOTAL INCOME</b>		<b>(231,897)</b>
	Expenditure:		
	Precepts		
133,124	- Shropshire Council and Parish and Town Councils	134,826	
19,366	- West Mercia Police	19,547	
9,082	- Shropshire & Wrekin Fire Authority	9,166	
161,572			163,539
	Business rate		
64,327	- payment to national pool	67,979	
463	- costs of collection	464	
64,790			68,443
	Bad and doubtful debts/appeals		
(753)	- write offs	(2,258)	
1,619	- provisions	1,149	
866			(1,109)
	Contributions		
498	- Towards previous year's estimated Collection Fund surplus		542
<b>227,726</b>	<b>TOTAL EXPENDITURE</b>		<b>231,415</b>
<b>(1,340)</b>	<b>Deficit/(Surplus) for the Year</b>		<b>(482)</b>
(449)	Balance brought forward		(1,789)
<b>(1,789)</b>	<b>Balance carried forward</b>		<b>(2,271)</b>

## COLLECTION FUND

### NOTES TO THE COLLECTION FUND

#### 1. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2011/12 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	61.25	5/9	34.03
A	20,736.75	6/9	13,824.50
B	30,210.80	7/9	23,497.29
C	24,801.10	8/9	22,045.42
D	17,595.75	9/9	17,595.75
E	13,151.85	11/9	16,074.48
F	7,057.90	13/9	10,194.74
G	3,923.20	15/9	6,538.67
H	252.30	18/9	504.60
	<b>117,790.90</b>		<b>110,309.48</b>
Adjustment for MoD Properties (726.04 Band D Equivalents) and Collection Rate (98.5%)			939.49
			<b>109,369.99</b>

#### 2. NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

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

At 31 March 2012, the total non-domestic rateable value for all business premises in Shropshire was £198,369,518. The multiplier set by Government to calculate rate bills in 2011/12 was 42.6p for small businesses and 43.3p for all other businesses.

#### 3. COLLECTION FUND SURPLUSES AND DEFICITS

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



# Section 11

# Glossary



**Recycling and reuse of waste in Shropshire is amongst the top 25% of English Councils**

## GLOSSARY

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



## GLOSSARY

Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	<p>An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).</p> <p>The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.</p>
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.
Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.

## GLOSSARY

Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision- making powers are set out in the Council's Constitution.
Capital Adjustment Account	The Capital Adjustment Account absorbs the effect of differences between IFRS and statutory accounting requirements for Local Authorities, providing a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. fixed assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council's Minimum Revenue Provision.
Capital Receipts	The proceeds from the sale of fixed assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## GLOSSARY

Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Collection Fund	A separate statutory fund which records Council Tax and non-domestic rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), the national pool of non domestic rates and the billing Council's own General Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Comprehensive Spending Review	Every two years the Government review their spending plans over a rolling three year period and publish revised spending plans over the next three year period for each Government Department.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

## GLOSSARY

Council Tax	A local taxation that is levied on dwellings within the local Council area, the actual level of taxation is based on the capital value of the property, which are split into 8 bands from A to H, and the number of people living in the dwelling.
Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council's total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.
Depreciation	The accounting term used to describe the charge made representing the cost of using tangible fixed assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.

## GLOSSARY

Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Authority, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.
Fixed Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Formula Grant	The general grant paid to Local Authorities by the Government to support the day to day costs of running its services. Formula grant is made up of two separate elements, redistributed NNDR and RSG.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.

## GLOSSARY

General Fund Balance	The reserve held by the Council for general purposes, i.e. against which there are no specific commitments. This comprises Schools' Balances and a balance that is generally available for new expenditure. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.
Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The statutory account to which the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.

## GLOSSARY

Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Local Transport Plan (LTP)	A plan that is used to support a bid to Government for capital resources to fund the local transport network e.g. road improvements.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Medium Term Financial Plan (MTFP)	A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP covers five years.

## GLOSSARY

Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
National Non Domestic Rates (NNDR)	Taxation that is levied on business properties, billing authorities collect this on behalf of the Government. The Government then redistribute these resources to Councils as part of the Formula Grant.
Net Book Value	The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to fixed assets.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.



## GLOSSARY

Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.

## GLOSSARY

Revaluation Reserve	This reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation, therefore the opening balance for 2007/08 was zero. Gains arising before that date have been consolidated into the Capital Adjustment Account.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of fixed assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.
Specific Grant	A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Supplementary Credit Approvals (SCA)	A term from the old Local Authority capital expenditure system, an SCA represented permission from the Government for the Council to borrow to fund a specific capital project.
Supported Capital Expenditure (SCE)	A term from the current Local Authority capital expenditure system. SCE's effectively replaced SCA's and represent the amount of capital expenditure that the Government will supports through the provision of revenue grant to fund the cost of borrowing, i.e. debt charges and interest payments.

## GLOSSARY

Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.
Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

# Statement of Accounts

2011 – 2012

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**Have your say – We want to know what you think of this statement of accounts. Tell us your views by telephone (01743) 252018 or email [corporate.finance@shropshire.gov.uk](mailto:corporate.finance@shropshire.gov.uk)**

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