



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Council 16 July 2009		
	Public	

STATEMENT OF ACCOUNTS 2008/09 (SHROPSHIRE COUNTY COUNCIL AND SHROPSHIRE DISTRICT/BOROUGH COUNCILS)

Responsible Officer Laura Rowley

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Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

The Statement of Accounts Reports for Shropshire County Council, Shrewsbury & Atcham Borough Council, North Shropshire District Council, Bridgnorth District Council, South Shropshire District Council and Oswestry Borough Council are appended to this report (Appendices 1-6). These reports were all considered by the Audit Committee on the 2nd July 2009. The accounts will be audited by the Audit Commission over the next two months and any changes required to the accounts will be reported to the Audit Committee and Council in September. The accounts are also open to public inspection now until the end of the audit period.

The full statement of accounts for the six authorities will be held in the member's library and any queries on the statement of accounts can be raised directly with the Director of Resources.

This report provides a summary of the cumulative balances transferring to Shropshire Council for 2009/10.

Recommendations

To Shropshire Council

- A. That Full Council take into consideration the observations of the Audit Committee.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- C. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- D. That the Director of Resources be authorised to make any final adjustments.
- E. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

- 1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
- 2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

- 3. The total general fund balances for the six authorities is £7,712,642 as shown in the table below:

General Fund Balances	
	£000
Bridgnorth District Council	2,303,528
North Shropshire District Council	1,519,114
Oswestry Borough Council	0
Shrewsbury & Atcham Borough Council	1,948,000
South Shropshire District Council	(308,000)
Sub-total for District Authorities	5,462,642
Shropshire County Council	2,250,000
Total	7,712,642

- 4. The first call on the balances transferring to Shropshire Council is the costs of VER/Redundancy relating to LGR that will be incurred in 2009/10. The total value of these costs is £3m, however the District/Borough Authorities have made provision within their accounts for their share of the costs. The base budget for 2009/10 relies on a contribution from the general fund balance of £3.2m. Savings at this level will be generated from service transformation in 2009/10 in service areas such as housing, environmental services, planning and development and leisure.
- 5. A proportion of the balances transferring from the Districts will also need to remain in the general fund balance in order to meet the Council's policy on the level of balances held. The Council's policy is to have a general fund balance (excluding schools balances) of between ½% and 2% of the gross revenue budget. As the table below

demonstrates, with a budget of £574m for 2009/10 this requires the minimum general fund balance to be £2,870,000.

Budgeted Gross Spend in 2009/10	£000 574,019
General Fund Balance Required to be within Council's Policy:	
0.5% of Budgeted Gross Spend	2,870
2.0% of Budgeted Gross Spend	11,840

6. A total of £6.1m of earmarked reserves are also transferring from the District/Borough Authorities which have been set aside to meet ongoing commitments made by the District/Borough Authorities. The County Council held earmarked reserves of £21,983,000 at the 31st March 2009. A summary of the earmarked reserves held is in Appendix 7.
7. The total Housing Revenue Account Balance transferring from Oswestry Borough Council and Bridgnorth District Council is £986,053.

Housing Revenue Account	
	£
Bridgnorth District Council	386,562
Oswestry Borough Council	599,491
Total	986,053

8. A number of Earmarked Reserves totalling £457,722 within Shrewsbury & Atcham Borough Council's accounts will be transferred to Shrewsbury Town Council in accordance with the agreement made.

Reserves transferring to Shrewsbury Town Council	
	£
General Fund	164,000
Markets Reserve	71,000
S106 Commuted Sums	222,722
Total	457,722

9. The capital programmes of the District/Borough Authorities and the County Council have carried forward slippage of £17.5m into 2009/10. Capital receipts carried forward from the six authorities total £26.8m. This balance is fully committed to scheme in the future year's capital programme for Shropshire Council.

Capital Receipts Carried Forward	
	£
Bridgnorth District Council	1,695,112
North Shropshire District Council	6,419,816
Oswestry Borough Council	1,834,219
Shrewsbury & Atcham Borough Council	16,312,000
South Shropshire District Council	544,554
Shropshire County Council	9,422
Total	26,815,123

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Statement of Recommended Practice (SORP) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
Brian Williams, Chair of Audit Committee
Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Shropshire County Council)
2. Statement of Accounts 2008/09 (Shrewsbury & Atcham Borough Council)
3. Statement of Accounts 2008/09 (North Shropshire District Council)
4. Statement of Accounts 2008/09 (Bridgnorth District Council)
5. Statement of Accounts 2008/09 (South Shropshire District Council)
6. Statement of Accounts 2008/09 (Oswestry Borough Council)
7. Earmarked Reserves held by District/Borough Authorities and Shropshire County Council

Decision(s)



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee 2 July 2009		
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STATEMENT OF ACCOUNTS 2008/09 (SHROPSHIRE COUNTY COUNCIL)

Responsible Officer Laura Rowley

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Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

The County Council Draft Statement of Accounts for 2008/09 is appended to this report. This report provides details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.

The final revenue outturn for 2008/09 is an overspend of £2,141,000 on an original gross budget of £445,691,000. The final capital outturn shows a spend of £60,309,000, representing 89% of the revised budget after taking account of anticipated slippage.

The authority's specific reserves and provisions have increased by £544,000. The general fund balance has decreased by £471,000. Schools' balances have decreased by £894,000. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in separate reports on the Agenda for this meeting.

Recommendations

To the Shropshire Council Audit Committee

- A. To receive and comment on the draft 2008/09 Statement of Accounts and comment to Full Council as appropriate.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and August and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.
- C. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

To Shropshire Council

- D. That Full Council take into consideration the observations of the Audit Committee.
- E. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- F. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- G. That the Director of Resources be authorised to make any final adjustments.
- H. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

3. The overall revenue outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each Service Area:

	Children and Young People	Community Services	Economy and Environment	Res, CEX, L&DS and Corporate*	Total
	£000	£000	£000	£000	£000
Budget available to spend in 2008/09	44,248	69,635	34,454	30,683	179,020
Outturn for 2008/09	44,248	69,635	36,803	30,475	181,161
Over or (under) spends carried forward to set against or add to 2009/10 budget	0	0	2,349	(208)	2,141

4. The costs of the voluntary early retirement and redundancy associated with Local Government Review are set out in the table below. The costs for 2008/09 have been charged against Non Distributed Costs. The costs for 2009/10 will be met from General Fund Balances transferring from the districts and the Voluntary Early Retirement Reserve.

	2008/09	2009/10	Total
Redundancy	1,118,604	944,849	2,063,453
Pension Fund Strain	488,327	844,447	1,332,775
Total	1,606,931	1,789,297	3,396,228

5. The overall capital outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each service area:

Service Area	Capital Budget £	Actual Spend 31 Mar 09 £	Variance £	Comparison of Budget to Spend %
Community Services	6,238,877	4,843,059	1,395,818	78
Children and Young People's Services	27,926,665	23,023,219	4,903,446	82
Economy & Environment Services - Non LTP	10,651,514	9,467,218	1,184,296	89
Economy & Environment Services - LTP	21,715,612	21,683,413	32,199	100
Resources	1,515,699	1,292,522	223,177	85
Total	68,048,367	60,309,430	7,738,937	89

6. Capital expenditure in 2008/09 was £60,309,430, representing 89% of the capital budget. The total slippage from 2008/09 to 2009/10 is £7,738,937.
7. Movements in the County Council's General Balance in the year have been as follows:

	£000
Actual balance at 1 April 2008	2,721
Final variations on closedown:	
- Base budget contribution	528
- Decriminalised Parking	(714)
- Job Evaluation	(305)
- Insurance – below the line underspend	20
Total of Variations	(471)
Final Balance at 31 March 2009	2,250

8. There has been an overall decrease of £471,000 in the General Balance during the year.
9. Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion. The total balance of £7,552,000 represents 5.4% of Schools' delegated budgets. The movement in schools' balances is as follows:

	2007/08 £000	2008/09 £000	Increase/ (Decrease) £000
Schools:			
- Revenue Balances	5,883	5,305	(578)
- Invested Balances	2,205	2,074	(131)
- Foundation Schools' external balances*	358	173	(185)
Total	8,446	7,552	(894)

* Foundation Schools' 2008/09 external balances of £173,000 have been estimated.

10. As the Foundation Schools' external balances are not included in the General Fund Balances, the movement on these balances is removed when reconciling the movement on the General Fund.
11. School balances are also adjusted to take account of the expenditure on IT equipment for schools, where the cost of the equipment is recharged to schools over

the life of that equipment, effectively operating as an internal leasing arrangement. At the end of 2008/09 £240,000 was being used in this way compared to £292,000 in 2007/08. After these adjustments to school balances, the net cash movement on Schools' Balances is a decrease of £657,000.

12. The County Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities. The overall change in revenue reserves and provisions during 2008/09 is as follows:

Balance of Reserves and Provisions	£000
As at 31 March 2008	19,272
As at 31 March 2009	21,983
Increase/(Decrease)	2,711

Statement of Accounts

13. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the SORP, to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The SORP requires:

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

14. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:

- **An Explanatory Foreword** – this provides a review of the financial position of the Council for the financial year 2008/09. The format of this information is similar to that used in the Budget Book and corporate financial monitoring.
- **The Statement of Responsibilities** – this details the responsibilities of the authority and the Director of Resources concerning the authority's financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
- **The Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **The Core Financial Statements**, which comprises:
 - **The Income and Expenditure Account** – this is fundamental to the understanding of a local authority's activities. It brings together all of the functions of the authority and summarises all of the resources that the authority 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 authority, 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 2008/09

Income and Expenditure Account reports a deficit for the year of £55,406,000, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real cash position was actually a deficit during the year of £1,726,000. All of the theoretical amounts can be seen in the Statement of Movement on General Fund Balance and associated note.

- **The Statement of Movement on General Fund Balance** – this provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
 - **The Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2009. It shows the balances and reserves at the authority'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. As can be seen from the balance sheet the authority's total equity amounts to £456,469,000, an increase of £17,566,000 which is analysed in the Statement of Total Recognised Gains and Losses. In short this demonstrates that the authority's assets exceed liabilities by this amount and this represents a very healthy financial position.
 - **The Cash Flow Statement** – this consolidated statement summarises the authority's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.
 - **The Group Accounts** – these have been prepared to account for the County Council's share of West Mercia Supplies which has been treated as a joint venture for the purposes of the accounts. The Group deficit on the Income and Expenditure Account includes a surplus of £223,000 from West Mercia Supplies Accounts.
 - **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority'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 2008/09 and assets and liabilities as at 31 March 2009.
 - **The Annual Governance Statement** – the authority is required to carry out an annual review of the effectiveness of the system of internal control and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2008/09. However, any significant events or developments that occur between 31 March 2009 and the date on which the Statement of Accounts is signed by the Director of Resources should also be reported. To date no such events or developments have occurred.

15. The format of the Statement of Accounts is governed by The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). For 2008/09 there have been a number of changes to the previous SORP, the most significant of these changes, that affect the authority, are detailed below:

- The deletion of deferred charges since the concept has become redundant now that deferred charges can never be carried on the Balance Sheet. It has now been replaced by Revenue Expenditure Funded From Capital Under Statute, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
- The events after the Balance Sheet date has been amended to clarify how the date the Statement of Accounts is “authorised for issue” should be interpreted by local authorities in each jurisdiction.
- Details of how to account for the Area Based Grant, which is a new government grant payable from 1 April 2008.

Analytical Review

16. An analytical review has been carried out on each element of the Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2008/09 the materiality threshold (i.e. the level of change between 2007/08 and 2008/09) used was 10%, this threshold was used to ensure that all questions that the Audit Commission are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

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CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
Brian Williams, Chair of Audit Committee
Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Unaudited) – Available in the Member's Library
2. Analytical Review of Statement of Accounts

Decision(s)

Analytical Review of Shropshire County Council's Statement of Accounts for 2008/09

17. The analytical review for 2008/09 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Income and Expenditure Account Expenditure on Continuing Services – Cultural, Environmental and Planning Services**

2008/09	2007/08	Increase
£000	£000	£000
29,559	22,809	6,750

The increase is predominantly due to significant impairments that have been charged to this service in 2008/09. The impairments incurred are accounting adjustments either for a fall in the market value of the asset or where expenditure has been incurred on an asset, but this does not increase the valuation of the asset. These are not real losses or gains. The impairments for Cultural, Environmental and Planning Services include Ludlow Library (£896,590), the Food Enterprise Centre (£3,300,858), Shrewsbury Business Park (£536,046) and Tern Valley Business Park (£302,038). Due to the valuation basis used on the Food Enterprise Centre, the expenditure incurred on this asset has been treated as an impairment.

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

2008/09	2007/08	Increase
£000	£000	£000
45,181	26,924	18,257

The increase in net expenditure between years is consistent with budget and is predominantly due to an increase in the level of capital charges for impairments and revenue funded by capital under statute. This increased by over £10m in 2008/09 than in 2009/10. Also contributing to this increase is the treatment of grants that now feed into the Area Based Grant. In previous years these grants would have been offset against the service expenditure, however now we are required to report the Area Based Grant as part of the general government grants reported in funding. In total Education Services had grants of £6.5m that have been treated in this way.

- **Income and Expenditure Account Expenditure on Continuing Services – Highways, Roads and Transport Services**

2008/09	2007/08	Increase
£000	£000	£000
28,279	22,465	5,814

This increase in net expenditure between years is partially due to the treatment of the Road Safety (£740,000) and Rural Bus Subsidy (£1,082,000) grants now being included in the Area Based Grant. There was also significant additional spend in 2008/09 relating to the severe weather that was experienced during the winter.

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

2008/09	2007/08	Increase
£000	£000	£000
88,432	74,260	14,172

The increase in net expenditure between years is consistent with budget and is due to an increase in the level of capital charges for impairments and revenue funded by capital under statute. This increased by over £3.5m in 2008/09 than in 2009/10. Also contributing to this increase is the treatment of grants that now feed into the Area Based Grant. In total Social Services had grants of £5.5m that have been treated in this way. There was also significant pressure on the Looked After Children budget in 2008/09 which was highlighted throughout the year in the quarterly revenue monitoring reports.

- **Income and Expenditure Account Other Corporate Income and Expenditure – (Gain) or loss on disposal of fixed assets**

2008/09	2007/08	Increase
£000	£000	£000
19,142	1,214	17,928

The loss on disposal of fixed assets in 2008/09 was as a result of the transfer of 10 schools to the Diocese required as a legal obligation under Education Legislation. The SORP requires that where an Authority is required to surrender assets without compensation, possibly as following a transfer of responsibilities to another part of the public services, the current value of the asset should be written out as a loss on disposal. The transfer of 10 schools resulted in a reduction of £19,111,000 based on their current value; this was added to a loss on the sale of other assets of £31,000, resulting in the net loss of £19,142,000.

- **Income and Expenditure Account Other Corporate Income and Expenditure – Pensions Interest Cost & Expected Return on Pensions Assets**

2008/09	2007/08	Increase
£000	£000	£000
9,295	2,101	7,194

This is due to an increase in the interest on pension liabilities calculated. There was an increase in the discount rate used to calculate this figure and the pensions liability on which this is charged was significantly higher than in 2008/09 (£482,166,000) than in 2007/08 (£414,147,000).

- **Income and Expenditure Account Funding – General Government Grants**

2008/09	2007/08	Increase
£000	£000	£000
(23,095)	(8,032)	(15,063)

The main reason for this increase is the introduction of the Area Based Grant in 2008/09. The Area Based Grant replaced the grant provided in the Local Area Agreement (LAA) monies received. The LAA grants were previously credited to the services where the relevant expenditure had been occurred however it is necessary for the Area Based Grant to be charged to the funding element of the Income &

Expenditure Account. The Council received £14,794,000 in Area Based Grant in 2008/09.

• **Balance Sheet Fixed Assets – Land**

2008/09	2007/08	Decrease
£000	£000	£000
271,029	280,326	(9,297)

The decrease in the value of land assets held on the balance sheet in 2008/09 is due to the transfer of 10 schools to the diocese. This is a legal obligation to transfer ownership under the ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

• **Balance Sheet Fixed Assets – Surplus Assets**

2008/09	2007/08	Increase
£000	£000	£000
12,696	6,650	6,046

The increase in values relates to revaluations of £6,337,966 (mainly due to valuation basis been changed to market value on the basis the asset has been identified for disposal), transfers of £2,520,759, offset by disposals of £1,159,135, impairment charges of £1,557,129 (again mainly attributable to falling land values) and depreciation charges of £95,810.

• **Balance Sheet Current Assets – Creditors**

2008/09	2007/08	Increase
£000	£000	£000
58,307	50,328	7,981

There are a number of elements feeding into this increase in the level of creditors. In 2008/09 we had a closing creditor relating to the payment of over £3.4m of pension payments for staff retiring as a result of LGR. The payments were set up on the creditors system prior to the year end and the pension fund had paid over the cash to the SCC bank account for these transactions. Capital creditors also increased by £1.6m to take account of works completed on capital schemes commenced during 2008/09 that had not been billed. We also received £1.1m in prepayments of council tax and NNDR for 2009/10. £764,000 relates to the processing of payments to West Mercia Supplies for goods received prior to 31st March 2009.

• **Balance Sheet Current Assets – Cash Overdrawn**

2008/09	2007/08	Increase
£000	£000	£000
(4,623)	(1,603)	(3,020)

The County Council's overdraft has increased significantly, primarily due to a reduction in the level of capital income received. Cash generated from the sale of fixed assets has fallen significantly, which has resulted in using capital reserves to fund expenditure. Also capital grants including LTP and Detrunking Grants have reduced which has resulted in more supported borrowing being used to fund the capital expenditure on these areas.

• **Balance Sheet Long Term Liabilities – Government Grants Deferred**

2008/09	2007/08	Increase
£000	£000	£000
(94,030)	(75,774)	(18,256)

The movement relates largely to capital grants and contributions applied in 2008/09 of £32,134,000 less grant relating to revenue expenditure funded from capital under statute of £9,583,000, the balance of the change arose due to a combination of grant amortisation and grant being written down for impairment.

• **Balance Sheet Revaluation Reserve**

2008/09	2007/08	Increase
£000	£000	£000
157,420	103,000	54,420

The increase in this balance arises largely as a result of the revaluation exercises undertaken by Property Services during 2008/09, this increased asset values by £70,942,000, which has been offset by impairments of £11,745,000 and other changes due to disposals of assets during the year. The decline in the property market has resulted in reduced revaluation increases than in previous years however as majority of assets revalued are done so on a 4-5 year basis, there has still been a substantial increase in the asset values.

• **Balance Sheet Capital Adjustment Account**

2008/09	2007/08	Decrease
£000	£000	£000
440,070	478,685	(38,615)

The decrease in this account reflects the movement on Fixed Assets during the year. There were disposals of over £18.4m which included the transfer of schools to the Diocese. There were also impairments of £15.4m on assets held at historic cost, £6.2m of which related to work carried out during the financial year which did not increase the asset value the remainder was for general fall in prices.

• **Balance Sheet Usable Capital Receipts Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
9	1,390	(1,381)

Capital receipts received for 2008/09 were £3.8 million lower than in the previous year due to a decline in the property market which meant it was more difficult to generate capital receipts and the level of capital receipts generated declined. As a result of this change in economic conditions the Council opted to retain their surplus assets until the market recovered rather than dispose of assets for reduced sums. Depending on how the property market recovers it is expected that 2009/10 will result in a significant increase in the level of receipts generated as a number of large disposals are expected, including disposals slipped from 2008/09. As a result of the reduction in the availability of receipts to fund capital expenditure, the level of capital receipts applied has reduced.

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



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee 2 July 2009		
Council 16 July 2009	Public	

STATEMENT OF ACCOUNTS 2008/09 (SHREWSBURY AND ATCHAM BOROUGH COUNCIL)

Responsible Officer Campbell Thomson. (S151 Officer for Shrewsbury and Atcham Borough Council)

e-mail: campbell.thomson @hropshire.gov.uk Tel: 01743 .252322. Fax ...n/a..

Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

The Shrewsbury and Atcham Borough Council Draft Statement of Accounts for 2008/09 is appended to this report. This report provides details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.

The final revenue outturn for 2008/09 is an underspend of £514,933 on an original net budget of £11,829,890. The final capital outturn shows a spend of £13,830,634, representing 82.5% of the budget.

The authority's specific reserves and provisions have decreased by £10,659,695. The general fund balance has increased by £514,933.

Recommendations

To the Shropshire Council Audit Committee

- A. To receive and comment on the draft 2008/09 Statement of Accounts and comment to Full Council as appropriate.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and August and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.
- C. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

To Shropshire Council

- D. That Full Council take into consideration the observations of the Audit Committee.
- E. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- F. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- G. That the Director of Resources be authorised to make any final adjustments.
- H. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

3. The overall revenue outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each Service Area:

	Organisation £000	Economic £000	Community £000	Environmental £000	Learning £000	Total £000
Budget available to spend in 2008/09	-363	2,092	4,792	4,590	719	11,830
Outturn for 2008/09	-1,697	2,180	5,244	4,690	898	11,315
Over or (under) spends set against General Fund Balance	(1,334)	88	452	100	179	(515)

4. The costs of the voluntary early retirement and redundancy associated with Local Government Review are set out in the table below. The costs for 2008/09 have been charged against Non Distributed Costs. The costs for 2009/10 have been fully provided for in the Provision for Local Government Reorganisation on the Balance Sheet.

	2008/09	2009/10	Total
Redundancy	1,481,480	169,315	1,650,795
Pension Fund Strain	891,406	76,453	967,859
Total	2,372,886	245,768	2,618,654

In addition to the above other cases not related to local government reorganisation were agreed by the Council. These totalled £113,735 and arose from the restructuring of Parkright (whose costs were shared with the partners) and redundancies in the Street Cleansing service.

5. The overall capital outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each service area:

Service Area	Capital Forecast £	Actual Spend 31 Mar 09 £	Variance £	Comparison of Budget to Spend %
Organisation	566,650	389,864	-176,786	-31%
Learning	7,966,080	8,295,129	329,049	4%
Environment	2,071,820	1,119,997	-951,823	-46%
Economic	3,554,200	2,055,909	-1,498,291	-42%
Community	2,600,112	1,969,725	-630,387	-24%
Total	16,758,862	13,830,624	-2,928,238	-17%

Capital expenditure in 2008/09 was £13,830,624, representing 83% of the capital forecast. Approved expenditure remaining unspent totals £11,280,000.

5. There has been an overall increase of £514,933 in the General Balance during the year.
6. The Shrewsbury and Atcham Borough Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities. The overall change in revenue reserves and provisions during 2008/09 is as follows:

Balance of Reserves and Provisions	£000
As at 31 March 2008	11,474
As at 31 March 2009	814
Increase/(Decrease)	(10,660)

Statement of Accounts

7. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the SORP, to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The SORP requires:
 - o All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - o Interpretation and explanation of the Statement of Accounts to be provided.
 - o The Statement of Accounts and supporting notes to be written in plain language.
8. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
 - o **An Explanatory Foreword** – this provides a review of the financial position of the Council for the financial year 2008/09. The format of this information is similar to that used in the Budget Book and corporate financial monitoring.
 - o **The Statement of Responsibilities** – this details the responsibilities of the authority and the Director of Resources concerning the authority's financial affairs and the actual Statement of Accounts.

- **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
- **The Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **The Core Financial Statements**, which comprises:
 - **The Income and Expenditure Account** – this is fundamental to the understanding of a local authority’s activities. It brings together all of the functions of the authority and summarises all of the resources that the authority 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 authority, 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 2008/09 Income and Expenditure Account reports a surplus for the year of £514,933; however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real cash position was actually a surplus during the year of £16,142,011. All of the theoretical amounts can be seen in the Statement of Movement on General Fund Balance and associated note.
 - **The Statement of Movement on General Fund Balance** – this provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
 - **The Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2009. It shows the balances and reserves at the authority’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. As can be seen from the balance sheet the authority’s total equity amounts to £90.650m, a decrease of £8.764m which is analysed in the Statement of Total Recognised Gains and Losses. In short this demonstrates that the authority’s assets exceed liabilities by this amount and this represents a very healthy financial position.
 - **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.

- **Collection Fund** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
 - **The Annual Governance Statement** – the authority is required to carry out an annual review of the effectiveness of the system of internal control and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2008/09. However, any significant events or developments that occur between 31 March 2009 and the date on which the Statement of Accounts is signed by the Director of Resources should also be reported. To date no such events or developments have occurred.
9. The format of the Statement of Accounts is governed by The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). For 2008/09 there have been a number of changes to the previous SORP, the most significant of these changes, that affect the authority, are detailed below:
- The deletion of deferred charges since the concept has become redundant now that deferred charges can never be carried on the Balance Sheet. It has now been replaced by Revenue Expenditure Funded From Capital Under Statute, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
 - The “Events after the Balance Sheet date” has been amended to clarify how the date the Statement of Accounts is “authorised for issue” should be interpreted by local authorities in each jurisdiction.
 - Details of how to account for the Area Based Grant, which is a new government grant payable from 1 April 2008.

Analytical Review

10. An analytical review has been carried out on each element of the Statement of Accounts; this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2008/09 the materiality threshold (i.e. the level of change between 2007/08 and 2008/09) used was 10%, a threshold used to ensure that all questions that the Audit Commission are likely to raise have been reviewed and explanations are readily available.
11. The analytical review for 2008/09 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

• **Income and Expenditure Account Expenditure on Transferring Services**

2008/09	2007/08	Increase
£000	£000	£000
22,136	18,118	4,018

The main component of the increase in expenditure is due to the additional costs of early retirement and redundancy (£2.619m) arising from local government reorganisation as noted in para.4. There are however other variations that are worthy of note.

Net revenue expenditure funded from capital under statute increased by £0.440m arising from the Council's desire to fund various community schemes in the final year of its existence. The most significant schemes supported in this way was as a set up grant of £0.100m to the new Shrewsbury Town Council, and grants of £0.080m to the Wattlesborough Village Hall, £0.037m to Condover Cricket Club and £0.040 to Bayston Hill Parish Council .

Loss of income from fees and charges affected Car Parks (£0.369m), Land Charges (£0.115m), Development Control (£0.076m) and Building Control (£0.051m) as a result of the downturn in the economy.

Increased net expenditure on concessionary travel (£0.136m) arose because additional costs arising from the introduction of the national scheme outstripped the government grant received.

Excluding a technical adjustment affecting capital charges increased costs in Theatre Services (£0.272m) and Sport and Recreation (£0.131m) arose from the opening of Theatre Severn and increases in premises running costs and reduced grant income respectively.

The increase in Homelessness net expenditure arises from capital charges, the effect of depreciation on newly built accommodation and the effect of the fall in property prices of new accommodation acquired between 2005 and 2007.

Expenditure on disabled facilities grants increased by £0.139m, offset by an increase in Government grant of £0.083m.(This was in addition to £0.418m financed from capital resources. Total Council spending on disabled facilities in the year was £0.714m)

- **Income and Expenditure Account Other Corporate Income and Expenditure**

2008/09	2007/08	Decrease
£000	£000	£000
502	2,541	2,039

Gains on the sale of assets fell by £0.442m as the annual capital receipt from Severnside from the sale of ex Council houses arising from the 2001 LSVT was retained by them, with Council approval, to fund the installation of disabled facilities in its housing stock.

Income from investments was reduced by £0.380m as a result of falling interest rates and a reduction in the sums invested as a result of capital spending. The average interest rate for the year was 5.19% arising from the investment in building society fixed rate investments prior to the fall in interest rates in the second half of the year.

The net pensions interest cost and return on assets, as calculated by the Shropshire Pension Fund's actuaries, increased from £0.465m to £1.493m.

A surplus of £0.057m in 2007/08 was turned into a deficit of £0.117m in 2008/09 as a result of losing an external grounds maintenance contract with Severnside.

• **Income and Expenditure Account Funding**

2008/09	2007/08	Increase
£000	£000	£000
12,663	12,498	165

The demand on the Collection Fund increased by £0.182m and NDR by £0.260m. The RSG grant fell by £0.138m but was compensated by LAGBI grant (£0.238m) Housing and Planning Development Grant (£0.126m) and Area Based Grant (£0.025m). In 2008/09 the Council received no LPSA grant (£0.180m in 2007/08) and there were reductions to PDG (£0.147m) and Growth Point funding (£0.199m in 2007/08) has been accounted elsewhere in the accounts.

Statement of Total Recognised Gains and Losses

2008/09	2007/08	Increase
£000	£000	£000
8,764	7,986	778

The increase in the deficit on the General Fund increased by £5.892m and has been analysed above. Gains arising from revaluations fell by £3.105m as only two assets required revaluation in 2008/09. An actuarial loss in 2007/08 of £8.198m was turned into gain of £0.888m in 2008/09 reflecting the present value of scheme liabilities and fair value of scheme assets. There were also adjustments required as result of changes in the accounting requirements for pensions (£0.056m) and the amortisation of a long term debtor to its fair value (£0.557m)

• **Balance Sheet Fixed Assets – Land**

2008/09	2007/08	Decrease
£000	£000	£000
19,023	19,512	489

The decrease principally arises from the recognition of the continuing fall in property prices affecting the Council's land at Arlington Way. Minor areas of land were acquired at Frankwell Quay, the Dana and Pimley Manor (for a newts reserve).

• **Balance Sheet Fixed Assets – Buildings**

2008/09	2007/08	Increase
£000	£000	£000
81,944	73,991	7,953

Excluding the effect of annual depreciation the increase arises from the effects of 2008/09 capital spending. Most significant is the completion of the Severn Theatre (£7.419m). Other schemes of note were the refurbishment of the Quarry Swimming Pool, the County Ground Pavilion, several new and improved playgrounds, and improvements to operational buildings arising from the 2008/09 small schemes capital programme.

• **Balance Sheet Current Assets – Debtors**

2008/09	2007/08	Increase
£000	£000	£000
5,410	4,028	1,382

As a result of the increase take up of Benefits over that anticipated £0.709m is owed by DWP. £0.971m is due from the NDR pool. NNDR and Council Tax debtors have increased by £0.966m. as debt recovery has been affected by the transition to new systems. Sales ledger debtors reduced by £0.869m in the year. To reflect the increase in Collection Fund debtors the associated bad debts provisions have been increased.

- **Balance Sheet Current Assets – Long Term Investments**

2008/09	2007/08	Decrease
£000	£000	£000
400	3,540	3,140

The long term investments recognised in 2007/08 mature in May 2009. The remaining investment is the value of the ex Pump House, Coton Hill which represents the Council's stake in the Shrewsbury Environmental Technology Centre.

- **Balance Sheet Current Assets – Long Term Debtors, Transferred Services**

2008/09	2007/08	Increase
£000	£000	£000
971	44	927

The increase is represented by the deferred consideration due from the Shropshire Waste Partnership over a 26 year period arising from the transfer of the Council's waste collection service in October 2008.

- **Balance Sheet Current Assets – Long Term Debtors, Other**

2008/09	2007/08	Decrease
£000	£000	£000
1,158	1,801	643

The main component of the decrease represents the amortisation of the outstanding debt from Shrewsbury School arising from the Council's sale of freeholds over a 25 year period required by the SORP. It is matched by an equivalent adjustment to Deferred Capital Receipts.

- **Balance Sheet Current Assets – Temporary Investments**

2008/09	2007/08	Decrease
£000	£000	£000
3,138	35,572	32,434

To finance 2008/09 capital spending not all maturities were renewed in the year. Investments maturing at the end of the year were not reinvested in the lead up to the new Shropshire Council.

- **Balance Sheet Current Liabilities – Creditors**

2008/09	2007/08	Decrease
£000	£000	£000
3,808	8,756	4,948

The creditor to the NDR pool at 31/3/08 (£0.926) has been replaced by a debtor at 31/3/09. Collection Fund creditors have reduced by £0.711m. Sundry creditors have reduced by £2.914m. (Creditors at 31/3/08 included £1.7m owing to contractors and a returnable deposit on an aborted land sale).

- **Balance Sheet Current Liabilities – Cash in Hand**

2008/09	2007/08	Increase
£000	£000	£000
16,413	415	15,998

At the year end maturities of fixed rate bonds were not reinvested.

- **Balance Sheet Government Grants Deferred**

2008/09	2007/08	Increase
£000	£000	£000
9,709	7,511	2,198

The increase is due to the use of grants to fund 2008/09 capital spending. Growth Point funding (£0.660m) has been used to fund the demolition of the ex Tesco supermarket in Arlington Way, buildings in Moston Road and the CPO regarding the Arriva bus garage and DEFRA grant (£0.629m) was used to finance the remediation of contaminated gardens in Pontesbury. £0.150m was received from the Walker Trust for furniture and equipment at Theatre Severn and Big Lottery grants (£0.130) have funded new playgrounds at Sundorne (Destination Adventure) and Annscroft.

- **Balance Sheet Pensions Liability and Pensions Reserve**

	2008/09	2007/08	Increase
	£000	£000	£000
Liability	27,529	26,903	626
Reserve	(27,529)	(26,903)	(626)

Arises from the actuarial valuation of SABC's element of the Shropshire County Pension Fund. It incorporates an adjustment of £0.056m to the 2007/08 figure arising from new accounting regulations.

- **Balance Sheet Revaluation Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
238	0	238

Two properties, land at Withington and the former school at Grafton have been valued during the year following omission from the Council's asset register.

- **Balance Sheet Usable Capital Receipts Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
16,312	20,883	4,571

£4.783m was used to finance the 2008/09 capital programme, offset by £0.211m in receipts from miscellaneous small assets.

• **Balance Sheet Reserves**

2008/09	2007/08	Decrease
£000	£000	£000
355	11,366	11,011

The Capital Reserve (£9.610) was used to finance part of the Council's 2008/09 capital spending and the severance costs arising from local government reorganisation. Other reserves were used to finance additional costs arising from the opening of Theatre Severn and vehicle replacements. Other reserves which no longer had an objective were transferred to the General Fund.

The remaining earmarked reserves are as follows:

Reserve	Balance
	31/03/2009
	£000
Markets Reserve (to be transferred to Shrewsbury Town Council)	71
Capital Reserve (to be used to part finance Flaxmill development)	45
Public Amenities (to be shared with Shrewsbury Town Council)	145
Concessionary Travel – contractual dispute with supplier	60
Museums Exhibits Reserve (towards purchase of Goddan china collection)	21
Housing Properties – maintenance reseve	10
Burgesses Turns Prize Fund Scheme (Shrewsbury Town Council)	2

• **Balance Sheet General Fund Balance**

2008/09	2007/08	Increase
£000	£000	£000
1,948	1,433	515

This balance is now available to the Shropshire Council.

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Statement of Recommended Practice (SORP) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
Brian Williams, Chair of Audit Committee
Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Unaudited) – Available in the Member's Library

Decision(s)



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee 2 July 2009		
Council 16 July 2009	Public	

STATEMENT OF ACCOUNTS 2008/09 (NORTH SHROPSHIRE DISTRICT COUNCIL)

Responsible Officer Alison Manning (S151 Officer for North Shropshire District Council)
e-mail: alison.manning@shropshire.gov.uk Tel: 01939 237514 Fax n/a

Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

The District Council Draft Statement of Accounts for 2008/09 is appended to this report. This report provides details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.

The final revenue outturn for 2008/09 resulted in an overspend of £1.6m on an original gross budget of £36.8m. The final capital outturn shows spend of £2.1m, representing 45% of the revised budget after taking account of anticipated slippage.

The authority's specific reserves and provisions have decreased by £749,000. The general fund balance has decreased by £1.1m.

Recommendations

To the Shropshire Council Audit Committee

- A. To receive and comment on the draft 2008/09 Statement of Accounts and comment to Full Council as appropriate.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and August and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.
- C. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

To Shropshire Council

- D. That Full Council take into consideration the observations of the Audit Committee.
- E. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- F. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- G. That the Director of Resources be authorised to make any final adjustments.
- H. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

3. The overall revenue outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each Service Area:

Service Area	Available Budget 2008/09	Outturn 2008/09	Under / (Overspend)
	£	£	£
Cultural Services	1,095,290	1,616,289	(520,999)
Environmental Services	3,565,970	3,583,770	(17,800)
Planning and Development Services	9,981,250	1,443,118	8,538,132
Highways, Roads and Transport Services	270,670	590,452	(319,782)
Housing Services	2,011,000	1,560,543	450,457
Central Services to the Public	706,420	663,822	42,598
Central Services - other	88,620	158,752	(70,132)
Corporate and Democratic Core	1,740,030	1,740,529	(499)
Non Distributed Costs	224,190	1,669,117	(1,444,927)
	19,683,440	13,026,392	6,657,048

4. The costs of the voluntary early retirement and redundancy associated with Local Government Review are set out in the table below. The costs for 2008/09 have been charged against Non Distributed Costs. £111,000 of the costs for 2009/10 have been provided for in the Modernising Local Government Reserve on the Balance Sheet.

	2008/09	2009/10	Total
	£	£	£
Redundancy	793,884	74,892	868,776
Pension Fund Strain	748,387	42,878	791,265
Total	1,542,271	117,770	1,660,041

In addition to the costs of voluntary early retirement and redundancy that were agreed by the transitional authority, other cases, not wholly relating to local government reorganisation were agreed by North Shropshire District Council. The cost of these additional approvals was £270,705.

A significant outturn variation against budget relates to £9.7m revenue funding from capital under statute that was to be transferred to the Community Asset Trust (Planning and Development Services (£8m) and Housing (£1.7m). The scheme did not go ahead as it was not supported by the Implementation Executive. Other significant variations arise from the revaluation of the Council's assets (please refer to paragraph 13 below). A detailed list of revenue variations from budget is included in the Statement of Accounts on page 3.

5. The overall capital outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each service area:

Service Area	Re-phased Capital Budget £	Actual Spend 31 Mar 09 £	Variance £	Comparison of Budget to Spend %
Asset Management	159,000	89,757	69,243	56
Housing – Gen Fund	1,036,000	903,280	132,720	87
Housing - HRA	101,000	71,685	29,315	71
Economic Regeneration and Conservaton	3,223,000	941,873	2,281,127	29
ICT / Equipment	190,000	119,235	70,765	63
Contingency	20,000	-	20,000	-
Total	4,729,000	2,125,830	2,603,170	45

6. Capital expenditure in 2008/09 was £2,125,830, representing 45% of the re-phased capital budget. After adjusting for additional in year expenditure and schemes that will now fall out, the total slippage from 2008/09 to 2009/10 is £2,610,244.
7. There has been an overall decrease of £1,111,645 in the General Fund Balance during the year.
8. The District Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities. The overall change in revenue reserves and provisions during 2008/09 is as follows:

Balance of Reserves and Provisions	£
As at 31 March 2008	993,051
As at 31 March 2009	244,259
Increase/(Decrease)	(748,792)

Statement of Accounts

9. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the SORP, to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The SORP requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - Interpretation and explanation of the Statement of Accounts to be provided.
 - The Statement of Accounts and supporting notes to be written in plain language.
10. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
- **An Explanatory Foreword** – this provides a review of the financial position of the Council for the financial year 2008/09. The format of this information is similar to that used in the Budget Book and corporate financial monitoring.
 - **The Statement of Responsibilities** – this details the responsibilities of the authority and the Director of Resources concerning the authority's financial affairs and the actual Statement of Accounts.
 - **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
 - **The Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
 - **The Core Financial Statements**, which comprises:
 - **The Income and Expenditure Account** – this is fundamental to the understanding of a local authority's activities. It brings together all of the functions of the authority and summarises all of the resources that the authority 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 authority, 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 2008/09 Income and Expenditure Account reports a deficit for the year of £4,615,992, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real cash position was actually a deficit during the year of £1,111,645. All of the theoretical amounts can be seen in the Statement of Movement on General Fund Balance and associated note.
 - **The Statement of Movement on General Fund Balance** – this provides a reconciliation showing how the balance of resources generated /consumed in the year links in with statutory requirements for raising council tax.
 - **The Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2009. It shows the balances and reserves at the authority'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. As can be seen from the balance sheet the authority's total equity amounts to £18,234,664 an

increase of £1,903,392 which is analysed in the Statement of Total Recognised Gains and Losses. In short this demonstrates that the authority's assets exceed liabilities by this amount and this represents a very healthy financial position.

- **The Cash Flow Statement** – this consolidated statement summarises the authority's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.
 - **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.
 - **Housing Revenue Account** – which provides details of the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
 - **Collection Fund** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
 - **The Annual Governance Statement** – the authority is required to carry out an annual review of the effectiveness of the system of internal control and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2008/09. However, any significant events or developments that occur between 31 March 2009 and the date on which the Statement of Accounts is signed by the Director of Resources should also be reported. To date no such events or developments have occurred.
11. The format of the Statement of Accounts is governed by The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). For 2008/09 there have been a number of changes to the previous SORP, the most significant of these changes, that affect the authority, are detailed below:
- The deletion of deferred charges since the concept has become redundant now that deferred charges can never be carried on the Balance Sheet. It has now been replaced by Revenue Expenditure Funded From Capital Under Statute, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
 - The events after the Balance Sheet date has been amended to clarify how the date the Statement of Accounts is "authorised for issue" should be interpreted by local authorities in each jurisdiction.
 - Details of how to account for the Area Based Grant, which is a new government grant payable from 1 April 2008.

Analytical Review

12. An analytical review has been carried out on each element of the Statement of Accounts; this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2008/09 the materiality threshold

(i.e. the level of change between 2007/08 and 2008/09) used was 10%, this threshold was used to ensure that all questions that the Audit Commission are likely to raise have been reviewed and explanations are readily available.

13. The analytical review for 2008/09 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Income and Expenditure Account Expenditure on Transferring Services**

2008/09	2007/08	Increase
£	£	£
13,468,958	11,315,842	£2,153,116

The increase in expenditure is primarily due to the additional costs of early retirement and redundancy (£1.8m) arising from local government reorganisation as noted in paragraph 4. There are however, other variations that are worthy of note:

Pay and associated costs fell from £6.8m in 2007/08 to £6.0m in 2008/09. This is largely due to local government reorganisation and the associated freeze on recruitment whilst staffing levels for the new Council were identified.

“Notional” charges have increased by £1.3m. The Council’s assets were re-valued during 2008/09; related impairment costs to services utilising those assets increased by £1.5m. Offsetting this, costs relating to revenue expenditure funded from capital under statute were £212,000 lower in 2008/09. Notional sums have no effect on actual costs as a reversing entry negates the accounting entries. They are however, included as costs to services.

2008/09 was the first full year of operation of the Shropshire Waste Partnership. After making contributions to the partnership, the running costs of the recycling and household waste services have decreased by £257,000.

Development Control net costs have increased. Consultants’ costs have increased by £50,000, primarily to address issues relating to the proposed windfarm in the District and there was a reduction in fee income of £61,000. Income from land charges has also fallen by £84,000.

Community Development costs have reduced; £216,000 relates to the one-off costs of setting up the Community Asset Trust in 2007/08.

Rent income from Market Drayton Smithfield increased by £91,000 whereas income from the market fell by £7,000. An additional £57,000 was also invested in pre-contract work for the refurbishment of the market hall which was offset by a £30,000 transfer from Planning Delivery Grant.

The net cost of providing the concessionary fares service has fallen by £153,000. This is due to external government funding which commenced in 2008/09 and relatively stable spend over the two years.

- **Income and Expenditure Account Other Corporate Income and Expenditure**

2008/09	2007/08	Decrease
£	£	£
1,122,944	2,631,056	(1,508,112)

Loss on the sale of assets fell from £301,000 in 2007/08 to £9,000 in 2008/09. Disposals in 2007/08 included LSVT assets and Wem Senior Club and in 2008/09 the transfer of the War Memorial at Market Drayton and Jubilee Park public conveniences at Whitchurch to the respective town councils. Town and parish precepts increased by £100,586 – 7.8%

The reduction in the contribution of housing capital receipts to the Government Pool (£292,000 to £6,412 (recovery of discount allowed on re-sold RTB property)) is a reflection of the disposal of the housing stock on 30th July 2007; right to buy receipts are now paid to the Meres and Mosses Housing Association; then are shared with the Community Asset Trust.

Investment income reduced from £912,125 to £756,646. Although interest rates fell sharply towards the latter part of 2008/09, the average interest rate for the year was 4.6%; a fall of 1% on the previous year. This result exceeded target as the average 7 day LIBID rate was 3.71%.

The net pensions interest cost and return on assets increased from £49,000 to £446,000 which reflects Mercer's actuarial valuation of this Council's element of the Shropshire County Council pension fund.

• **Income and Expenditure Account Funding**

2008/09	2007/08	Increase
£	£	£
9,975,910	9,532,098	443,812

The demand on the Collection Fund increased by £34,116. This is made up of an increase of £100,586 for the town and parish councils, a reduction of £83,203 in Council Tax surplus and increased Council Tax of £16,733 (whilst the Council elected not to increase its Council Tax in 2008/09, the increase in the council taxbase increased income).

LABGI income increased by £292,516. The 2008/09 LABGI receipt relates to two grants; £299,081 for 2007/08 which was received in July 2008 and £109,969 for 2008/09. An area based grant of £22,500 was received from the Government during the year which supplemented the main 2008/09 grant settlement that increased by only £94,680 (less than 2%)

• **Statement of Total Recognised Gains and Losses**

2008/09	2007/08	Increase
£	£	£
(1,903,392)	2,590,719	(4,494,111)

Over the year, net gains increased by £4.5m.

The deficit on the Income and Expenditure Account increased from £2.8m to £4.6m; the foregoing analysis explains the variances.

Net fixed asset revaluation gains and losses have increased from £3.3m to £6.6m. This is due primarily to the re-valuation of the Council's assets.

Actuarial losses have reduced from £3.0m to £31,000, reflecting Mercer's present value of scheme liabilities and fair value of scheme assets.

• **Balance Sheet Fixed Assets – Land**

2008/09	2007/08	Increase
£m	£m	£m
5.8	2.9	2.9

• **Balance Sheet Fixed Assets – Buildings**

2008/09	2007/08	Increase
£m	£m	£m
13.2	10.8	2.4

Following the re-valuation of assets by Shropshire County Council, the overall value of land and building assets has increased from £13.8m to £19.0m. The Council has received a direction from the DCLG permitting the transfer of all residual HRA assets to the General Fund. These are included in the above £13.2m. There have been two acquisitions this year a) Land earmarked for a health centre in Ellesmere and b) the Lorry Park in Wem.

• **Balance Sheet Current Assets – Debtors**

2008/09	2007/08	Increase
£	£	£
3,037,284	2,343,090	694,194

Most of this variance relates to Collection Fund debtors which have increased by £793,000. Debt recovery has been affected by the old system closedown and transition to the new system.

• **Balance Sheet Current Assets – Temporary Investments**

2008/09	2007/08	Decrease
£m	£m	£000
9.0	10.4	1.4

The balance of temporary lending has fallen from £10.5m at 31st March 2008 to £9m at 31st March 2009. It had been anticipated that investments would be £2m following the transfer of £9.7m to the Community Asset Trust. The increased holding is as a result of the IE's decision not to proceed with the CAT and is offset by a reduction of some £2m used to fund severance costs and part of the stock transfer receipt for capital acquisitions.

• **Balance Sheet Current Liabilities – Creditors**

2008/09	2007/08	Decrease
£	£	£
1,264,713	2,739,594	1,474,881

A large proportion of this reduction relates to a lower value of advance receipts on the Collection Fund (£928,000) which are now accounted for in 2009/10. The reduced balance is also as a result of a change in processes in the final year of the Council which reduced the number of creditor payments in the final few months of the year.

• **Balance Sheet Current Liabilities – Cash in Hand**

2008/09	2007/08	Decrease
£	£	£
974,214	2,615,382	1,641,168

There was a higher than average level of cash received on 31st March 2008 – temporary investments on the following day refer. £900,000 of the cash holding was transferred to Shropshire Council early in April 2009.

• **Balance Sheet - Short Term Loans**

2008/09	2007/08	Increase
£000	£000	£000
1,500	-	1,500

It has been Council policy to avoid external borrowing. The new Council has a different approach to funding its capital expenditure and to align the two processes, £1.5m has been borrowed short term to reflect the unfunded element of capital activity represented by the CFR.

• **Balance Sheet Pensions Liability and Pensions Reserve**

	2008/09	2007/08	Increase
	£000	£000	£000
Liability	8,980	8,537	443
Reserve	(8,980)	(8,537)	(443)

The closing value noted reflects Mercer’s actuarial valuation of this Council’s element of the Shropshire County Council pension fund.

• **Balance Sheet Revaluation Reserve**

2008/09	2007/08	Increase
£000	£000	£000
9,187	2,783	6,404

The increase in the reserve reflects increased asset values following the re-valuation of the Council’s assets.

• **Balance Sheet Usable Capital Receipts Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
6,419	6,889	470

During 2008/09 £470,000 of the capital receipts reserve has been used to acquire the land for Ellesmere Health Centre (£400,000) and the Lorry Park in Wem (£70,000).

• **Balance Sheet Reserves**

2008/09	2007/08	Decrease
£000	£000	£000
224	354	130

For some years, the number and level of earmarked reserves held has been challenged to ensure that those that remain are to fund specific schemes only. In the run up to the formation of the new authority, this process has been intensified; agreeing balances with the new Council. During 2008/09, the majority of the reserves were used to fund severance costs. Remaining earmarked reserves are:

Reserve / purpose	31/03/09
	£
Modernising Local Government Reserve - to fund severance costs in 2009/10	111,000
Prees Heath Lorry Park (PHLP) Reserve - All PHLP parking fees are retained to assist in funding future resurfacing works at the site.	48,259
Asset Management Reserve - grant to Wem Town Hall Trust	65,000
	<u>224,259</u>

• **Balance Sheet - General Fund Balance**

2008/09	2007/08	Decrease
£	£	£
1,519,114	2,630,759	1,111,645

£1.5m is available to assist in funding the costs of the new Shropshire Council

• **Balance Sheet - Housing Revenue Account Balance**

2008/09	2007/08	Decrease
£	£	£
871,225	958,757	87,532

Following the disposal of the Council's housing stock in July 2007, the Secretary of State has now given the Council consent to transfer residual HRA assets to the General Fund (from 31st March 2008) and to close the HRA (from 31st March 2009).

The reduction in the HRA balance in year was £87,532. This leaves a closing HRA revenue balance of £871,225, £248,803 of which has been earmarked to fund capital schemes; the remaining balance can now be added to the General Fund balance.

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Statement of Recommended Practice (SORP) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
Brian Williams, Chair of Audit Committee
Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Unaudited) – Available in Member's Library

Decision(s)



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee 2 July 2009		
Council 16 July 2009	Public	

STATEMENT OF ACCOUNTS 2008/09 (BRIDGNORTH DISTRICT COUNCIL)

Responsible Officer Steve Ogram (S151 Officer for Bridgnorth District Council)

e-mail: Tel: Fax

Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

The District Council Draft Statement of Accounts for 2008/09 is appended to this report. This report provides details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.

The final revenue outturn for 2008/09 is an overspend of £1,364,353 on an original gross budget of £6,786,700. The final capital outturn shows a spend of £3,767,271, representing 60% of the revised budget. Anticipated slippage is £2,322,124.

The authority's specific reserves and provisions have decreased by £1,245,630. The general fund balance has decreased by £375,905.

Recommendations

To the Shropshire Council Audit Committee

- A. To receive and comment on the draft 2008/09 Statement of Accounts and comment to Full Council as appropriate.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and August and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.
- C. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

To Shropshire Council

- D. That Full Council take into consideration the observations of the Audit Committee.
- E. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- F. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- G. That the Director of Resources be authorised to make any final adjustments.
- H. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

3. The overall revenue outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each Service Area:

	Community Improvement £000	Housing & Environment £000	Resources & Finance £000	Total £000
Budget available to spend in 2008/09	1,717	2,901	2,169	6,787
Outturn for 2008/09	1,495	2,908	3,748	8,151
Over or (under) spends set against General Fund Balance	(222)	7	1,579	1,364

4. The costs of the voluntary early retirement and redundancy associated with Local Government Review are set out in the table below. The costs for 2008/09 have been charged against Non Distributed Costs. The costs for 2009/10 have been fully provided for in the LGR Redundancy/Strain Reserve on the Balance Sheet.

	2008/09	2009/10	Total
Redundancy	737,712	37,699	775,411
Pension Fund Strain	973,768	3,059	976,827
Total	1,711,480	40,758	1,752,238

5. The overall capital outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each service area:

Corporate Priority	Capital Budget	Actual Spend 31 Mar 09	Variance	Comparison of Budget to Spend
	£	£	£	%
Putting the Customer First	931,433	639,268	274,165	70%
Improving the Economy	914,437	138,770	775,667	15%
Supporting Communities	4,200,910	2,801,101	1,399,809	67%
Promoting the Environment	209,500	188,132	21,368	90%
Total	6,238,280	3,767,271	2,471,009	60%

6. Capital expenditure in 2008/09 was £6,238,280, representing 60% of the capital budget. The total slippage from 2008/09 to 2009/10 is £2,322,124.
7. There has been an overall decrease of £375,905 in the General Balance during the year.
8. The District Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities. The overall change in revenue reserves and provisions during 2008/09 is as follows:

Balance of Reserves and Provisions	Reserves £000	Provisions £000	Total £000
As at 31 March 2008	3,132	165	3,297
As at 31 March 2009	1,682	369	2,051
Increase/(Decrease)	(1,450)	204	(1,246)

Statement of Accounts

9. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the SORP, to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The SORP requires:
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 - **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.
- **Housing Revenue Account** – which provides details of the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year. The closing

balance on the HRA is £342,027 which was a decrease of £37,729 during the year. The 2008/09 Capital Programme for the Council included a budget of £2,371,286 for Planned Maintenance work to the housing stock. Actual expenditure was £1,770,946 and £600,340 has been slipped into 2009/10.

- **Collection Fund** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
 - **The Annual Governance Statement** – the authority is required to carry out an annual review of the effectiveness of the system of internal control and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2008/09. However, any significant events or developments that occur between 31 March 2009 and the date on which the Statement of Accounts is signed by the Director of Resources should also be reported. To date no such events or developments have occurred.
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13. The analytical review for 2008/09 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

● **Income and Expenditure Account Expenditure on Continuing Services**

Central Services to the Public		
2008/09	2007/08	Increase
£000	£000	£000

627 555 72

Main is a reduction income from Land Charges £35k.

Highways, roads and transport services

2008/09	2007/08	Decrease
£000	£000	£000
(380)	(124)	(256)

Main reason is increased income from Car Parking.

Local Authority Housing (HRA)

2008/09	2007/08	Decrease
£000	£000	£000
539	974	435

The main reason is a change in the calculation for determining depreciation on the Housing Stock.

Housing Services

2008/09	2007/08	Decrease
£000	£000	£000
858	83	775

The main reason relates to expenditure on Affordable Housing £564k

Non Distributed Costs

2008/09	2007/08	Increase
£000	£000	£000
1,219	211	1,008

The main reasons relate to LGR redundancy payments £738k, Pension Strain £974 Offset by staff vacancy savings (£457).

• **Income and Expenditure Account Other Corporate Income and Expenditure**

2008/09	2007/08	Decrease
£000	£000	£000
41	2,626	2,585

Main reasons for the decrease are :Net Gain on disposal of Car Park (£1,655), Reduced Right to Buy Pooling Requirement (£261K) Offset by FRS17 Pension Adjustment £421 and Impairment of Deposit £173.

• **Income and Expenditure Account Funding**

2008/09	2007/08	Increase
£000	£000	£000
7,888	7,630	258

Variance is less than 10%

• **Statement of Total Recognised Gains and Losses**

2008/09	2007/08	Increase
£000	£000	£000
2,701	1,849	852

The reasons for the increase in the total recognised loss for the year are: Increased deficit on the I&E account £1,399, Difference in the revaluations of Fixed Assets (£5,290), Surplus on the Collection Fund £61 and movement on Actuarial Gain £2,977.

• **Balance Sheet Fixed Assets – Dwellings**

2008/09	2007/08	Decrease
£000	£000	£000
152,095	152,685	590

Stock Valuation undertaken in 2008/09 resulted a net reduction.

• **Balance Sheet Fixed Assets – Land and Buildings**

2008/09	2007/08	Decrease
£000	£000	£000
5,957	6,264	306

Main reasons for the decrease are: Sale of Car Park £715, Depreciation in the Year £134, Offset by new Automated Public Conveniences (£556)

• **Balance Sheet Current Assets – Debtors**

2008/09	2007/08	Decrease
£000	£000	£000
3,280	3,339	59

.....

• **Balance Sheet Current Assets – Temporary Investments**

2008/09	2007/08	Decrease
£000	£000	£000
2,929	5,778	2,849

Investments moved to cash holding in bank prior to Local Government Reorganisation £1,675 and planned use of Capital Reserves

• **Balance Sheet Current Liabilities – Creditors**

2008/09	2007/08	Decrease
£000	£000	£000
2,223	2,485	262

The main reason for the reduction is due to proactive action taken to minimise outstanding creditors at the year end in preparation for LGR.

- **Balance Sheet Current Assets – Cash in Hand**

2008/09	2007/08	Increase
£000	£000	£000
2,079	376	1,675

See Temporary Investments above.

- **Balance Sheet Government Grants Deferred**

2008/09	2007/08	Decrease
£000	£000	£000
493	517	24

Movement less than 10%

Balance Sheet Pensions Liability and Pensions Reserve

	2008/09	2007/08	Increase
	£000	£000	£000
Liability	(11,718)	(11,274)	(444)
Reserve	11,718	11,274	444

Change based on advice for the Pension Fund Actuary.

- **Balance Sheet Revaluation Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
(3,427)	(4,285)	858

The main reason is the revaluation of HRA assets following formal stock revaluation.

- **Balance Sheet Usable Capital Receipts Reserve**

2008/09	2007/08	Increase
£000	£000	£000
(1,695)	(1,002)	(693)

Main reason is Capital receipt arising from the sale of a Car Park offset by reserve utilised to finance the Capital Programme.

- **Balance Sheet Reserves**

2008/09	2007/08	Decrease
£000	£000	£000
(1,682)	(3,132)	1,450

The main reason in the use of reserves to fund Redundancy Cost and Pension Strain arising from LGR.

- **Balance Sheet General Fund Balance**

2008/09	2007/08	Decrease
£000	£000	£000
(1,936)	(2,312)	376

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Statement of Recommended Practice (SORP) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
Brian Williams, Chair of Audit Committee
Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Unaudited) – Available in Member's Library

Decision(s)



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee 2 July 2009		
Council 16 July 2009	Public	

STATEMENT OF ACCOUNTS 2008/09 (SOUTH SHROPSHIRE DISTRICT COUNCIL)

Responsible Officer Lesley Bruton (Financial Resources Manager, South Shropshire District Council)

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Tel:01584 838240

Fax: 01584 838125

Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

South Shropshire District Council's Draft Statement of Accounts for 2008/09 is appended to this report. This report provides details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.

The final revenue outturn for 2008/09 is an overspend of £1,531,155 on an original net budget of £7,027,027 (gross budget £19,865,500). The final capital outturn shows a spend of £4,807,369, representing 85% of the revised budget before taking account of anticipated slippage.

The authority's specific reserves and provisions have decreased by £439,480. The general fund balance has decreased by £1,531,155.

Recommendations

To the Shropshire Council Audit Committee

- A. To receive and comment on the draft 2008/09 Statement of Accounts and comment to Full Council as appropriate.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and August and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.
- C. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

To Shropshire Council

- D. That Full Council take into consideration the observations of the Audit Committee.
- E. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- F. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- G. That the Director of Resources be authorised to make any final adjustments.
- H. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

3. The overall revenue outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each Service Area (net of deferred charges and depreciation):

	Budget Available to Spend in 2008/09 £000	Outturn for 2008/09 £000	Over or (Under spends set against General Fund Balance £000
Central Services to the Public	743	794	51
Cultural, Environmental and Planning Services	5,496	5,283	(213)
Highways, Road and Transport Services	25	178	153
Housing Services	359	354	(5)
Social Services	41	29	(12)
Corporate and Democratic Core	1,010	1,094	84
Non- Distributed Costs	31	1,182	1,151
Total	7,705	8,914	1,209

4. The costs of the voluntary early retirement and redundancy associated with Local Government Review are set out in the table below. The costs for 2008/09 have been charged against Non Distributed Costs. The costs for 2009/10 have been fully provided for in the Carry Forward Reserve on the Balance Sheet.

	2008/09	2009/10	Total
Redundancy	612,547	304,797	917,344
Pension Fund Strain	268,219	259,936	528,155
Total	880,766	564,733	1,445,499

5. The overall capital outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each service area:

Service Area	Revised Capital Budget £	Actual Spend 31 Mar 09 £	Variance £	Comparison of Budget to Spend %
Regeneration	1,781,907	1,839,936	58,029	103
General	108,795	46,505	(62,290)	43
Health & Housing	1,403,029	1,028,593	(374,436)	73
Environmental	339,419	141,813	(197,606)	42
Leisure	2,030,425	1,750,553	(279,872)	86
Total	5,663,575	4,807,400	(856,175)	85

6. Capital expenditure in 2008/09 was £4,807,400, representing 85% of the revised capital budget. Following the allocation of available resources the capital budget was set at £5,663,575, including externally funded projects. The total slippage from 2008/09 to 2009/10 is £900,075.
7. There has been an overall decrease of £1,531,155 in the General Balance during the year.
8. The District Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities. The overall change in revenue reserves and provisions during 2008/09 is as follows:

Balance of Reserves and Provisions	£000
As at 31 March 2008	1,789
As at 31 March 2009	1,350
Increase/(Decrease)	(439)

Statement of Accounts

9. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the SORP, to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The SORP requires:
- o All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - o Interpretation and explanation of the Statement of Accounts to be provided.
 - o The Statement of Accounts and supporting notes to be written in plain language.
10. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:

- **An Explanatory Foreword** – this provides a review of the financial position of the Council for the financial year 2008/09. The format of this information is similar to that used in the Budget Book and corporate financial monitoring.
- **The Statement of Responsibilities** – this details the responsibilities of the authority and the Director of Resources concerning the authority’s financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
- **The Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **The Core Financial Statements**, which comprises:
 - **The Income and Expenditure Account** – this is fundamental to the understanding of a local authority’s activities. It brings together all of the functions of the authority and summarises all of the resources that the authority 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 authority, 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 2008/09 Income and Expenditure Account reports a deficit for the year of £6,041,641, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real position (movement on the General Fund) was actually a deficit during the year of £1,531,155. All of the theoretical amounts can be seen in the Statement of Movement on General Fund Balance and associated note.
 - **The Statement of Movement on General Fund Balance** – this provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
 - **The Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2009. It shows the balances and reserves at the authority’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. As can be seen from the balance sheet the authority’s total equity amounts to £13,204,248, an decrease of £2,597,612 which is analysed in the Statement of Total Recognised Gains and Losses. In short this demonstrates that the authority’s assets exceed liabilities by this amount and this represents a very healthy financial position.
 - **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose

of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.
 - **Collection Fund** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
 - **The Annual Governance Statement** – the authority is required to carry out an annual review of the effectiveness of the system of internal control and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2008/09. However, any significant events or developments that occur between 31 March 2009 and the date on which the Statement of Accounts is signed by the Director of Resources should also be reported. To date no such events or developments have occurred.
11. The format of the Statement of Accounts is governed by The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). For 2008/09 there have been a number of changes to the previous SORP, the most significant of these changes, that affect the authority, are detailed below:
- The deletion of deferred charges since the concept has become redundant now that deferred charges can never be carried on the Balance Sheet. It has now been replaced by Revenue Expenditure Funded From Capital Under Statute, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
 - The events after the Balance Sheet date has been amended to clarify how the date the Statement of Accounts is “authorised for issue” should be interpreted by local authorities in each jurisdiction.
 - Details of how to account for the Area Based Grant, which is a new government grant payable from 1 April 2008.

Analytical Review

12. An analytical review has been carried out on each element of the Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2008/09 the materiality threshold (i.e. the level of change between 2007/08 and 2008/09) used was 10%, this threshold was used to ensure that all questions that the Audit Commission are likely to raise have been reviewed and explanations are readily available.
13. The analytical review for 2008/09 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

• **Income and Expenditure Account Expenditure on Continuing Services**

2008/09	2007/08	Increase
£000	£000	£000
10,942	8,568	2,374

The increase in expenditure is due to a number of various over and underspends, which are detailed on page 5 of the Statement of Accounts. However, major overspends include:

• Redundancies and actuarial strain costs	£881k	
• Deferred Charges		£701k
• Waste Collection		£242k
• Town Wall Repairs		£127k
• Provision for ERDF Clawback		£106k
• Grants to Community Projects		£ 99k
• Members' Allowances		£ 66k
• Concessionary Fares		£ 60k

• **Income and Expenditure Account Other Corporate Income and Expenditure**

2008/09	2007/08	Increase
£000	£000	£000
2,985	(578)	3,563

The increase in expenditure is due to:

Impairment and revaluation of fixed assets	£1,851k
Government grants deferred amortisation marching depreciation and impairments	£1,191k
Precepts paid to town and parish councils	£73k
Interest earned on cash balances	£120k
Pensions interest cost and expected return on pensions assets	£322k

• **Income and Expenditure Account Funding**

2008/09	2007/08	Increase
£000	£000	£000
7,885	7,533	352

The increase in funding is due to the following changes:

Council Tax income	£136k
Revenue Support Grant	(£64k)
Business Rates – contribution from pool	£178k
Area Based Grant	£49k
Local Area Business Growth Initiative	£53k

• **Statement of Total Recognised Gains and Losses**

2008/09	2007/08	Decrease
£000	£000	£000
2,599	2,942	343

The change in the Statement of Total Recognised Gains and Losses is due to the following changes on the movement of the accounts:

Deficit in the Income and Expenditure Account	£5,585k
Actuarial gain on the Pension Fund	(£2,423k)
Increase in the Collection Fund	(£182k)
Increase in the value of Fixed Assets due to Revaluation	(£3,323k)

- **Balance Sheet Fixed Assets – Operational Land and Buildings**

2008/09	2007/08	Increase
£000	£000	£000
10,855	9,959	896

The increase is due to the revaluation of all fixed assets during 2008/09.

- **Balance Sheet Current Assets – Debtors**

2008/09	2007/08	Increase
£000	£000	£000
2,955	2,907	48

- **Balance Sheet Current Assets – Temporary Investments**

2008/09	2007/08	Decrease
£000	£000	£000
-	4,600	4,600

The decrease in investments is due to a significant use of balances during the year. All investments were recalled prior to 31 March 2009 and transferred to the Council's main bank account.

- **Balance Sheet Current Assets – Cash in Hand**

2008/09	2007/08	Increase
£000	£000	£000
1,683	284	1,399

See note above re Temporary Investments.

- **Balance Sheet Current Liabilities – Creditors**

2008/09	2007/08	Decrease
£000	£000	£000
1,545	2,166	621

The amount of creditors was significantly lower at the end of 2008/09 as efforts were made to pay all outstanding invoices before the demise of the Council. There was an increase in the amount due to the NNDR Pool at the end of the year compared to the previous year.

- **Balance Sheet Government Grants Deferred**

2008/09	2007/08	Decrease
£000	£000	£000
4,203	4,351	148

• **Balance Sheet Pensions Liability and Pensions Reserve**

	2008/09	2007/08	Increase
	£000	£000	£000
Liability	(7,180)	(6,780)	400
Reserve	7,180	6,780	400

• **Balance Sheet Revaluation Reserve**

2008/09	2007/08	Increase
£000	£000	£000
3,220	-	3,220

A revaluation of all fixed assets was carried out during 2008/09, which resulted in a gross increase of £3.22 million.

• **Balance Sheet Usable Capital Receipts Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
545	810	265

A review was undertaken by the Executive Committee of the available resources, which resulted in an increase in the capital programme and use of receipts.

• **Balance Sheet Reserves**

2008/09	2007/08	Decrease
£000	£000	£000
1,223	1,761	538

A review was undertaken by the Executive Committee of the available resources with the agreement of the Implementation Executive, which resulted in an increase in the revenue expenditure, some of which was funded from reserves. In addition, £565k was transferred to the carry forward reserve to fund retirement and redundancy costs for 2009/10.

• **Balance Sheet General Fund Balance**

2008/09	2007/08	Decrease
£000	£000	£000
(308)	1,224	1,532

14. The Executive Committee undertook a rigorous review of the Council's finances and a significant balance was released, which was invested into priority areas with the agreement of the Implementation Executive. In addition the redundancy and pension strain costs of £880,766 for those officers who left or retired at the end of the financial year were funded from the General Fund. However, it was not envisaged that the redundancy and pension strain costs for those officers leaving post 31 March 2009 would have to be provided in the accounts. Shropshire Council requested that the sum of £564,733 be provided in the earmarked reserves and this additional cost has created a deficit on the General Fund. Details of the main

reasons for the decrease in the General Fund are shown on page 5 of the Statement of Accounts.

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Statement of Recommended Practice (SORP) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
Brian Williams, Chair of Audit Committee
Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Unaudited) – Available in Member's Library

Decision(s)



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Audit Committee 2 July 2009		
Council 16 July 2009	Public	

STATEMENT OF ACCOUNTS 2008/09 (OSWESTRY BOROUGH COUNCIL)

Responsible Officer Phil Sweeney (S151 Officer for Oswestry Borough Council)
e-mail: Philip.sweeney@shropshire.gov.uk Tel: 01743 255864 Fax 01743 255780

Summary

In normal circumstances the Accounts and Audit Regulations 2003 as amended 2006, require that the Statement of Accounts are approved by Full Council and signed by the Chairman by the 30th June. This deadline has been extended for new unitary authorities in 2008/09 to ensure that the new unitary authority Members have been elected. Therefore in accordance with the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, the signing and approval of the statement of accounts for all predecessor councils should be approved by 31 July 2009.

The Oswestry Borough Council Draft Statement of Accounts for 2008/09 is appended to this report. This report provides details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.

The final revenue outturn for 2008/09 is an overspend of £190,706 for the General Fund on an original gross budget of £17,323,954 and an overspend of £11,816 for the Housing Revenue Account on an original gross budget of £4,497,000. The final capital outturn shows a spend of £4,245,903, representing 81% of the revised budget after taking account of anticipated slippage.

The authority's specific reserves and provisions have decreased by £2,083,758. The general fund balance has decreased by £190,706.

Recommendations

To the Shropshire Council Audit Committee

- A. To receive and comment on the draft 2008/09 Statement of Accounts and comment to Full Council as appropriate.
- B. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and August and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.
- C. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

To Shropshire Council

- D. That Full Council take into consideration the observations of the Audit Committee.
- E. To note that the 2008/09 Statement of Accounts are to be audited by the Audit Commission during July and that any material changes required as a result of the audit will be reported to the Audit Committee and Council.

- F. That Council consider and approve the 2008/09 Statement of Accounts and that the Chairman signs them (in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended 2006).
- G. That the Director of Resources be authorised to make any final adjustments.
- H. To note that formal publication of the audited 2008/09 Statement of Accounts is required by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006).

REPORT

Background

1. A copy of the 2008/09 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2008/09 Statement of Accounts is 30 September 2009.

Key Outcomes

3. The overall revenue outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each Service Area:

	Community Services £000	Corporate Services £000	Chief Executive and Corporate £000	Housing Revenue Account £000	Total £000
Budget available to spend in 2008/09	4,394	1,375	486	(77)	6,178
Outturn for 2008/09	6,135	1,216	(905)	12	6,458
Over or (under) spends set against General Fund Balance	1,741	(159)	(1,391)	89	280

4. The costs of the voluntary early retirement and redundancy associated with Local Government Review are set out in the table below. The costs for 2008/09 have been charged against Non Distributed Costs. The costs for 2009/10 have been fully provided for in the Voluntary Early Retirement/Severance Reserve on the Balance Sheet.

	2008/09	2009/10	Total
Redundancy	770,860	91,984	862,844
Pension Fund Strain	505,761	25,472	531,233
Total	1,276,621	117,456	1,394,077

5. The overall capital outturn position for 2008/09 is set out in the table below and provides a summary of the outturn position for each service area:

Service Area	Capital Budget £	Actual Spend 31 Mar 09 £	Variance £	Comparison of Budget to Spend %
Asset Management Plans	1,103,000	1,208,508	(74,492)	6.7
Asset Replacement	268,000	61,600	(206,400)	77.0
Housing Stock	1,998,000	1,889,220	(108,780)	5.4
Private Housing	595,000	489,767	(67,861)	11.4
Regeneration Schemes	139,000	60,072	(105,233)	75.7
Environmental Schemes	41,250	41,182	(68)	0.1
Community Schemes	125,000	84,007	(40,993)	32.8
Leisure Schemes	956,500	591,547	(74,382)	7.8
Total	5,225,250	4,245,903	(979,347)	18.7

6. Capital expenditure in 2008/09 was £4,245,903, representing 81% of the capital budget. The total slippage from 2008/09 to 2009/10 is £979,347.
7. There has been an overall decrease of £190,706 in the General Balance during the year.
8. The Borough Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities. The overall change in revenue reserves and provisions during 2008/09 is as follows:

Balance of Reserves and Provisions	£000
As at 31 March 2008	5,012
As at 31 March 2009	2,929
Increase/(Decrease)	(2,083)

Statement of Accounts

9. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the SORP, to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The SORP requires:
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10. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
 - o **An Explanatory Foreword** – this provides a review of the financial position of the Council for the financial year 2008/09. The format of this information is similar to that used in the Budget Book and corporate financial monitoring.
 - o **The Statement of Responsibilities** – this details the responsibilities of the authority and the Director of Resources concerning the authority's financial affairs and the actual Statement of Accounts.

- **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
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- **The Core Financial Statements**, which comprises:
 - **The Income and Expenditure Account** – this is fundamental to the understanding of a local authority’s activities. It brings together all of the functions of the authority and summarises all of the resources that the authority 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 authority, 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 2008/09 Income and Expenditure Account reports a deficit for the year of £5,710,714, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real cash position was actually a deficit during the year of £190,706. All of the theoretical amounts can be seen in the Statement of Movement on General Fund Balance and associated note.
 - **The Statement of Movement on General Fund Balance** – this provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
 - **The Statement of Total Recognised Gains and Losses** – this demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2009. It shows the balances and reserves at the authority’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. As can be seen from the balance sheet the authority’s total equity amounts to £89,666,280, an decrease of £4,159,620 which is analysed in the Statement of Total Recognised Gains and Losses. In short this demonstrates that the authority’s assets exceed liabilities by this amount and this represents a very healthy financial position.
 - **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.
- **Housing Revenue Account** – which provides details of the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.

- **Collection Fund** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
 - **The Annual Governance Statement** – the authority is required to carry out an annual review of the effectiveness of the system of internal control and to include an Annual Governance Statement with the Statement of Accounts. The Statement explains how the Council has complied with the code of Corporate Governance during 2008/09. However, any significant events or developments that occur between 31 March 2009 and the date on which the Statement of Accounts is signed by the Director of Resources should also be reported. To date no such events or developments have occurred.
11. The format of the Statement of Accounts is governed by The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). For 2008/09 there have been a number of changes to the previous SORP, the most significant of these changes, that affect the authority, are detailed below:
- The deletion of deferred charges since the concept has become redundant now that deferred charges can never be carried on the Balance Sheet. It has now been replaced by Revenue Expenditure Funded From Capital Under Statute, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
 - The events after the Balance Sheet date has been amended to clarify how the date the Statement of Accounts is “authorised for issue” should be interpreted by local authorities in each jurisdiction.
 - Details of how to account for the Area Based Grant, which is a new government grant payable from 1 April 2008.

Analytical Review

12. An analytical review has been carried out on each element of the Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2008/09 the materiality threshold (i.e. the level of change between 2007/08 and 2008/09) used was 10%, this threshold was used to ensure that all questions that the Audit Commission are likely to raise have been reviewed and explanations are readily available.
13. The analytical review for 2008/09 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:
- **Income and Expenditure Account Expenditure on Continuing Services – Central Services**

2008/09	2007/08	Increase
£000	£000	£000
1,756	185	1,571

The increase in expenditure is predominantly due to the downward revaluation of the offices at Castle View, this is following a revaluation of the offices on 31

December 2008. This impairment is reversed out in the statement of movement on the general fund so that it does not have any impact on council tax.

- **Income and Expenditure Account Expenditure on Continuing Services – Highways, Roads and Transport Services**

2008/09	2007/08	Decrease
£000	£000	£000
210	258	48

The decrease in expenditure is largely due to an increase in the take up of concessionary travel since the introduction of the new national scheme, this has been offset by central government grant funding received to support the scheme.

- **Income and Expenditure Account Expenditure on Continuing Services – Local Authority Housing (HRA)**

2008/09	2007/08	Increase
£000	£000	£000
1,621	(459)	2,080

The increase is, again, predominantly due to impairment of assets held by the council. The housing stock held by the council was revalued as at 1 April 2008, and as a result of this there was a downward revaluation of £5.2m, some of this impact was offset by balances held in the revaluation reserve, the residual amount then being passed to the Income and expenditure account. As previously mentioned, this impairment is reversed out in the statement of movement on the general fund so that it does not have any impact on housing rents.

- **Income and Expenditure Account Expenditure on Continuing Services – Non Distributed Costs**

2008/09	2007/08	Increase
£000	£000	£000
1,559	179	1,380

As mentioned in Paragraph 4 the costs of the voluntary early retirement and redundancy associated with Local Government Review have been charged against Non Distributed Costs. These costs have been part funded by the in year savings made by the Borough Council and part funded by the Borough Council's reserves (shown in the statement of movement in the general fund), however any reserves which are required on an ongoing basis will be replenished by Shropshire Council to enable projects to be completed. As a result these redundancy costs will be covered by the ongoing savings of the new authority.

- **Income and Expenditure Account Other Corporate Income and Expenditure – interest payable and similar charges**

2008/09	2007/08	Decrease
£000	£000	£000
200	297	97

The main reason for the decrease was a more beneficial rate of interest on the replacement loan taken out in April 2008.

- **Income and Expenditure Account Other Corporate Income and Expenditure – interest and investment income**

2008/09	2007/08	Decrease
£000	£000	£000
(381)	(611)	230

The main reason for the decrease was due to a combination of lower interest rates in the year and expenditure on capital programmes.

- **Income and Expenditure Account Other Corporate Income and Expenditure – Contribution of HRA capital receipts to Government pool**

2008/09	2007/08	Decrease
£000	£000	£000
65	597	532

During 2007/08 9 council houses were sold, however in 2008/09 only 1 was sold, therefore fewer capital receipts were paid over to the pool.

- **Income and Expenditure Account Other Corporate Income and Expenditure – Pensions interest cost and expected return on pension assets**

2008/09	2007/08	Increase
£000	£000	£000
631	185	446

This adjustment is included as a result of the accounting standard FRS17 and is due to the change in the actuaries' valuation of the pension fund. FRS17 adjustments included within the income and expenditure account are reversed out in the statement of movement in the general fund to ensure no impact on council tax.

- **Income and Expenditure Account Funding – Government Grants**

2008/09	2007/08	Increase
£000	£000	£000
790	690	100

Largely due to an increase in the year in the amount of LABGI grant received (Local Authority Business Growth Incentive).

- **Statement of Total Recognised Gains and Losses**

2008/09	2007/08	Increase
£000	£000	£000

4,160 1,328 2,832

The increase is largely due to the increase in the deficit for the year on the income and expenditure account discussed above, this accounts for £5,203,000 of the change. The other significant factors are:

- Fixed asset revaluation increases were less in 2008/09 compared to 2007/08, this accounts for £2,476,000 of the change
- The collection fund deficit was higher than last year by £49,000
- In 2007/08 the actuaries highlighted a loss in pension fund assets and liabilities of £3,906,000. In 2008/09 this was a gain of £647,000, giving a difference year on year of £4,553,000.
- In 2007/08 a one off exceptional additional loss of £343,000 was included due to the requirement to write off premiums included in the 2006/07 balance sheet. This was not required in 2008/09.

• **Balance Sheet Fixed Assets – Council Dwellings**

2008/09	2007/08	Decrease
£000	£000	£000
88,827	94,143	5,316

The housing stock held by the council was revalued as at 1 April 2008, and as a result of this there was a downward revaluation of £5.2m, some of this impact was offset by balances held in the revaluation reserve, the residual amount then being passed to the Income and expenditure account.

• **Balance Sheet Fixed Assets – Other Non-operational properties**

2008/09	2007/08	Increase
£000	£000	£000
6,347	1,822	4,525

The Council had non-operational land held at Mile End revalued during the year, this resulted in an upward revaluation of £4,712,000. The balance of the change arose due to the work on the Oswald Park project in the year which resulted in additional non-operational assets of £478,000, this has been offset by an impairment of the castle view offices of £662,000.

• **Balance Sheet Current Assets – Investments**

2008/09	2007/08	Decrease
£000	£000	£000
0	8,966	8,966

The reduction to nil is partly due to expenditure on the capital programme and also because on 31 March the balances in investments were transferred into the Councils current account ready for transfer to Shropshire Council on 1 April 2009.

• **Balance Sheet Current Assets – Cash and Bank**

2008/09	2007/08	Increase
£000	£000	£000
5,043	64	4,979

The increase, as mentioned above, is due to the councils investments being transferred into the Councils current account ready for transfer to Shropshire Council on 1 April 2009.

• **Balance Sheet Current Liabilities – Creditors**

2008/09	2007/08	Decrease
£000	£000	£000
2,088	2,497	409

The reduction is mainly due to a reduction in government creditors for expenditure such as Income tax, housing subsidy and pooled capital housing receipts. This is because payments to the departments were completed earlier than usual to prepare for the move to unitary. Creditors would also have reduced in 2008/09 due to raised awareness to get creditor bills in earlier in the run up to the new authority.

• **Balance Sheet Liabilities – Provisions**

2008/09	2007/08	Increase
£000	£000	£000
298	221	77

The increase is largely due to a new provision being incorporated to cover a future payment for Whittington Castle Trust to pay off a loan guaranteed by Oswestry Borough Council. The loan is due to be called in for repayment in 2009/10.

• **Balance Sheet Unapplied Capital Grants and Contributions**

2008/09	2007/08	Decrease
£000	£000	£000
1,107	1,381	274

The decrease is due to £430,000 of grants being applied in 2008/09 compared to £236,000 in 2007/08. The balance of the change arose due to a combination of new grants and reclassifications during the year.

• **Balance Sheet Revaluation Reserve**

2008/09	2007/08	Increase
£000	£000	£000
5,276	3,361	1,915

The increase is largely due to the upward revaluation of non-operational land held at Mile End during the year, as mentioned above in Non-Operational Assets. This increase is offset by the use of the Council Houses element within the Revaluation Reserve to absorb the downward revaluation of the Council Houses, also mentioned above.

• **Balance Sheet Usable Capital Receipts Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
1,834	2,495	661

The decrease is largely due to £682,000 being applied to finance new capital investment in the year. The balance of the change arose due to a combination of

new receipts, HRA payments to the national pool and right-to-buy reductions during the year.

• **Balance Sheet Major Repairs Reserve**

2008/09	2007/08	Decrease
£000	£000	£000
1,503	2,001	498

The difference is due to the subsidy received of £1,161,000 (equal to housing depreciation) and the capital expenditure on HRA assets during the year of £1,659,000.

• **Balance Sheet Earmarked Reserves**

2008/09	2007/08	Decrease
£000	£000	£000
2,929	5,012	2,039

£957,000 of the decrease is due to contributions from reserves to finance costs associated with redundancy and early retirement for employees leaving the Council as a result of the unitary process, however any reserves which are required on an ongoing basis will be replenished by Shropshire Council to enable projects to be completed. As a result these redundancy costs will be covered by the ongoing savings of the new authority. The remainder of the difference is the use of £989,000 reserves to fund the Council's capital programme, and £137,000 to support revenue expenditure. Full details of the Council's earmarked reserves are contained in the statement of accounts note 28.

• **Balance Sheet Collection Fund Balance**

2008/09	2007/08	Decrease
£000	£000	£000
(16)	61	77

The decrease represents the collection fund deficit as detailed on page 54 of the statement of accounts.

• **Balance Sheet General Fund Balance**

2008/09	2007/08	Decrease
£000	£000	£000
0	191	191

The decrease represents the net overspend on the general fund in the year. Because the council does not exist as an entity after 31 March all of the general fund balance has been used to support revenue expenditure in the year.

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Statement of Recommended Practice (SORP) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2008/09

Human Right Act Appraisal

No conflicts with the Human Rights Act have been identified.

Environmental Appraisal

N/A

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council
 Brian Williams, Chair of Audit Committee
 Portfolio Holders

Local Member

All

Appendices

1. Statement of Accounts 2008/09 (Unaudited) – Available in Member's Library

Decision(s)

Appendix 7

Earmarked Reserves	BDC	NSDC	OBC	SABC	SSDC	Sub Total Districts
Capital Reserve	410,113		66,215	45,000		521,328
Public Amenities Reserve				145,000		145,000
LGR severance payments	40,460	111,000	117,457	248,000	564,733	1,081,650
Prees Heath Lorry Park		48,259				48,259
Joint Use Repairs & Renewals/Asset Management	166,523	65,000			9,000	240,523
Donnington Pool Desilting	70,000					70,000
Leisure Centre Seating	90,000					90,000
Craven Arms Auction Yard					70,000	70,000
Local Plan/LDF Reserve			160,088		57,000	217,088
Oswald Park Reserve			1,870,366			1,870,366
Economic Development Reserve			31,732			31,732
Community Bids Reserve			83,264		396,267	479,531
Other Reserves	127,456	343,804		313,278	126,000	910,538
Other Provisions		20,000		212,000	127,000	359,000
	904,552	588,063	2,329,122	963,278	1,350,000	6,135,015

SCC Earmarked Reserves

	SCC
Advisory Service	50,000
Area Based Grant	2,167,000
Building Maintenance	78,000
Connexions Legacy	441,000
County Council Elections	414,000
CYPS Directorate	595,000
Economic Development Workshops Major Maintenance	79,000
Education – Staff Sickness Insurance	951,000
Education – Theft Insurance	144,000
Fire Liability	1,701,000
Legal Disbursements	59,000
Local Authority Business Growth Incentive	507,000
Major Planning Inquiries	61,000
Motor Insurance	150,000
PFI Buildings Equipment Replacement	249,000
Resources Efficiency	291,000
Revenue Commitments for Future Capital Expenditure	1,780,000
School Meals – Academic Year	83,000
Shire Catering and Cleaning Efficiency	91,000
Shropshire Waste Partnership	8,522,000
TMO Vehicle Replacement	688,000
Voluntary Early Retirement/Severance	219,000
Waste Management	435,000
Youth Service Vehicle Replacement	58,000
Directorates Carry Forwards	-2,141,000
Liability Insurance	4,311,000
	21,983,000