

# Statement of Accounts

## 2013-2014





# ANNUAL STATEMENT OF ACCOUNTS 2013/14

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 11)
2. The Statement of Responsibilities (pages 12 to 13)
3. The Audit Opinion and Certificate (page 14 to 16)
4. The Core Financial Statements comprising:-
  - The Movement in Reserves Statement (pages 17 to 18)
  - The Comprehensive Income and Expenditure Statement (page 19)
  - The Balance Sheet (page 20)
  - The Cash Flow Statement (page 21)
5. The Notes to the Core Financial Statements (pages 22 to 105)
6. Group Accounts:
  - Introduction (pages 106 to 107)
  - The Group Movement in Reserves Statement (page 108 to 110)
  - The Group Comprehensive Income and Expenditure Statement (pages 111 to 112)
  - The Group Balance Sheet (page 113)
  - The Group Cash Flow Statement (page 114)
  - The Group Account Notes (page 115)
7. The Pension Fund Accounts (pages 116 to 122)
8. The Housing Revenue Account (pages 123 to 128)
9. The Collection Fund (pages 129 to 130)
10. Glossary (pages 131 to 142)

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

For details please contact James Walton on (01743) 255011, or Cheryl Williams on (01743) 258937.

James Walton  
Head of Finance, Governance & Assurance



# Section 1 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 2013/14 the following changes have been made within the Code to reflect changes in accounting practices and accounting standards. The key changes affecting the Council's statement of accounts are detailed below:

- Post employment benefits – adjustments to the classification, recognition, measurement and disclosure requirements of IAS19. This has resulted in amended disclosures within the notes to the accounts.
- New requirements for accounting for business rates retention. As this is the first year of the localisation of business rates in England, the Collection Fund has been amended in order to reflect the revised accounting requirements.

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 2013/14.
- **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 external auditor following the completion of the annual audit.
- **The Core Financial Statements**, comprising:
  - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.

## EXPLANATORY FOREWORD

- **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 2014. 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 2013/14 and assets and liabilities as at 31 March 2014.
- **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 2013/14 sets out:

- The revenue outturn for 2013/14
- The capital programme for 2013/14 – 2016/17
- The capital outturn for 2013/14
- 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

## Revenue Outturn for 2013/14

Revenue budgets are monitored and reported regularly 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:

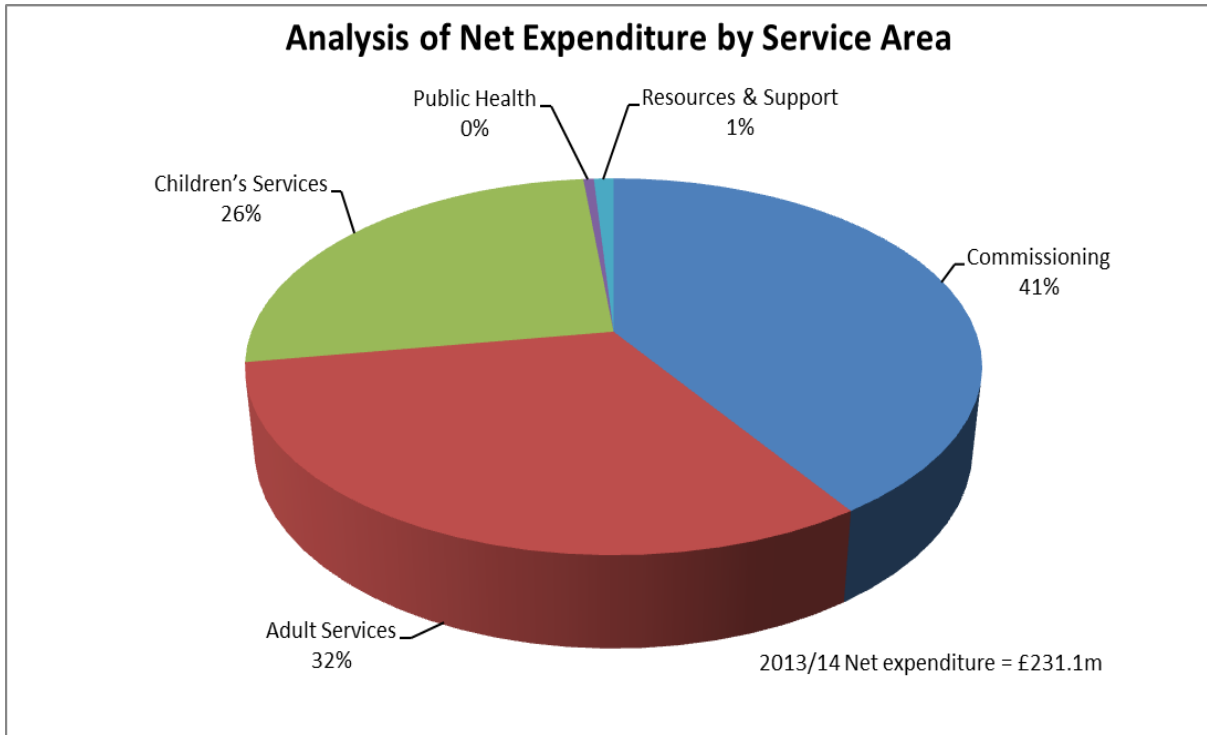
	Month 3 £000	Month 4 £000	Month 5 £000	Month 6 £000	Month 9 £000	Month 10 £000	Month 11 £000	Outturn £000
Commissioning	12	0	113	(335)	(887)	166	(933)	(873)
Adult Services	3	1,914	2,895	2,895	4,646	4,189	4,163	4,014
Children's Services	400	779	401	381	(92)	(498)	(551)	(584)
Public Health	(36)	(22)	(26)	(26)	(42)	(43)	(320)	(274)
Resources & Support	48	27	166	(276)	(1,684)	(1,872)	(1,771)	(2,673)
<b>TOTAL</b>	<b>427</b>	<b>2,699</b>	<b>3,549</b>	<b>2,639</b>	<b>1,941</b>	<b>1,942</b>	<b>588</b>	<b>(390)</b>

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

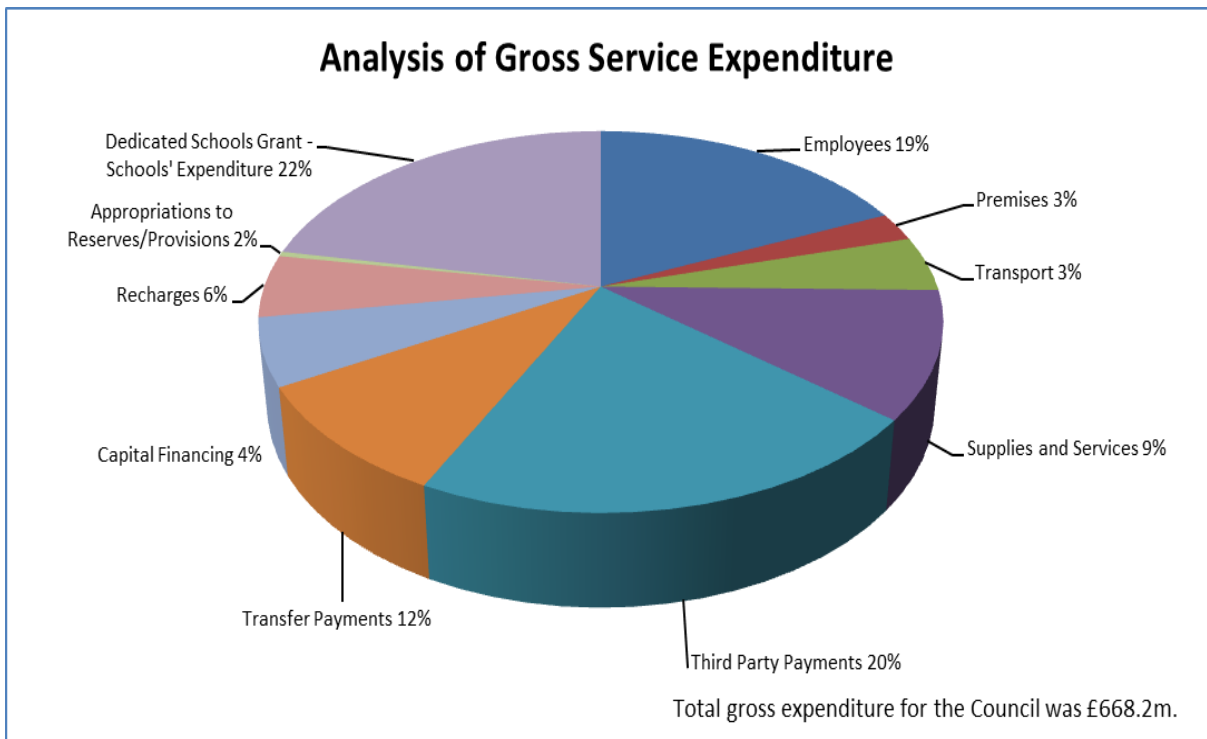
	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Commissioning	94,862	93,989	(873)
Adult Services	69,355	73,369	4,014
Children's Services	60,709	60,125	(584)
Public Health	1,545	1,271	(274)
Resources & Support	5,061	2,388	(2,673)
<b>TOTAL</b>	<b>231,532</b>	<b>231,142</b>	<b>(390)</b>



# EXPLANATORY FOREWORD

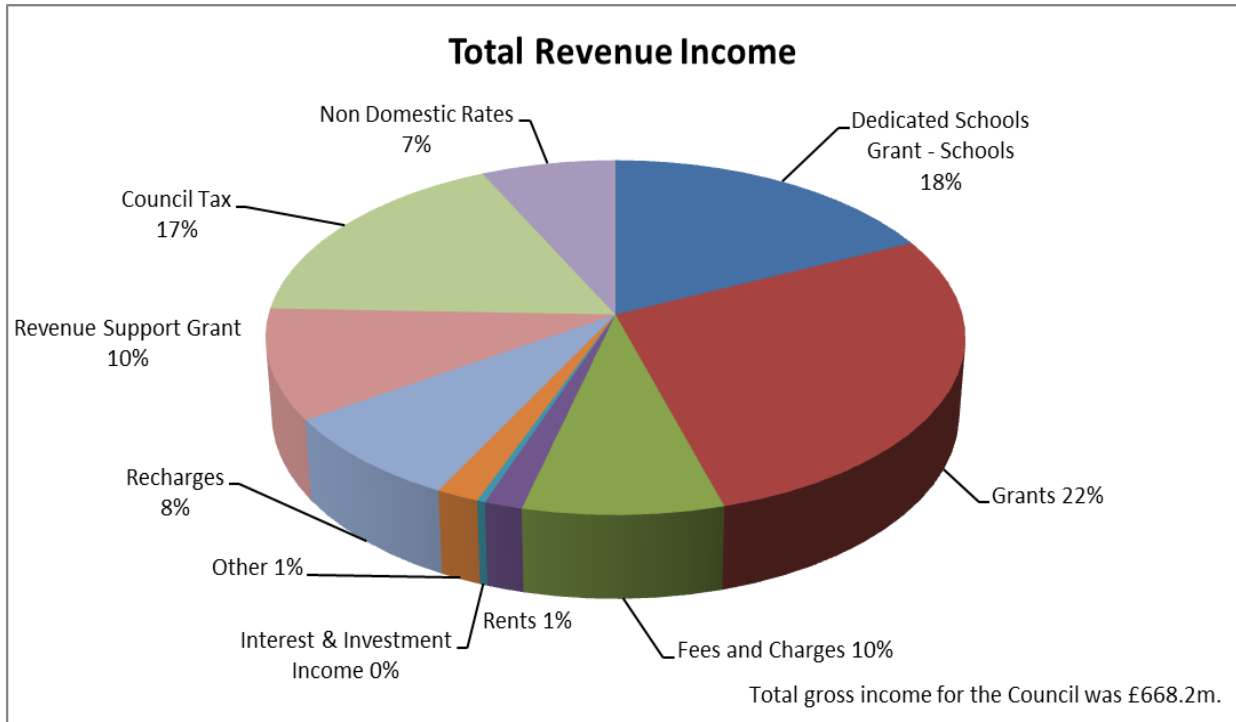


The gross expenditure for the Council was £668.2m, which was spent on the following types of expenditure:



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

## EXPLANATORY FOREWORD



The overall underspend of £0.399m against service area's budgets represents 0.06% of the original gross budget of £639m.

In addition, School balances, including invested sums, have increased by £0.902m 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 29 to the Accounts.

### **The Capital Programme 2013/14 to 2016/17**

The Capital Strategy for the four years 2013/14 to 2016/17 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 capital programme is priority led, in that it particularly reflects the purpose and priorities of the Council; and
- That the ongoing revenue costs of the capital programme are affordable.

The table below provides a summary of the capital budget for 2013/14 to 2016/17 as included in the 2013/14 Budget Book.

## EXPLANATORY FOREWORD

Service Area	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b><u>General Fund</u></b>				
Commissioning	46,669	25,598	9,080	0
Adult Services	1,532	765	0	0
Children's Services	12,140	4,940	0	0
Resources & Support	2,939	50	50	0
<b>Total General Fund</b>	<b>63,280</b>	<b>31,353</b>	<b>9,130</b>	<b>0</b>
<b>Housing Revenue Account</b>	<b>5,131</b>	<b>8,931</b>	<b>3,287</b>	<b>0</b>
<b>Total Capital Programme</b>	<b>68,411</b>	<b>40,284</b>	<b>12,417</b>	<b>0</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, funding is allocated by the appropriate Government department in accordance with underlying data held.

The table below provides a summary of the capital financing for the capital budget as per the 2013/14 Budget Book.

Financing	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Self Financed Prudential Borrowing	9,206	874	750	0
Capital Grants & Contributions	36,192	25,826	0	0
Revenue Contributions	2,678	2,497	300	0
Major Repairs Allowance	3,200	5,700	3,200	0
Corporate Resources (Capital Receipts/ Prudential Borrowing)	17,135	5,387	8,167	0
	<b>68,411</b>	<b>40,284</b>	<b>12,417</b>	<b>0</b>

### **Capital Outturn for 2013/14**

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 2013/14 as at outturn and slippage into the next financial year.

## EXPLANATORY FOREWORD

Service Area	Revised Budget 2013/14 £000	Actual Spend 2013/14 £000	Variance 2013/14 £000
<b>General Fund</b>			
Commissioning	31,454	27,732	3,722
Adult Services	785	484	301
Children's Services	10,180	8,587	1,593
Resources & Support	969	627	342
<b>Total General Fund</b>	<b>43,388</b>	<b>37,430</b>	<b>5,958</b>
<b>Housing Revenue Account</b>	3,996	3,276	720
<b>Total Capital Programme</b>	<b>47,384</b>	<b>40,706</b>	<b>6,678</b>

The table below provides a summary of the capital financing for the actual capital expenditure for 2013/14.

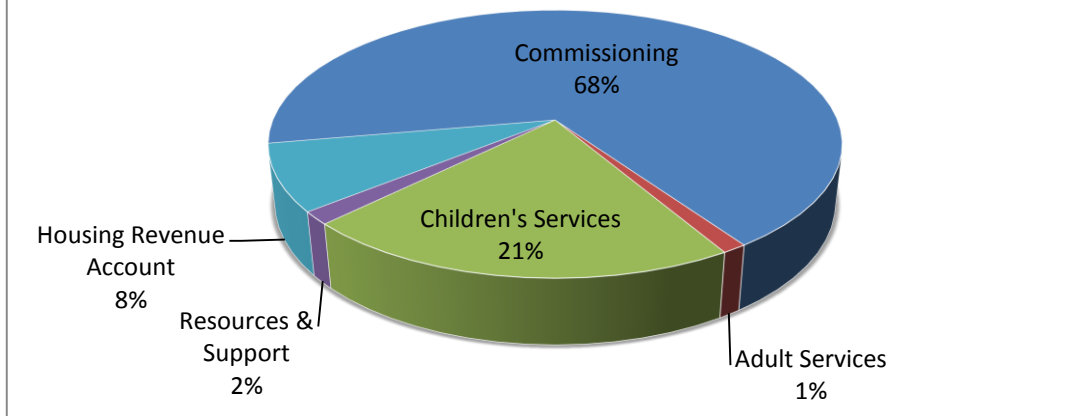
Financing	2013/14 £000
Self Financing Prudential Borrowing	(87)
Capital Grants & Contributions	31,134
Revenue Contributions	2,440
Major Repairs Allowance	1,894
Corporate Resources (Prudential Borrowing/Capital Receipts)	5,325
	<b>40,706</b>

The areas of most significant expenditure for schemes undertaken in 2013/14 are as follows:

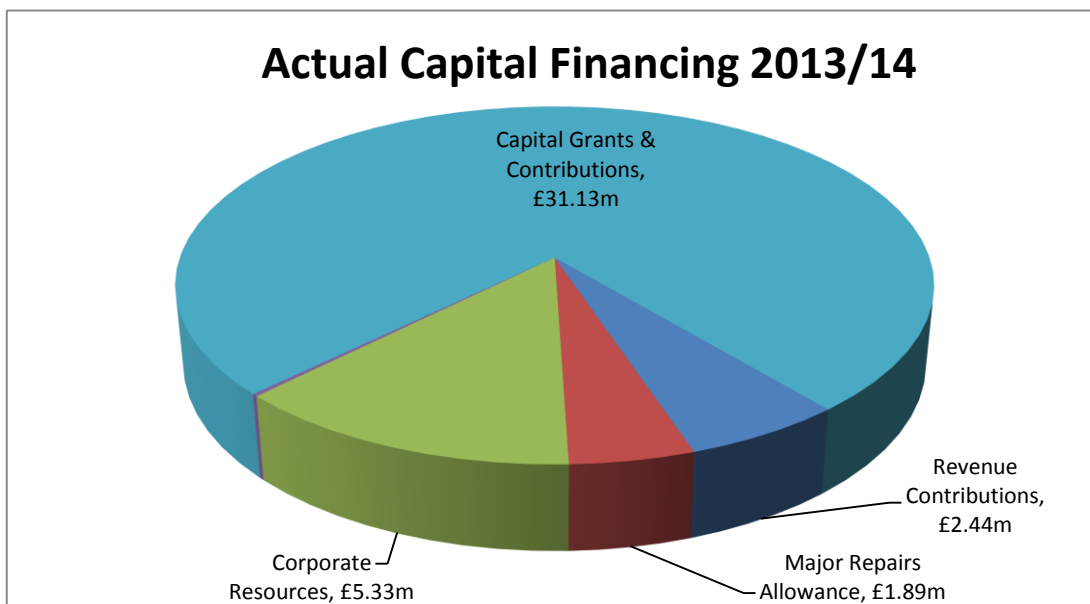
	Expenditure 2013/14 £000	Scheme Total Budget £000
<b>Commissioning</b>		
Whitchurch Civic Centre	537	745
Highways, Bridges & Street Lighting Infrastructure	13,555	Ongoing
Integrated Transport Plan	1,752	Ongoing
Disabled Facilities Grants	885	Ongoing
Shrewsbury Music Hall	4,870	10,700
Shrewsbury Business Park Phase 2 Extension	1,042	1,525
Affordable Housing Schemes	1,032	Ongoing
Broadband	110	16,040
<b>Adult Services</b>		
Mount Pleasant - Shared Development Site	293	470
Raven Site Development, Market Drayton	173	571
<b>Children's Services</b>		
Early Years Schemes	606	Ongoing
Primary School Schemes	1,109	Ongoing
Primary School Amalgamation Programme	3,827	Ongoing
Asset Management Plan Schemes	1,206	Ongoing
Devolved Formula Capital - Allocated by schools	860	Ongoing
<b>Resources &amp; Support</b>		
Gypsy Sites	424	2,618
<b>Housing Revenue Account</b>		
Housing Major Repairs Programme	2,011	Ongoing
New Build Programme	1,113	7,224

## EXPLANATORY FOREWORD

### Actual Capital Expenditure 2013/14



### Actual Capital Financing 2013/14



### **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, there has been no additional borrowing required for current schemes.

# EXPLANATORY FOREWORD

## **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 46, which commences on page 96.

## **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 2013, the Council's net pensions liability amounted to £350m. In comparison, the deficit amounts to £297m at 31 March 2014. 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.

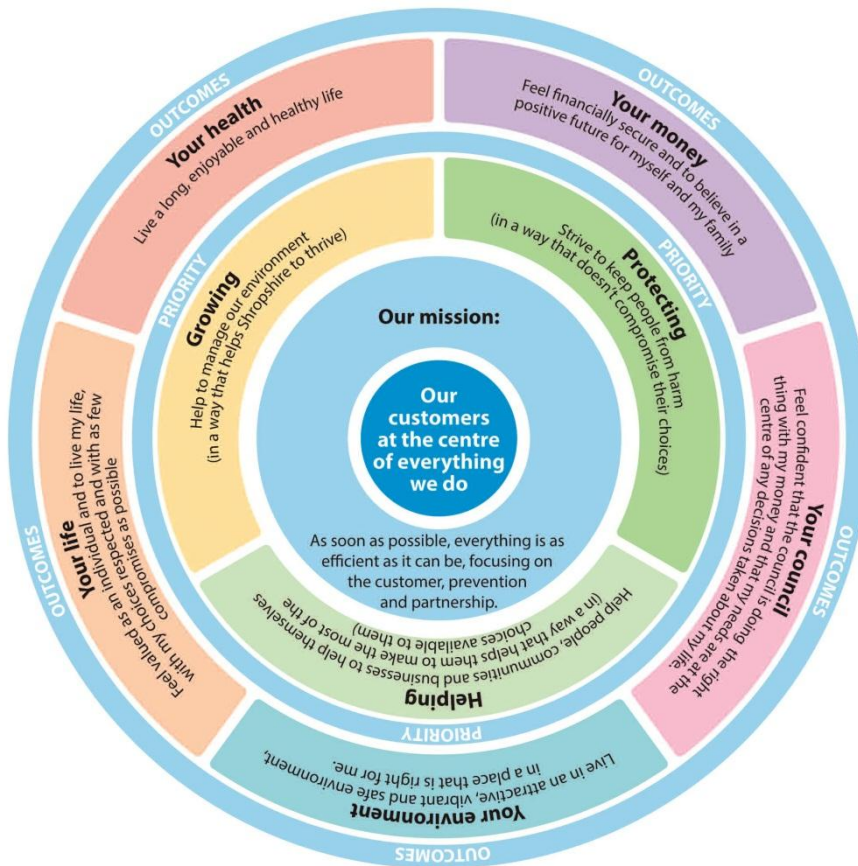
Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 22, and the change to the pension liability in 2013/14 is analysed in note 43 to the accounts.

## **Current and Future Prospects**

As a council, we are focusing on delivering better outcomes for our customers. Everything we undertake should work towards fulfilling one or more of these outcomes, with an emphasis on ensuring that our priorities are delivered.

This is summarised below, and forms the backdrop for delivering the Council's Medium Term Financial Plan over the next three years.

# EXPLANATORY FOREWORD



The business plan and financial strategy agreed by members in February 2014 identified savings of £41.531m to be implemented in 2014/15, £20.136m in 2015/16 and a further £18.333m for 2016/17.

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 2015/16 budget (or potential revision of the 14/15 budget):

- Impact of the introduction of the Care Bill and the Dilnot review for reforming social care funding and the effect of these changes on the Council's income and expenditure.
- Demographic Growth, particularly in services provided by Adult Services, post transformation of the service.
- 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 wholly owns a company (ip&e (Group) Ltd), as a vehicle for delivering a range of public services in Shropshire. Media Services transferred to ip&e (Group) Ltd in 2013/14 and the Programme Management Office and the Business Design Team transferred to the company on 1 April 2014. Further work is ongoing on other services to be transferred into this organisation and the impact that this has on the Council's financial position will be determined over the course of this financial year.

## EXPLANATORY FOREWORD

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 period 2014/15 – 2016/17 is £25.8m and the council is continuing with its asset management strategy to identify whether these potential receipts can be generated.



## Section 2

# Statement of Responsibilities



## 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 is allocated to the Head of Finance, Governance & Assurance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### Responsibilities of Head of Finance, Governance & Assurance

The Head of Finance, Governance & Assurance 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 Head of Finance, Governance & Assurance has:

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

The Head of Finance, Governance & Assurance 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 2014 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 2013/14 also complies with these Regulations.

James Walton  
Head of Finance, Governance & Assurance  
25 September 2014

# STATEMENT OF RESPONSIBILITIES

## **Approved by Council**

The council's Statement of Accounts for 2013/14 was formally approved at a meeting of the Council on 25 September 2014.

Malcolm Pate  
Chairman of the Council  
25 September 2014



## Section 3

# Audit Opinion & Certificate



# AUDIT OPINION AND CERTIFICATE

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

### Opinion on the financial statements

We have audited the financial statements of Shropshire Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, 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 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 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Head of Finance, Governance and Assurance and auditor

As explained more fully in the Statement of the Head of Finance, Governance and Assurance Responsibilities, the Head of Finance, Governance and Assurance 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. Our 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 us 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 Head of Finance, Governance and Assurance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# AUDIT OPINION AND CERTIFICATE

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Shropshire Council as at 31 March 2014 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 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## Opinion on other matters

In our 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 we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

# AUDIT OPINION AND CERTIFICATE

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

We have undertaken our 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 2013, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 2014.

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

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Grant Patterson  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza,  
20 Colmore Circus,  
Birmingham  
B4 6AT

xx September 2014



## Section 4

# Core Financial Statements

**BALANCE SHEET**

**GROUP** 20. S'000 (restated)

Note			
		50,161	45,421
		116	2,256
3			
4		22,251	7,344
5		1,933	5,352
6		737	12
7		579	994
8			
9		75,777	61,379
		27,790	61,805
		122,857	112,489
		1,027	852
10			20,907
11		30,360	
12			196,000
			167,400

## 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 Council's services, more details of which are in the Comprehensive Income and Expenditure Statement. This is 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	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 2013</b>	<b>11,528</b>	<b>42,989</b>	<b>1,041</b>	<b>1,402</b>	<b>3,909</b>	<b>60,869</b>	<b>504,453</b>	<b>565,322</b>
<b><u>Movement in reserves during 2013/14</u></b>								
Surplus or (deficit) on the provision of services	(98,168)	0	(844)	0	0	(99,012)	0	(99,012)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	53,580	53,580
<b>Total Comprehensive Income and Expenditure</b>	<b>(98,168)</b>	<b>0</b>	<b>(844)</b>	<b>0</b>	<b>0</b>	<b>(99,012)</b>	<b>53,580</b>	<b>(45,432)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	98,793	0	2,344	2,320	(1,123)	102,334	(102,334)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>625</b>	<b>0</b>	<b>1,500</b>	<b>2,320</b>	<b>(1,123)</b>	<b>3,322</b>	<b>(48,754)</b>	<b>(45,432)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	7,866	(7,870)	4	0	0	0	0	0
<b>Increase/(Decrease) in 2013/14</b>	<b>8,491</b>	<b>(7,870)</b>	<b>1,504</b>	<b>2,320</b>	<b>(1,123)</b>	<b>3,322</b>	<b>(48,754)</b>	<b>(45,432)</b>
<b>Balance at 31 March 2014</b>	<b>20,019*</b>	<b>35,119</b>	<b>2,545</b>	<b>3,722</b>	<b>2,786</b>	<b>64,191</b>	<b>455,699</b>	<b>519,890</b>

\* Includes General Fund Balances of £14.497m and School Balances of £5.522m.

## MOVEMENT IN RESERVES STATEMENT

Restated	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £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 2012</b>	<b>12,605</b>	<b>36,684</b>	<b>997</b>	<b>0</b>	<b>5,751</b>	<b>56,037</b>	<b>645,834</b>	<b>701,871</b>
<b><u>Movement in reserves during 2012/13</u></b>								
Surplus or (deficit) on the provision of services	(61,672)	0	5,033	0	0	(56,639)	0	(56,639)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(79,910)	(79,910)
<b>Total Comprehensive Income and Expenditure</b>	<b>(61,672)</b>	<b>0</b>	<b>5,033</b>	<b>0</b>	<b>0</b>	<b>(56,639)</b>	<b>(79,910)</b>	<b>(136,549)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	66,917	0	(4,985)	1,402	(1,842)	61,492	(61,492)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5,245</b>	<b>0</b>	<b>48</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,853</b>	<b>(141,402)</b>	<b>(136,549)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	(6,322)	6,305	(4)	0	0	(21)	21	0
<b>Increase/(Decrease) in 2012/13</b>	<b>(1,077)</b>	<b>6,305</b>	<b>44</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,832</b>	<b>(141,381)</b>	<b>(136,549)</b>
<b>Balance at 31 March 2013</b>	<b>11,528*</b>	<b>42,989</b>	<b>1,041</b>	<b>1,402</b>	<b>3,909</b>	<b>60,869</b>	<b>504,453</b>	<b>565,322</b>

\* Includes General Fund Balances of £6.820m and School Balances of £4.708m.

## 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.

2012/13 (Restated)				2013/14		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
<b>Expenditure on Continuing Services (Note 29)</b>						
106,204	(37,690)	68,514	Adult Social Care	106,718	(30,535)	76,183
32,545	(26,361)	6,184	Central Services to the Public	10,687	(4,595)	6,092
266,100	(207,890)	58,210	Children's and Education Services	240,391	(184,852)	55,539
32,994	(10,761)	22,233	Cultural and Related Services	30,049	(9,063)	20,986
28,820	(5,703)	23,117	Environmental and Regulatory Services	32,811	(5,500)	27,311
36,918	(10,350)	26,568	Highways and Transport Services	41,760	(11,608)	30,152
9,796	(16,848)	(7,052)	Local Authority Housing (HRA)	15,642	(17,237)	(1,595)
83,252	(76,511)	6,741	Other Housing Services	81,701	(75,728)	5,973
16,256	(6,720)	9,536	Planning Services	16,037	(8,453)	7,584
0	0	0	Public Health*	10,409	(10,316)	93
4,547	0	4,547	Corporate and Democratic Core	5,078	0	5,078
537	0	537	Non Distributed Costs	(1,608)	0	(1,608)
<b>617,969</b>	<b>(398,834)</b>	<b>219,135</b>	<b>Net Cost of Services</b>	<b>589,675</b>	<b>(357,887)</b>	<b>231,788</b>
		58,897	Other Operating Expenditure (Note 9)			106,374
		38,786	Financing and Investment Income and Expenditure (Note 10)			33,024
		(260,179)	Taxation and Non Specific Grant Income (Note 11)			(272,174)
		<b>56,639</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>99,012</b>
		11,269	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment assets			2,093
		14,804	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			3,999
		53,836	Remeasurement of the Net Defined Benefit Liability			(59,672)
		<b>79,909</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(53,580)</b>
		<b>136,548</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>45,432</b>

\* Public Health Services transferred to the Council from the PCT on 1 April 2013.

## 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 become 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 2013 £000		31 March 2014 £000	£000
	Property, Plant & Equipment (Note 12)		
158,839	Council Dwellings	151,124	
687,418	Land & Buildings	576,433	
12,702	Vehicles, Plant and Equipment	8,873	
307,300	Infrastructure	311,906	
4,161	Community	3,710	
7,881	Assets Under Construction	8,193	
375	Surplus Assets Not Held for Sale	1,973	
2,468	Heritage Assets (Note 13)	2,475	
31,694	Investment Property (Note 14)	28,878	
864	Intangible Assets (Note 15)	776	
5,232	Assets Held for Sale (Note 20)	1,519	
<b>1,218,934</b>	<b>Total Non Current Assets</b>		<b>1,095,860</b>
812	Long Term Investment (Note 16)	400	
3,140	Long Term Debtors (Note 16)	3,139	
<b>1,222,886</b>	<b>Total Long Term Assets</b>		<b>1,099,399</b>
	Current Assets		
9,328	Short Term Investments (Note 16)	39,100	
710	Inventories (Note 17)	966	
54,806	Short Term Debtors (Note 18)	68,715	
84,817	Cash & Cash Equivalents (Notes 16 & 19)	70,785	
<b>149,661</b>	<b>Total Current Assets</b>		<b>179,566</b>
<b>1,372,547</b>	<b>Total Assets</b>		<b>1,278,965</b>
	Current Liabilities		
(6,937)	Bank Overdraft (Notes 16 & 19)	(17,586)	
(12,399)	Short Term Borrowing (Note 16)	(7,397)	
(48,710)	Short Term Creditors (Note 21)	(54,465)	
(6,021)	Provisions (Note 22)	(4,492)	
(12,738)	Grants Receipts in Advance - Revenue (Note 36)	(10,628)	
0	Grants Receipts in Advance - Capital (Note 36)	(1,040)	
<b>(86,805)</b>	<b>Total Current Liabilities</b>		<b>(95,608)</b>
<b>1,285,742</b>	<b>Total Assets Less Current Liabilities</b>		<b>1,183,357</b>
	Long Term Liabilities		
(729)	Long Term Creditors (Note 16)	(719)	
(342,825)	Long Term Borrowing (Note 16)	(337,768)	
(22,780)	Other Long Term Liabilities (Note 39)	(22,685)	
(349,517)	Pensions Liability (Note 43)	(297,394)	
(4,491)	Provisions (Note 22)	(4,901)	
(78)	Grants Receipts in Advance - Capital (Note 36)	0	
<b>(720,420)</b>	<b>Total Long Term Liabilities</b>		<b>(663,467)</b>
<b>565,322</b>	<b>Net Assets</b>		<b>519,890</b>
	Financed by:		
60,869	Usable Reserves (Note 23)	64,191	
504,453	Unusable Reserves (Note 24)	455,699	
<b>565,322</b>	<b>Total Reserves</b>		<b>519,890</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.

2012/13 (Restated) £000	Revenue Activities	2013/14	
		£000	£000
56,639	Net (surplus) or deficit on the provision of services	99,012	
(105,219)	Adjust net surplus or deficit on the provision of services for non cash movements	(144,532)	
41,978	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	67,684	
<b>(6,602)</b>	<b>Net cash flows from Operating Activities (Notes 25 and 26)</b>		<b>22,164</b>
(2,830)	Investing Activities (Note 27)	(8,821)	
5,846	Financing Activities (Note 28)	11,338	
<b>(3,586)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>24,681</b>
74,294	Cash and cash equivalents at the beginning of the reporting period		77,880
<b>77,880</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>		<b>53,199</b>

Section 5

# Notes to the Core Financial Statements



## **1. Accounting Policies**

### **1.1 General**

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **1.2 Accruals of Expenditure and Income**

Revenue transactions are recorded on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **1.3. Cash and Cash Equivalents**

Cash is defined for the purpose of this statement, as cash in hand and deposits with financial institutions repayable on demand without penalty on notice. Cash equivalents are short term, highly liquid investments, normally with a maturity of 90 days or less, that are readily convertible to known amounts of cash.



## **1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **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.

In relation to Schools, 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.

For schools transferring to Academy status the assets are written out of the balance sheet as at the date that the asset transfers. Additional notes are included in the accounts disclosing details of any schools where approval by the Department of Education to transfer the School to Academy has been granted, but the school has not transferred by the balance sheet date.

### 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:

Category	Valuation Method (Fair Value definition)
<u>Operational</u>	
Council Dwellings Land & Buildings	Existing Use Value – Social Housing (EUV-SH) Existing Use Value (EUV) – in accordance with UKPS 1.3 of the RICS Valuation Standards.
Vehicles, Plant & Equipment Infrastructure Community Assets	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. Depreciated Historic Cost (HC) Historic Cost (HC) 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 every five years. When new material assets are acquired/constructed or assets substantially enhanced, the asset will be valued in the financial year in which 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.

The Housing Revenue Account Council Dwellings are subject to an annual review of value in line with regional data provided by the Office for National Statistics (ONS).

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 1.9), 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 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 the asset derecognised is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme 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 is reported in the Movement in Reserves Statement. Disposals of other Housing Revenue Account assets are subject to a 50% pooling requirement, however, the Council has opted to set

a Capital Allowance to enable the full receipt to be retained for affordable housing schemes.

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. Where the new expenditure is deemed to also enhance the component of the original asset e.g. energy efficiency schemes the carrying amount of old component is reduced further based on an assessment of the level of enhancement.

## **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. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

## **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 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 as an Asset Held for Sale and remain as Investment Properties until disposed of.

## **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.

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 as this is considered to be a reasonable estimate of depreciation.

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 services 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 and other properties, 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 shown as a reconciling item in the Movement in Reserves Statement.

## **1.13. 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 and a museum resource centre.

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 make 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.

## **1.14. Capital Receipts**

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt. At the balance sheet date, the Council may opt to set-a-side capital receipts in-hand within the Capital Adjustment Account to reduce the Capital Financing Requirement and the Minimum Revenue Provision (MRP) charge for the following financial year.

## **1.15. The Redemption of Debt**

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

For HRA debt there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

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.

Where the Council has made capital loans to third parties financed from the Councils balances, the annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge.

## **1.16. Leases**

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

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

- 1) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- 2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;
- 3) the lease term is for the major part of the economic life of the asset;

- 4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- 5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

### 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.

## **1.17. 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 New Homes Bonus) 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:

- The formation of one or more new dwellings, (including holiday lets), either through conversion or new build, regardless of size (unless it is 'affordable housing'); or
- The establishment of new residential floor space (including extensions and replacements) of 100sqm or above.

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.

The only exception for this is CIL monies received on developments where the CIL Liability Notice has been issued after 25th April 2013. On these receipts 15% of gross receipt or 25% in areas with a statutory Neighbourhood Plan in place; is treated as the Neighbourhood Fund element. The Neighbourhood Fund is the portion of CIL provided directly to Town and Parish Councils to be used for the provision, improvement, replacement, operation or maintenance of infrastructure or anything else which is concerned with addressing the demands that development places on an area.

## **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 16 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 Financing and Investment Income and 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. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

## **1.22. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by the transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefits is not required, the provision is reversed and credited back to the relevant service.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 44 to the accounts.

## Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if it is probable that there will be an inflow of economic benefits or service potential.

### **1.23. Inventories**

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

### **1.24. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

### **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. Subsidiaries and joint ventures have been consolidated within the Council's accounts on a cost basis, and accounting policies have been aligned between the Council and the companies consolidated in the Group.

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

Only irrecoverable VAT is included in revenue and capital expenditure. All VAT receivable is excluded from income.

## 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, termination benefits 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.

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. The cost of these are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure statement.

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pensions Scheme, administered by NHS Pensions;
- The Local Government Pensions Scheme, administered by Shropshire Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the two schemes in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)
- The assets of the Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.



The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **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 the last year of its introductory phase, which ends on 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. 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. 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. The Council is deemed to control the services provided under these two PFI schemes, and as ownership of property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the QICS scheme, the liability was written down by an initial capital contribution of £2.5m. At the commencement of the Waste contract the Council made various existing waste infrastructure assets available to the contractor. Under the Waste scheme, not all property, plant and equipment scheduled to be provided in the initial years of the contract has been provided and as a result part of the payments made to the scheme operator have been accounted for as a prepayment, with a corresponding entry also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge as a percentage (based on the Internal Rate of Return of the scheme) of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. On recognising the prepayment for lifecycle replacement costs a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

### **1.31. Accounting for Council Tax and Non Domestic Rates**

The Council Tax income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Shropshire Council as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

From 1st April 2013, the treatment of Non Domestic Rates changed as Government legislation localised a proportion (49%) to the Council. In accounting terms from 1st April 2013, Shropshire Council collects Non Domestic Rates partly as an agent of central government, and of the Fire and Rescue Authority, and partly on its own account. As with council tax, the cash collected belongs proportionately to Shropshire Council as the billing authority, and to central government and the Fire and Rescue Service as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

## **2. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING POLICIES**

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

### **IAS19 Change to Accounting Standard**

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits, which have amended the classification, recognition, measurement and disclosures relating to post employment benefits. There

is no impact on the Balance Sheet however the changes to other financial statements are detailed below:

### Movement in Reserves Statement

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Closing Figures as per 2012/13 Statement of Accounts</b>								
Balance at 31 March 2012	12,605	36,684	997	0	5,751	56,037	645,834	701,871
<b><u>Movement in reserves during 2012/13</u></b>								
Surplus or (deficit) on the provision of services	(60,714)	0	5,057	0	0	(55,657)	0	(55,657)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(80,892)	(80,892)
<b>Total Comprehensive Income and Expenditure</b>	<b>(60,714)</b>	<b>0</b>	<b>5,057</b>	<b>0</b>	<b>0</b>	<b>(55,657)</b>	<b>(80,892)</b>	<b>(136,549)</b>
Adjustments between accounting basis & funding basis under regulations	65,959	0	(5,009)	1,402	(1,842)	60,510	(60,510)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5,245</b>	<b>0</b>	<b>48</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,853</b>	<b>(141,402)</b>	<b>(136,549)</b>
Transfers to/(from) Earmarked Reserves	(6,322)	6,305	(4)	0	0	(21)	21	0
<b>Increase/(Decrease) in 2012/13</b>	<b>(1,077)</b>	<b>6,305</b>	<b>44</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,832</b>	<b>(141,381)</b>	<b>(136,549)</b>
<b>Balance at 31 March 2013</b>	<b>11,528*</b>	<b>42,989</b>	<b>1,041</b>	<b>1,402</b>	<b>3,909</b>	<b>60,869</b>	<b>504,453</b>	<b>565,322</b>
<b>IAS Pensions Restatement</b>								
Surplus or (deficit) on the provision of services	(958)	0	(24)	0	0	(982)	0	(982)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	982	982
Adjustments between accounting basis & funding basis under regulations	958	0	24	0	0	982	(982)	0

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Restated Figures as Included in Movement in Reserves Statement</b>								
<b>Balance at 31 March 2012</b>	<b>12,605</b>	<b>36,684</b>	<b>997</b>	<b>0</b>	<b>5,751</b>	<b>56,037</b>	<b>645,834</b>	<b>701,871</b>
<b><u>Movement in reserves during 2012/13</u></b>								
Surplus or (deficit) on the provision of services	(61,672)	0	5,033	0	0	(56,639)	0	(56,639)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(79,910)	(79,910)
<b>Total Comprehensive Income and Expenditure</b>	<b>(61,672)</b>	<b>0</b>	<b>5,033</b>	<b>0</b>	<b>0</b>	<b>(56,639)</b>	<b>(79,910)</b>	<b>(136,549)</b>
Adjustments between accounting basis & funding basis under regulations	66,917	0	(4,985)	1,402	(1,842)	61,492	(61,492)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5,245</b>	<b>0</b>	<b>48</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,853</b>	<b>(141,402)</b>	<b>(136,549)</b>
Transfers to/(from) Earmarked Reserves	(6,322)	6,305	(4)	0	0	(21)	21	0
<b>Increase/(Decrease) in 2012/13</b>	<b>(1,077)</b>	<b>6,305</b>	<b>44</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,832</b>	<b>(141,381)</b>	<b>(136,549)</b>
<b>Balance at 31 March 2013</b>	<b>11,528*</b>	<b>42,989</b>	<b>1,041</b>	<b>1,402</b>	<b>3,909</b>	<b>60,869</b>	<b>504,453</b>	<b>565,322</b>

## Income & Expenditure Account

	2012/13 Net Expenditure £000	IAS Pensions Restatement £000	Restated 2012/13 Expenditure £000
<b>Expenditure on Continuing Services</b>			
Adult Social Care	68,380	134	68,514
Central Services to the Public	6,163	21	6,184
Children's and Education Services	57,833	377	58,210
Cultural and Related Services	22,165	68	22,233
Environmental and Regulatory Services	23,073	44	23,117
Highways and Transport Services	26,507	61	26,568
Local Authority Housing (HRA)	(7,074)	22	(7,052)

	2012/13 Net Expenditure £000	IAS Pensions Restatement £000	Restated 2012/13 Expenditure £000
Other Housing Services	6,717	24	6,741
Planning Services	9,470	66	9,536
Corporate and Democratic Core	4,535	12	4,547
Non Distributed Costs	537	0	537
<b>Net Cost of Services</b>	<b>218,306</b>	<b>829</b>	<b>219,135</b>
Other Operating Expenditure	58,897	0	58,897
Financing and Investment Income and Expenditure	38,633	153	38,786
Taxation and Non Specific Grant Income	(260,179)	0	(260,179)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>55,657</b>	<b>982</b>	<b>56,639</b>
(Surplus) or Deficit on Revaluation of Property, Plant & Equipment assets	11,269	0	11,269
Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve	14,804	0	14,804
Remeasurement of the Net Defined Benefit Liability	54,818	(982)	53,836
<b>Other Comprehensive Income and Expenditure</b>	<b>80,891</b>	<b>(982)</b>	<b>79,909</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>136,548</b>	<b>0</b>	<b>136,548</b>

## Cash Flow Statement

	2012/13 £000	IAS Pensions Restatement £000	Restated 2012/13 £000
Net (surplus) or deficit on the provision of services	55,657	982	56,639
Adjust net surplus or deficit on the provision of services for non cash movements	(104,237)	(982)	(105,219)
Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	41,978	0	41,978
<b>Net cash flows from Operating Activities</b>	<b>(6,602)</b>	<b>0</b>	<b>(6,602)</b>
Investing Activities	(2,830)	0	(2,830)
Financing Activities	5,846	0	5,846
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(3,586)</b>	<b>0</b>	<b>(3,586)</b>
Cash and cash equivalents at the beginning of the reporting period	74,294	0	74,294
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>77,880</b>	<b>0</b>	<b>77,880</b>

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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- IAS 1 *Presentation of Financial Statements*

These changes predominantly affect presentation or disclosure of items within the Notes to the Accounts, and so will not have a material effect on the Council.

### **4. 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 Voluntary Aided or Controlled schools that are not controlled by the Council. A Public Sector working group is specifically reviewing accounting for schools. The initial overriding view of the group is that any community schools, voluntarily controlled, voluntary aided and foundation schools should be included on the Council's financial statements as control still lies with the Council. However, this has not been adopted into the 2013/14 Code and as such has not been adopted in the Councils accounts for 2013/14, but may be a change required in future years. Therefore balances for voluntary aided and controlled schools 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.

## 5. 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 risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2014:

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 ONS data as the basis for this estimate.	The valuation of dwellings may require a material adjustment in the following year if ONS data is not a reliable estimate.
NDR Appeals Provision	The provision set aside for Non Domestic Rate appeals is estimated based on the number of outstanding appeals as per the Valuation Office and then the percentage rateable value change of successful appeals is applied.	There is a risk that successful appeals will be significantly more than the estimate leading to an increased demand on the NDR collection fund in the year.
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 £16.592m.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates	The expense or the income could be either higher or lower than expected. A 10% increase in the estimates for debtors would result in an additional



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	within the accruals processed for debtors and creditors are: <ul style="list-style-type: none"> <li>• Debtors 6%</li> <li>• Creditors 6%</li> </ul>	debtor of £0.053m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.224m.

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

## 6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Finance, Governance & Assurance on 25 September 2014. Events taking place after this date are not reflected in the financial statement or notes.

On the 1<sup>st</sup> April 2014 the Council transferred the management of the Shropshire Hills Discovery Centre (SHDC) and neighbouring Onny Meadows to Shropshire Housing Group (SHG) and their partner Grow Cook Learn. Ownership has since transferred on the 27<sup>th</sup> July 2014. The value of the SHDC in the 2013/14 balance sheet is £5.2m. This is considered as a non adjusting event after the reporting date.

At balance sheet date, Department of Education approval had been granted to one school to convert to Academy School status in early 2014/15 financial year. The value of this school and associated facilities in the 2014/15 accounts is £17.9m. This is considered as a non adjusting event after the reporting date. Approval had been granted to three further schools to transfer, but their conversion dates are not until later in 2014/15.

## 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.

The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

## Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or that is required to be recovered from tenants in future years.

## Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

## Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

## Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2013/14						
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £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	29,985	170	4,215	0	0	(34,370)
Revaluation losses on Property Plant and Equipment	5,945	3,219	0	0	0	(9,164)
Movement in the market value of Investment Properties	(1,163)	(73)	0	0	0	1,236
Amortisation of intangible assets	420	0	0	0	0	(420)
Capital grants and contributions applied	(28,628)	(850)	0	0	0	29,478
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	6,996	0	0	0	0	(6,996)
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	105,844	2,038	0	0	0	(107,882)

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(17,681)	0	0	0	0	17,681
Capital expenditure charged against the General Fund and HRA balances	(2,061)	(379)	0	0	0	2,440
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(533)	0	0	0	533	0
Application of grants to capital financing transferred to CAA	0	0	0	0	(1,656)	1,656
<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	(6,135)	(1,805)	0	8,029	0	(89)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(7,567)	0	7,567
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	34	0	(34)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	458	0	0	(458)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	30	0	(30)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	(1,895)	0	0	1,895
<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	(301)	(1)	0	0	0	302
<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)	32,223	0	0	0	0	(32,223)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,674)	0	0	0	0	24,674
<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	(661)	0	0	0	0	661

2013/14

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<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	(1,241)	(9)	0	0	0	1,250
<b>Total Adjustments</b>	<b>98,793</b>	<b>2,344</b>	<b>2,320</b>	<b>0</b>	<b>(1,123)</b>	<b>(102,334)</b>

2012/13 Comparative Figures (Restated)

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £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	50,772	920	4,108	0	0	(55,800)
Revaluation losses on Property Plant and Equipment	6,649	(3,087)	0	0	0	(3,562)
Movement in the market value of Investment Properties	357	0	0	0	0	(357)
Amortisation of intangible assets	351	0	0	0	0	(351)
Capital grants and contributions applied	(29,338)	(1,313)	0	0	0	30,651
Income in relation to donated assets	(37)	0	0	0	0	37
Revenue expenditure funded from capital under statute	8,287	0	0	0	0	(8,287)
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	55,160	615	0	0	0	(55,775)
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(26,956)	(1,200)	0	0	0	28,156
Capital expenditure charged against the General Fund and HRA balances	(2,676)	(101)	0	0	0	2,777
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(200)	0	0	0	200	0
Application of grants to capital financing transferred to CAA	0	0	0	0	(2,042)	2,042
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						

**2012/13 Comparative Figures (Restated)**

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,944)	(956)	0	6,906	0	(6)
Use of the Capital Receipts Reserve towards new expenditure	0	0	0	(6,479)	0	6,479
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	18	0	(18)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	426	0	0	(426)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	17	0	(17)
<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	(99)	0	0	0	0	99
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	(2,706)	0	0	2,706
<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	(303)	(68)	0	0	0	371
<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)	31,540	448	0	0	0	(31,988)
Employer's pension contributions and direct payments to pensioners payable in the year	(22,138)	(204)	0	0	0	22,342
<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	1,168	0	0	0	0	(1,168)
<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	(102)	(57)	0	0	0	159
<b>Total Adjustments</b>	<b>66,917</b>	<b>(4,985)</b>	<b>1,402</b>	<b>0</b>	<b>(1,842)</b>	<b>(61,492)</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 2013/14.

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
<b>General Fund:</b>							
Council Elections Reserve	43	0	0	43	(43)	0	0
CYPS Directorate Reserve	83	(83)	0	0	0	0	0
Economic Development Workshops Major Maintenance Reserve	232	0	48	280	0	111	391
Education – Staff Sickness Insurance Reserve	450	0	118	568	(481)	2	89
Education – Theft Insurance Reserve	76	0	106	182	(100)	4	86
Fire Liability Reserve	1,446	0	411	1,857	0	30	1,887
Landfill Allowance Trading Scheme Reserve	228	(228)	0	0	0	0	0
Legal Disbursements Reserve	50	0	0	50	(50)	0	0
Local Joint Committee Reserve	61	(22)	170	209	(209)	0	0
Major Planning Inquiries Reserve	497	(45)	30	482	(70)	150	562
Motor Insurance Reserve	661	0	66	727	(1)	65	791
New Homes Bonus Reserve	0	(186)	4,621	4,435	(1,009)	0	3,426
People Services Reserve	1,607	(1,600)	100	107	(107)	0	0
PFI Buildings Equipment Replacement Reserve	59	(66)	19	12	(7)	0	5
Public Health Reserve	0	0	793	793	(178)	615	1,230
Redundancy Reserve	1,221	(1,263)	507	465	(11,429)	24,165	13,201
Resources Efficiency Reserve	315	(29)	547	833	(313)	81	601
Revenue Commitments for Future Capital Expenditure Reserve	2,413	(1,325)	1,123	2,211	(1,719)	53	545
Revenue Commitments from Unringfenced Revenue Grants	284	(230)	3,339	3,393	(2,192)	1,684	2,885
Schools Building Maintenance Insurance Reserve	681	(151)	793	1,323	(221)	342	1,444
Severe Weather Reserve	600	0	110	710	0	2,129	2,839
Shire Catering and Cleaning Efficiency Reserve	0	0	143	143	(12)	0	131
Shropshire Waste Partnership (Smoothing Reserve)	16,830	0	3,428	20,258	(20,828)	1,193	623
Shropshire Waste Partnership (General Reserve)	5,985	(5,985)	0	0	0	0	0
Theatre Severn – Repairs & Maintenance Reserve	20	0	9	29	0	0	29
TMO Vehicle Replacement Reserve	1,775	(257)	494	2,012	(1,170)	197	1,039
Transformation Reserve	1,067	(980)	1,780	1,867	(7)	1,455	3,315
<b>Total</b>	<b>36,684</b>	<b>(12,450)</b>	<b>18,755</b>	<b>42,989</b>	<b>(40,146)</b>	<b>32,276</b>	<b>35,119</b>

## **RESERVES**

**Council Elections** - established to meet the periodic cost of Council Elections which take place every four years, however this is now built into the budget strategy so no need to hold this reserve.

**CYPS Directorate** - this reserve was established from overall directorate underspends in 2004/05. This reserve is no longer held as all remaining balances held were released in 2012/13.

**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 was 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. This scheme no longer operates and so the reserve has been closed in 2013/14.

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

**Local Joint Committees** – this reserve was used to carry forward any balance of funding remaining within Local Joint Committees in each financial year. This was the final year of LJC grants, therefore this reserve is not required anymore.

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

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

**New Homes Bonus Reserve** – this reserve has been established from unapplied New Homes Bonus Grant balances.

**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.

**Public Health Reserve** – This reserve includes balances committed to specific public health projects.

**Redundancy** - required 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.

**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 2014/15.

**Revenue Commitments from Unringfenced Revenue Grants** - established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2014/15.

**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.

**Severe Weather** – 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. Includes additional grant received for recent storm damage.

**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. This increase has now been included within the 2014/15 budget strategy to cover the annual increase therefore the bulk of this reserve has been released in 2013/14.

**Shropshire Waste Partnership (General Reserve)** - the general reserve previously included notional entries relating to prepayments relevant to the IFRS accounting treatment. Due to a change in accounting practice in 2012/13, this reserve is no longer held.

**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.

## 9. OTHER OPERATING EXPENDITURE

	2013/14 £000	2012/13 £000
Parish Council Precepts	5,567	6,053
Levies	120	109
Payments to the Government Housing Capital Receipts Pool	458	426
(Gains)/losses on the disposal of non current assets	99,976	48,794
(Gains)/losses on change in valuation of non-current assets	253	3,515
	<b>106,374</b>	<b>58,897</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	2012/13 (Restated) £000
Interest payable and similar charges	19,355	21,539
Net interest on the net defined benefit liability	13,919	13,409
Interest receivable and similar income	(1,829)	(1,967)
Income and expenditure in relation to investment properties and changes in their fair value	(2,332)	(153)
(Surpluses)/deficits on Trading Activities	3,911	5,958
	<b>33,024</b>	<b>38,786</b>

## 11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2013/14 £000	2012/13 £000
Council tax income	(123,791)	(136,522)
Non domestic rates	(45,655)	(88,639)
Non ringfenced government grants	(77,356)	(9,560)
Capital grants and contributions	(25,372)	(25,458)
	<b>(272,174)</b>	<b>(260,179)</b>

## 12. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of fixed assets held by the Council during 2013/14.

	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 2013	<b>176,371</b>	<b>733,112</b>	<b>29,539</b>	<b>404,760</b>	<b>5,090</b>	<b>432</b>	<b>7,881</b>	<b>1,357,185</b>	<b>44,948</b>
Additions	2,163	8,269	1,056	15,320	152	0	6,426	<b>33,386</b>	32
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(342)	(9,203)	0	0	0	(18)	0	<b>(9,563)</b>	(2)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,340)	(6,028)	0	0	0	(124)	0	<b>(23,492)</b>	0
Derecognition - disposals	(1,144)	(98,931)	(2,078)	0	0	0	0	<b>(102,153)</b>	0
Derecognition - other	(883)	(4,176)	(5,826)	(92)	(886)	(141)	(53)	<b>(12,057)</b>	(2,574)
Assets reclassified (to)/from Held for Sale	0	(285)	0	0	0	0	830	<b>545</b>	0
Other movements in cost or valuation	(3,326)	(4,750)	0	0	0	1,984	(6,874)	<b>(12,966)</b>	156
At 31 March 2014	<b>155,499</b>	<b>618,008</b>	<b>22,691</b>	<b>419,988</b>	<b>4,356</b>	<b>2,133</b>	<b>8,210</b>	<b>1,230,885</b>	<b>42,560</b>
<b>Depreciation and Impairments</b>									
At 1 April 2013	<b>(17,532)</b>	<b>(45,694)</b>	<b>(16,837)</b>	<b>(97,460)</b>	<b>(929)</b>	<b>(57)</b>	<b>0</b>	<b>(178,509)</b>	<b>(8,217)</b>
Depreciation charge for 2013/14	(4,205)	(13,545)	(4,023)	(10,629)	(239)	(45)	0	<b>(32,686)</b>	(2,153)
Depreciation written out to the Revaluation Reserve	186	7,285	0	0	0	0	0	<b>7,471</b>	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,121	450	0	0	0	10	0	<b>14,581</b>	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(3,594)	0	0	0	(405)	0	<b>(3,999)</b>	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(170)	(1,111)	0	0	0	(348)	0	<b>(1,629)</b>	0
Derecognition - disposals	0	5,525	1,215	0	0	0	0	<b>6,740</b>	0
Derecognition - other	0	421	5,827	7	522	17	0	<b>6,794</b>	2,574
Other movements in depreciation and impairment	3,225	8,688	0	0	0	668	(17)	<b>12,564</b>	(156)
At 31 March 2014	<b>(4,375)</b>	<b>(41,575)</b>	<b>(13,818)</b>	<b>(108,082)</b>	<b>(646)</b>	<b>(160)</b>	<b>(17)</b>	<b>(168,673)</b>	<b>(7,952)</b>
<b>NBV at 31 March 2014</b>	<b>151,124</b>	<b>576,433</b>	<b>8,873</b>	<b>311,906</b>	<b>3,710</b>	<b>1,973</b>	<b>8,193</b>	<b>1,062,212</b>	<b>34,608</b>
<b>NBV at 31 March 2013</b>	<b>158,839</b>	<b>687,418</b>	<b>12,702</b>	<b>307,300</b>	<b>4,161</b>	<b>375</b>	<b>7,881</b>	<b>1,178,676</b>	<b>36,731</b>

The comparative movements in 2012/13 were as detailed below:

	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 2012	169,920	842,916	30,100	388,082	5,469	1,891	7,826	1,446,204	45,543
Additions	4,019	7,394	1,703	16,928	161	0	3,560	33,766	610
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(17,466)	0	0	0	(17)	0	(17,483)	35
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,087	(6,509)	0	0	0	0	0	(3,422)	28
Derecognition - disposals	(655)	(48,160)	(897)	0	0	(21)	0	(49,733)	0
Derecognition - other	0	(2,757)	(2,660)	0	(613)	0	(22)	(6,052)	(1,224)
Assets reclassified (to)/from Held for Sale	0	(6,363)	0	0	0	(1,090)	(225)	(7,678)	0
Other movements in cost or valuation	0	(35,944)	1,293	(250)	73	(331)	(3,258)	(38,417)	(44)
At 31 March 2013	176,371	733,112	29,539	404,760	5,090	432	7,881	1,357,185	44,948
<b>Depreciation and Impairments</b>									
At 1 April 2012	(12,578)	(45,743)	(14,438)	(87,262)	(1,193)	(163)	(23)	(161,400)	(6,622)
Depreciation charge for 2012/13	(4,075)	(15,053)	(5,618)	(10,198)	(349)	(19)	0	(35,312)	(3,026)
Depreciation written out to the Revaluation Reserve	0	6,143	0	0	0	25	0	6,168	51
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(14,450)	0	0	0	(308)	0	(14,758)	(44)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(919)	(15,890)	0	(251)	0	0	0	(17,060)	156
Derecognition - disposals	40	2,850	560	0	0	2	0	3,452	0
Derecognition - other	0	282	2,659	0	613	0	23	3,577	1,224
Other movements in depreciation and impairment	0	36,167	0	251	0	406	0	36,824	44
At 31 March 2013	(17,532)	(45,694)	(16,837)	(97,460)	(929)	(57)	0	(178,509)	(8,217)
<b>NBV at 31 March 2013</b>	<b>158,839</b>	<b>687,418</b>	<b>12,702</b>	<b>307,300</b>	<b>4,161</b>	<b>375</b>	<b>7,881</b>	<b>1,178,676</b>	<b>36,731</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>

### Voluntary Aided and Controlled Schools

The Council does not recognise the assets of Voluntary Aided or Controlled Schools 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 all or a significant part of 10 primary schools for which plans are being finalised with the Diocese or for which instructions have been issued, but full ownership has not yet transferred to the Diocese. 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. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the Council's balance sheet on completion of the legal transfer. The total net book value for these schools as at the balance sheet date is £20.1m.

In addition there are a number of primary schools where a small part of the site is required to transfer from the Council to the Diocese, these are mainly as a result of extensions to schools which have been built across land still in SC ownership (e.g. former playing field land). Work is ongoing to legally transfer these further sections and they are not included in the Council's balance sheet.

Three Secondary schools are listed as Voluntary Controlled schools on the Department of Education list. Under the School Standards and Framework Act 1998 ('the 1998 Act') the school buildings and hard standing should be transferred to the trustees of the school. These should also be transferred to their governing bodies, and are still to be actioned, but may be overtaken by any plans to transfer these schools to Academy status, with one scheduled to transfer in 2014/15. The total net book value for these schools as at the balance sheet date is £32.6m.

#### 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. Following recent changes to the status of some schools, the Council now has three Foundation schools. The Council does not recognise the assets of Foundation Schools on the basis that the Council does not have control over the service provided in these schools. However, following recent changes to two schools to Foundations schools all of their assets have not transferred. The total net book value for these schools as at the balance sheet date is £3.8m.

#### Academy Schools

In 2013/14 seven further schools became Academies. 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 2013/14 for these schools was £93.9m.

At balance sheet date, Department of Education approval had been granted to one school to convert to Academy School status in early 2014/15 financial year. The value of this school and associated facilities in the 2014/15 accounts is £17.9m. This is considered as a non adjusting event after the reporting date. Approval had been granted to three further schools to transfer, but their conversion dates are not until later in 2014/15. The value of these schools and associated facilities in the 2014/15 accounts is £25.6m.

### Assets Transferred to Parish and Town Councils

In 2013/14 the Council transferred further functions to Town and Parish Councils. Due to delays in agreeing the legal transfers of the associated assets, some of the assets are yet to transfer, even though the operation of these assets has transferred. As the functions have transferred, the Council gains no value from these on an existing use basis and as a result these have been written out of the balance sheet in 2013/14, the net book value written out was £1.46m.

### **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 2014, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment or to provide grant funding to other bodies for a capital purpose in 2014/15 and future years budgeted to cost £35.242m. Similar commitments at 31 March 2013 were £27.441m. The major commitments were:

- Rural Broadband - £15.930m.
- Highways & Transport schemes - £4.220m.
- Affordable Housing Grants - £1.278m.
- HRA Major Repairs Programme - £3.055m.
- HRA New Build Programme - £5.764m.

### **Revaluations**

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

- That the property is free from any undisclosed onerous burdens, outgoings or restrictions and that good title can be shown.
- That the land and property is not contaminated (including Radon Gas).
- The property and its values are unaffected by any matters which could be revealed by local search or inspection of any register and that the use and occupation of the asset are lawful.
- In valuing the property, plant and machinery have been excluded unless forming part of the structure and normally valued with the building.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional, e.g. Capital Gains Tax, or transaction costs, e.g. Stamp Duty.
- Details concerning “title” have been taken from the Council’s Terrier.

- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- The property has not been discussed with the Planning Authorities and therefore certain assumptions in respect of planning issues have been made in determining values. The assumptions made are based on information on file available to the Valuer when undertaking the Valuation.

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

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	450	8,873	0	9,323
Valued at Fair Value as at:					
01-Apr-13	151,124	119,456	0	446	271,026
01-Apr-12	0	103,572	0	182	103,754
01-Apr-11	0	70,634	0	0	70,634
01-Apr-10	0	160,835	0	1,345	162,180
01-Apr-09	0	121,486	0	0	121,486
<b>Total Cost or Valuation</b>	<b>151,124</b>	<b>576,433</b>	<b>8,873</b>	<b>1,973</b>	<b>738,403</b>

## 13. HERITAGE ASSETS

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

	Museum and Archives artefacts £000	Outdoor Statues/ Monuments/Historic Building Remains £000	Intangible Heritage Asset £000	Total £000
<b>Cost or Valuation</b>				
1 April 2012	1,277	1,179	0	<b>2,456</b>
Additions/Transfers from AUC	43	24	0	<b>67</b>
Depreciation/Amortisation	0	(55)	0	<b>(55)</b>
<b>31 March 2013</b>	<b>1,320</b>	<b>1,148</b>	<b>0</b>	<b>2,468</b>
<b>Cost or Valuation</b>				
1 April 2013	1,320	1,148	0	<b>2,468</b>
Additions/Transfers from AUC	10	6	51	<b>67</b>
Depreciation/Amortisation	0	(55)	(5)	<b>(60)</b>
<b>31 March 2014</b>	<b>1,330</b>	<b>1,099</b>	<b>46</b>	<b>2,475</b>

#### 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.

### **Intangible Heritage Asset**

Shropshire Archives have delivered a capital project to create digitised images of the parish and non conformist registers it holds. This has improved access to resources, especially to the online genealogy market, generating additional revenue income for the Council.

## **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.

	2013/14 £000	2012/13 £000
Rental income & service charges from investment property	(1,263)	(1,186)
Direct operating expenses arising from investment property	168	677
<b>Net (gain)/loss</b>	<b>(1,095)</b>	<b>(509)</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:

	2013/14 £000	2012/13 £000
Balance at start of the year	31,695	35,603
Additions:		
- Purchases	0	238
Disposals	(4,290)	(5,409)
Net gains/losses from fair value adjustments	1,236	(357)
Transfers:		
- To/from Property, Plant and Equipment	237	1,620
<b>Balance at end of the year</b>	<b>28,878</b>	<b>31,695</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 carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £415,000 charged to revenue in 2013/14 was charged to services within the service headings in the Net Expenditure of Services.

	2013/14 £000	2012/13 £000
Balance at start of year:		
- Gross carrying amounts	1,568	1,360
- Accumulated depreciation	(704)	(514)
Net carrying amount at start of year	864	846
Additions:		
- Purchases	210	369
- Transferred from AUC	117	0
Amortisation for the period	(415)	(351)
<b>Net carrying amount at end of the year</b>	<b>776</b>	<b>864</b>
<b>Comprising:</b>		
- Gross carrying amounts	1,636	1,568
- Accumulated amortisation	(860)	(704)
	<b>776</b>	<b>864</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 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
<b>Investments:</b>				
Loans and receivables	400	812	109,885	94,145
<b>Total investments</b>	<b>400</b>	<b>812</b>	<b>109,885</b>	<b>94,145</b>
<b>Debtors:</b>				
Loans and receivables	3,139	3,140	0	0
Financial assets carried at contract amounts	0	0	40,002	32,972
<b>Total Debtors</b>	<b>3,139</b>	<b>3,140</b>	<b>40,002</b>	<b>32,972</b>
<b>Borrowing:</b>				
Financial liabilities at amortised cost	(337,768)	(342,825)	(7,397)	(12,399)
<b>Total Borrowings</b>	<b>(337,768)</b>	<b>(342,825)</b>	<b>(7,397)</b>	<b>(12,399)</b>



	Long term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
<b>Other Long Term Liabilities:</b>				
PFI and finance lease liabilities	(22,685)	(22,780)	0	0
<b>Total Other Long Term Liabilities</b>	<b>(22,685)</b>	<b>(22,780)</b>	<b>0</b>	<b>0</b>
<b>Creditors:</b>				
Financial liabilities carried at contract amount	(719)	(730)	(50,113)	(44,959)
Cash overdrawn	0	0	(17,586)	(6,937)
<b>Total Creditors</b>	<b>(719)</b>	<b>(730)</b>	<b>(67,699)</b>	<b>(51,896)</b>

The debtors figure included in the balance sheet includes payments in advance from individuals and organisations which are not considered to be financial instruments, therefore these prepayments have been excluded below. Similarly the creditors figure also includes receipts in advance which are not a financial instrument, therefore these have been excluded above. A reconciliation of the Financial instrument figures to the Balance Sheet is provided below:

	31 March 2014 £000	31 March 2013 £000
<b>Debtors:</b>		
Financial assets carried at contract amounts as per Financial Instruments	40,002	32,972
Payments In Advance	28,713	21,834
<b>Total Debtors as per Balance Sheet</b>	<b>68,715</b>	<b>54,806</b>
<b>Creditors:</b>		
Financial liabilities carried at contract amount as per Financial Instruments	(50,113)	(44,959)
Receipts In Advance	(4,352)	(3,751)
<b>Total Creditors as per Balance Sheet</b>	<b>(54,465)</b>	<b>(48,710)</b>

## Soft Loans

### Small Business Loans

Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT to be used to provide small business loans.

Under the first contract the Council will provide up to £0.5m interest free, in instalments. MRRT match fund 50:50 to provide small business loans between £5k and £50k for no more than 5 years to qualifying businesses. Funds are repayable to the Council by MRRT by no later than July 2021 and the Council is responsible for the first £75k of bad debt (representing 15% of the Council's capital). As at the balance sheet date £0.2m has been loaned to MRRT.

The second contract is in partnership with Worcestershire County Council and the Council will provide up to £0.5m interest free in instalments, which is matched 50:50 with funding from ERDF. The funding will be used to provide loans of small business loans between £5k and £50k for no more than 5 years to qualifying businesses. Funds are repayable to the Council by MRRT by no later than July 2020 and the Council is responsible for the first £75k of bad debt (representing 15% of the Council's capital). As at the balance sheet date £0.125m has been loaned to MRRT.

	2013/14 £000	2012/13 £000
Opening Balance	191	0
Nominal value of new loans granted in the year	125	200
Fair value adjustment on initial recognition	(12)	(5)
Loans repaid	(33)	(4)
Other changes	3	0
<b>Closing balance at end of year</b>	<b>274</b>	<b>191</b>
<b>Nominal value at 31 March</b>	<b>288</b>	<b>196</b>

### Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is based on the PWLB rate at point at which the loan payment is made to MRRT plus 0.5% for the Council's transactional costs.

### Other Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £1.291m 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 £0.340m. 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.

### Income, Expense, Gains and Losses

	2013/14			2012/13		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	19,355	0	19,355	21,548	0	21,548
Impairment losses	0	0	0	0	(12)	(12)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>19,355</b>	<b>0</b>	<b>19,355</b>	<b>21,548</b>	<b>(12)</b>	<b>21,536</b>
Interest income	0	(856)	(856)	0	(891)	(891)
Interest income accrued on impaired financial assets	0	2	2	0	(33)	(33)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(854)</b>	<b>(854)</b>	<b>0</b>	<b>(924)</b>	<b>(924)</b>
<b>Net (gain)/loss for the year</b>	<b>19,355</b>	<b>(854)</b>	<b>18,501</b>	<b>21,548</b>	<b>(936)</b>	<b>20,612</b>

## 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 2014 of 1.26% to 4.33% for loans from the PWLB, 4.42% to 4.57% for Market Loans and 0.25% to 0.60% 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 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	49,200	45,582	49,200	46,288
Long term creditors	293,568	309,758	303,468	341,155

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 2014) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables:				
Cash	73,070	73,070	31,700	31,700
Fixed Term Deposits	36,650	36,850	62,150	62,452
Long term debtors	3,139	3,139	3,140	3,140
Long term investments	400	400	812	812

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 2014) 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. At that time the former Bridgnorth District Council had £1 million deposited with this institution.

In February 2014 the Council sold its Landsbanki claim for 92% of the claim amount. Total distributions received in relation to the claim were £924,920, of which £441,331 was received during 2013/14.

## 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	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Balance outstanding at start of year</b>	362	675	75	92	182	187	9	20	32	39	50	51	710	1,064
Purchases	714	701	198	190	174	218	30	54	0	0	247	767	1,363	1,930
Recognised as an expense in the year	(415)	(1,014)	(218)	(207)	(156)	(223)	(33)	(65)	(10)	(7)	(267)	(768)	(1,099)	(2,284)
Written off balances	0	0	0	0	(8)	0	0	0	0	0	0	0	(8)	0
<b>Balance outstanding at year-end</b>	<b>661</b>	<b>362</b>	<b>55</b>	<b>75</b>	<b>192</b>	<b>182</b>	<b>6</b>	<b>9</b>	<b>22</b>	<b>32</b>	<b>30</b>	<b>50</b>	<b>966</b>	<b>710</b>

## 18. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2014.

	2013/14 £000	2012/13 £000
Central Government Bodies	5,636	6,380
Other Local Authorities	633	1,981
NHS Bodies	4,446	2,604
Public Corporations and Trading Funds	1	1
Other Entities and Individuals	38,616	29,572
Waste PFI Prepayments	19,383	14,268
	<b>68,715</b>	<b>54,806</b>

## 19. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £000	31 March 2013 £000
Bank current accounts	53,070	31,700
Short term deposits with building societies	17,715	53,117
<b>Total Cash and Cash Equivalents</b>	<b>70,785</b>	<b>84,817</b>
Bank Overdraft	(17,586)	(6,937)
<b>Cash Overdrawn</b>	<b>(17,586)</b>	<b>(6,937)</b>

## 20. ASSETS HELD FOR SALE

	2013/14 £000	2012/13 £000
<b>Balance outstanding at start of year</b>	5,232	2,703
Assets newly classified as held for sale:		
- Property, Plant and Equipment	285	7,652
Revaluation losses	(253)	(316)
Revaluation gains	0	176
Impairment losses	0	(3,374)
Assets declassified as held for sale:		
- Property, Plant and Equipment	(830)	0
Assets sold	(2,915)	(1,609)
<b>Balance outstanding at year end</b>	<b>1,519</b>	<b>5,232</b>

## 21. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2014.

	31 March 2014 £000	31 March 2013 £000
Central Government Bodies	(5,999)	(6,705)
Other Local Authorities	(2,761)	(1,988)
NHS Bodies	(1,671)	(241)
Public Corporations and Trading Funds	0	(157)
Other Entities and Individuals	(44,034)	(39,619)
	<b>(54,465)</b>	<b>(48,710)</b>

## 22. PROVISIONS

	Accumulated Absences Account £000	Short Term Redundancy £000	Carbon Reduction Commitment £000	Other £000	Total £000	Liability Insurance £000	Long Term NDR Appeals £000	Other £000	Total £000
<b>Balance at 1 April 2013</b>	(4,467)	(165)	(324)	(1,065)	<b>(6,021)</b>	(3,926)	0	(565)	<b>(4,491)</b>
Additional provisions made in 2013/14	(3,217)	(939)	(320)	(23)	<b>(4,499)</b>	(168)	(2,908)	(83)	<b>(3,159)</b>
Amounts used in 2013/14	4,467	172	324	1,065	<b>6,028</b>	585	2,121	43	<b>2,749</b>
Unused amounts reversed in 2013/14	0	0	0	0	<b>0</b>	0		0	<b>0</b>
<b>Balance at 31 March 2014</b>	<b>(3,217)</b>	<b>(932)</b>	<b>(320)</b>	<b>(23)</b>	<b>(4,492)</b>	<b>(3,509)</b>	<b>(787)</b>	<b>(605)</b>	<b>(4,901)</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 2014.

**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 2013/14 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**– 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 2013/14 this cover was provided by Risk Management Partners Ltd (underwritten by AIG), 9 Alie Street, London, E1 8DE.

**NDR Appeals** – Represents the Council's share of the provision held for successful appeals against business rates.

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

## 23. USABLE RESERVES

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

	31 March 2014 £000	31 March 2013 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	3,722	1,402
Reserves	35,119	42,989
Capital Grants Unapplied Account	2,786	3,909
HRA Balance	2,545	1,041
General Fund Balance	20,019	11,528
<b>Total Usable Reserves</b>	<b>64,191</b>	<b>60,869</b>

## 24. UNUSABLE RESERVES

	31 March 2014 £000	31 March 2013 £000
Revaluation Reserve	137,177	165,661
Capital Adjustment Account	622,864	697,440
Financial Instruments Adjustment Account	(5,900)	(6,202)
Deferred Capital Receipts Reserve	804	834
Pensions Reserve	(297,394)	(349,517)
Collection Fund Adjustment Account	1,365	704
Accumulated Absences Account	(3,217)	(4,467)
<b>Total Unusable Reserves</b>	<b>455,699</b>	<b>504,453</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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>165,661</b>	<b>214,441</b>
Upward revaluation of assets	7,736	8,902
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(13,828)	(34,975)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	<b>(6,092)</b>	<b>(26,073)</b>
Difference between fair value depreciation and historical depreciation	(3,833)	(4,173)
Accumulated gains on assets sold or scrapped	(18,508)	(18,534)
Transfer balance to CAA on transfer to Investment Property	(51)	0
Amount written off to the Capital Adjustment Account	<b>(22,392)</b>	<b>(22,707)</b>
<b>Balance at 31 March</b>	<b>137,177</b>	<b>165,661</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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>697,440</b>	<b>726,024</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(34,370)	(55,800)
- Revaluation losses on Property, Plant and Equipment	(9,164)	(3,562)
- Amortisation of intangible assets	(420)	(351)
- Revenue expenditure funded from capital under statute	(6,996)	(8,287)
- 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	(107,971)	(55,781)
	<b>(158,921)</b>	<b>(123,781)</b>
Adjusting amounts written out of the Revaluation Reserve	<b>22,392</b>	<b>22,707</b>
Net written out amount of the cost of non current assets consumed in the year	<b>(136,529)</b>	<b>(101,074)</b>
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	7,567	6,479
- Use of the Major Repairs Reserve to finance new capital expenditure	1,894	2,706
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	29,478	30,651
- Application of grants to capital financing from the Capital Grants Unapplied Account	1,656	2,041
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	17,682	28,156
- Capital expenditure charged against the General Fund and HRA balances	2,440	2,777
	<b>60,717</b>	<b>72,810</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>1,236</b>	<b>(357)</b>
Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	<b>0</b>	<b>37</b>
<b>Balance at 31 March</b>	<b>622,864</b>	<b>697,440</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 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 2014 will be charged to the General Fund over a number of years.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(6,202)</b>	<b>(6,574)</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	383
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	(13)	(11)
<b>Balance at 31 March</b>	<b>(5,900)</b>	<b>(6,202)</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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(349,517)</b>	<b>(286,035)</b>
Actuarial gains or (losses) on pensions assets and liabilities	59,672	(54,818)
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	(32,223)	(31,006)
Employer's pension contributions and direct payments to pensioners payable in the year	24,674	22,342
<b>Balance at 31 March</b>	<b>(297,394)</b>	<b>(349,517)</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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>834</b>	<b>731</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	99
Transfer to the Capital Receipts Reserve upon receipt of cash	(30)	(18)
Write off of Deferred Capital Receipt Debt	0	22
<b>Balance at 31 March</b>	<b>804</b>	<b>834</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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>704</b>	<b>1,872</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	661	(1,168)
<b>Balance at 31 March</b>	<b>1,365</b>	<b>704</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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(4,467)</b>	<b>(4,626)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4,467	4,626
Amounts accrued at the end of the current year	(3,217)	(4,467)
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>1,250</b>	<b>159</b>
<b>Balance at 31 March</b>	<b>(3,217)</b>	<b>(4,467)</b>

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

	2013/14 £000	2012/13 (Restated) £000
<b>Surplus/(Deficit) for year per Comprehensive Income &amp; Expenditure Statement</b>	<b>(99,012)</b>	<b>(56,639)</b>
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	34,370	55,801
Impairment and downward valuations	9,164	3,919
Amortisation	420	351
Reductions in fair value of non PWLB Loans	12	5
Soft Loans – Interest adjustment	5	7
Material Impairment Losses on Investments	0	(12)
Increase/Decrease in Interest Creditors	(31)	(54)
Increase/Decrease in Creditors	1,458	(6,142)
Increase/Decrease in Interest and Dividend Debtors	295	(145)
Increase/Decrease in Debtors	(13,980)	(13,635)
Increase/Decrease in Inventories	(256)	354
Pension Liability	7,549	9,646
Contributions to/(from) Provisions	(1,119)	(552)
Carrying amount of non-current assets sold	107,881	55,775
Issuing of Council Mortgages relating to deferred capital receipts	0	(99)
Movement in Investment Property Values	(1,236)	0
	<b>144,532</b>	<b>105,219</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Carrying amount of short and long term investment sold	(29,645)	(4,184)
Capital Grants credited to surplus or deficit on the provision of services	(30,010)	(30,888)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,029)	(6,906)
	<b>(67,684)</b>	<b>(41,978)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(22,164)</b>	<b>6,602</b>

## 26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2013/14 £000	2012/13 £000
Interest received	(1,149)	(784)
Interest paid	19,381	21,596

## 27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, investment property and intangible assets	30,900	33,726
Other payments for investing activities	184	1,087
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(787)	(6,460)
Proceeds from short term and long term investments	0	(178)
Other receipts from investing activities*	(39,118)	(31,005)
<b>Net cash flows from investing activities</b>	<b>(8,821)</b>	<b>(2,830)</b>

\* This includes capital grants received in year.

## 28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	126	(303)
Repayments of short and long term borrowing	10,029	8,730
Other payments for financing activities*	1,183	(2,581)
<b>Net cash flows from financing activities</b>	<b>11,338</b>	<b>5,846</b>

\* Represents change in value of NNDR debtor/creditor

## 29. 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:

Service Area Income and Expenditure 2013/14	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(18,496)	(14,163)	(39,913)	(713)	(59,657)	(132,942)
Government grants	(12,490)	(176,760)	(11,114)	(10,669)	(93,112)	(304,145)
<b>Total Income</b>	<b>(30,986)</b>	<b>(190,923)</b>	<b>(51,027)</b>	<b>(11,382)</b>	<b>(152,769)</b>	<b>(437,087)</b>
Employee expenses	19,146	30,456	30,433	1,924	39,459	121,418
Other service expenses	80,278	213,536	108,550	9,826	99,126	511,316
Support service recharges	3,752	6,424	8,186	846	16,287	35,495
<b>Total Expenditure</b>	<b>103,176</b>	<b>250,416</b>	<b>147,169</b>	<b>12,596</b>	<b>154,872</b>	<b>668,229</b>
<b>Net Expenditure</b>	<b>72,190</b>	<b>59,493</b>	<b>96,142</b>	<b>1,214</b>	<b>2,103</b>	<b>231,142</b>

Service Area Income and Expenditure 2012/13	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(15,843)	(21,346)	(25,897)	(678)	(69,447)	(133,211)
Government grants	(19,124)	(180,573)	(8,255)	(243)	(109,763)	(317,958)
<b>Total Income</b>	<b>(34,967)</b>	<b>(201,919)</b>	<b>(34,152)</b>	<b>(921)</b>	<b>(179,210)</b>	<b>(451,169)</b>

Service Area Income and Expenditure 2012/13	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Employee expenses	17,653	31,469	27,863	733	39,522	117,240
Other service expenses	79,044	231,619	90,778	665	107,948	510,054
Support service recharges	3,439	6,685	7,836	351	24,618	42,929
<b>Total Expenditure</b>	<b>100,136</b>	<b>269,773</b>	<b>126,477</b>	<b>1,749</b>	<b>172,088</b>	<b>670,223</b>
<b>Net Expenditure</b>	<b>65,169</b>	<b>67,854</b>	<b>92,325</b>	<b>828</b>	<b>(7,122)</b>	<b>219,054</b>

### Reconciliation of Service Area 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.

	2013/14 £000	2012/13 (Restated) £000
Net expenditure in the Service Area Analysis	231,142	219,054
Net expenditure of services and support services not included in the Analysis	(156,573)	(188,333)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	843	(13,756)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	23,599	39,674
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>99,011</b>	<b>56,639</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.

2013/14						
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000	
Fees, charges & other service income	(130,688)	(17,250)	0	0	(147,938)	
Surplus or deficit on associates and joint ventures	0	0	0	0	0	
Interest and investment income	(2,253)	(30)	1,429	0	(854)	
Income from council tax	0	0	0	(123,791)	(123,791)	
Government grants and contributions	(304,146)	(850)	0	(137,630)	(442,626)	
<b>Total Income</b>	<b>(437,087)</b>	<b>(18,130)</b>	<b>1,429</b>	<b>(261,421)</b>	<b>(715,209)</b>	

2013/14						
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000	
Employee expenses	121,418	2,834	(1,241)	0	123,011	
Other service expenses	473,177	5,130	7,496	(886)	484,917	
Support Service recharges	35,495	174	0	0	35,669	
Depreciation, amortisation and impairment	0	7,605	37,545	0	45,150	
Interest Payments	38,019	2,964	(21,629)	0	19,354	
Precepts & Levies	120	0	0	5,567	5,687	
Payments to Housing Capital Receipts Pool	0	0	0	458	458	
Gain or Loss on Disposal of Fixed Assets	0	266	0	99,709	99,975	
<b>Total expenditure</b>	<b>668,229</b>	<b>18,973</b>	<b>22,171</b>	<b>104,848</b>	<b>814,221</b>	
<b>(Surplus) or deficit on the provision of services</b>	<b>231,142</b>	<b>843</b>	<b>23,600</b>	<b>(156,573)</b>	<b>99,012</b>	

2012/13 comparative figures (Restated)						
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000	
Fees, charges & other service income	(130,574)	(16,848)	0	0	(147,422)	
Surplus or deficit on associates and joint ventures	0	0	0	0	0	
Interest and investment income	(2,637)	(23)	1,729	0	(931)	
Income from council tax	0	0	0	(136,522)	(136,522)	
Government grants and contributions	(317,958)	(3,042)	0	(111,278)	(432,278)	
<b>Total Income</b>	<b>(451,169)</b>	<b>(19,913)</b>	<b>1,729</b>	<b>(247,800)</b>	<b>(717,153)</b>	
Employee expenses	117,240	2,858	(101)	0	119,997	
Other service expenses	479,897	(6,466)	(2,684)	356	471,103	
Support Service recharges	42,929	265	0	0	43,194	
Depreciation, amortisation and impairment	0	2,653	56,409	0	59,062	
Interest Payments	30,048	7,170	(15,679)	0	21,539	
Precepts & Levies	109	0	0	6,053	6,162	
Payments to Housing Capital Receipts Pool	0	0	0	426	426	
Gain or Loss on Disposal of Fixed Assets	0	(323)	0	52,632	52,309	
<b>Total expenditure</b>	<b>670,223</b>	<b>6,157</b>	<b>37,945</b>	<b>59,467</b>	<b>773,792</b>	
<b>(Surplus) or deficit on the provision of services</b>	<b>219,054</b>	<b>(13,756)</b>	<b>39,674</b>	<b>(188,333)</b>	<b>56,639</b>	

## 30. TRADING OPERATIONS

The Council has 19 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of these units with a turnover of greater than £5m in 2013/14 are as follows:

		2013/14		2012/13 (Restated)	
		£000	£000	£000	£000
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.	Turnover	(14,563)		(14,276)	
	Expenditure	15,123		14,485	
<b>(Surplus)/ Deficit</b>			<b>560</b>		<b>209</b>
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.	Turnover	(7,739)		(7,448)	
	Expenditure	8,236		7,397	
<b>(Surplus)/ Deficit</b>			<b>497</b>		<b>(51)</b>
The consolidated results of the other 17 of the Council's 19 trading units are	Turnover	(41,218)		(50,736)	
	Expenditure	44,072		56,536	
<b>(Surplus)/ Deficit</b>			<b>2,854</b>		<b>5,800</b>
<b>Net Surplus on Trading Activities</b>			<b>3,911</b>		<b>5,958</b>

## 31. POOLED BUDGETS

During 2013/14, the Council (SC) hosted the Intermediate Care pooled budget with the Clinical Commissioning Group (CCG) 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 CCG and Shrewsbury and Telford Hospital Trust

	2013/14	2012/13
	£000	£000
<b>Gross Funding</b>		
CCG	(186)	(232)
SC	(752)	(812)
<b>Total</b>	<b>(938)</b>	<b>(1,044)</b>
<b>Expenditure</b>	<b>938</b>	<b>1,044</b>
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>0</b>

## 32. MEMBERS' ALLOWANCES

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

	2013/14 £000	2012/13 £000
Basic Allowances	850	850
Special Responsibility Allowances	287	296
Expenses	77	78
<b>Total</b>	<b>1,214</b>	<b>1,224</b>

## 33. OFFICERS' REMUNERATION

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
Chief Executive (started November 2012)	2013/14	£99,486	£0	£99,486	£11,640	£111,126
	2012/13	£36,061	£0	£36,061	£4,219	£40,280
Kim Ryley – Chief Executive (left November 2012) <sup>^</sup>	2013/14	£0	£0	£0	£0	£0
	2012/13	£116,234	£0	£116,234	£13,599	£129,833
Director of Adult Services (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£2,837	£27,087
Director of Children's Services (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£2,837	£27,087
Director of Commissioning (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£2,837	£27,087
Director of Public Health (started April 2013)	2013/14	£98,453	£0	£98,453	£13,783	£112,236
	2012/13	£0	£0	£0	£0	£0
Director of Resources and Support (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£0	£24,250
Director of Places (left December 2012) <sup>2</sup>	2013/14	£0	£0	£0	£0	£0
	2012/13	£115,324	£0	£115,324	£11,457	£126,781
Director of Care & Wellbeing (left April 2012) <sup>3</sup>	2013/14	£0	£0	£0	£0	£0
	2012/13	£2,083	£0	£2,083	£244	£2,327
Director of People (left May 2013)	2013/14	£18,711	£0	£18,711	£2,189	£20,900
	2012/13	£140,350	£0	£140,350	£16,421	£156,771
Head of Legal and Democratic Services, Monitoring Officer	2013/14	£96,214	£0	£96,214	£11,257	£107,471
	2012/13	£96,959	£0	£96,959	£11,344	£108,303
Head of Finance, Governance & Assurance, S151 Officer (started January 2013)	2013/14	£95,000	£0	£95,000	£11,115	£106,115
	2012/13	£21,634	£0	£21,634	£1,558	£23,192



Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers # Pension contributions	Total incl. pension contributions
Corporate Head of Finance and Commerce, S151 Officer (left January 2013) <sup>1</sup>	2013/14	£0	£0	£0	£0	£0
	2012/13	£82,836	£0	£82,836	£9,692	£92,528

# The Council's pension contributions have 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 cannot be allocated to specific individuals.

\* ^ The Chief Executive provided services for both Shropshire Council and Cheshire East Council. He was formally employed by Shropshire Council and Cheshire East Council was recharged for his salary and other remuneration for the period August –November 2012. Also received compromise agreement payment of £38,693 during 2012/13 in accordance with the Council's policy.

<sup>1</sup> Also received compromise agreement payment of £70,000 during 2012/13 in accordance with the Council's policy.

<sup>2</sup> Also received compromise agreement payment of £150,000 during 2012/13 in accordance with the Council's policy

<sup>3</sup> Also received standard redundancy payment of £102,488 during 2012/13 in accordance with the Council's policy

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The remuneration disclosed below includes salary costs, expense allowances and claims for reimbursement of expenses:

Salaried Remuneration Band £000	2013/14 No. of Employees	2012/13 No. of Employees
50,000 - 54,999	111	110
55,000 - 59,999	41	45
60,000 - 64,999	22	32
65,000 - 69,999	5	9
70,000 - 74,999	2	10
75,000 - 79,999	7	5
80,000 - 84,999	11	8
85,000 - 89,999	4	4
90,000 - 94,999	0	3
95,000 - 99,999	8	2
100,000 - 104,999	1	2
105,000 - 109,999	1	2
115,000 - 119,999	0	2
130,000 - 134,999	0	1
140,000,- 144,999	0	1

The numbers of exit packages with total cost per band and total cost of the exit packages, including redundancy payments, pension strain and unpaid leave are set out in the table below. The figures disclosed include exit packages for schools and the Council.

	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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £20,000	141	62	433	63	574	125	4,539	840
£20,001 - £40,000	8	12	99	18	107	30	2,970	827
£40,001 - £60,000	0	3	34	7	34	10	1,678	456
£60,001 - £80,000	1	4	13	3	14	7	976	476
£80,001 - £100,000	0	0	9	5	9	5	804	444
£100,001 - £200,000	1	2	6	5	7	7	784	920
	<b>151</b>	<b>83</b>	<b>594</b>	<b>101</b>	<b>745</b>	<b>184</b>	<b>11,751</b>	<b>3,963</b>

### 34. EXTERNAL 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:

	2013/14 £000	2012/13 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	177	187
Fees payable to external audit for the certification of grant claims and returns	21	27
Fees payable in respect of other services provided by the external audit during the year	10	2
<b>Total</b>	<b>208</b>	<b>216</b>

### 35. DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG for 2013/14 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2013/14 before Academy recoupment	22,153	156,173	178,326
Academy figure recouped for 2013/14	(80)	(30,518)	(30,598)
<b>Total DSG after Academy recoupment for 2013/14</b>	<b>22,073</b>	<b>125,655</b>	<b>147,728</b>
Plus: Brought forward from 2012/13	340	(130)	210
Less: Carry forward to 2014/15 agreed in advance	0	(400)	(400)
<b>Agreed budgeted distribution in 2013/14</b>	<b>22,413</b>	<b>125,125</b>	<b>147,538</b>
In year adjustments	0	0	0
<b>Final budgeted distribution in 2013/14</b>	<b>22,413</b>	<b>125,125</b>	<b>147,538</b>
Less: Actual central expenditure	(21,309)	0	(21,309)
Less: Actual ISB deployed to schools	0	(124,853)	(124,853)
Plus: Local authority contribution for 2013/14	0	0	0
<b>Carry forward to 2014/15</b>	<b>1,104</b>	<b>272</b>	<b>1,376</b>

### 36. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000	2012/13 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	67,074	1,719
Local Services Support Grant	411	1,113
New Homes Bonus	4,581	2,600
Council Tax Freeze Grant	1,312	3,243
Business Rates Relief Grant	1,829	0
LACSEG Repayment	1,157	885
Efficiency Support for Sparse Areas	638	0
Capitalisation Redistribution Provision Grant	354	0
Capital Grants & contributions	25,372	25,458

	2013/14 £000	2012/13 £000
<b>Total</b>	<b>102,728</b>	<b>35,018</b>
<b>Credited to Services</b>		
DWP Council Tax Benefit	0	20,298
DWP Housing Benefit	69,062	69,087
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	1,739	1,979
CLG Waste PFI	3,186	3,186
CLG Social Services PFI	1,523	1,523
EFA Designated Schools Grant	146,162	162,880
EFA/DE Sixth Form funding	4,552	7,256
EFA Pupil Premium Grant	5,307	3,992
DFE Early Intervention Grant	0	11,199
EFA Education Services Grant	4,216	0
DH Learning Disability and Health Reform Grant	0	4,631
DoH Public Health Grant	8,948	0
DfT Local Sustainable Transport	968	818
DfT Severe Weather	1,129	0
Other Grants	7,679	2,503
Capital Grants & contributions	4,638	5,393
Donated Assets	0	37
<b>Total</b>	<b>259,109</b>	<b>294,782</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 2014 £000	31 March 2013 £000
<b>Current Liabilities</b>		
<b>Grants Receipts in Advance (Capital Grants)</b>		
Other Grants & Contributions	(1,040)	0
<b>Total</b>	<b>(1,040)</b>	<b>0</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>		
DWP Housing Benefit Subsidy	(4,462)	(5,039)
Homelessness	(708)	(708)
EFA Designated Schools Grant	(1,776)	(210)
CLG Tackling Troubled Families	(377)	(306)
CLG Social Services PFI	(210)	(210)
EFA Pupil Premium Grant	(253)	(164)
Arts Council	(350)	(256)
Other Grants	(2,492)	(5,845)
<b>Total</b>	<b>(10,628)</b>	<b>(12,738)</b>
<b>TOTAL</b>	<b>(11,668)</b>	<b>(12,738)</b>
<b>Long Term Liabilities</b>		
<b>Grants Receipts in Advance (Capital Grants)</b>		
Other Grants & Contributions	0	78
<b>Total</b>	<b>0</b>	<b>78</b>
<b>TOTAL</b>	<b>0</b>	<b>78</b>

## **37. RELATED PARTIES**

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

### **Central Government**

Central Government has significant influence 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 contacted, 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 their Disclosure of Pecuniary Interests are correct.

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 2013/14 was £20.474m compared with £6.401m for 2012/13.

Councillors are often members of other public or charitable organisations in their own capacity, or are employed by organisations that we process transactions with. These relationships are declared within the Members' register. The Council has made payments of £5.668m to organisations where members are employed and £0.742m to organisations where members and senior officers occupy positions in their own capacity.

The Council also makes contract payments to bodies that members or senior officers may have a beneficial interest in. A total of £0.537m has been made in contract payments to such organisations.

### **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 £0.914m from the pension fund for the costs of administration it provided in 2013/14 compared with £0.877m for 2012/13.

The Council also has group relationships with West Mercia Energy, South Shropshire Leisure Limited, Shropshire Towns & Rural Housing and IP&E Limited. 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 106.

## 38. CAPITAL EXPENDITURE AND FINANCING

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

	2013/14 £000	2012/13 £000
<b>Opening Capital Financing Requirement (including PFI &amp; Finance Lease)</b>	<b>356,449</b>	<b>386,368</b>
<b>Adjustment for loans for capital purposes not previously included in CFR</b>	<b>1,565</b>	<b>0</b>
<b>Adjusted Opening Capital Financing Requirement (including PFI &amp; Finance Lease)</b>	<b>358,014</b>	<b>386,368</b>
<b>Capital investment</b>		
Property, Plant and Equipment	33,406	33,797
Investment Properties	0	238
Intangible Assets	211	369
Revenue Expenditure Funded from Capital under Statute	6,996	8,287
Capital Loans	125	200
<b>Sources of finance</b>		
Capital receipts	(7,567)	(6,479)
Capital grants and other contributions	(31,134)	(32,692)
Direct Revenue Financing (Including MRA)	(4,334)	(5,483)
Minimum Revenue Provision (see note 47)	(17,682)	(28,156)
<b>Closing Capital Financing Requirement (including PFI &amp; Finance Lease)</b>	<b>338,035</b>	<b>356,449</b>
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	250,139	263,342
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	84,594	84,595
Closing Capital Financing Requirement – PFI & Finance Lease	3,302	8,512
	<b>338,035</b>	<b>356,449</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(10,453)	(13,554)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(4,316)	(3,010)
Assets acquired under finance leases	(37)	(36)
Assets acquired under PFI contracts	(5,173)	(13,319)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(19,979)</b>	<b>(29,919)</b>

## 39. LEASES

### Authority as a Lessee

#### Finance Leases

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

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

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

	31 March 2014 £000	31 March 2013 £000
Buildings	31,821	32,551
Vehicles, Plant and Equipment (salt domes)	22	56
Vehicles, Plant and Equipment (PFI)	2,787	4,179
<b>Total</b>	<b>34,630</b>	<b>36,786</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:

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (NPV of minimum lease payments)	85,394	89,190
Finance costs payable in future years	199,852	217,327
<b>Minimum lease payments</b>	<b>285,246</b>	<b>306,517</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	3,022	13,035	725	9,400
Later than one year and not later than five years	48,323	46,377	357	3,641
Later than five years	233,901	247,105	84,313	76,150
	<b>285,246</b>	<b>306,517</b>	<b>85,395</b>	<b>89,191</b>

The finance lease liabilities recognised on the balance sheet as “Deferred Liabilities” totals £22.686m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 40 Private Finance Initiative Schemes.

	Salt Domes £000	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(24)	(203)	(1,334)	(1,561)
Lease liability (due after 1 year)	0	(13,075)	(8,049)	(21,124)
	<b>(24)</b>	<b>(13,278)</b>	<b>(9,383)</b>	<b>(22,685)</b>

### 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 operating leases.

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

	31 March 2014 £000	31 March 2013 £000
Expiring Not later than one year	591	242
Expiring Later than one year and not later than five years	370	882
Expiring Later than five years	882	701
	<b>1,843</b>	<b>1,825</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, the final payment was in 2013/14.

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

	31 March 2014 £000	31 March 2013 £000
Lease payments	2,092	2,266
Sub Lease Receivable	(47)	(60)
	<b>2,045</b>	<b>2,206</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:

	31 March 2014 £000	31 March 2013 £000
Expiring Not later than one year	189	190
Expiring Later than one year and not later than five years	537	384
Expiring Later than five years	1,297	1,387
	<b>2,023</b>	<b>1,961</b>

## 40. PRIVATE FINANCE INITIATIVE SCHEMES

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

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

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

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

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

### Property, Plant and Equipment

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 were 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.

Property provided by the operator under a PFI contract is recognised as an asset 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 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 31/03/14 £000	Year Ended 31/03/13 £000
<b>Non Current Assets – Land &amp; Buildings</b>		
Balance Brought Forward	20,765	21,157
- Depreciation	(392)	(392)
Balance Carried Forward	20,373	20,765
<b>Finance Lease Liability</b>		
Balance Brought Forward	(13,512)	(13,780)
- Repayment of Principal	233	268
Balance Carried Forward	(13,279)	(13,512)

## Payments

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 2013/14 financial years, or the Average weekly Earning (AWE) statistic for the remainder of the contract. The assumed future commitments under the contract, separated into repayments of liability, interest and service charges, are as follows:

Year	Service Charges *	Principal	Interest	Total Unitary Charge Payment
	£000	£000	£000	£000
Amounts Falling Due Within One Year	1,556	203	1,332	3,091
Amounts Falling Due Within 2 - 5 Years	6,700	999	5,108	12,807
Amounts Falling Due Within 6 - 10 Years	9,554	1,832	5,716	17,102
Amounts Falling Due Within 11 - 15 Years	11,227	2,607	4,656	18,490
Amounts Falling Due Within 16 - 20 Years	12,711	4,318	3,063	20,092
Amounts Falling Due Within 21 - 25 Years	6,728	3,319	614	10,661

\* 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 £40.800m 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 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.

## Property, Plant and Equipment

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.

Property provided by the operator under a PFI contract is recognised as an asset 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 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 31/03/14 £000	Year Ended 31/03/13 £000
<b>Non Current Assets – Land &amp; Buildings</b>		
Balance Brought Forward	11,786	11,603
- Depreciation in Period	(338)	(330)
- Additions	2	287
- Revaluation	(2)	226
Balance Carried Forward	11,448	11,786
<b>Non Current Assets - Vehicles, Plant &amp; Equipment</b>		
Balance Brought Forward	4,179	6,161
- Depreciation in Period	(1,423)	(2,304)
- Additions	30	322
Balance Carried Forward	2,786	4,179
<b>Prepayments</b>		
Balance Brought Forward	14,268	5,985
- Planned Capital Expenditure	5,115	8,283
Balance Carried Forward	19,383	14,268
<b>Finance Lease Liability</b>		
Balance Brought Forward	(9,207)	(7,991)
- Additions	(32)	(609)
- Repayment of Principal	(143)	(607)
Balance Carried Forward	(9,382)	(9,207)

## Payments

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). The assumed future commitments for the unitary charge under the contract are as follows:

Year	Service Charges *	Principal	Interest #	Total Unitary Charge Payment
	(£000)	(£000)	(£000)	(£000)
Amounts Falling Due Within One Year	19,400	498	966	20,864
Amounts Falling Due Within 2 - 5 Years	75,338	(642)	42,858	117,554
Amounts Falling Due Within 6 - 10 Years	108,173	10,073	49,603	167,849
Amounts Falling Due Within 11 - 15 Years	120,766	20,313	47,599	188,678
Amounts Falling Due Within 16 - 20 Years	141,102	36,521	35,059	212,682
Amounts Falling Due Within 21 - 24 Years	13,841	5,329	3,278	22,448

\* comprised of operating costs and lifecycle costs

# comprised of finance lease interest and contingent rental

## 41. IMPAIRMENT LOSSES

During 2013/14 the Council has recognised a net impairment loss of £1.6m on non current assets in the CIES, compared to £17.8m loss in 2012/13. This related to £0.17m in relation to HRA housing stock for works in 2013/14 that did not add value and were treated so the assets were impaired. £1.635m to General Fund property as a result of changes in the use or level of use of assets and various works that did not add value and were treated as impairment losses when the assets were revalued. There was also an impairment reversal of £0.177m following an asset revaluation.

## 42. 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 Council 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. Valuations on the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently 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 2013/14, The Council paid £8.820m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £10.319m and 14.1%. There were no contributions remaining payable at the year end.

Public Health employees previously employed by the NHS are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales.

The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In 2013/14, The Council paid £0.090m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.0% of pensionable pay.

### 43. 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 and to disclose them at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered by Shropshire Council is a funded defined benefit 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.

In 2013/14 there have been amendments to the IAS19 Employee Benefits accounting standards which have amended the classification, recognition, measurement and disclosures relating to post employment benefits. Further details of the restatement are shown in Note 2: Prior Period Adjustments And Changes In Accounting Policies.

	Local Government Pension Scheme	
	2013/14	2012/13 (Restated)
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
- current service cost	(21,069)	(19,197)
- past service gain/(cost)	(751)	(4)
- curtailment gain/(cost)	3,516	622
	<b>(18,304)</b>	<b>(18,579)</b>

	Local Government Pension Scheme	
	2013/14	2012/13 (Restated)
	£000	£000
Financing and Investment Income and Expenditure:		
- net interest expense	(13,919)	(13,409)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(32,223)</b>	<b>(31,988)</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	16,755	48,106
- experience (gain)/loss	12,018	0
- actuarial gains and losses arising on changes in demographic assumptions	(21,259)	(92,734)
- actuarial gains and losses arising on changes in financial assumptions	52,158	(9,208)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>27,449</b>	<b>(85,824)</b>
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	32,223	31,988
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(24,674)	(22,342)

### **Assets and Liabilities Recognised in the Balance Sheet**

	2013/14 £000	2012/13 £000
Present value of the defined benefit obligation	(943,710)	(959,648)
Fair value of plan assets	646,316	610,131
<b>Net liability arising from defined benefit obligation</b>	<b>(297,394)</b>	<b>(349,517)</b>

### **Reconciliation of the Movements in the Fair Value of the Scheme Assets**

	Local Government Pension Scheme	
	2013/14	2012/13 (Restated)
	£000	£000
Opening fair value of scheme assets at 1 April	610,131	540,639
Interest income	25,496	26,380
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	16,755	48,106
Contributions from employer	24,674	22,342
Contributions from employees into the scheme	5,708	6,122
Benefits paid	(34,400)	(32,030)
Other	(2,048)	(1,428)
<b>Closing fair value of scheme assets at 31 March</b>	<b>646,316</b>	<b>610,131</b>

## Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2013/14	2012/13 (Restated)
	£000	£000
Opening balance at 1 April	(959,648)	(826,674)
Current Service Cost	(20,621)	(18,719)
Interest Cost	(39,415)	(39,789)
Contributions from scheme participants	(5,708)	(6,122)
Remeasurement gain/(loss):		
Actuarial gains/losses arising from changes in demographic assumptions	(21,259)	(9,208)
Actuarial gains/losses arising from changes in financial assumptions	52,158	(92,734)
Other	12,018	0
Past service costs	(751)	(4)
Losses/(gains) on curtailment	(5,187)	(1,782)
Liabilities assumed on entity combinations	0	0
Benefits paid	34,400	32,030
Liabilities extinguished on settlements	10,303	3,354
<b>Closing balance at 31 March</b>	<b>(943,710)</b>	<b>(959,648)</b>

## Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2013/14	2012/13
	£000	(Restated) £000
<b>Cash and cash equivalents</b>	<b>15,834</b>	<b>24,466</b>
Equity investments:		
UK quoted	52,998	80,415
Global quoted	300,020	269,495
<b>Sub-total equity</b>	<b>353,018</b>	<b>349,910</b>
Bonds:		
UK Government fixed	517	1,830
UK Government indexed	64,244	57,901
Government	90,290	81,758
<b>Sub-total bonds</b>	<b>155,051</b>	<b>141,489</b>
Property:		
Property funds	25,659	17,633
<b>Sub-total property</b>	<b>25,659</b>	<b>17,633</b>
Alternatives:		
Private Equity	27,210	27,212
Infrastructure	5,106	3,356
Hedge Funds	64,438	46,065
<b>Sub-total alternatives</b>	<b>96,754</b>	<b>76,633</b>
<b>Total assets</b>	<b>646,316</b>	<b>610,131</b>

## **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 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	2012/13
Long term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.0%
Government Bonds	3.4%	2.8%
Other Bonds	4.3%	3.9%
Property	6.2%	3.0%
Cash/Liquidity	0.5%	4.9%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4 yrs	22.4 yrs
Women	25.1 yrs	25.1 yrs
Longevity at 65 for future pensioners:		
Men	24.2 yrs	24.2 yrs
Women	27.1 yrs	27.1 yrs
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.4%	4.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	961,872	925,548
Rate of inflation (increase or decrease by 1%)	960,599	926,821
Rate of increase in salaries (increase or decrease by 1%)	946,794	940,626
Rate of increase in pensions (increase or decrease by 1%)	960,599	926,821
Rate for discounting scheme liabilities (increase or decrease by 1%)	927,118	960,302

### **Techniques Employed to Manage Risk**

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Further details of the market, credit and liquidity risk management are detailed in Note 17 of the Shropshire County Pension Fund Annual Report.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £19.496m expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2013/14 (15 years 2012/13).



## 44. CONTINGENT LIABILITIES

At 31 March 2014, the Council had the identified the following contingent liabilities:

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

- A legal claim regarding a breach of contract on a land sale.
- A judicial review regarding a planning application.
- A claim around costs relating to a village green.
- Claims surrounding chancel repair liabilities.
- A judicial review relating to ShropshireLink.

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 County Pension Fund, to fund any potential pension liabilities. The bodies who currently have employees who are active members of the scheme are MENCAP, Age Concern (£0.258m), ALC (£0.037m), Coverage Care (£1.438m), South Shropshire Leisure Ltd (£0.132m) , South Shropshire Housing Association (£0.682m), HMM Arts (grouped with Shropshire) and Energize Shropshire Telford & Wrekin (Grouped with Shropshire). MENCAP no longer has active members, on closure they cleared their outstanding liabilities, they now have 6 pensioners and 2 deferred members. Age Concern has 9 active members, 19 pensioners and 13 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 27 active members, 116 pensioners, 42 deferred members and 8 dependants. Coverage Care also entered into a further contract on 13 January 2013, in which the staff Tupe'd over from Shropshire Council, they have 45 active members and 4 pensioners. South Shropshire District Council offered a guarantee to South Shropshire Leisure Ltd and South Shropshire Housing Association which transferred to Shropshire Council on 1 April 2009. These Employers have jointly 28 active members, 32 pensioners, 27 deferred members and 1 dependant. HMM Arts have 1 active member, 3 deferred members and 1 pensioner .The guarantee for Energize Shropshire Telford & Wrekin covers staff Tupe'd to them on 1 January 2013, they have 2 active members. These do not therefore represent a significant potential liability for the Council.

The Council has entered into four "Funding and Development Agreements" with a Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £1,026,860 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.

## **45. CONTINGENT ASSETS**

The Council currently has a number of appeals lodged with HMRC with regard to VAT treatment which may result in a reimbursement to the Council of VAT paid over to the Government. The specific cases include a compound interest claim, claims for trade waste, car parking, landfill and a cultural exemption. These claims for reimbursement are subject to legal cases being pursued nationally and if successful will provide legal precedent to be applied. Timescales on these cases are uncertain but should be progressed in the next 12-24 months.

## **46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. 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 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;
- By approving an investment strategy for the forthcoming year.

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.

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.

### **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 £30.000m.

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 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AA	40,000	0.02	0.02	0.00	0.00
A	66,720	0.09	0.09	0.00	0.00
Other Local Authorities Debtors (Customers)	3,000	0.00	0.00	0.00	0.00
	21,447	Local Experience	Local Experience	Local Experience	Local Experience

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.

The Authority generally allows its customers 30 days credit. Of the £21.477m outstanding from customers £10.877m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2013/14 £000	2012/13 £000
Less than 3 months overdue	4,490	1,738
3 to 6 months overdue	1,522	1,722
6 months to 1 year overdue	1,262	1,409
More than 1 year overdue	3,603	3,254
	<b>10,877</b>	<b>8,123</b>

### 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:

Age of Debt	2013/14 £000	2012/13 £000
Less than 1 year	5,061	10,074
Between 1 and 2 years	8,859	5,057
Between 2 and 5 years	17,400	20,200
Between 5 and 10 years	25,500	26,000
More than ten years	286,068	291,568
	<b>342,888</b>	<b>352,899</b>

### **Interest Rate Risk**

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 2014 the Council's total outstanding debt (excluding accrued interest) amounted to £342.888m of which none of these loans were at stepped interest rates. Out of this balance £293.568m relates to fixed rate Public Works Loan Board (PWLB) loans, £49.200m relates to Lenders Option Borrower Option (LOBO) market loans, £0.061m relates to temporary loans for voluntary groups and £0.059m relates to SALIX 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. 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 2014, £73.070m was held in a Call Account.

## **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 no financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is zero.

## **47. MINIMUM REVENUE PROVISION**

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

	2013/14 £000	2012/13 £000
MRP – Supported Borrowing	8,626	9,127
MRP – Telford & Wrekin Council, Probation and Magistrates	975	1,036
MRP – Unsupported Borrowing	2,720	2,710
MRP – HRA Voluntary	0	1,200
MRP – SALIX (Soft Loans)	118	118
MRP – Quality in Community Services (QICS), Waste PFI and Finance Leases	5,242	13,965
<b>Total MRP</b>	<b>17,681</b>	<b>28,156</b>

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 £4.446m (this combines the adjustment “A” values of the previous Authorities who had a Capital Financing Requirement as at 1 April 2010).

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.

Both Council PFI schemes are accounted for as on balance sheet, with an MRP charge, equivalent to the finance lease principal payment on the assets provided. Where prepayments are recognised for assets not yet provided under the PFI contract or for lifecycle replacement costs, where the expenditure has not yet been incurred, a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

The Council also has two leases that are accounted for as finance leases and these are also accounted for with an MRP charge, equivalent to the finance lease principal payment.

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.

In managing the HRA debt and considering the HRA business plan there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

## 48. TRUST ACCOUNTS

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

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(13,296)	7,002	221,881	0
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(4,362)	1,265	136,910	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(7,745)	1,168	262,713	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,093)	0	48,345	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(69,707)	37,114	460,853	(3,594)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(70,043)	47,750	501,206	(3,638)

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

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

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

	2010/11*	2011/12	2012/13	2013/14
	£000	£000	£000	£000
<b>Cost or Acquisition of Heritage Assets</b>				
Museum and Archives artefacts	0	0	7	10
Outdoor Statues/ Monuments/Historic Building Remains	80	580	24	6
Intangible - Digitalisation of Records	0	0	0	52**
<b>Total Cost of Purchases</b>	<b>80</b>	<b>580</b>	<b>31</b>	<b>68</b>
<b>Value of Heritage Assets Acquired by Donation</b>				
Museum and Archives artefacts	0	0	36	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>0</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 were not reflected in the balance sheet due to being below the Council's materiality level for restatement.

\*\* Includes expenditure from 2012/13, included as asset under construction in 2012/13.

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).

## 50. 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:

#### **Agricultural Collection (Active) – 2,200 Holdings**

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 wheel-wrighting 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.

#### **Archeology Collection (Active) – 119,500 Holdings**

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:

**Prehistory:** The Prehistoric past of the county is represented by stone tools, metalwork and pottery. Early Prehistory and the Iron Age are poorly represented. Significant items include a large collection of Bronze Age metalwork and material from excavations such as Bromfield Bronze Age Cemetery.

**Roman:** 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.

**Medieval:** 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.

**Post-Medieval:** 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.

**Foreign:** 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.

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.

### **Archives Collection (Active) – 14,000 Holdings**

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.

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.

### **Biology Collection (Active) – 60,000 Holdings**

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.

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.

### **Costume & Textiles Collection (Active) – 5,000 Holdings**

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.

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.

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.



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.

### **Decorative & Applied Arts Collection (Active) – 6,000 Holdings**

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.

The strength of our Decorative Art collection lies in the quality of particular groups rather than single items, in particular our Caughley Collection.

### **Ethnography Collection (Dormant) – 210 Holdings**

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.

### **Fine Arts Collection (Active) – 3,700 Holdings**

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.

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.

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.

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.

### **Geological Collection (Active) – 41,500 Holdings**

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.

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.

### **Numismatics Collection (Active) – 6,000 Holdings**

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 doubles within Shropshire.

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 10<sup>th</sup> 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.

### **Social History Collection (Active) – 14,775 Holdings**

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.

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.

### **Preservation and Management**

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.



## Section 6

# 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. The transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.

The single entity accounting policies detailed on pages 22-41 have been adopted and applied for group account purposes.

## **WEST MERCIA ENERGY**

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

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

Shropshire's share of West Mercia Energy's balances is 27.5%. The company has been incorporated into the Group Accounts using the Proportionate Consolidation method. Figures have been consolidated based on the draft unaudited statement of accounts for 31<sup>st</sup> March 2014. For 2013/14 West Mercia Energy had total income of £65.037m, total expenditure of £64.761m, assets of £14.380m and liabilities of £15.777m.

## **SHROPSHIRE TOWNS & RURAL HOUSING LIMITED**

Shropshire Towns and Rural Housing Limited (the Company) is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1<sup>st</sup> April 2013.

Shropshire Towns and Rural Housing Limited has been included within the accounts as a subsidiary under the requirements of IAS 27 (Consolidated and Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. For 2013/14 Shropshire Towns and Rural Housing Limited had total income of £9.981m, total expenditure of £9.774m, assets of £3.029m and liabilities of £3.007m.

### **SOUTH SHROPSHIRE LEISURE LIMITED**

This is a company registered as an Industrial and Provident Society. As at 31 March 2014, 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 South Shropshire, which are owned by the Council and leased to the Society.

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

The Society has been incorporated into the Group Accounts by means of a line-by-line consolidation of the 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. For 2013/14 South Shropshire Leisure Limited had total income of £2.054m, total expenditure of £2.137m, assets of £0.697m and liabilities of £0.550m.

### **IP&E LIMITED**

IP&E Limited is a trading company wholly owned by Shropshire Council. It has been established to provide public services on the council's behalf and will also be able to trade with other organisations. The company was incorporated on 30 May 2012.

IP&E Limited has been included within the accounts as a subsidiary under the requirements of IAS 27 (Consolidated and Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. Figures have been consolidated based on the draft statement of accounts for 31<sup>st</sup> March 2014. For 2013/14 IP&E Limited had total income of £0.306m, total expenditure of £0.329m, assets of £0.132m and liabilities of £0.224m.

# GROUP ACCOUNTS

## Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £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 2013</b>	<b>11,528</b>	<b>42,989</b>	<b>1,041</b>	<b>1,402</b>	<b>3,909</b>	<b>60,869</b>	<b>504,453</b>	<b>565,322</b>	<b>(749)</b>	<b>564,573</b>
<b>Movement in reserves during 2013/14</b>										
Opening Transactions with owner	(793)	0	0	0	0	(793)	0	(793)	0	(793)
Surplus or (deficit) on the provision of services	(88,043)	0	(844)	0	0	(88,887)	0	(88,887)	(9,876)	(98,763)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	53,580	53,580	821	54,401
<b>Total Comprehensive Income and Expenditure</b>	<b>(88,836)</b>	<b>0</b>	<b>(844)</b>	<b>0</b>	<b>0</b>	<b>(89,680)</b>	<b>53,580</b>	<b>(36,100)</b>	<b>(9,055)</b>	<b>(45,155)</b>
Adjustments between Group Accounts and authority accounts	(9,332)	0	0	0	0	(9,332)	0	(9,332)	9,366	34
<b>Net Increase/Decrease before Transfers</b>	<b>(98,168)</b>	<b>0</b>	<b>(844)</b>	<b>0</b>	<b>0</b>	<b>(99,012)</b>	<b>53,580</b>	<b>(45,432)</b>	<b>311</b>	<b>(45,121)</b>
Adjustments between accounting basis and funding basis under regulations	98,793	0	2,344	2,320	(1,123)	102,334	(102,334)	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>625</b>	<b>0</b>	<b>1,500</b>	<b>2,320</b>	<b>(1,123)</b>	<b>3,322</b>	<b>(48,754)</b>	<b>(45,432)</b>	<b>311</b>	<b>(45,121)</b>
Transfers to/from Earmarked Reserves	7,866	(7,870)	4	0	0	0	0	0	0	0
<b>Increase/Decrease in 2013/14</b>	<b>8,491</b>	<b>(7,870)</b>	<b>1,504</b>	<b>2,320</b>	<b>(1,123)</b>	<b>3,322</b>	<b>(48,754)</b>	<b>(45,432)</b>	<b>311</b>	<b>(45,121)</b>
<b>Balance at 31 March 2014</b>	<b>20,019</b>	<b>35,119</b>	<b>2,545</b>	<b>3,722</b>	<b>2,786</b>	<b>64,191</b>	<b>455,699</b>	<b>519,890</b>	<b>(438)</b>	<b>519,452</b>



# GROUP ACCOUNTS

Restated	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £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 2012</b>	<b>12,605</b>	<b>36,684</b>	<b>997</b>	<b>0</b>	<b>5,751</b>	<b>56,037</b>	<b>645,834</b>	<b>701,871</b>	<b>2,663</b>	<b>704,534</b>
<b>Movement in reserves during 2012/13</b>										
Surplus or (deficit) on the provision of services	(60,812)	0	5,033	0	0	(55,779)	0	(55,779)	(4,101)	(59,880)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(79,910)	(79,910)	(228)	(80,138)
<b>Total Comprehensive Income and Expenditure</b>	<b>(60,812)</b>	<b>0</b>	<b>5,033</b>	<b>0</b>	<b>0</b>	<b>(55,779)</b>	<b>(79,910)</b>	<b>(135,689)</b>	<b>(4,329)</b>	<b>(140,018)</b>
Adjustments between Group Accounts and authority accounts	(860)	0	0	0	0	(860)	0	(860)	917	57
<b>Net Increase/Decrease before Transfers</b>	<b>(61,672)</b>	<b>0</b>	<b>5,033</b>	<b>0</b>	<b>0</b>	<b>(56,639)</b>	<b>(79,910)</b>	<b>(136,549)</b>	<b>(3,412)</b>	<b>(139,961)</b>
Adjustments between accounting basis and funding basis under regulations	66,917	0	(4,985)	1,402	(1,842)	61,492	(61,492)	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,245</b>	<b>0</b>	<b>48</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,853</b>	<b>(141,402)</b>	<b>(136,549)</b>	<b>(3,412)</b>	<b>(139,961)</b>
Transfers to/from Earmarked Reserves	(6,322)	6,305	(4)	0	0	(21)	21	0	0	0
<b>Increase/Decrease in 2012/13</b>	<b>(1,077)</b>	<b>6,305</b>	<b>44</b>	<b>1,402</b>	<b>(1,842)</b>	<b>4,832</b>	<b>(141,381)</b>	<b>(136,549)</b>	<b>(3,412)</b>	<b>(139,961)</b>
<b>Balance at 31 March 2013</b>	<b>11,528</b>	<b>42,989</b>	<b>1,041</b>	<b>1,402</b>	<b>3,909</b>	<b>60,869</b>	<b>504,453</b>	<b>565,322</b>	<b>(749)</b>	<b>564,573</b>

## GROUP ACCOUNTS

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

	31 March 2014 £000	31 March 2013 £000
Total Reserves in the Movement in Reserves Statement	519,452	564,573
Minority interests' share of reserves of subsidiaries	129	51
<b>Total Reserves in the Balance Sheet</b>	<b>519,581</b>	<b>564,624</b>

### 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	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
Transfer of pension fund deficit	(793)	0	0	0	(793)	0	(793)	793	0
Purchase of goods and services from subsidiaries	10,125	0	0	0	10,125	0	10,125	(10,159)	(34)
<b>Total adjustments between Group Accounts and authority accounts</b>	<b>9,332</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,332</b>	<b>0</b>	<b>9,332</b>	<b>(9,366)</b>	<b>(34)</b>

# GROUP ACCOUNTS

## The Group Comprehensive Income & Expenditure Statement

2012/13 (Restated) Group Expenditure £000		SC Net Expenditure £000	2013/14 Adjustments £000	Group Expenditure £000
	<b>Expenditure on Continuing Services</b>			
68,514	Adult Social Care	76,183	0	76,183
7,988	Central Services to the public	6,092	421	6,513
58,210	Children's and Education Services	55,539	0	55,539
22,261	Cultural and Related Services	20,986	84	21,070
23,117	Environmental and Regulatory Services	27,311	0	27,311
26,568	Highways and Transport Services	30,152	0	30,152
(7,052)	Local Authority Housing (HRA)	(1,595)	(236)	(1,831)
8,568	Other Housing Services	5,973	0	5,973
9,536	Planning Services	7,584	0	7,584
0	Public Health	93	0	93
4,547	Corporate and Democratic Core	5,078	0	5,078
537	Non Distributed Costs	(1,608)	0	(1,608)
	Share of Operating Results of Joint Venture			
(18,292)	- Turnover	0	(17,905)	(17,905)
17,703	- Cost of Sales and Operating Expenses	0	17,384	17,384
<b>222,205</b>	<b>Net Cost of Services</b>	<b>231,788</b>	<b>(252)</b>	<b>231,536</b>
58,897	Other Operating Expenditure	106,374	0	106,374
38,839	Financing and Investment Income and Expenditure	33,024	75	33,099
(260,179)	Taxation and Non Specific Grant Income	(272,174)	0	(272,174)
<b>59,762</b>	<b>Group (Surplus)/Deficit on the Provision of Services</b>	<b>99,012</b>	<b>(177)</b>	<b>98,835</b>
11,269	(Surplus) or deficit on revaluation of non-current assets	2,093	0	2,093
14,804	Impairment losses on Non Current Assets Charged to the Revaluation Reserve	3,999	0	3,999
54,153	Remeasurement of pension assets and liabilities	(59,672)	(971)	(60,643)
<b>80,226</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(53,580)</b>	<b>(971)</b>	<b>(54,551)</b>
<b>139,988</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>45,432</b>	<b>(1,148)</b>	<b>44,284</b>

## GROUP ACCOUNTS

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

Attributable shares of income and expenditure						
2012/13				2013/14		
Authority	Minority Interests	Total		Authority	Minority Interests	Total
£000	£000	£000		£000	£000	£000
59,738	24	59,762	(Surplus) or Deficit on the Provision of Services	98,762	73	98,835
80,137	89	80,226	Other Comprehensive Income and Expenditure	(54,473)	(78)	(54,551)
<b>139,875</b>	<b>113</b>	<b>139,988</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>44,289</b>	<b>(5)</b>	<b>44,284</b>

# GROUP ACCOUNTS

## Group Balance Sheet at 31 March 2014

31 March 2013 £000		SC £000	31 March 2014 Adjustments £000	Group £000
	Property, Plant & Equipment			
158,839	Council Dwellings	151,124	0	151,124
687,489	Land & Buildings	576,433	81	576,514
12,777	Vehicles, Plant and Equipment	8,873	169	9,042
307,300	Infrastructure	311,906	0	311,906
4,161	Community	3,710	0	3,710
7,881	Assets Under Construction	8,193	0	8,193
375	Surplus Assets	1,973	0	1,973
2,468	Heritage Assets	2,475	0	2,475
31,694	Investment Property	28,878	0	28,878
864	Intangible Assets	776	31	807
5,232	Assets Held for Sale	1,519	0	1,519
<b>1,219,080</b>	<b>Total Non Current Assets</b>	<b>1,095,860</b>	<b>281</b>	<b>1,096,141</b>
812	Long Term Investment	400	0	400
(687)	Investments in Associates and Joint Ventures	0	(385)	(385)
3,050	Long Term Debtors	3,139	(91)	3,048
<b>1,222,255</b>	<b>Total Long Term Assets</b>	<b>1,099,399</b>	<b>(195)</b>	<b>1,099,204</b>
	Current Assets			
9,328	Short Term Investments	39,100	0	39,100
712	Inventories	966	19	985
54,865	Short Term Debtors	68,715	(476)	68,239
85,370	Cash & Cash Equivalents	70,785	2,000	72,785
<b>150,275</b>	<b>Total Current Assets</b>	<b>179,566</b>	<b>1,543</b>	<b>181,109</b>
<b>1,372,530</b>	<b>Total Assets</b>	<b>1,278,965</b>	<b>1,348</b>	<b>1,280,313</b>
	Current Liabilities			
(6,937)	Bank Overdraft	(17,586)	0	(17,586)
(12,399)	Short Term Borrowing	(7,397)	0	(7,397)
(49,034)	Short Term Creditors	(54,465)	(1,047)	(55,512)
(6,021)	Provisions	(4,492)	0	(4,492)
(12,738)	Grants Receipts in Advance - Revenue	(10,628)	0	(10,628)
0	Grants Receipts in Advance - Capital	(1,040)	0	(1,040)
<b>(87,129)</b>	<b>Total Current Liabilities</b>	<b>(95,608)</b>	<b>(1,047)</b>	<b>(96,655)</b>
<b>1,285,401</b>	<b>Total Assets Less Current Liabilities</b>	<b>1,183,357</b>	<b>301</b>	<b>1,183,658</b>
	Long Term Liabilities			
(729)	Long Term Creditors	(719)	0	(719)
(342,853)	Long Term Borrowing	(337,768)	(14)	(337,782)
(22,780)	Other Long Term Liabilities	(22,685)	0	(22,685)
(349,846)	Pensions Liability	(297,394)	(596)	(297,990)
(4,491)	Provisions	(4,901)	0	(4,901)
(78)	Grants Receipts in Advance - Capital	0	0	0
<b>(720,777)</b>	<b>Total Long Term Liabilities</b>	<b>(663,467)</b>	<b>(610)</b>	<b>(664,077)</b>
<b>564,624</b>	<b>Total Assets Less Liabilities</b>	<b>519,890</b>	<b>(309)</b>	<b>519,581</b>
	Financed by:			
61,831	Usable Reserves	64,191	1,378	65,569
502,793	Unusable Reserves	455,699	(1,687)	454,012
<b>564,624</b>	<b>Total Reserves</b>	<b>519,890</b>	<b>(309)</b>	<b>519,581</b>

# GROUP ACCOUNTS

## Group Cash Flow Statement

2012/13 Group £000	Revenue Activities	SC £000	2013/14 Adjustments £000	Group £000
59,762	Net (surplus) or deficit on the provision of services	99,012	(177)	98,835
(106,657)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(144,532)	(241)	(144,773)
41,925	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	67,684	(940)	66,744
<b>(4,970)</b>	<b>Net cash flows from operating activities</b>	<b>22,164</b>	<b>(1,358)</b>	<b>20,806</b>
(2,764)	Investing activities	(8,821)	319	(8,502)
4,074	Financing activities	11,338	(408)	10,930
<b>(3,660)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>24,681</b>	<b>(1,447)</b>	<b>23,234</b>
74,773	Cash and cash equivalents at the beginning of the reporting period	77,880	553	78,433
<b>78,433</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>53,199</b>	<b>2,000</b>	<b>55,199</b>

# GROUP ACCOUNTS

## Notes to Group Accounts

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

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

	WME £000	SC Share (27.5%) £000
Turnover	(65,037)	(17,905)
Cost of Goods Sold and Operating Expenses	63,145	17,384
Interest and Investment Income	(24)	(7)
Pensions Interest Cost and Expected Return on Pensions Assets	188	52
<b>Net Operating Surplus</b>	<b>(1,728)</b>	<b>(476)</b>
Distribution of Surplus to Member Authorities	1,452	400
<b>NET SURPLUS FOR THE YEAR</b>	<b>(276)</b>	<b>(76)</b>

### **G2. Consolidation of Shropshire Towns & Rural Housing Limited**

The operating income (£9.981m) and expenditure (£9.745m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.236m has been included within Local Authority Housing (HRA) in the Net Cost of Services. The inter-company transactions with Shropshire Council have been excluded from Local Authority Housing (HRA) (Income/Expenditure £9.135m).

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

The operating income (£2.053m) and expenditure (£2.137m) of South Shropshire Leisure Limited, giving a net expenditure of £0.084m has been included within Cultural and Related Services. The inter-company transactions with Shropshire Council have been excluded from Culture and Related Services (Income/Expenditure £0.676m).

### **G4. Consolidation of IP&E Ltd**

The operating income (£0.306m) and expenditure (£0.328m) of IP&E Limited, giving a net expenditure of £0.022m has been included within Central Services to the Public. The inter-company transactions with Shropshire Council have been excluded from Central Services to the Public (Income/Expenditure £0.315m).

### **G5. Long Term Investment included in Group Balance Sheet.**

	WME £000	SC Share (27.5%) £000
Assets	14,380	3,959
Liabilities	(15,777)	(4,343)
<b>Investments in Associates and Joint Ventures</b>	<b>(1,397)</b>	<b>(385)</b>





Section 7

# Pension Fund Accounts



**SHROPSHIRE COUNTY**  
PENSION FUND



## 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 2013/14, 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 2014

2012/13 £000		2013/14 £000
	<b>Income</b>	
	Contributions	
(40,495)	Employers	(45,077)
(13,455)	Employees	(13,660)
(6,191)	Transfers In from other pension funds	(3,213)
<b>(60,141)</b>	<b>Total Income</b>	<b>(61,950)</b>
	<b>Expenditure</b>	
	Benefits Payable	
44,613	Pensions	47,094
9,404	Commutation of pensions and lump sum retirement benefits	10,528
1,079	Lump Sums	1,365
2	Refund of contributions	8
3,306	Transfers to other funds	3,299
905	Administrative expenses	1,112
<b>59,309</b>	<b>Total Expenditure</b>	<b>63,406</b>
<b>(832)</b>	<b>Net additions from dealings with scheme members</b>	<b>1,456</b>
	<b>Returns on Investments</b>	
(26,369)	Investment Income	(19,823)
4,707	(Gain)/loss on cash and currency hedging	(26,860)
211	Taxes on Income	195
(134,107)	Profits and losses on disposal of investments and changes in value of investments	(70,022)
8,692	Less Investment Management Expenses	10,576
<b>(146,866)</b>	<b>Net (increase) / decrease in the net assets available for benefits during the year</b>	<b>(105,934)</b>
<b>(147,698)</b>	<b>(Surplus) / deficit on the pension fund for the year</b>	<b>(104,478)</b>
<b>1,087,027</b>	<b>Opening net assets of the scheme</b>	<b>1,234,725</b>
<b>1,234,725</b>	<b>Closing net assets of the scheme</b>	<b>1,339,203</b>

# PENSION FUND ACCOUNTS

## Pension Fund Net Asset Statement as at 31 March 2014

31 March 2013		31 March 2014	
£000		£000	%
	<b>Investment Assets</b>		
	Fixed Interest Securities		
47,749	Public Sector Bonds	61,798	4.61
555,561	Equities	207,853	15.52
	Pooled Investment Vehicles		
116,634	Unitised Investment Vehicles	131,773	9.84
457,168	Other Managed Funds	912,315	68.12
	Derivative Contracts		
1,098	Futures	16	0.00
1,627	Forward Foreign Exchange	637	0.05
	Cash Deposits		
5,233	Margin Balances	4,916	0.37
46,513	Deposits	22,241	1.66
2,860	Temporary Investments	2,650	0.20
<b>1,234,443</b>		<b>1,344,199</b>	<b>100.37</b>
	<b>Investment Liabilities</b>		
	Derivatives		
(832)	Futures	(10)	(0.00)
(469)	Forward Foreign Exchange	(5)	(0.00)
	<b>Other Financial Liabilities</b>		
(1,349)	Margin Balances	(4,959)	(0.37)
<b>1,231,793</b>	<b>Net Investment Assets</b>	<b>1,339,225</b>	<b>100.00</b>
	<b>Current Assets</b>		
2,650	Contributions due from Employers	2,722	0.20
3,309	Other Current Assets	2,156	0.16
863	Cash Balances	38	0.00
	<b>Current Liabilities</b>		
(184)	Unpaid Benefits	(1,800)	(0.13)
(3,706)	Other Current Liabilities	(3,138)	(0.23)
<b>1,234,725</b>	<b>Net Assets of the Scheme - Available to Fund Benefits as at 31 March</b>	<b>1,339,203</b>	<b>100.00</b>

# PENSION FUND ACCOUNTS

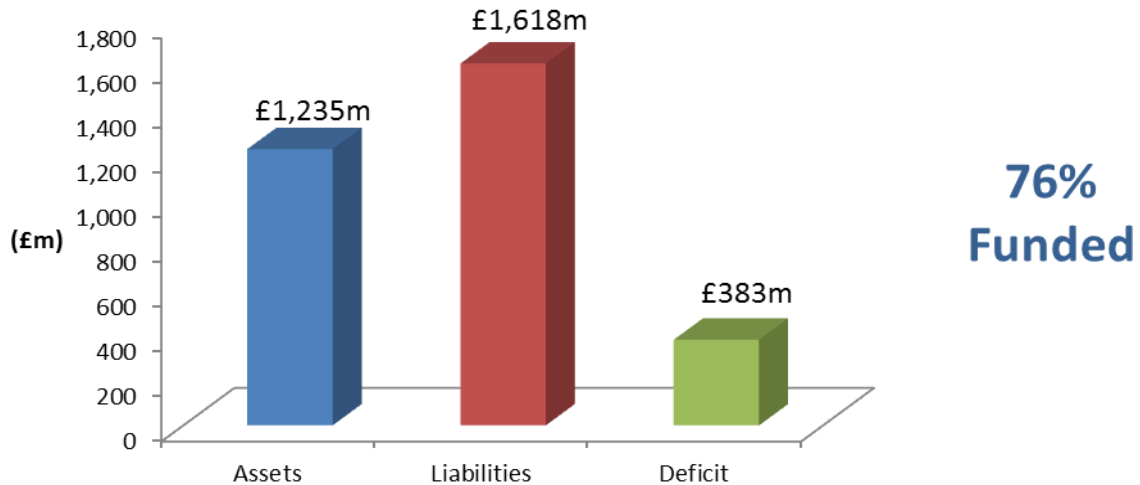
## SHROPSHIRE COUNTY PENSION FUND

### Accounts for the year ended 31 March 2014 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,235 million represented 76% of the Fund's past service liabilities of £1,618 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £383 million.



The valuation also showed that a common rate of contribution of 14.0% 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. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £274 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £17 million per annum increasing at 4.1% per annum (equivalent to approximately 8.2% of projected Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the 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.

## PENSION FUND ACCOUNTS

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### **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 as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases	3.9% per annum	3.9% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £1,814 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by

## PENSION FUND ACCOUNTS

c£128 million. Adding interest over the year increases the liabilities by a further c£76 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£14 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives an increase in liabilities of c£31 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £1,807 million.

**John Livesey**  
**Fellow of the Institute and Faculty of Actuaries**  
**Mercer Limited**  
**June 2014**

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

### **Opinion on the pension fund financial statements**

We have audited the pension fund financial statements of Shropshire Council for the year ended 31 March 2014 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 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Head of Finance, Governance and Assurance & Scheme Administrator and auditor**

As explained more fully in the Statement of Responsibilities, the Head of Finance, Governance and Assurance & Scheme Administrator is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the pension fund 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 Head of Finance, Governance and Assurance & Scheme Administrator ; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## PENSION FUND ACCOUNTS

### **Opinion on the pension fund financial statements**

In our 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 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014, 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 2013/14 and applicable law.

### **Opinion on other matters**

In our 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.

Grant Patterson,  
Director for and on behalf of Grant Thornton UK LLP,  
Appointed Auditor  
Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT  
xx September 2014





## Section 8

# Housing Revenue Account



## HOUSING REVENUE ACCOUNT

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

### HRA INCOME AND EXPENDITURE STATEMENT

2012/13 (Restated)		2013/14	
£		£	£
	<b>Expenditure</b>		
4,396,021	Repairs & Maintenance	4,900,807	
3,223,865	Supervision and Management	2,935,528	
31,019	Rents, rates taxes and other charges	126,756	
4,038,380	Depreciation - Dwellings	4,171,900	
69,810	- Other	43,030	
(2,167,684)	Impairment	3,389,719	
20,680	Debt Management Costs	4,740	
200,000	Provision for Bad or Doubtful Debts	70,000	
(15,687)	Negative Subsidy Payable	0	
<b>9,796,404</b>	<b>Total Expenditure</b>		<b>15,642,480</b>
	<b>Income</b>		
(15,618,197)	Dwelling Rents	(16,653,589)	
(208,947)	Non Dwelling Rents	(186,251)	
0	Other Income	(179,007)	
(1,021,202)	Charges for Services and Facilities	(217,942)	
(1,312,610)	Contributions towards expenditure	(849,704)	
<b>(18,160,956)</b>	<b>Total Income</b>		<b>(18,086,492)</b>
<b>(8,364,552)</b>	<b>Net Cost of HRA Services included in the Comprehensive I&amp;E Statement</b>		<b>(2,444,012)</b>
265,380	HRA Share of Corporate & Democratic Core		173,510
<b>(8,099,172)</b>	<b>Net Cost of HRA Services</b>		<b>(2,270,502)</b>
(322,780)	(Gain) or loss on sale of HRA Assets		266,337
3,092,625	Interest payable and similar charges		2,964,328
(23,333)	Interest and Investment Income		(29,678)
0	Income & Expenditure in relation to investment properties & change in fair values		(86,943)
319,428	Net interest on the defined benefit liability		0
<b>(5,033,232)</b>	<b>(Surplus) or deficit for the year on HRA Services</b>		<b>843,542</b>

# HOUSING REVENUE ACCOUNT

## MOVEMENT ON THE HRA STATEMENT

2012/13 (Restated) £	£	2013/14 £	£
<b>(997,738)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(1,041,350)</b>
<b>(5,033,232)</b>	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement		843,542
57,444	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statute.	8,982	
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.	538	
322,780	(Gain) or Loss on sale of HRA non-current assets	(266,337)	
(244,508)	HRA share of contributions to or from the Pension Reserve	0	
4,781,116	Transfer to/(from) the Capital Adjustment Account	(2,087,235)	
<b>4,985,413</b>	<b>Adjustments between accounting basis and funding basis under statute</b>		<b>(2,344,052)</b>
4,207	Transfer to/(from) Capital Reserve	(4,207)	
<b>4,207</b>	<b>Transfers to or (from) Reserves</b>		<b>(4,207)</b>
(43,612)	(Increase) or Decrease in year on the HRA		(1,504,717)
<b>(1,041,350)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(2,546,067)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING STOCK

	2013/14	2012/13
<b>Total Number of Dwellings at 31 March :</b>		
Houses and Bungalows	3,234	3,259
Flats	881	930
	<b>4,115</b>	<b>4,189</b>
<b>Change in Stock</b>		
Stock at 1 April	4,189	4,203
Less: Sales – Right to Buy	(26)	(14)
Sales – Other	(2)	0
Disposal/restructuring	(48)	0
Acquisition	2	0
	<b>4,115</b>	<b>4,189</b>

# HOUSING REVENUE ACCOUNT

## 2. RENT ARREARS

	2013/14 £	2012/13 £
Due from Current Tenants	149,507	219,111
Due from Former Tenants	178,852	177,657
<b>Total Rent Arrears as at 31 March</b>	<b>328,360</b>	<b>396,767</b>
Pre-Payments	(499,183)	(249,597)
<b>Net Arrears</b>	<b>(170,823)</b>	<b>147,171</b>

As at 31 March 2014, the total provision set aside for housing rent bad debts is £461,650.

## 3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings £	Other Land & Buildings £	Assets Under Construction £	Total Property, Plant & Equipment £	Investment Properties £	Total £
<b>Cost or Valuation</b>						
At 1 April 2013	176,371,262	1,138,557	95,794	177,605,613	739,925	178,345,538
Additions	2,162,763	0	1,112,903	3,275,666	0	3,275,666
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(342,000)	(94,684)	0	(436,684)	0	(436,684)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,339,983)	0	0	(17,339,983)	73,343	(17,266,640)
Derecognition - disposals	(1,144,220)	0	0	(1,144,220)	0	(1,144,220)
Derecognition - other	(882,740)	(40,217)	0	(922,957)	0	(922,957)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Other movements in cost or valuation	(3,325,752)	(236,656)	101,080	(3,461,328)	236,656	(3,224,672)
<b>As at 31 March 2014</b>	<b>155,499,330</b>	<b>767,000</b>	<b>1,309,777</b>	<b>157,576,107</b>	<b>1,049,924</b>	<b>158,626,031</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2013	(17,531,743)	(163,959)	0	(17,695,702)	0	(17,695,702)
Depreciation Charge	(4,204,570)	(10,360)	0	(4,214,930)	0	(4,214,930)
Depreciation written out to the Revaluation Reserve	186,451	134,615	0	321,066	0	321,066
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,120,620	0	0	14,120,620	0	14,120,620
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(170,356)	0	0	(170,356)	0	(170,356)
Derecognition - disposals	0	0	0	0	0	0
Derecognition - other	0	29,344	0	29,344	0	29,344

## HOUSING REVENUE ACCOUNT

	Council Dwellings	Other Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Total
	£	£	£	£	£	£
Other movements in depreciation and impairment	3,224,672	0	0	3,224,672	0	3,224,672
As at 31 March 2014	<b>(4,374,926)</b>	<b>(10,360)</b>	<b>0</b>	<b>(4,385,286)</b>	<b>0</b>	<b>(4,385,286)</b>
<b>Net Book Value</b>						
As at 31 March 2014	151,124,404	756,640	1,309,777	153,190,821	1,049,924	154,240,745
As at 31 March 2013	158,839,519	974,598	95,794	159,909,911	739,925	160,649,836

There is a difference of £287.336m between the tenanted valuation and the District Valuer's Vacant Possession Value of £435.358m at 1 April 2013.

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

	2013/14	2012/13
	£	£
Balance Brought Forward	1,401,750	0
Amount Transferred to the MRR during the Year	4,214,930	4,108,190
Capital Expenditure Financing	(1,894,451)	(2,706,440)
<b>Balance Carried Forward</b>	<b>3,722,229</b>	<b>1,401,750</b>

### 5. CAPITAL EXPENDITURE FINANCING

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

	2013/14	2012/13
	£	£
Usable Capital Receipts	152,075	0
Revenue Contributions utilised in year	379,437	95,794
Major Repairs Allowance	1,894,451	2,706,440
Government Supported borrowing	0	0
Government Grants and Contributions	849,703	1,312,610
<b>Total Capital Expenditure on Housing Stock</b>	<b>3,275,666</b>	<b>4,114,844</b>

### 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.

## HOUSING REVENUE ACCOUNT

	2013/14 £	2012/13 £
Sale of Council Houses under Right to Buy (RTB)	1,565,110	907,785
RTB Discounts Repaid	0	20,800
Other Land & Buildings	240,186	26,950
Total Capital Receipts from HRA Asset Disposals	1,805,296	955,535
Less Capital Receipts subject to Pooling requirement	(458,204)	(426,026)
<b>Net Capital Receipts from HRA Asset Disposals</b>	<b>1,347,092</b>	<b>529,509</b>

### 7. DEFERRED CHARGES

A charge of £537 was made to the HRA in respect of premiums incurred for the premature redemption of debt by Oswestry Borough Council in 2003/04. This represents the final payment and the debt is now fully redeemed.

### 8. IAS19 RETIREMENT BENEFITS

The implementation of accounting arrangements for pensions has not been applied to the HRA as all staff transferred to Shropshire Towns and Rural Housing Ltd on 1 April 2013 under Transfer of Undertakings (Protection of Employment) (TUPE).

	2013/14 £	2012/13 (Restated) £
Current Cost of Service	0	128,815
Net Return on Assets	0	319,428
Movement on Pension Reserve	0	448,243
Employers Contribution payable to scheme	0	(203,735)
Contribution to/(from) the Pension Reserve	0	(244,508)

### 9. HOUSING SUBSIDY

Housing Subsidy ceased on the 31<sup>st</sup> March 2012 and was replaced by Self-Financing.

	2013/14 £	2012/13 £
<b>Housing Element (Subtotal)</b>	<b>0</b>	<b>0</b>
Previous Year Adjustment	0	(15,687)
<b>HRA Subsidy recoupment</b>	<b>0</b>	<b>(15,687)</b>

## HOUSING REVENUE ACCOUNT

### 10. HOUSING REPAIRS ACCOUNT

	2013/14 £	2012/13 £
Balance Brought Forward 1 April	29,207	25,000
Contribution from Revenue	0	4,207
Expenditure on Capital	(4,207)	0
<b>Balance Carried Forward 31 March</b>	<b>25,000</b>	<b>29,207</b>

### 11. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

	2013/14 £	2012/13 £
Interest paid on mid-year HRA Capital Financing Requirement	69,125	133,294
Less Impairment	(170,336)	(919,649)
<b>Capital Asset Charges Accounting Adjustment</b>	<b>(101,211)</b>	<b>(786,355)</b>

Impairment represents capital work undertaken in the year that did not increase asset value.





Section 9

# Collection Fund



## COLLECTION FUND

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and Central Government.

2012/13 Total £000		Council Tax £000	2013/14 NDR £000	Total £000
	Income:			
(146,783)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(151,347)	0	(151,347)
(20,078)	Transfers from General Fund			
4	- Council Tax benefits	0	0	0
	- Transitional relief	5	0	5
(71,886)	Income collectable from business ratepayers	0	(75,997)	(75,997)
0	Transitional Protection Payments	0	48	48
(238,743)	TOTAL INCOME	(151,342)	(75,949)	(227,291)
	Expenditure:			
135,781	Precepts			
	- Shropshire Council and Parish and Town Councils	121,200	37,484	158,684
19,659	- West Mercia Police	17,743	0	17,743
9,562	- Shropshire & Wrekin Fire Authority	8,802	765	9,567
0	- Central Government	0	38,248	38,248
71,191	Charges to Collection Fund			
	- payment to national pool	0	0	0
461	- costs of collection	0	464	464
(1,520)	Bad and doubtful debts			
	- write offs	(146)	(106)	(252)
2,708	- provisions	580	577	1,157
0	Appeals rates			
	- write offs	0	(1,302)	(1,302)
0	- provisions	0	2,908	2,908
2,315	Contributions			
	- Towards previous year's estimated Collection Fund surplus	506	0	506
240,157	TOTAL EXPENDITURE	148,685	79,038	227,723
1,414	Deficit/(Surplus) for the Year	(2,657)	3,089	430
(2,271)	Balance brought forward	(857)	0	(857)
(857)	Balance carried forward	(3,514)	3,089	(425)

# 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 2013/14 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	51.75	5/9	28.75
A	15,120.21	6/9	10,080.14
B	25,416.66	7/9	19,768.51
C	23,389.82	8/9	20,790.95
D	17,046.04	9/9	17,046.04
E	13,098.31	11/9	16,009.04
F	7,129.72	13/9	10,298.48
G	3,959.42	15/9	6,599.04
H	258.25	18/9	516.50
			<b>101,137.45</b>
Adjustment for MoD Properties (687.83 Band D Equivalents) and Collection Rate (97.5%)			(1,857.80)
			<b>99,279.65</b>

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

Shropshire Council is the billing authority for NDR and retains 49% share of the total collected and distributes the remaining balance to Central Government (50%) and Shropshire & Wrekin Fire Authority (1%).

At 31 March 2014, the total non-domestic rateable value for all business premises in Shropshire was £199,785,454. The multiplier set by Government to calculate rate bills in 2013/14 was 46.2p for small businesses and 47.1p for all other businesses.



## Section 10

# Glossary



## 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.), NDR distribution to Central Government 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 is 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.
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.
Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
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

2013 – 2014

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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) 253705 or email [corporate.finance@shropshire.gov.uk](mailto:corporate.finance@shropshire.gov.uk)**

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