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<b>POPULATION:</b> REGISTRAR GENERAL'S POPULATION ESTIMATE FOR MID 2007	<b>60,000</b>
<b>AREA IN HECTARES:</b>	<b>67,922</b>

**The information in this Statement can be made available in other formats such as large print or audio tape/CD or in community languages.**

**NORTH SHROPSHIRE DISTRICT COUNCIL**  
Edinburgh House  
New Street  
WEM  
Shropshire. SY4 5DB

## 1.0 **FOREWORD**

### 1.1 **GOING CONCERN**

The “going concern” accounting concept assumes that the Council will continue in operational existence for the foreseeable future and will not significantly curtail the scale of its operation. Due to the creation of a new Unitary Council for Shropshire from 1 April 2009, all legal responsibilities, services, assets and liabilities will transfer to the new Council. This will therefore, be the last published Statement of Accounts for North Shropshire District Council.

### 1.2 **ACCOUNTING PRACTICES**

The basic requirement for the accounts of authorities to be made up and audited is contained in Section 27 of the Audit Commission Act 1998. The form and content is prescribed by the Accounts and Audit Regulations 2003 (as amended). The Council complies with current legislation by adopting the accounting Code of Practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council’s detailed financial reporting is based on CIPFA’s Best Value Accounting Code of Practice (BVACOP) that sets standard practices for local authorities. The categorisation of service costs in the Income and Expenditure Account is prescribed by the BVACOP.

The Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement make up the core statements for the Council whilst the Housing Revenue Account and the Collection Fund are supplementary statements as follows:

### 1.3 **CORE STATEMENTS**

***Income and Expenditure Account*** - this account reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how the cost has been financed from general government grants and income from local taxpayers to give a net deficit or surplus for the year.

***Statement of Movement on the General Fund Balance*** – the General Fund balance is available to the Council to assist in funding future activities. This statement illustrates the in-year movement in the balance which generally occurs by transferring the net deficit or surplus on the Income and Expenditure Account, but is also affected by additional amounts required by statute and non-statutory proper practice.

***Statement of Total Recognised Gains and Losses*** – in addition to the surplus and deficit on the Income and Expenditure Account, the Council will experience other gains and losses which will be recognised when assessing the financial results for the year. For example, gains and losses on revaluation of council owned buildings.

***Balance Sheet*** - this statement records the assets and liabilities of the Council at the end of the financial year.

***Cash Flow Statement*** - this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

## 1.4 SUPPLEMENTARY STATEMENTS

**Housing Revenue Account Income and Expenditure Account** - this account reflects the statutory obligation to account separately for local authority housing provision.

**Statement of Movement on the Housing Revenue Account Balance** – this serves the same purpose as the Statement of Movement on the General Fund balance but its use relates to local authority housing activities.

**Collection Fund** - this account reflects the statutory obligation to maintain a separate account to record the transactions relating to Council Tax and National Non-Domestic Rates.

## 1.5 REVENUE

### General Fund

The net cost of services was estimated to be £8,165,650 when the General Fund revenue budget was approved in February 2008. At that time it was anticipated that this budget level could be achieved by transferring £10,922 from the General Fund balance. During the year, additional expenditure, particularly severance costs due to local government reorganisation and some increased central government funding available to the Council resulted in a final call from the revenue balance of £1,580,695

	<b>2008/09 Estimate £</b>	<b>Actual £</b>
Net cost of services (net of transfers to and from earmarked reserves)	<b>8,165,650</b>	<b>9,757,923</b>
<i>Financing:</i>		
Transfer (to) / from the revenue balance	10,922	1,580,695
Council Tax/Collection Fund Surplus	2,992,902	2,992,902
Revenue Support Grant	630,761	630,761
National Business Rates Grant	4,531,065	4,531,065
Area based grant (additional)	-	22,500
	<u>8,165,650</u>	<u>9,757,923</u>
Town and Parish Precepts		1,387,343

The increase in net expenditure is made up of many variations on most budgets. Significant variations compared to budget are listed below (rounded to the nearest £1,000)

	<b>£</b>
Staff savings	(76,000)
Saving requirements built into base budget	338,000
Severance costs *	1,684,000
Sports and Recreation Grants	65,000
Development Control Legal Fees	54,000
Business Development Grants - Consultants Fees	52,000
Development of Market Drayton Indoor market, design and feasibility	58,000
Net Rent Allowances	201,000
Other reductions in expenditure (<£50,000)	(156,000)
Rent received from Market Drayton Smithfield	(113,000)
Planning Delivery Grant for economic regeneration	(65,000)

Land Charges - reduced income from 'Fees and Charges'	95,000
Interest received	(449,000)
Additional income received (<£50,000)	(114,000)
Other appropriations	(21,000)
Contributions to / (from) Reserves	39,000
	<u>1,592,000</u>

\*When the 2008/09 budget was set no provision was made for the severance costs arising as a result of Local Government Reorganisation. Severance costs agreed by the transitional authority totalled £1,542,271 of which £793,884 were redundancy costs. North Shropshire District Council agreed £270,705 severance costs, £85,331 of which were redundancy costs. A reserve of £111,000 has been provided to fund severance costs in 2009/10.

Whilst it is important to maintain reserves and balances to an adequate level taking all future funding requirements into account, care must be taken not to hold funds where the obligation for creating them has been met. In these cases, it is good practice to release the reserve back into balances to fund other schemes. Consequently, during 2008/09 £60,000 from earmarked reserves has been written back to the General Fund balance.

The following table illustrates the effect of these actions and the General Fund Revenue balance at 1<sup>st</sup> April 2009.

	<b>£</b>
General Fund revenue balance at 1st April 2008	2,630,759
Write back of earmarked reserves	60,000
Local Authority Business Growth Incentive Grant	409,050
In year use of the General Fund Balance	<u>(1,580,695)</u>
General Fund revenue balance at 31 <sup>st</sup> March 2009	<u>1,519,114</u>

### **Impairment**

An impairment review was conducted as at 31<sup>st</sup> March 2009. It was found that some of the Council's assets had decreased in value as a result of the economic climate. A reduction in value of £1,053,332 is reflected in the statements.

### **Housing Revenue Account (HRA)**

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 31<sup>st</sup> March 2008) and to close the HRA (from 31<sup>st</sup> March 2009). The following analysis therefore relates only to residual HRA activity up to 31<sup>st</sup> March 2009.

The reduction in the HRA balance in year was £87,532 which compares to an estimate of £200,000. This leaves a closing HRA revenue balance of £871,225. The main transactions in the year are as follows:-

	<b>£</b>
<b>Income</b>	
Transfer of tenants arrears (final settlement)	(7,717)
HRA subsidy received	(28,050)
<b>Expenditure</b>	
Repairs and Maintenance contracts (final settlements)	99,420
Management (Professional Fees and other items)	21,677

### Other transactions

Discounts received on early redemption of loans and Loss on Sale

2,202  
87,532

## 1.6 CAPITAL EXPENDITURE AND DISPOSALS

Separate statutory accounting arrangements apply to capital expenditure (i.e. the expenditure incurred on items which provide benefit over a number of years as opposed to revenue where the costs relate to the annual provision of services). Where a scheme is not completed during the year of budget, the unspent proportion of the budget is carried forward to meet the cost when the work is undertaken (i.e. slippage). A re-phased budget was approved by Council on 24<sup>th</sup> September 2008. Actual capital expenditure is compared to the re-phased budget as follows:

	<b>Re-phased Budget</b>	<b>Actual Spend</b>	<b>Unspent Budget</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Asset Management	159,000	89,758	69,242
Housing – General Fund	1,036,000	903,280	132,720
Economic Regeneration & Planning	3,223,000	941,873	2,281,127
Other	210,000	119,235	90,765
Council Dwellings	101,000	71,685	29,315
	<u>4,729,000</u>	<u>2,125,831</u>	<u>2,603,169</u>

Expenditure on asset management includes retention payments on the Customer Contact Centre, works to car parks and play and recreation schemes. Other budgeted expenditure was contained within revenue expenditure.

The unspent 'Housing – General Fund' budget relates to Home Improvement and Disabled Facilities Grants that have been awarded but the work had not been completed at 31<sup>st</sup> March. An affordable housing scheme was completed during the year.

There are three regeneration and business development schemes together with several historic building schemes that will be completed by the new Council.

Residual works to Council dwellings relates to a scheme at Fairfields estate, Market Drayton. The scheme was ongoing at the time of the stock transfer and was concluded by the Council. In addition there are some final retention payments for past schemes.

Capital receipts amount to £16,550 during the year, of which £6,412.50 had to be paid over to the Department for Communities and Local Government.

The sources of funding for the Council's capital budget are shown in detail in Note 20. This year these were government grants, Lottery funding, contributions from third parties, capital receipts, revenue contributions and borrowing.

## 1.7 COLLECTION FUND

As a billing authority, the Council operates as trustee of the income collected and distributed to those authorities permitted to precept on the fund. The majority of the £530,969 surplus is due to the Shropshire Council.

## **1.8 PENSIONS / CHANGE IN ACCOUNTING POLICY**

Officers of the Council may make pension provision by salary deduction paid over to the Shropshire County Pension Fund. As employer, the Council also makes contributions. During 2008/09, the Council made contributions to the fund of 13.3% of gross pay.

Legislation (FRS17) requires that Councils show the underlying commitment they have in the long-term to pay retirement benefits. The 2008 SORP incorporates recent changes to FRS 17 which bring it into line with IFRS by changing the valuation method for certain scheme assets. This represents a change in accounting policy; i.e. most assets are now valued at "realisable values" (i.e. bid values), as opposed to the previous requirement of "fair values" (in effect, mid-market values) and revising disclosure requirements. These changes have necessitated a restatement of the 2007/08 Income and Expenditure Statement, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Pensions Reserve, and a revision of some of the notes to the core statements.

There is a "gap" in long term pension funding, i.e. the value of liabilities outweighs the assets; this is a cause for concern. Pension details are disclosed in the accounts as follows - Paragraph 1.06 of the Statement of Accounting Policies and notes 38 - 43.

## **1.9 SHROPSHIRE WASTE PARTNERSHIP (PFI)**

The Shropshire Waste Partnership (SWP) is a Joint Committee formed by Shropshire County Council, Oswestry and Bridgnorth Borough Councils and North Shropshire and South Shropshire District Councils. Shropshire County Council acts as Contracting Authority for the Joint Committee. On 1 October 2007, a 27 year integrated waste management contract commenced with Veolia ES Shropshire Limited ("Veolia"). The contract is funded from the waste budgets of SWP member authorities.

PFI contracts are agreements to receive services, where the PFI contractor has responsibility for making available the assets needed to provide the services. A "Unitary charge" is paid to the contractor for the services delivered under the contract. This Council has transferred to the contractor vehicles and equipment which it owned and has made available other similar assets that are leased or on contract hire. The Council has also committed its annual waste collection budget as its contribution to the unitary charge. Note 8 to the core statements provides an analysis of total revenue costs for waste collection for 2008/09 which incorporates the annual contribution to the partnership. Please also refer to paragraph 1.15 in the Statement of Accounting Policies and Note 48 to the core statements.

## **1.10 COMMUNITY ASSET TRUST**

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

Major schemes such as this required approval from the Implementation Executive of the new Shropshire Council who determined that the CAT would not proceed. A decision on whether or not to wind up the company is to be taken. A capital sum of £9.7m that was to be transferred to the CAT will be used for alternative community schemes, predominantly within North Shropshire.

## **STATEMENT OF RESPONSIBILITIES**

### **The Authority's responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **The Chief Finance Officer's responsibilities**

The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

### ***CHIEF FINANCE OFFICER'S CERTIFICATE***

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I hereby certify that the Statement of Accounts presents fairly the financial position of the Authority at 31<sup>st</sup> March 2009 and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

.....  
**Alison Manning BA [Econ] CPFA**  
**Chief Finance Officer (NSDC)**  
Date:

.....  
**Laura Rowley MBA CPFA**  
**Director of Resources (Shropshire Council)**  
Date:

### ***CHAIRMAN OF THE COUNCIL***

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I hereby certify that the Statement of Accounts for the Authority for 2008/09 was approved by the Council.

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## INCOME AND EXPENDITURE ACCOUNT

Net Expenditure 2007/08 Restated * £		Gross Expenditure 2008/09 £	Income 2008/09 £	Net Expenditure 2008/09 £
	<u>Services transferred to Shropshire Council (Unitary Authority)</u>			
1,273,725	Cultural Services	2,234,847	618,558	1,616,289
3,591,065	Environmental Services	3,872,056	288,286	3,583,770
1,732,679	Planning and Development Services	3,007,161	1,434,043	1,573,118
390,009	Highways, Roads & Transport Services	938,566	348,114	590,452
680,053	Local Authority Housing	192,782	35,767	157,015
1,233,405	Other Housing Services	11,942,626	10,382,083	1,560,543
615,682	Central Services to the Public	4,740,003	4,076,181	663,822
110,681	Central Services – Other	645,433	116,130	529,303
1,782,059	Corporate and Democratic Core	1,752,129	11,600	1,740,529
*(93,516)	Non Distributed Costs	1,767,760	98,643	1,669,117
<b>11,315,842</b>	<b>Net Cost of Services</b>	<b>31,093,363</b>	<b>17,409,405</b>	<b>13,683,958</b>
	<u>Other Corporate income &amp; expenditure</u>	<b>Reference</b>		
301,141	Loss/(Gain) on disposal of fixed assets	3		8,738
1,286,757	Town and parish council precepts			1,387,343
25,670	Interest payable and similar charges			25,095
-	Long Term Debtor – soft loan			6,002
	Contribution of housing capital receipts to Government Pool	1		6,412
(912,125)	Interest and investment income			(756,646)
	Pensions interest cost and expected return on pension assets			446,000
*49,000				
<b>12,359,000</b>	<b>Net Operating Expenditure</b>			<b>14,806,902</b>
(4,348,418)	Demand on Collection Fund			(4,382,534)
-	Area based grant			(22,500)
(728,170)	General Government Grants			(630,761)
(4,338,976)	Non-domestic rates redistribution			(4,531,065)
	Additional Local Authority Business Growth Incentive Grant (LABGI)			(409,050)
<b>2,826,902</b>	<b>(Surplus) / Deficit for the year</b>			<b>4,830,992</b>

The Income and Expenditure Account shows the Council's financial performance for the year, measured in terms of resources consumed and generated over the last twelve months. The surplus or deficit on the Account does not however represent a reduction or increase in the resources available to fund the Council's future spending plans.

\* opening balance adjusted by £3,000 for new pension regulations – please refer to Note 1.8 of the Foreword

## **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

<b>2007/08</b>		<b>2008/09</b>
<b>Restated *</b>		
<b>£</b>		<b>£</b>
*2,826,902	(Surplus)/Deficit on the Income and Expenditure Account	4,830,992
	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for	
<u>(2,665,705)</u>	for the year	<u>(3,719,347)</u>
161,197	Decrease in General Fund Balance for the year	1,111,645
(2,791,956)	General Fund Balance brought forward	(2,630,759)
<u>(2,630,759)</u>	General Fund Balance carried forward	<u>(1,519,114)</u>

\* opening balance adjusted by £3,000 for new pension regulations – please refer to Note 1.8 of the Foreword

Please refer to Note 1

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

<b>2007/08</b>		<b>2008/09</b>
<b>Restated *</b>		
<b>£</b>		<b>£</b>
*2,826,902	(Surplus)/Deficit for the year on the Income & Expenditure Account	4,830,992
(3,384,867)	Fixed asset revaluation gains and losses	(6,560,310)
63,684	Movement on residual balance of Collection Fund for NSDC	9,926
**3,085,000	FRS17 actuarial gains and losses	31,000
<u>2,590,719</u>	Total recognised (gains)/losses for the year	<u>(1,688,392)</u>

\* opening balance adjusted by £3,000 for new pension regulations – please refer to Note 1.8 of the Foreword

\*\* opening balance adjusted by £5,000 for new pension regulations – please refer to Note 1.8 of the Foreword

## **BALANCE SHEET**

2007/08 Restated * £		NOTE	2008/09	
			£	£
	<b>Fixed Assets</b>			
274,896	Intangible Fixed Assets	18		189,528
	<u>Operational Assets</u>			
-	Council Dwellings etc.		-	
7,489,525	Other Land and Buildings	19a	9,906,544	
428,972	Vehicles, Plant and Equipment	19a	364,057	
1,314	Infrastructure Assets	19a	-	
183,012	Community Assets	19a	575,550	
<u>8,377,719</u>				10,846,151
	<u>Non-Operational Assets</u>			
4,507,570	Investment Properties	19b	4,908,000	
1,622,697	Surplus assets held for disposal	19b	2,570,833	
				<u>7,478,833</u>
14,507,986	<b>Total Fixed Assets</b>			18,514,512
133,263	Long Term Debtors	26		179,823
<b>14,641,249</b>	<b>Total Long-Term Assets</b>			<b>18,694,335</b>
	<b>Current Assets</b>			
2,615,382	Cash at bank and in hand	27	974,214	
12,796	Stocks	28	11,038	
1,930,657	Debtors	26	2,678,283	
10,579,089	Short term lending	30	9,000,466	
				<u>12,664,001</u>
<b>29,779,173</b>	<b>Total Assets</b>			<b>31,358,336</b>
	<b>Current Liabilities</b>			
-	Short term borrowing	30	(1,500,082)	
(2,739,594)	Creditors	29	(1,264,713)	
				<u>(2,764,795)</u>
<b>27,039,579</b>	<b>Total Assets less Current Liabilities</b>			<b>28,593,541</b>
(638,590)	Provisions	24	(20,000)	
(1,532,717)	Deferred Receipts	25	(2,412,209)	
*(8,537,000)	Liability - Defined Benefits Pension Scheme	39	(8,980,000)	
				<u>(11,412,209)</u>
<b>16,331,272</b>	<b>Total Assets less Liabilities</b>			<b>17,181,332</b>
2,783,250	Revaluation Reserve	32		8,348,517
11,171,820	Capital Adjustment Account	33		8,784,403
69,483	Financial Instruments Adjustment A/c	34		(6,002)
6,889,816	Usable Capital Receipts reserve	35		6,419,816
*(8,537,000)	Pensions Reserve	43		(8,980,000)
2,630,759	General Fund Balance	37		1,519,114
9,926	Collection Fund Balance attributable to NSDC	37		-
958,757	Housing Revenue Account Balance	37		871,225
354,461	Earmarked Reserves	36		224,259
<b>16,331,272</b>	<b>Total net worth</b>			<b>17,181,332</b>

\* opening balance adjusted by £25,000 for new pension regulations – please refer to Note 1.8 of the Foreword

## CASH FLOW STATEMENT

2007/08		2008/09
£		£
	<b>REVENUE ACTIVITIES</b>	
	<b>Cash Outflows</b>	
6,551,392	Employment costs	6,465,794
8,828,109	Other operating costs	8,820,904
21,457,885	Shropshire County Council Precept	22,103,439
3,467,356	West Mercia Police Precept	3,590,305
1,659,643	Fire Authority Precept	1,701,070
1,286,757	Parish Precepts	1,387,343
10,792,768	NNDR paid to Pool	10,273,372
437,428	Pooled capital receipts paid to Government	-
1,091,373	Housing Subsidy paid to Government	-
6,828,298	Housing Benefits	9,326,426
<u>62,401,009</u>		<u>63,668,653</u>
	<b>Cash Inflows</b>	
(2,194,506)	Rents (net of rebates)	-
(30,683,516)	Council Tax Payers	(31,940,174)
(10,388,330)	NNDR Income	(10,243,567)
(4,338,971)	NNDR received from Pool	(4,441,863)
(728,173)	Revenue Support Grant	(630,761)
(7,035,703)	DWP Grants for Benefits	(8,474,020)
(1,098,870)	Other Government Grants	(1,403,456)
(1,652,382)	Goods and Services	(1,369,254)
(2,775,711)	Other Income	(2,371,121)
<u>(60,896,162)</u>		<u>(60,874,216)</u>
<u>1,504,847</u>	<b>Revenue Activities Net Cash Flow (A) (Note 44)</b>	<u>2,794,437</u>
	<b>SERVICING OF FINANCE</b>	
	<b>Cash Outflow</b>	
25,117	Interest paid	25,007
553	Interest element of finance leases	-
	<b>Cash Inflow</b>	
(933,828)	Interest received	(869,920)
<u>(908,158)</u>	<b>Servicing of Finance Net Cash Flow (B)</b>	<u>(844,913)</u>
	<b>CAPITAL ACTIVITIES</b>	
	<b>Cash Outflow</b>	
4,088,865	Overall Capital Expenditure	3,592,939
	<b>Cash Inflow</b>	
(8,649,035)	Sale of Assets	(8,550)
(428,386)	HRA Subsidy	(28,050)
(533,315)	Government grants received (Note 46)	(512,695)
(10,266)	Other Capital receipts	(392,000)
<u>(5,532,137)</u>	<b>Capital Activities Net Cash Flow (C)</b>	<u>2,651,644</u>
<u>(4,935,448)</u>	<b>Net Cash Outflow (Inflow) before financing (A+B+C)</b>	<u>4,601,168</u>

**CASH FLOW STATEMENT CONT'D**

<b>2007/08</b>		<b>£</b>	<b>2008/09</b>
<b>£</b>			<b>£</b>
	<b>Management of Liquid Resources</b>		
2,880,000	Increase/(Decrease) in Short Term Deposits	<u>(1,460,000)</u>	
	<b>Management of Liquid Resources Net Cash Flow (D)</b>		(1,460,000)
	<b>Financing</b>		
	<b>Cash Outflow</b>		
	Repayment of amounts borrowed	-	
2,772	Capital element of finance lease rental payments	-	
	<b>Cash Inflow</b>		
-	New loans raised	<u>(1,500,000)</u>	
<u>2,882,772</u>	<b>Financing Net Cash Flow (E)</b>		(1,500,000)
<u>(2,052,676)</u>	<b>(Increase)/Decrease in cash and cash equivalents (Note 45) (A+B+C+D+E)</b>		<u>1,641,168</u>

## NOTES TO THE CORE STATEMENTS

### NOTE 1

#### BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £		Note Ref	2008/09 £
	<u>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</u>		
(129,809)	Amortisation of intangible fixed assets	18	(140,918)
(7,539)	Amortisation of PFI deferred consideration / prepayment		(7,539)
(540,964)	Depreciation		(514,017)
(472,830)	Impairment		(1,751,685)
(1,650)	Excess of depreciation charged to HRA over MRR	HRA	-
77,409	Government grants deferred amortisation to match depreciation		-
(863,158)	Revenue expenditure funded from capital under statute		(722,907)
(301,141)	Net gain / (loss) on disposal of fixed assets	3	(8,738)
*(812,185)	Net charges for retirement benefits in accordance with FRS17	38	(1,974,598)
-	Differences between amounts debited / credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		(6,002)
	<u>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</u>		
2,772	Finance lease principal	22	-
995,588	Capital expenditure charged to the General Fund balance	5	138,088
(292,715)	Transfer from usable capital receipts to cover pooled receipts payment		(6,412)
687,185	Employers contributions to Pension Fund	38	1,562,598
	<u>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</u>		
(1,020,175)	Surplus / (Deficit) on HRA	HRA	(157,015)
(743,000)	Transfer to and from reserves – General Fund	6	(130,202)
756,507	Transfer to and from reserves - HRA		-
*(2,665,705)	Net additional amount required to be credited to the General Fund Balance for the year		(3,719,347)

\* opening balance adjusted by £3,000 for new pension regulations – please refer to Note 1.8 of the Foreword

## **NOTE 2**

### **EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The General Fund Balance comprises of an accumulation of annual surpluses and deficits on the Income and Expenditure Account after taking account of statutory adjustments. This balance is available to assist in funding future spending plans. The Council's Gross budget is funded from fees, charges and specific grants. The remaining net budget is funded from Government Grant, Council Tax and a proportion of the General Fund Balance. On the assumption that government grant remains relatively static, increased funding from the General Fund Balance leads to a lower requirement from Council Taxpayers.

## **NOTE 3**

### **(GAIN) / LOSS ON DISPOSAL OF FIXED ASSETS**

The gain or loss on disposal of assets must be shown in the accounts. The gain or loss is the difference between the valuation at disposal and the sale proceeds.

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Wem Senior Club	52,338	-
Large Scale Transfer of the Council's Housing Stock	248,803	-
War Memorial, Market Drayton	-	87
Jubilee Park Toilets, Whitchurch	-	251
IT Equipment	-	8,400
Overall loss on disposal of assets	<u>301,141</u>	<u>8,738</u>

## **NOTE 4**

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Sports and Play	93,161	52,535
Affordable Housing	123,350	200,000
Improvement Grants	517,820	703,280
Regeneration Initiatives	628,805	381,873
Other	25,130	71,685
	<u>1,388,266</u>	<u>1,409,373</u>

## **NOTE 5**

### **DIRECT CONTRIBUTIONS FROM REVENUE TO FINANCE CAPITAL EXPENDITURE**

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Revenue contributions to capital outlay	311,641	138,088
Capital expenditure funded by reserves	683,947	-
	<u>995,588</u>	<u>138,088</u>

**NOTE 6****CONTRIBUTIONS TO / (FROM) REVENUE RESERVES**

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Write Back of earmarked reserves to General Fund balance	(12,112)	(60,000)
Transfer (from) / to Modernising Local Government Reserve (net)	14,699	(113,698)
Transfer (from) / to General Fund Capital & Revenue Reserve (net)	(576,258)	-
Transfer (from) / to Waste Management Reserve (net)	(10,000)	-
Transfer (from) / to Revenues, Benefits and ICT Reserve	(13,754)	-
Transfer (from) / to Major Repairs Reserve	(1,650)	-
Transfer (from) / to Prees Heath Lorry Park Reserve	12,541	12,741
Transfer (from) / to Asset Management Reserve	(93,935)	65,000
Transfer (from) / to General Fund Housing Reserve	(30,000)	-
Transfer (from) / to Building Control Reserve	(32,531)	(34,245)
	<u>(743,000)</u>	<u>(130,202)</u>

**NOTE 7****TRADING ACTIVITIES**

<b>2007/08</b>		<b>2008/09</b>		
<b>Net</b>		<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>
(15,123)	Market Drayton Market	133,054	(117,191)	15,863
(53,689)	Market Drayton Shops	103,787	(63,685)	40,102
19,656	Ellesmere Sports & Market Hall	52,069	(10,159)	41,910
(2,255)	Wem Market	7,492	(10,418)	(2,926)
(24,223)	Civic Green Workshops	73,834	(27,006)	46,828
4,371	Ellesmere Business Park	368,700	(22,403)	346,297
<u>(71,263)</u>		<u>738,936</u>	<u>(250,862)</u>	<u>488,074</u>

## **NOTE 8**

### **LEISURE MANAGEMENT, REFUSE AND STREETSCENE ACTIVITIES**

Given the significance of leisure, refuse, recycling and streetscene activities relative to the overall budget, a separate note outlining costs is included for information.

<b>2007/08</b>			<b>2008/09</b>	
<b>Net</b>		<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>
	<b>Leisure Management</b>			
252,150	Whitchurch Swimming Centre	459,798	(193,563)	266,235
510,678	Market Drayton Swimming Centre	1,045,082	(331,130)	713,952
<u>762,828</u>		<u>1,504,880</u>	<u>(524,693)</u>	<u>980,187</u>
	<b>Refuse &amp; Streetscene</b>			
506,863	Streetscene (General)	591,083	(4,980)	586,103
38,104	Streetscene (Dog Bye Laws)	19,660	(3,585)	16,075
24,195	Streetscene (Civic Amenities Act)	22,747	(2,621)	20,126
1,017,115	Household Waste Collection	1,011,469	(46,647)	964,822
(15,078)	Trade Waste Collection	60	129	189
<u>1,181,943</u>	Waste Collection (Recycling)	<u>990,637</u>	<u>-</u>	<u>990,637</u>
<u>2,753,142</u>		<u>2,635,656</u>	<u>(57,704)</u>	<u>2,577,952</u>

*Waste collection costs include the contribution made to the Shropshire Waste Partnership please refer to Note 48, paragraph 1.9 of the Foreword and paragraph 1.15 of the Statement of Accounting Policies.*

## **NOTE 9**

### **DISCRETIONARY EXPENDITURE**

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their areas. As a consequence, the majority of the provisions of section 137 of the Local Government Act 1972 were repealed with effect from October 2000. The Council continues to disclose any expenditure incurred under section 137(3), e.g. donations to charities and grants to not-for-profit bodies; there is no specified limit on such expenditure.

	<b>2007/08</b>	<b>2008/09</b>
	<b>restated</b>	<b>£</b>
	<b>£</b>	
Grant to Welfare Organisations / Charities	126,610	233,460
	<u>126,610</u>	<u>233,460</u>

## **NOTE 10**

### **PUBLICITY**

Set out below, under the requirements of S.5 (1) of the Local Government Act 1986 is the Council's spending on publicity (excluding staff time):

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Staff Advertisements	29,307	429
Business Publications	2,982	3,505
Public Information (Tourism/Annual Report etc)	69,304	37,828
Promotional Activities	7,652	13,317
	<u>109,245</u>	<u>55,079</u>

## **NOTE 11**

### **BUILDING CONTROL ACCOUNT**

<b>Total</b>		<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total</b>
<b>2007/08</b>		<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>
<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>
199,704	Employees	211,887	15,418	227,305
14,460	Premises	10,339	1,124	11,463
15,135	Transport	10,653	2,596	13,249
41,232	Supplies & Services	24,615	4,140	28,755
96,630	Support Services	61,260	9,298	70,558
367,161	Total Expenditure	318,754	32,576	351,330
(243,333)	Building Regulation Fees	(228,387)	(907)	(229,294)
123,828	Total (Surplus)/Deficit for Year	90,367	31,669	122,036

## **NOTE 12**

### **CONCESSIONARY FARES SCHEME (Transport Act 2000)**

The Council provides travel passes for senior citizens and people with certain disabilities which permit free travel on registered bus services within Shropshire and some bordering locations. During 2008/09 the Council received a grant from the Government of £134,000 which is reflected in the net cost of the service.

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Net cost of providing service	220,696	68,072
	<u>220,696</u>	<u>68,072</u>

## **NOTE 13**

### **INCOME FROM BODIES UNDER THE LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970 AND THE RELATED EXPENDITURE**

The Council is empowered by this Act to provide goods and services to other public bodies

	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
(a) Handyman Services	268	73
(b) Office Accommodation	29,934	4,878
	<u>30,202</u>	<u>4,951</u>

*(a) income from SCC, South Shropshire Housing Association and North East Shropshire Community Mental Health Team (SCC, Ellesmere Town Council and GP Homecare in 2007/08)*

*(b) Income from SCC and Meres and Mosses Housing Association for 2008/09 and 2007/08*

## **NOTE 14**

### **LOCAL AREA AGREEMENTS**

A local area agreement (LAA) is an agreement between the Government Office for the area and a local strategic partnership (LSP) representing the local authorities, other public, private, voluntary and community interests for the area. The LAA sets out the priorities for Shropshire. Shropshire County Council is the administering authority and LAA grant received by North Shropshire District Council under these arrangements is accounted for on an accruals basis and apportioned between the services that are funded by the grant. A sum of £33,973 was received during 2008/09 (£46,820 in 2007/08).

## **NOTE 15**

### **MEMBERS' ALLOWANCES**

Expenses paid to Members during the year totalled £234,415 (£228,280 paid in 2007/08) this was a combination of Basic, Responsibility, Co-optee and Childcare Allowances, determined by an Independent Remuneration Panel and travel and subsistence. Allowances paid to Members during 2008/09 can be viewed on the Council's website. ([www.shropshire.gov.uk](http://www.shropshire.gov.uk))

## NOTE 16

### OFFICERS' EMOLUMENTS

The Accounts and Audit Regulations 2006 require disclosure of the numbers of officers whose remuneration in 2008/09 exceeded £50,000, analysed into bands of £10,000.

<b>2007/08</b> <b>No. of</b> <b>Employees</b>	<b>Salaried Remuneration Band</b>	<b>2008/09</b> <b>No. of</b> <b>Employees</b>
	<b>£000</b>	
-	50 to 59	1
1	60 to 69	-
-	70 to 79	-
1	80 to 89	-
-	90 to 99	-
-	100 to 109	-
-	110 to 119	-

<b>2007/08</b> <b>No. of</b> <b>Employees</b>	<b>Remuneration Band Including</b> <b>One Off Redundancy and</b> <b>Lump Sum Retirement</b> <b>Payments</b>	<b>2008/09</b> <b>No. of</b> <b>Employees</b>
	<b>£000</b>	
-	50 to 59	1
1	60 to 69	2
-	70 to 79	2
-	80 to 89	4
-	90 to 99	1
-	100 to 109	-
-	110 to 119	2
-	120 to 129	-
-	130 to 139	1
-	140 to 149	-
-	150 to 159	1
-	160 to 169	-
1	170 to 179	-

## NOTE 17

### AUDIT COMMISSION FEES

External Audit Fees paid to the Audit Commission from 2006/07 to 2008/09 were:

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Audit	79,246	98,446	109,096
Statutory / Other Inspections	6,415	33,538	5,972
Audit of Grant claims and returns	30,073	29,098	45,552
Total Audit Fees paid in year	<u>115,734</u>	<u>161,082</u>	<u>160,620</u>

## **NOTE 18**

### **INTANGIBLE ASSETS**

The value of computer software licences is the Council's only intangible asset. These are included at cost and are amortised to revenue over five years. Of the £189,528 included in the Balance Sheet, the most significant licences relate to Go Live for the Financial Management system (£11,766), Server Volume Licences (£10,153) and Open Revenues (£26,757). The remaining balance is made up of numerous items of less than £10,000.

## **NOTE 19**

### **TANGIBLE FIXED ASSETS HELD**

	Numbers at		Valuation	Remaining		
	31/03/2008	31/03/2009		Life (years)		
<b><u>Operational Assets</u></b>						
Public Conveniences	11	10	DRC	10	-	30
Market Halls	2	2	DRC		10	
Bus Shelters	3	3	De Minimis		n/a	
Workshop	1	1	MV		30	
Office Building	1	1	MV		30	
Swimming Pools / Sports Centres	2	2	DRC	15	-	35
Car Parks	23	23	EUV/MV		30	
Miscellaneous assets	8	8	DRC/MV	10	-	30
Vehicles	9	11	Historic	1	-	5
Equipment	Various	Various	Historic	1	-	4
<b><u>Non-Operational Assets</u></b>						
Investment properties (HRA)	3	-				
Surplus land (HRA)	52	-				
Land Awaiting Development	3	4	MV		n/a	
Commercial - Shop Units / Sites	4	5	MV	15	-	20
Commercial - Business Parks	2	2	MV		25	
Town Halls	2	2	MV	15	-	45
Surplus Buildings / sites	7	59	MV	5	-	50
Investment properties	8	11	MV	10	-	18
<b><u>Infrastructure</u></b>						
Infrastructure – bridge	1	1	De Minimis		n/a	
Infrastructure - permanent ways	11	11	De Minimis		n/a	
Infrastructure - water pumps etc	4	4	De Minimis		n/a	
<b><u>Community Assets</u></b>						
Parks, play sites	25	25	De minimis/DRC	n/a	/	20
Other community	8	8	De Minimis		n/a	
Historic Buildings	2	1	DRC		50	

## Valuations

Fixed assets are included in the Balance Sheet at the following valuations:-

DRC	Depreciated Replacement Cost
MV	Market Value
Historic	Cost of Acquisition/Historic Valuation
EUV	Existing Use Valuation

## Depreciation

With the exception of investment properties, land and assets with a de-minimis value, depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following parameters:

- a) building assets are depreciated on a straight line basis over a period determined by a qualified valuer.
- b) newly acquired or completed assets are not depreciated in the year of acquisition or completion but are depreciated in the year of disposal.
- c) community assets are depreciated on a straight line basis over a period determined by a qualified valuer.
- d) infrastructure assets are depreciated on a straight line basis over a period determined by a qualified valuer.
- e) motor vehicles are depreciated over 5 years (8 years for specific vehicles), equipment assets between 4 and 6 years and IT equipment over 2 to 4 years.
- f) intangible assets are depreciated over 5 years.

**NOTE 19a****OPERATIONAL ASSETS**

	<b>Other land and buildings £</b>	<b>Vehicles, plant etc. £</b>	<b>Infra- structure £</b>	<b>Community Assets £</b>	<b>Total £</b>
<b>Cost or valuation</b>					
At 1st April 2008	9,311,505	611,242	1,314	183,012	10,107,073
Additions	37,222	63,684	-	-	100,906
Disposals	-	(51,056)	-	-	(51,056)
Reclassifications	(74,000)	-	-	-	(74,000)
Revaluations	1,006,270	(3,847)	(1,314)	414,988	1,416,097
At 31st March 2009	10,280,997	620,023	-	598,000	11,499,020
<b>Depreciation and Impairments</b>					
At 1st April 2008	(1,821,980)	(182,270)	-	-	(2,004,250)
Charge for 2008/09	(357,948)	(113,952)	-	(22,450)	(494,350)
Disposals	-	40,256	-	-	40,256
Reclassifications	10,910	-	-	-	10,910
Revaluations	1,794,565	-	-	-	1,794,565
At 31st March 2009	(374,453)	(255,966)	-	(22,450)	(652,869)
<b>Balance Sheet amount</b>					
at 31/03/08	7,489,525	428,972	1,314	183,012	8,102,823
at 31/03/09	9,906,544	364,057	-	575,550	10,846,151
<b>Nature of Asset holding</b>					
Owned	9,906,544	363,557	-	575,550	10,845,651
Finance Lease	-	500	-	-	500
	9,906,544	364,057	-	575,550	10,846,151

**NOTE 19b****NON-OPERATIONAL ASSETS**

	<b>Other land and buildings Investment £</b>	<b>Other land and buildings Surplus £</b>	<b>Total  £</b>
<b>Cost or valuation</b>			
At 1st April 2008	4,507,570	1,696,410	6,203,980
Additions	490,000	70,000	560,000
Disposals	-	-	-
Reclassifications	-	74,000	74,000
Revaluations	(89,570)	750,090	660,520
At 31st March 2009	4,908,000	2,590,500	7,498,500
<b>Depreciation and Impairments</b>			
At 1st April 2008	-	(73,713)	(73,713)
Charge for 2008/09	-	(19,667)	(19,667)
Disposals	-	-	-
Reclassifications	-	(10,910)	(10,910)
Revaluations	-	84,623	84,623
At 31st March 2009	-	(19,667)	(19,667)
<b>Balance Sheet amount</b>			
at 31/03/08	4,507,570	1,622,697	6,130,267
at 31/03/09	4,908,000	2,570,833	7,478,833
<b>Nature of Asset holding</b>			
Owned	4,908,000	2,570,833	7,478,833
Finance Lease	-	-	-
	4,908,000	2,570,833	7,478,833

## NOTE 20

### CAPITAL EXPENDITURE AND SOURCES OF FUNDING

31/03/08		31/03/09
£		£
1,417,015	<b>Opening Capital Financing requirement</b>	<b>678,862</b>
	<i>Capital Investment</i>	
1,246,384	Operational Assets	100,906
-	Non-Operational Assets	560,000
113,144	Intangible Assets	55,552
	Revenue expenditure funded from capital under statute	
<u>1,388,266</u>		<u>1,409,373</u>
2,747,794		2,125,831
	<i>Sources of Finance</i>	
(248,479)	Capital Receipts	(480,138)
(1,369,727)	Government grants and other contributions	(686,467)
(2,772)	Repayment of finance lease principal	-
<u>(1,864,969)</u>	Revenue provision	<u>(138,088)</u>
(3,485,947)		(1,304,693)
<u>678,862</u>	<b>Closing Capital Financing Requirement</b>	<u>1,500,000</u>
	<i>Explanation of movements in year</i>	
(869,381)	Debt repayment	-
(2,772)	Repayment of finance lease principal	-
134,000*	Increase in underlying need to borrow	821,138
<u>(738,153)</u>		<u>821,138</u>

\*supported by Government financial assistance

## NOTE 21

### COMMITMENTS UNDER CAPITAL CONTRACTS

The Council let a contract for works to Fairfields, Market Drayton; a housing estate that is now owned by the Meres and Mosses Housing Association. The contractor employed by the Council went into receivership before the work was completed. The work has now been completed by the Council although some retention monies are due. A work in progress element has therefore, not been included in the Balance Sheet. There are no other capital contracts that have not been completed.

## **NOTE 22**

### **FINANCE AND OPERATING LEASES**

#### **Operating Leases**

The following operating lease costs are reflected in the Income and Expenditure Account.

<b>2007/08</b>		<b>2008/09</b>
<b>£</b>		<b>£</b>
21,801	Vehicles	10,578
13,304	Office equipment etc.	3,000
46,588	Wheeled bins	46,588
81,693		60,166

The following analysis illustrates the payments the Council is committed to make for operating leases and notes those that will expire in subsequent years:

	<b>Paid in Year</b>	<b>Obligations due to expire</b>		
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11 to 2014/15</b>	<b>2015/16 onwards</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Vehicles*	10,578	-	-	-
Office equipment etc.	3,000	-	-	-
Wheeled bins*	46,588	46,588	139,764	-
	60,166	46,588	139,764	-

\* 1 vehicle and the wheeled bins are used by the Shropshire Waste Partnership PFI Contractor – an appropriate recharge is made to the Contractor

#### **Finance Leases**

During 2008/09 there were no obligations under primary finance leases although two assets that attract minimal secondary lease payments remain. Due to the Council's depreciation policy, a residual value of £500 remains on the balance sheet whilst the assets continue to be used by the Council.

## **NOTE 23**

### **CONTRACT HIRE VEHICLES**

In 2008/09 costs payable were £411,019. The majority of the costs (£380,534) relate to refuse vehicles which are recharged to the contractor who carries out the waste collection on behalf of the Shropshire Waste Partnership PFI. There is no further obligation in relation to this contract.

## **NOTE 24**

### **PROVISIONS**

Where a forthcoming obligation or expectation is known, a provision may be made in the accounts to finance the event.

	<b>01/04/08</b>	<b>Expenditure</b>	<b>Written back</b>	<b>Additional Provisions</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Historic Building Grants awarded	(42,504)	15,600	26,904	-	-
Income for Historic Building Grants	8,302	-	(8,302)	-	-
Water and Sewer guarantees	(95,700)	95,700	-	-	-
Repairs and Maintenance	(30,059)	24,274	5,785	-	-
HRA Contractor Dispute	(120,000)	120,000	-	-	-
Disposals Levy	(248,803)	248,803	-	-	-
Other revenue provisions	(109,826)	31,655	78,171	(20,000)	(20,000)
	<u>(638,590)</u>	<u>536,032</u>	<u>102,558</u>	<u>(20,000)</u>	<u>(20,000)</u>

#### ***Other Revenue provisions***

At 31<sup>st</sup> March 2009 there remained one outstanding obligation relating to a lease agreement.

## **NOTE 25**

### **DEFERRED RECEIPTS**

S106 grants are sums received from developers which are to be used for schemes in specific areas throughout the district.

Other deferred credits relate to miscellaneous receipts that are drawn from to fund revenue or capital over time as appropriate and / or agreed.

	<b>31/03/08</b>	<b>31/03/09</b>	<b>Movement</b>
	<b>£</b>	<b>£</b>	<b>£</b>
S106 grants	879,156	1,222,960	343,804
Other	653,561	1,189,249	535,688
Total	<u>1,532,717</u>	<u>2,412,209</u>	<u>879,492</u>

## NOTE 26

### DEBTORS

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>
<b>Long Term</b>		
Car Loans to Employees	5,928	11,622
Shropshire Waste Partnership PFI *	127,335	124,253
Ellesmere Parishes Joint Burial Committee	-	43,948
	<u>133,263</u>	<u>179,823</u>

*\*represents the balance of deferred consideration following a write down of £7,539 unwinding of discount for transfer of council owned assets – please refer to Note 48, paragraph 1.15 in the Statement of Accounting Policies and paragraph 1.9 in the Foreword*

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Shropshire County Council	91,263	39,913
Sundry Debtors	877,198	836,098
Government Departments	670,812	760,470
Housing Rents	96,433	-
Collection Fund	607,384	1,400,802
	<u>2,343,090</u>	<u>3,037,283</u>
<i>Provision for Doubtful Debts</i>		
Housing Rents	(96,433)	-
General Fund Debtors	(91,000)	(109,000)
Collection Fund Debtors	(225,000)	(250,000)
	<u>1,930,657</u>	<u>2,678,283</u>

## NOTE 27

### CASH AT BANK AND IN HAND

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>
Bank balances	1,724,389	962,712
Cash / Bank in Transit	889,306	11,022
Cash floats	587	480
Petty Cash	1,100	-
	<u>2,615,382</u>	<u>974,214</u>

## NOTE 28

### STOCKS

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>
General - sacks	906	2,668
Vending Machines	6,622	7,356
Council Ties, headscarves, badges, brooches	1,187	-
Postages	4,081	1,014
	<u>12,796</u>	<u>11,038</u>

## NOTE 29

### CREDITORS

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>
Shropshire County Council	319,660	574,495
Sundry Creditors	664,766	268,014
Government Departments	520,443	126,452
Collection Fund	1,234,725	295,752
	<u>2,739,594</u>	<u>1,264,713</u>

## NOTE 30

### FINANCIAL INSTRUMENTS

<b>Classification</b>	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/08</b>	<b>31/03/09</b>	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Financial Liabilities:</i>				
Short-term borrowing	-	-	-	1,500,082
Creditors	-	-	2,739,594	1,264,713
	<u>-</u>	<u>-</u>	<u>2,739,594</u>	<u>2,764,795</u>
<i>Loans and Receivables:</i>				
Long Term Debtors	133,263	179,823	-	-
Debtors	-	-	1,930,657	2,678,283
Short-term lending	-	-	10,579,089	9,000,466
Total investment	<u>133,263</u>	<u>179,823</u>	<u>12,509,746</u>	<u>11,678,749</u>

Please refer to the Section on Managing Financial Assets and Liabilities for further detail on borrowing and investments and debtor and creditor balances.

## **NOTE 31 - RESERVES**

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

	<b>Opening balance 01/04/08 Restated *</b>	<b>Net movement in year</b>	<b>Closing Balance 31/03/09</b>	<b>Purpose of reserve</b>	<b>Further detail</b>
	<b>£</b>	<b>£</b>	<b>£</b>		<b>Note</b>
Revaluation Reserve	2,783,250	5,565,267	8,348,517	Stores of gains on revaluation of fixed assets not yet realised through sales	32
Capital Adjustment Account	11,171,820	(2,387,417)	8,784,403	Store of capital resources to set aside to meet past expenditure	33
Financial Instruments Adjustment Account	69,483	(75,485)	(6,002)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investment	34
Usable Capital Receipts	6,889,816	(470,000)	6,419,816	Proceeds of fixed asset sales available to meet future capital investment	35
Pensions Reserve *	(8,537,000)	(443,000)	(8,980,000)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	43
Housing Revenue Account Balance **	958,757	(87,532)	871,225	Resources available to meet future costs of council housing stock	HRA A/c
General Fund Account Balance	2,630,759	(1,111,645)	1,519,114	Resources available to meet future costs of non-council housing spend	I & E A/c
Collection Fund Balance attributable to NSDC	9,926	(9,926)	-	Resource available to reduce Council Tax levied in future years	Collection Fund
Other Reserves	354,461	(130,202)	224,259	Earmarked reserves	36
	<u>16,331,272</u>	<u>(2,956,724)</u>	<u>17,181,332</u>		

\* opening balance adjusted by £25,000 for new pension regulations – please refer to Note 1.8 of the Foreword

\*\* in accordance with DCLG direction, closing balance will be transferred to the General Fund on 1<sup>st</sup> April 2009

## NOTE 32

### REVALUATION RESERVE

2007/08 £		2008/09 £
	<b><i>Housing Revenue Account</i></b> *	
1,448,500	Revaluation of HRA non-operational investment assets	-
664,500	Revaluation of HRA non-operational surplus assets	-
	<b><i>General Fund</i></b>	
235,000	Revaluation of GF operational assets	3,680,022
371,750	Revaluation of GF non-operational surplus assets	573,329
18,500	Revaluation of GF non-operational investment assets	1,902,136
45,000	Revaluation of GF community assets	2,193,030
<u>2,783,250</u>		<u>8,348,517</u>

\* Note - Assets remaining with the Council following stock transfer

## NOTE 33

### CAPITAL ADJUSTMENT ACCOUNT

2007/08 £		2008/09 £
18,635,248	Opening Balance	11,171,820
311,641	Revenue contributions to capital outlay	138,088
1,873,767	Use of grants and reserves to fund capital expenditure	1,166,606
869,381	Repayment of HRA debt	-
2,772	Finance lease principal	-
(1,989,169)	Adjustment to negate notional capital costs	(3,466,311)
(8,529,080)	Disposal / impairment of fixed assets	(225,800)
(2,740)	Administration charges relating to "Right to Buy" sales	-
<u>11,171,820</u>	Closing Balance	<u>8,784,403</u>

## NOTE 34

### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account serves as a balancing mechanism to allow for differences in statutory requirements and proper accounting practices for borrowings and investment. As the Housing Revenue Account (HRA) closes on 31<sup>st</sup> March 2009, the balance of unamortised discount received on the early settlement of borrowing has been written back to the HRA.

	31/03/08 £	31/03/09 £	Movement £
Discount on early settlement of borrowing	69,483	-	(69,483)
Impairment on Long Term Debtor	-	(6,002)	(6,002)
Total	<u>69,483</u>	<u>(6,002)</u>	<u>(75,485)</u>

**NOTE 35****MOVEMENT IN USABLE CAPITAL RECEIPTS**

	<b>31/03/08</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>
<b>Usable receipts in year:</b>		
Sale of Council Houses / Repayment of grant (HRA)	100,286	2,138
Sale of Housing land (HRA)	5,000	-
Repayment of housing advances (HRA)	1,156	-
Net receipt from the LSVT sale of the housing stock	8,000,000	-
General Fund receipts	120,404	8,000
	<u>8,226,846</u>	<u>10,138</u>
Amounts applied to finance new capital investment in year	(248,479)	(480,138)
Amount applied to fund levy on stock transfer	(248,803)	-
Amounts set aside during year	(869,381)	-
Total increase / (decrease) in realised capital resources in year	<u>6,860,183</u>	<u>(470,000)</u>
Balance brought forward at 1st April	29,633	6,889,816
Balance carried forward at 31st March	<u>6,889,816</u>	<u>6,419,816</u>

**NOTE 36****EARMARKED RESERVES**

	<b>01/04/08</b>	<b>Receipts in Year</b>	<b>Payments in Year</b>	<b>31/03/09</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Modernising Local Government *1	224,698	111,000	(224,698)	111,000
General Fund Capital & Revenue	-	633,932	(633,932)	-
Prees Heath Lorry Park *2	35,518	12,741	-	48,259
VAT, Court Costs & Revaluation	60,000	-	(60,000)	-
Asset Management *3	-	65,000	-	65,000
Building Control	34,245	-	(34,245)	-
	<u>354,461</u>	<u>822,673</u>	<u>(952,875)</u>	<u>224,259</u>

\*1 Reserve held for remaining reorganisation costs (staff related)

\*2 Tolls from the Lorry park are held to fund subsequent capital works

\*3 Reserve held for asset disposal costs

**NOTE 37****ANALYSIS OF NET ASSETS EMPLOYED**

<b>31/03/08</b>		<b>31/03/09</b>
<b>Restated</b>		<b>£</b>
<b>£</b>		<b>£</b>
*15,362,589	General Fund	16,310,107
958,757	Housing Revenue Account	871,225
9,926	Collection Fund	-
<u>*16,331,272</u>		<u>17,181,332</u>

\* opening balance adjusted by £25,000 for new pension regulations – please refer to Note 1.8 of the Foreword

## **NOTE 38**

### **PENSION CONTRIBUTIONS IN RESPECT OF THE LOCAL GOVERNMENT PENSION SCHEME**

The Council is a member of the Shropshire County Council Superannuation Fund. It is a “defined benefits” fund where index-linked retirement benefits are determined independently of the payments into the scheme. Employees contribute to the fund by salary deduction. As employer, the Council also makes contributions. The level at which contributions are made is intended to balance the pension liabilities with investment assets.

Although benefits will not be payable until employees retire, the Council is committed to making these future payments which need to be disclosed at the time the employees earn their entitlement. This commitment (known as current service pension costs) is reflected in the Net Cost of Services in the Income and Expenditure Account.

To ensure that the cost to be met from Government grant and local taxpayers equates to the actual cash sum paid over in employer contributions (and not the current service pension costs), a reversing adjustment is made to the Pensions Reserve. These transactions are summarised below:

	<b>2007/08</b>	<b>2008/09</b>
	<b>Restated *</b>	
	<b>£</b>	<b>£</b>
<b>Income and Expenditure Account</b>		
<i><u>Net Cost of Services:</u></i>		
Current Services costs	753,862	643,227
Past service costs *	9,323	885,371
<i><u>Net Operating Expenditure:</u></i>		
Interest Cost	1,694,000	2,002,000
Expected return on scheme assets *	(1,645,000)	(1,556,000)
Net charge to the Income and Expenditure Account	812,185	1,974,598
<i><u>Statement of Movement on the General Fund Balance:</u></i>		
Reversal of net retirement benefit charges *	(125,000)	(412,000)
<i><u>Actual amount charged against the General Fund Balance for pensions in the year:</u></i>		
Employer's contribution payable to scheme	687,185	1,562,598

\* opening balance adjusted by £3,000 for new pension regulations – please refer to Note 1.8 of the Foreword

## **NOTE 39**

### **PENSION SCHEME LIABILITIES AND ASSETS**

The present value of the scheme liabilities are:	<b>2007/08</b>	<b>2008/09</b>
	<b>Restated*</b>	
	<b>£</b>	<b>£</b>
1st April	(32,581,000)	(33,415,000)
Current Service Cost	(753,862)	(643,227)
Interest Cost	(1,694,000)	(2,002,000)
Contributions by scheme participants	(268,000)	(238,000)
Actuarial gains and losses *	(667,000)	7,002,000
Benefits paid	1,076,185	2,078,598
Past service costs	(193,323)	-
Curtailments	-	(885,371)
Settlements	1,666,000	-
31st March	<u>(33,415,000)</u>	<u>(28,103,000)</u>

The fair value of the scheme assets are:	<b>2007/08</b>	<b>2008/09</b>
	<b>Restated *</b>	
	<b>£</b>	<b>£</b>
1st April	27,254,000	24,878,000
Expected rate of return *	1,645,000	1,556,000
Actuarial gains and losses *	(2,418,000)	(7,033,000)
Employer contributions	687,185	1,562,598
Contributions by scheme participants	268,000	238,000
Benefits paid	(1,076,185)	(2,078,598)
Settlements	(1,482,000)	-
31st March	<u>24,878,000</u>	<u>19,123,000</u>

\* opening balance adjusted by £25,000 for new pension regulations – please refer to Note 1.8 of the Foreword

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £31,000 (£3,085,000 2007/08 as restated) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £31,000.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £5,477,000 (2007/08: £565,000).

Under the 2008 SORP, amendments to FRS17 require that quoted securities held as assets in the pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31<sup>st</sup> March 2008 has been restated from £24,903,000 to £24,878,000, a decrease of £25,000, resulting in an increase in the pension deficit of £25,000 (31<sup>st</sup> March 2007: increase of £27,000). The prior year surplus has been affected by this change (£3,000).

## **NOTE 40**

### **SCHEME HISTORY**

The following analysis outlines North Shropshire District Council's underlying assets and liabilities within the Shropshire County Pension Fund since 2004/05.

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	*	*	<b>Restated</b>	<b>Restated</b>	
	£	£	£	£	£
Present value of liabilities	(28,736,000)	(32,602,000)	(32,581,000)	(33,415,000)	(28,103,000)
Fair value of assets	21,368,000	26,182,000	27,254,000	24,878,000	19,123,000
31st March	<u>(7,368,000)</u>	<u>(6,420,000)</u>	<u>(5,327,000)</u>	<u>(8,537,000)</u>	<u>(8,980,000)</u>

\*The Council has elected not to restate the fair value of scheme assets for 2004/05 and 2005/06 as permitted by the revised FRS17. Please refer to Note 1.8 of the Foreword

The liabilities show the underlying commitment that the Council has in the long-term to pay retirement benefits. The requirement to recognise the net liability of £8,980,000 in the Balance Sheet has a substantial impact on the net worth of the Council, resulting in a positive overall balance of £18m.

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Employer pension contributions relating to North Shropshire's element of the Pension Fund for 2009/10 are likely to be £560,000.

## **NOTE 41**

### **BASIS FOR ESTIMATING LIABILITIES AND ASSETS**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years is dependent on assumptions of mortality rates, salary levels etc. Mercer Human Resources Consulting Limited, an independent actuary, has assessed the Shropshire County Council Fund. Estimates for the scheme are based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2009.

The main assumptions used in the calculations are:

	<b>2007/08</b>	<b>2008/09</b>
<b><u>Long term expected rate of return on assets in the scheme:</u></b>		
Equity investments	65.20%	60.70%
Bonds	13.60%	14.60%
Other Bonds	12.00%	11.60%
Other	9.20%	13.10%
<b><u>Mortality assumptions:</u></b>		
Longevity at 65 for current pensioners - men	22.2 yrs	22.2 yrs
Longevity at 65 for current pensioners - women	25.0 yrs	25.0 yrs
Longevity at 65 for future pensioners - men	21.1 yrs	21.2 yrs

Longevity at 65 for future pensioners - women	24.0 yrs	24.0 yrs
Rate of inflation	3.60%	3.30%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.60%	3.30%
Rate of discounting scheme liabilities	6.10%	7.10%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

## **NOTE 42**

### **HISTORY OF EXPERIENCE GAINS AND LOSSES**

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the 31<sup>st</sup> March.

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	Restated %	Restated %	%
Differences between the expected and actual return on assets	2.4	14.1	0.1	(9.7)	(36.9)
Experience gains and (losses) on liabilities	1.3	-	-	3.0	-

An actuarial valuation at the time of the housing stock transfer valued the pension gap relating to employees transferring to the new housing association at £1.3m. This was an estimate and will be reviewed in the next triennial review in 2010. The new Council will be responsible for past service costs for these employees.

## **NOTE 43**

### **PENSIONS RESERVE**

	2007/08 Restated *	2008/09
	£	£
Current service pension costs	(753,862)	(643,227)
Past service / curtailment costs	* (9,323)	(885,371)
Net interest / return on assets	* (49,000)	(446,000)
Employer contributions	687,185	1,562,598
Actuarial gain / (loss)	* (3,085,000)	(31,000)
	<u>(3,210,000)</u>	<u>(443,000)</u>
Balance at 1st April	(5,327,000)	(8,537,000)
Balance at 31st March	<u>(8,537,000)</u>	<u>(8,980,000)</u>

\* opening balance adjusted by £25,000 for new pension regulations – please refer to Note 1.8 of the Foreword

**NOTE 44****RECONCILIATION BETWEEN THE INCOME AND EXPENDITURE ACCOUNT AND NET CASH FLOW**

<b>2007/08</b>		<b>£</b>	<b>2008/09</b>		<b>£</b>
	<b>Revenue (Surplus)/Deficit on:</b>				
161,197	Income and Expenditure Account		1,111,645		
443,681	Collection Fund		(460,305)		
<u>249,299</u>	Housing Revenue Account		<u>87,532</u>		
854,177					738,872
	<b>Items classified elsewhere in Cash Flow</b>				
(933,828)	External Interest received		(869,920)		
25,670	External Interest paid		<u>25,007</u>		
					(844,913)
	<b>Non cash transactions</b>				
(93,433)	(Increase)/Decrease in bad debt provisions		53,433		
22,582	Contribution (to)/from Provisions		618,590		
<u>165,092</u>	Contribution (to)/from Reserves		<u>130,202</u>		
94,241					802,225
	<b>Items on accruals basis</b>				
(17,287)	Increase/(Decrease) in Stocks		(1,758)		
508,904	Increase/(Decrease) in Debtors		625,212		
<u>972,970</u>	(Increase)/Decrease in Creditors		<u>1,474,799</u>		
1,464,587					2,098,253
<u>1,504,847</u>	<b>NET CASH FLOW FROM REVENUE ACTIVITIES</b>				<u>2,794,437</u>

**NOTE 45****CASH FLOW – INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS**

	<b>31/03/08</b>	<b>31/03/09</b>	<b>Movement 2008/09</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	2,615,382	974,214	1,641,168
Temporary deposits	10,460,000	9,000,000	(1,460,000)
Temporary borrowing	-	1,500,000	1,500,000

## NOTE 46

### CASH FLOW – ANALYSIS OF GOVERNMENT GRANTS

2007/08		2008/09
£		£
(728,173)	Revenue Support Grant	(630,761)
(4,338,971)	NNDR Redistribution Grant	(4,441,863)
(11,531,547)	Housing Benefit for Private Tenants	(8,460,959)
(7,185)	Other Housing Benefit	(13,061)
(529,990)	Housing Benefit Administration	(404,616)
(116,534)	LABGI Grant	(409,050)
(223,695)	Planning Delivery Grant	(248,585)
(40,000)	Capacity Building Grant	(8,850)
(100,000)	Homelessness Choice Based Lettings Grant	(78,750)
(428,386)	Major Repairs Allowance	-
-	DCLG area based Grants	(22,500)
-	Ministry of Justice	(7,500)
-	Dept of Transport	(134,403)
1,091,373	HRA Subsidy	(28,050)
(189,000)	Disabled Facility Grant	(239,000)
(88,651)	NNDR Administration	(89,202)
(344,315)	Capital Grants	(273,695)
<u>(17,575,074)</u>		<u>(15,490,845)</u>

## NOTE 47

### RELATED PARTY TRANSACTIONS

Local authorities are required to disclose details necessary to draw attention to the possibility that the reported financial position may have been affected by the existence of related parties. Related parties include bodies such as Central Government, other local authorities, joint venture partners, certain officers and members. Transactions need not necessarily be financial.

Members and certain officers have been requested to complete declarations giving notice of any dealings with the Council, either directly or through a third party, which may be interpreted as a related party transaction. Transactions that are deemed to be **material** are as follows:

<b>Precepts</b>	£	£
Shropshire County Council		22,103,439
Shropshire and Wrekin Fire Authority		1,701,070
West Mercia Police		3,590,305
Town and Parish Councils		1,387,343
<b>Grants/Contributions</b>	<b>Income</b>	<b>Expenditure</b>
Central Government	20,206,000	23,793,000
Shropshire County Council	27,500	2,189,000
Town and Parish Councils		67,000
Advantage West Midlands	183,900	183,900
Miscellaneous	43,590	424,500

### **Shropshire County Council Pension Fund**

Refer to paragraph 1.06 of the Statement of Accounting Policies and Notes 38 to 43 to the Core Statements.

## **DECLARATIONS MADE BY DISTRICT COUNCILLORS AND OFFICERS**

**Brian Allman** (Revenues Officer) has declared an interest in Market Drayton Golf Club; the organisation is in receipt of mandatory rate relief to the value of £14,507.

**Julie Macrae** (HR Assistant) has declared that an empty homes grant of £8,000 is a related party transaction.

**Councillor Stephen Davenport** has declared that a new business grant of £5,000 awarded to the Ellesmere MOT & Service Centre Ltd. is a related party transaction.

**Councillor Rob Hewson** has declared an association with Whitchurch Alport Junior Committee – grant included above. He also has an association with the Wayland Road Play Committee – capital grant of £80,000 earmarked by the new Shropshire Council for 2009/10 following a proposal by North Shropshire District Council.

**Councillor Keith Newby** has declared that he is a member of the Maurice Chandler Sports Centre Committee – grant included above. He also has a personal planning application under consideration with a build value of £60,000.

**Councillor Pauline Dee** is a member of Wem Town Council - grants included above.

**Councillor Chris Mellings** is a member of Wem Town Council – grants included above.

*(some of the above transactions may be part of the Debtors and Creditors balances in the Balance Sheet)*

**A number of District Councillors are members of local councils that are regarded as related parties.**

## **NOTE 48**

### **SHROPSHIRE WASTE PARTNERSHIP (PFI)**

Paragraph 1.9 of the Foreword and paragraph 1.15 of the Statement of Accounting policies explain the Council's accounting arrangements as a partner of the Shropshire Waste Partnership (PFI). FRS 9 requires participants in a joint arrangement that is not an entity (a JANE) to account for their own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement. North Shropshire District Council's core financial statements include the District Council's share of costs incurred in respect of the Shropshire Waste Partnership which is summarised below:

<b>2007/08</b>		<b>2008/09</b>	
<b>£</b>		<b>£</b>	
973,894	Contribution to SWP (base budget)	1,954,890	a)
50,254	WPEG funding	25,127	b)
15,229	Additional WPEG grant	-	c)
	<u>Non-cash funding</u>		
7,539	Amortisation of deferred consideration	7,539	d)
(4,561)	Unwinding of discount on deferred consideration	(4,457)	e)
<u>1,042,355</u>		<u>1,983,099</u>	

#### **a) Unitary Costs**

Unitary costs are those that are paid to the PFI contractor for the facilities and services provided under the contract which commenced on 1<sup>st</sup> October 2007. The Council agreed to

transfer the value of its 2006/07 waste collection budget (uplifted by inflation annually) to the Partnership. Included in the Environmental Services category of the Net Cost of Services in the Income and Expenditure Statement, the sum paid represents a half year contribution.

***b) & c) WPEG funding***

The Council agreed to pay over to the partnership, government grant funding received by the District Council to support waste activities.

**Transfer of Council owned assets**

Council owned assets were transferred free of charge to the contractor. The value of the donated assets was written out of the Council's fixed asset register and replaced by an asset representing the value of the prepayment or deferred consideration which reflects the value of assets made available to the PFI contractor.

The deferred consideration balance is (charged) to the Environmental Services category of the Net Cost of Services within the Income and Expenditure Account over the life of the contract to show the full value of the service received each year. The prepayment in the accounts represents the net present value of the deferred consideration. There is an annual unwinding of this discounted value which is credited to interest receivable in the Income and Expenditure account.

**NOTE 49**

**INTERESTS IN COMPANIES**

Shropshire Tourism (UK) Ltd. is a company limited by guarantee. It is the only company of which the Council is a member and liability is limited to £1. The Company was established in 2000 to promote tourism and provide information on Shropshire and a grant of £7,200 was paid over during 2008/09. There is no requirement to draw up Group Accounts for this association.

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

Major schemes such as this require approval from the Implementation Executive of the new Shropshire Council who determined that the CAT would not proceed. A capital sum of £9.7m that was to be transferred to the CAT will be used for alternative community schemes, predominantly within North Shropshire.

**NOTE 50**

**CONTINGENT LIABILITIES**

- a) There is a legal case pending concerning a former HRA dwelling for which the Council is legally responsible.
- b) It is likely that the Council will be responsible for costs relating to two judicial reviews.
- c) It is likely that the Council will be responsible for costs relating to a planning enforcement issue and a planning inquiry.
- d) It is likely that the Council will incur additional legal advisory costs for two cases relating to council tax and planning

## **NOTES ON THE MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

1.1 The Council's activities expose it to a variety of financial risks, the key risks are:

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- ✓ Re-financing risk – the possibility that the Council might be renewing a financial instrument on maturity at disadvantageous interest rates or terms.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### **Overall Procedures for Managing Risk**

1.2 The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through the legal framework contained within the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures from the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.

*(it should be noted that as the Council's capital schemes and associated treasury management activities are incorporated within those of the Unitary Council for Shropshire from 1<sup>st</sup> April 2009, some of the indicators were appropriate for only one year – 2008/09.)*

- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

1.3 These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

1.4 These policies are implemented by the Accountancy team. The Council maintains documented principles for overall risk management and policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through approved Treasury Management Practices (TMPs). TMPs are a requirement of the Code of Practice and are reviewed regularly.

### **Credit risk**

1.5 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

1.6 Risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of this investment criteria.

1.7 The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2009 %	Estimated maximum exposure to default £000s
	(a)	(b)	(c)	(a x c)
<b>Deposits with banks and financial institutions</b>				
AAA rated counterparties	9,000	0%	0%	0
AA rated counterparties	-	-	-	-
A rated counterparties	-	-	-	-
Other counterparties	-	-	-	-
Bonds – AAA rates	-	-	-	-
Trade debtors	3,037	12.04%	12.04%	366
<b>Total</b>	<b>12,037</b>			<b>366</b>

1.8 During the year of account, the world's financial markets were in a critical position; they remain volatile which increases the risk of default. Whilst the majority of the £75m deposited throughout the year met the Council's strict investment criteria, during quarter three, the Council had invested cash with two counterparties whose ratings were revised to a level below the desired criteria during the investment period. Both transactions matured without loss to the Council. At 31<sup>st</sup> March 2009, all deposits are short term and are placed with the Government's Debt Management Office.

1.9 The Council does not generally allow credit for its trade debtors, such that £1,893m (2007/08 - £1.242m) of the £3,037m (2007/08 - £2.343m) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
Less than four months	88	99
Five to eight months	106	59
Nine months to 1 year *	825	1,457
More than one year	223	278
	1,242	1,893

\* this increase relates primarily to the increase in Collection Fund debtors.

In some cases the Council initiates a legal charge on property where clients cannot afford to pay immediately. These totalled £21,410 at 31<sup>st</sup> March 2009.

### **Liquidity risk**

1.10 The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

1.11 The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore, no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

### **Refinancing and Maturity Risk**

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

1.13 The prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Accountancy team addresses the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council's long term approach to refinancing and maturity risk is outlined in paragraphs 1.12 and 1.13. In practice, the Council has not found it necessary to borrow externally in recent years; the short term borrowing outlined below was executed to align accounting practices with those of the new Council.

The maturity analysis of financial liabilities at 31<sup>st</sup> March is as follows:

	<b>31 March 2008 £000s</b>	<b>31 March 2009 £000s</b>
Less than one year	-	1,500
Between one and two years	-	-
Between two and seven years	-	-
Between seven and 15 years	-	-
More than fifteen years	-	-

The maturity analysis of financial assets at 31<sup>st</sup> March is as follows:

	<b>31 March 2008 £000s</b>	<b>31 March 2009 £000s</b>
Less than one year	10,460	9,000
Between one and two years	-	-
Between two and three years	-	12*
More than three years	-	168*

\* Long Term Debtors (Please refer to Note 26 to the Core Statements)

1.14 All trade and other creditors are due to be paid in less than one year and trade debtors of £1,144m are not shown in the table above.

## Market risk

1.15 Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall;
- ✓ investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

1.16 Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). Changes in interest payable and receivable on variable rate borrowings and investments will however, be posted to the Income and Expenditure Account and will affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

1.17 The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Accountancy team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

1.18 During 2008/09 all of the Council's investments were deposited at fixed rates for less than one year. One loan was borrowed at a fixed rate for less than one year. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been an increase in interest received of £134,000. As the borrowing was undertaken within two days of the year end, a 1% variation in interest rates for 2008/09 would have had a minimal effect. The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price risk** - The Council is not generally exposed to this risk; the County Council Pension Fund does however include equity shares.

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

## **HOUSING REVENUE ACCOUNT (HRA)**

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. Following transfer of the Council's housing stock to a housing association on 30<sup>th</sup> July 2007 the Secretary of State has given the Council consent to transfer residual HRA assets to the General Fund from 31<sup>st</sup> March 2008 and to close the HRA with effect from 31<sup>st</sup> March 2009. The following analysis therefore relates to residual HRA activity up to 31<sup>st</sup> March 2009.

<b>2007/08</b>		<b>2008/09</b>
£		£
	<b>Income</b>	
(1,988,675)	Dwelling rents (gross)	(7,717)
(40,983)	Non-dwelling rents (gross)	-
(39,057)	Charges for services and facilities	-
(428,386)	HRA Subsidy receivable (including MRA)	(28,050)
(36,567)	Reduce provision for bad debts	-
<b>(2,533,668)</b>		<b>(35,767)</b>
	<b>Expenditure</b>	
583,835	Repairs and maintenance	99,420
614,899	Supervision and management	22,030
18,088	Rents, rates, taxes and other charges	(353)
1,091,373	Negative subsidy – payment to Secretary of State	-
	Depreciation of fixed assets	
428,386	Dwellings	-
1,650	Other assets	-
472,830	Impairment of fixed assets	-
2,660	Debt management costs	-
<b>3,213,721</b>		<b>121,097</b>
<b>680,053</b>	<b>Net Cost of HRA Services Income And Expenditure Account</b>	<b>85,330</b>
69,418	HRA share of Corporate and Democratic Core costs	-
<b>749,471</b>	<b>Net Cost of HRA Services</b>	<b>85,330</b>
248,803	(Gain) / Loss on sale of HRA fixed assets	71,685
22,099	Loan charges - interest (Item 8)	-
(198)	HRA investment income	-
<b>1,020,175</b>	<b>(Surplus)/Deficit on HRA services</b>	<b>157,015</b>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

<b>2007/08</b>		<b>2008/09</b>
<b>£</b>		<b>£</b>
1,020,175	(Surplus)/Deficit on the HRA	157,015
(22,110)	Amortisation of intangible fixed assets	-
(472,830)	Impairment	-
(16,019)	Amortisation of premiums and discounts	(69,483)
(248,803)	Gain / (Loss) on sale of HRA fixed assets	(71,685)
(9,464)	HRA share of contributions to / (from) the Pension Reserve	-
-	Capital expenditure funded by the HRA	71,685
(1,650)	Transfer to / (from) the Major Repairs Reserve	-
249,299	(Increase) / Decrease in HRA Fund Balance for the year	87,532
(1,208,056)	HRA Balance brought forward	(958,757)
<b>(958,757)</b>	<b>HRA Balance carried forward</b>	<b>(871,225)</b>

## NOTE 1

### HOUSING REVENUE ACCOUNT ASSET NUMBERS AND VALUES

	31/03/08		31/03/09	
	No.	Value £	No.	Value £
<b>Operational</b>				
Dwellings	-	-	-	-
<b>Non-Operational</b>				
<u>Investment</u>				
Catholic Church / Property in Whitchurch	2	90,000	-	-
Rodenhurst Flats *Note 1	19	1,425,000	-	-
<u>Surplus</u>				
Surplus Land	52	664,500	-	-
		<u>2,179,500</u>		<u>-</u>

Note 1 – Rodenhurst Flats (leased to Meres & Mosses Housing Association)

Note 2 – Secretary of State approval to transfer the remaining HRA non-operational assets to the general fund with effect from 1<sup>st</sup> April 2008.

## NOTE 2

### ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE (MRR)

2007/08		2008/09
£		£
318,938	Balance brought forward at 1 <sup>st</sup> April	-
428,386	Amount transferred to MRR in year	-
(745,674)	MRR used to finance capital expenditure	-
(1,650)	Transfer for depreciation above Major Repairs Allowance	-
<u>-</u>	Balance carried forward at 31 <sup>st</sup> March	<u>-</u>

## NOTE 3

### HRA CAPITAL EXPENDITURE

Residual capital expenditure on land, houses and other property within the HRA amounted to £71,685 during 2008/09, which was financed as follows:

2007/08		2008/09
£		£
134,000	Borrowing	-
-	Revenue contributions	71,685
21,542	Usable Capital Receipts	-
745,674	Major Repairs Reserve	-
<u>901,216</u>		<u>71,685</u>

## NOTE 4

### HRA CAPITAL RECEIPTS

2007/08		2008/09
£		£
13,000	Housing land / equipment	-
389,535	Council Houses / discounts returned	8,550
8,000,000	Large Scale transfer of Council Houses	-
4,622	Mortgage Repayments	-
<u>8,407,157</u>		<u>8,550</u>

## NOTE 5

### HOUSING SUBSIDY

2007/08		2008/09
£		£
	<b>Subsidy - MRA</b>	
428,386	Major repairs allowance	-
	<b>Subsidy – Other</b>	
307,744	Management allowance	-
665,405	Maintenance allowance	-
63,204	Charges for capital	22,618
90,444	Rental constraint	-
(958)	Interest on receipts	(166)
(2,221,496)	Guideline rent income	-
4,284	Previous year adjustment	5,598
<u>(1,091,373)</u>		<u>28,050</u>

## NOTE 6

### RENT ARREARS

2007/08		2008/09
£		£
96,433	Rent arrears as at 31 <sup>st</sup> March	-
101,329	Arrears "Written-off" during year	96,433
4.9%	Arrears as % of Gross Rent Income	n/a
	<b>Bad Debt Provision</b>	
133,000	Bad Debt Provision brought forward	96,433
96,433	Bad Debt Provision carried forward	-

The balance written off relates to former tenants' arrears.

## COLLECTION FUND

2007/08 £		Note	2008/09 £
	<b>Income</b>		
(27,102,003)	Income from Council Taxes	1	(28,521,142)
	<b>Transfer from the General Fund:</b>		
(3,485,577)	Council Tax Benefits		(3,737,770)
1,851	Transitional Relief-adjustment		2,289
<u>(10,022,002)</u>	Income from Non Domestic Rates	2	<u>(10,782,027)</u>
(40,607,731)	<b>TOTAL INCOME</b>		(43,038,650)
	<b>Expenditure</b>		
	<b>Precepts</b>		
21,037,435	Shropshire County Council		22,086,729
4,259,546	North Shropshire District Council and town and parish councils		4,376,865
3,399,566	West Mercia Police Authority		3,587,605
<u>1,626,873</u>	Shropshire and Wrekin Fire Authority		<u>1,699,780</u>
30,323,420			31,750,979
	<b>Non-Domestic Rates:</b>		
9,823,717	Payment to National Pool	2	10,594,404
88,651	Cost of Collection Allowance	2	<u>89,202</u>
			10,683,606
	<b>Bad and Doubtful Debts</b>		
207,594	Provisions in year		119,680
608,030	Adjustment of previous Collection Fund Surplus		24,080
			<u>42,578,345</u>
41,051,412	<b>TOTAL EXPENDITURE</b>		
443,681	(Surplus)/Deficit for the year		(460,305)
<u>(514,345)</u>	(Surplus)/Deficit brought forward		<u>(70,664)</u>
(70,664)	Balance carried forward		<u>(530,969)</u>
	<b>Balance distributable as follows:</b>		
49,024	Shropshire County Council		-
9,926	North Shropshire District Council		-
-	Shropshire Council		442,549
7,922	West Mercia Police Authority		59,995
<u>3,792</u>	Shropshire and Wrekin Fire Authority		<u>28,425</u>
<u>70,664</u>		3	<u>530,969</u>

## NOTES TO THE COLLECTION FUND

The Collection Fund is a statutory account recording income and expenditure relating to Council Tax and National Non-Domestic Rates (NNDR). It is operated in isolation of the Council's General Fund on behalf of the main precepting authorities - Shropshire County Council, North Shropshire District Council (including parishes), West Mercia Police Authority and Shropshire and Wrekin Fire Authority.

### NOTE 1 - COUNCIL TAX

Properties liable to Council Tax are classified into 8 bands (A to H) dependent upon the District Valuer's assessment of the property value at 1<sup>st</sup> April 1991. To calculate the charge, an estimate of the amount of income required by the precepting authorities is divided by the Council Tax base. The Council Tax base is the total number of chargeable properties after converting the number of properties in each band to a band D equivalent and after allowing for discounts etc., as illustrated:

<b>BANDS</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>TOTAL</b>
Properties	4,894	6,364	4,778	3,973	3,359	1,713	786	53	25,920
Less Exempt Properties	-321	-142	-197	-125	-72	-45	-27	-11	-940
Less Disabled Reduction	-14	-44	-41	-31	-44	-20	-17	-4	-215
Paid by disabled relief	58	41	31	44	20	17	4	-	215
	<b>4,617</b>	<b>6,219</b>	<b>4,571</b>	<b>3,861</b>	<b>3,263</b>	<b>1,665</b>	<b>746</b>	<b>38</b>	<b>24,980</b>
Eligible for 25% discount	2,416	2,159	1,290	871	545	211	79	4	7,575
Eligible for 50% discount	157	76	73	58	42	31	20	6	463
Eligible for 10% discount	26	20	17	17	7	8	6	0	101
Ineligible for discount	2,018	3,964	3,191	2,915	2,669	1,415	641	28	16,841
	<b>4,617</b>	<b>6,219</b>	<b>4,571</b>	<b>3,861</b>	<b>3,263</b>	<b>1,665</b>	<b>746</b>	<b>38</b>	<b>24,980</b>
Properties adjusted for discounts/exemptions	3,921.50	5,631.25	4,203.50	3,605.75	3,102.25	1,592.75	713.25	34.00	22,804.25
Ratio to Band D	5/9 & 6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D equivalents	2,612.9	4,379.9	3,736.4	3,605.8	3,791.6	2,300.6	1,188.8	68.0	21,684.00
Contributions in lieu (MOD)									274.10
TOTAL									21,958.10
Non-Payment provided for									(274.47)
<b>COUNCIL TAX BASE</b>									<b>21,683.63</b>

The basic amount of Council Tax for a Band D property (£1,464.28 for 2008/09) is multiplied by the proportion specified for the particular band, the result of which when added to the sum payable to the local town or parish council, gives the individual amount due from the Council Tax payer.

## **NOTE 2**

### **NATIONAL NON-DOMESTIC RATES**

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

At 31<sup>st</sup> March 2009, the total non-domestic rateable value in the North Shropshire area was £27,387,358 (Valuation Office figure). The multiplier set by Government to calculate rate bills in 2008/09 was 0.462p per pound of rateable value.

## **NOTE 3**

### **COLLECTION FUND SURPLUSES AND DEFICITS**

Any surplus/deficit arising on Council Tax will be distributed to the major precepting authorities in subsequent years in proportion to the value of the respective demand each authority makes on the fund. The surplus attributable to this Council has been added to that of Shropshire County Council; the combined sum is available to the new Shropshire Council for the 2009/10 financial year.

## **STATEMENT OF MANPOWER**

The Council operates as a single entity headed by the Chief Executive, the Deputy Chief Executive and the Assistant Chief Executive. The Chief Executive is the person ultimately responsible for ensuring that the policies approved by the elected Members are implemented.

The table below shows the number of staff members employed, which will not directly relate to posts on the establishment as some posts may have remained vacant during the year, and others may have required additional cover for long term sickness etc. Additionally, they do not relate to a 'full time equivalent' as, for example, 2 part time staff may fill one full time post.

### **MANPOWER STATEMENT**

	<b>As at 31st March 2008</b>			<b>As at 31st March 2009</b>		
	<b>Full Time</b>	<b>Part Time</b>	<b>Total</b>	<b>Full Time</b>	<b>Part Time</b>	<b>Total</b>
Establishment Summary	142	38	180	126	19	145
Manual Staff	38	13	51	40	9	49
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	180	51	231	166	28	194

**INDEPENDENT AUDITOR'S OPINION**

**To be completed by the Audit Commission.**

**INDEPENDENT AUDITOR'S OPINION**

**To be completed by the Audit Commission.**

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tony Corcoran  
District Auditor  
Audit Commission  
Observer House  
Horsefair, Abbey Foregate  
Shrewsbury  
Shropshire SY2 5DB  
30<sup>th</sup> September 2009

## **STATEMENT OF ACCOUNTING POLICIES**

### **1.00 GENERAL**

The statement of accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end 31<sup>st</sup> March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008 (the SORP)*. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **1.01 ESTIMATION TECHNIQUES**

An accounting policy will specify the basis on which an item is to be measured. Where there is uncertainty over the monetary amount corresponding to that basis, the amount will be estimated. Estimation techniques, which often involve apportionment of costs or income over services, are based on equity, materiality, prudence and officer judgement.

In some cases a change to an estimation technique can materially affect the view shown by the Council's financial statements. These include allocating overheads and accounting for fixed assets and pensions liabilities. No significant changes to estimation techniques have been applied during the year.

### **1.02 ACCRUALS OF INCOME AND EXPENDITURE**

The accounts of the Council are maintained on an "income and expenditure" basis. This means that sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year as follows:

- a) Customer and client receipts are accounted for as income at the date the council provides the relevant goods or services.
- b) Supplies are recorded as expenditure when they are consumed; any unused element at the end of the year is identified within stocks on the Balance Sheet.
- c) Works are charged as expenditure when they are completed; any material uncompleted works are carried as works in progress on the Balance Sheet.
- d) Interest payable and receivable on investments and borrowing is accounted for on the basis of the effective interest rates during the year, rather than sums received or paid during the year.

Where the monetary value of the transaction has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The most significant debtors and / or creditors where estimation techniques are used are those that relate to government grants for Housing and Council Tax benefits.

### **1.03 PROVISIONS (including Bad Debts)**

Where an obligation or expectation is known but the timing of the transaction is uncertain, a provision may be made in the accounts based on the best estimate of the likely settlement. Provisions are recorded in the net cost of services in the Income and Expenditure Account and the Balance Sheet. When the expected transaction is made, the Balance Sheet is adjusted. The balance of provisions held is regularly reviewed; any balance that is no longer required is reversed through the net cost of services in the Income and Expenditure Account and the Balance Sheet.

Provision is also made for non-recovery of bad and doubtful debts. The levels included for each type of debt are based on past experience and current knowledge of the officers concerned. The figure for Debtors included in the Balance Sheet is shown net of the provision for bad and doubtful debts

#### **1.04 RESERVES**

##### ***Ear-marked Reserves***

The Council may set aside specific amounts as reserves for future policy purposes or to cover contingencies. When a reserve is created it is included in the Statement of Movement on the General Fund Balance and is a charge to taxpayers. When the reserve is used it is included in the net cost of services but a reversing entry in the Statement of Movement on the General Fund Balance negates the associated charge to taxpayers.

##### ***Main Reserves***

Accumulated General Fund, Housing Revenue Account and Collection Fund surpluses together with earmarked reserves can support capital and/or revenue spending.

Reserves that do not contain usable funds are the Revaluation Reserve which records increases in asset values, the Capital Adjustment Account which records capital accounting processes and the Pensions Reserve which records movement in this Council's element of the Shropshire County Council Pension Fund.

#### **1.05 GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS (REVENUE)**

Income from grants and other contributions is accounted for on an accruals basis and recognised in the accounting statements in the same period in which related expenditure is charged. Advance receipts of grants are held on the Balance Sheet and will only be credited to the service when the conditions entitling the Council to the grant have been satisfied. Specific grants will be allocated to the service account containing the expenditure that gave rise to the entitlement. Major grants – redistributed National Non-Domestic Rates and Revenue Support Grant which support all expenditure will be disclosed as separate items on the face of the Income and Expenditure Account.

#### **1.06 RETIREMENT BENEFITS**

Employees of the Council may make pension provision by paying into the Local Government Pension Scheme administered by Shropshire County Council. As employer, this Council contributes to employees' pension rights at a rate determined by an independent actuary in accordance with FRS17 (Retirement Benefits).

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

The liabilities of the Shropshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using the discount rate at the start of the year of 2.5% (based on the indicative rate of return as a weighted average of 'spot yields' on AA Corporate Bonds).

The assets of the pension fund attributable to this Council are included in the Balance Sheet at their fair value:

- a) Quoted securities – current bid price
- b) Unquoted securities – professional estimate
- c) Unitised securities – current bid price
- d) Property – market value

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

- a) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- b) Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- c) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Income and Expenditure Account.
- d) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – offsetting charges to Net Operating Expenditure in the Income and Expenditure Account.
- e) Gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- f) Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Statement of Total Recognised Gains and losses.
- g) Contributions paid to the pension fund.

Reversing entries are accounted for through the Statement of Movement on the General Fund Balance which remove the notional entries noted above, leaving only the actual contributions made during the year as a charge in the Net Cost of Services.

### **Discretionary benefits**

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any estimated liabilities arising from discretionary awards are accrued in the year of the decision and accounted for using the policies of the Local Government Pension Scheme.

## **1.07 VALUE ADDED TAX (VAT)**

In accordance with the requirements of SSAP5, the Council does not include VAT as income or expenditure except where VAT cannot be recovered.

## **1.08 OVERHEADS AND SUPPORT SERVICES**

Accounting for overheads and support services adheres to CIPFA's Best Value Accounting Code of Practice. With the exception of Corporate and Democratic Core and Non Distributed Costs which are included as separate items in the net cost of services, the costs are recharged to users; consequently they are fully absorbed into the Council's net cost of services in the Income and Expenditure Account.

## **1.09 INTANGIBLE ASSETS**

These are assets that do not have physical substance but are identifiable, controlled by the Council and will bring benefits to the Council for more than one year. For this Council intangible assets relate to software, the purchase of which is capitalised and amortised to revenue over 5 years, subject to impairment reviews.

## **1.10 TANGIBLE FIXED ASSETS**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on an ongoing basis.

### **Recognition**

Provided that it yields benefits to the Council for more than one financial year, expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Assets are included in the Balance Sheet at the following valuations:

### **Measurement**

Assets are initially measured at the cost required to bring the asset into working use. Assets are carried in the Balance Sheet using the following measurement bases:

- a) investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- b) other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- c) infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- a) non-specialised operational properties – existing use value
- b) specialised operational properties – depreciated replacement cost
- c) investment properties and surplus assets – market value.

During 2008/09 a suitably qualified valuer from Shropshire County Council has determined North Shropshire's fixed asset values and estimated the remaining useful life (where appropriate). Assets which had not been re-valued for a period of five years were reviewed. Assets were valued at 1<sup>st</sup> April 2008.

Generally any additions or increases at revaluation will be credited to the Statement of Total Recognised Gains and Losses and taken to the Revaluation Reserve. If however an increase at revaluation reverses previous losses on the same asset which had been recorded in the Income and Expenditure Account, the increase will be recognised in the Income and Expenditure Account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Any decrease in value occurring at revaluation or as a result of a review of assets, is an impairment loss. If the loss has been caused by the clear consumption of economic benefits, the loss will be recognised in the relevant service account and hence the Income and Expenditure Account. Any decrease not associated with a clear consumption of economic benefit will be written off against any revaluation gains attributable to the relevant

asset in the Revaluation Reserve and hence the Statement of Total Recognised Gains and Losses. Any excess is charged to the relevant service account and hence the Income and Expenditure Statement.

### **Disposals**

When a tangible fixed asset is disposed of or decommissioned, a gain or loss may arise which will be recorded in the Income and Expenditure Account. Disposal proceeds are credited to the Income and Expenditure Account offset against which is the carrying amount of the asset in the Balance Sheet and the costs of disposal to arrive at the gain or loss.

The gain or loss is reversed out in the Statement of Movement on the General Fund Balance to avoid any impact on council tax, except for the disposal costs element for non-housing disposals which is treated as a revenue transaction.

Any balance of gains in the Revaluation Reserve relating to the asset is written off to the Capital Adjustment Account.

Receipts from the disposal of capital assets are apportioned between “usable” and the proportion of housing receipts which has to be paid over to the Government according to regulations defined in the Local Government Act 2003. Usable capital receipts are accounted for on an accruals basis and used to fund the Capital Budget or set aside to reduce the Council's underlying need to borrow.

### **Depreciation**

With the exception of investment properties, land and assets with a de-minimis value, depreciation is provided for assets with a determinable finite life. The Council uses the straight-line method, i.e. the value of the asset, adjusted for its estimated residual value, is written down by an annual depreciation charge over the asset's estimated useful economic life. The estimated useful economic life of property assets is determined by a suitably qualified valuer. Vehicles and equipment are depreciated over a period in accordance with estimated replacement requirements. Write down of depreciation commences in the year following acquisition and the final deduction is made in the year of disposal.

Where an asset has major components with different estimated useful lives, these are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Charges to revenue for Fixed Assets**

Services are charged with the following amounts to record the real cost of holding fixed assets during the year:

- a) Depreciation attributable to the assets used by the relevant service.
- b) Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve.
- c) Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover these three areas of cost; in order to negate them, adjustments are made to the Statement of Movement on the General Fund Balance and the Capital Adjustment Account.

## **1.11 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

In year expenditure that may be capitalised under statute but does not result in the creation of fixed assets (i.e. improvement grants awarded to private sector dwellings) is charged to the relevant revenue service account. Where funding of these costs is by capital resources or borrowing, corresponding adjustments are made to the Statement of Movement on the General Fund Balance and the Capital Adjustment Account.

## **1.12 LEASES**

The Council enters into leasing arrangements for the acquisition of vehicles and equipment. Under an operating lease, rental charges are charged to the relevant services on a straight line basis over the term of the lease. During 2008/09 there were no obligations under primary finance leases.

## **1.13 FINANCIAL LIABILITIES AND ASSETS**

### **Financial Liabilities**

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

Unless involving a restructuring of the loan portfolio, gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact to be spread over future years. The Council has received a direction which closes the Council's Housing Revenue Account (HRA) at 31<sup>st</sup> March 2009; the balance of unamortized discounts which is entirely applicable to the Housing Revenue Account will therefore be shown as an in year gain managed by a transfer from the Financial Instruments Adjustment Account in the Statement of Movement on the HRA Balance.

### **Financial Assets**

Financial assets are classified into two types: loans and receivables –

- a) that have fixed or determinable payments but are not quoted in an active market
- b) available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### ***Loans and Receivables***

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

“Soft loans” occur when the Council has made loans to voluntary organisations at less than market rates. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. All of the Council’s loans to voluntary organisation have been repaid although a long term debtor has arisen which qualifies as a soft loan.

#### **1.14 STOCKS**

Goods and materials charged to services that have not been consumed by the end of the accounting period, are carried forward and charged in the accounting period in which they are used. The majority of stocks held relate to consumable stores and as such the most recent cost is the most appropriate to use as the closing value in the Balance Sheet. Where stocks may include older items, an average cost is used.

#### **1.15 SHROPSHIRE WASTE PARTNERSHIP (PFI Contract)**

FRS 9 defines a Joint Arrangement that is not an Entity as a contractual arrangement under which participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. FRS 9 also states that a contractual arrangement where all significant matters of operating policy are predetermined does not create an entity because the policies are those of its participants and not of a separate entity.

FRS 9 requires participants in a joint arrangement that is not an entity to account for their own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement. North Shropshire District Council’s core financial statements include the District Council’s share of costs incurred in respect of the Shropshire Waste Partnership.

##### **Transfer of Council owned assets**

Where assets are donated under a private finance initiative, this will represent a disposal of the asset, the economic benefit of which will need to be recognised in the accounts and written off over the period in which the benefit is to be received (i.e. the life of the contract). Council’s owned assets were transferred free of charge and therefore represent a contribution to the contract which has the effect of lowering the contract price. The value of the donated assets is written out of the Council’s fixed asset register and replaced by an asset representing the value of the prepayment or deferred consideration which reflects the value of assets made available to the PFI contractor below market value. There is no gain or loss to be recorded on the disposal of the asset as it is assumed that the value of the assets equals the value transferred.

The deferred consideration balance is written down (charged) to waste costs within the Income and Expenditure account over the life of the contract to show the full value of the service received each year. The prepayment in the accounts represents the net present value of the deferred consideration. There is an annual unwinding of this discounted value

which is credited to interest receivable in the Income and Expenditure account. These transactions are notional and consequently are reversed out in the Statement of Movement on the General Fund by a corresponding entry to the Capital Adjustment Account.

### **Unitary Costs**

Unitary costs are those that are paid to the PFI contractor for the facilities and services provided under the contract. North Shropshire District Council agreed to transfer the value of its 2006/07 base waste collection budget to the Partnership. The contribution which is uplifted for annual inflation is paid over to the SWP on a monthly basis and is recorded in the Environmental Services category of the Net Cost of Services within the Income and Expenditure Statement.

## **1.16 INTERESTS IN COMPANIES**

The North Shropshire Community Asset Trust (CAT) was established by North Shropshire District Council as a company limited by guarantee. In July 2008, the Implementation Executive for the new Shropshire Council determined that the CAT would not proceed. As the company was never operational, company accounts are not appropriate.

## **1.17 CONTINGENT ASSETS AND LIABILITIES**

Contingent assets and liabilities refer to the economic effect of events that cannot be included within the accounts due to uncertainties over the sums involved and / or whether or not that economic effect will actually arise (*an example is the outcome of a pending court case*). Material issues are identified as notes within the Statement of Accounts where appropriate.

## **1.18 DISCONTINUED / ACQUIRED OPERATIONS**

Where the Council acquires or discontinues major operations, for example if responsibility for a major service is transferred to another authority, the Income and Expenditure Account will be adjusted to illustrate the results of acquired and/or discontinued operations separately from continuing operations. Any liabilities in respect of discontinued operations will be disclosed separately in the notes to the Balance Sheet.

## **1.19 FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions are limited. Any that arise are translated and accounted for in sterling.

## **1.20 EXCEPTIONAL AND EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS**

Exceptional or extraordinary items refer to income or expenditure that is material in terms of the Council's overall finances and is not expected to recur frequently or regularly. Exceptional and extraordinary items will be shown on the face of the Income and Expenditure Account and a disclosure note will be included.

Prior year adjustments are accounted for in the year that they are identified. Unless material, the adjustment will be recorded in the costs of the service to which it relates and an explanation will be included in the notes to the Income and Expenditure Account. Material prior year adjustments arise from changes in accounting policies and / or the correction of fundamental errors. In these cases, the comparative figures for the prior year will be re-stated in the Income and Expenditure Account and the opening balance of reserves for the cumulative effect and disclosure notes included where appropriate. The cumulative effect of the adjustments is noted at the foot of the Statement of Total

Recognised Gains and Losses of the current period. The effect of prior period adjustments on the outturn for the preceding year will be disclosed where practicable.

#### **1.21 LOCAL AREA AGREEMENT GRANT**

A local area agreement (LAA) is an agreement between the Government Office for the area and a local strategic partnership (LSP) representing the local authorities, other public, private, voluntary and community interests for the area. The LAA sets out the priorities for Shropshire. Shropshire County Council is the administering authority and LAA grant received by North Shropshire District Council under these arrangements is accounted for on an accruals basis and apportioned between the services that are funded by the grant.

#### **1.22 POST BALANCE SHEET EVENTS**

Events that occur between the Balance Sheet date and the date the accounts are signed by the Chief Finance Officer may affect the results of the past year. If material, and require an adjustment to the Statement of Accounts, the changes will be made in the appropriate account and the Balance Sheet after discussion with the District Auditor. If material, but do not require a change to the Statement of Accounts, they will be included as a disclosure note.

## **ANNUAL GOVERNANCE STATEMENT**

North Shropshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, North Shropshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes the management of risk.

North Shropshire District Council approved and adopted a code of corporate governance on 25<sup>th</sup> June 2008, which replaced the Statement of Internal Control and is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (CIPFA).

This statement explains how North Shropshire District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at North Shropshire District Council for the year ended 31 March 2009, the final year of its operation. With effect from 1<sup>st</sup> April 2009, a new Council will provide the services that are currently operated by the Districts, Boroughs and the County Council in Shropshire. The date of the last meeting of North Shropshire District Council is 18<sup>th</sup> March 2009; consequently the position as at the end of February will be reported to North Shropshire Members. Where necessary any issues relating to the final month of the 2008/09 financial year will be reported by the new Council.

### **THE GOVERNANCE FRAMEWORK**

The Governance framework derives from six core principles published by CIPFA/SOLACE in 2007 these are:

- (a) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

- (b) members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- (c) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (d) taking informed decisions which are subject to effective scrutiny and managing risk;
- (e) developing the capacity and capability of members and officers to be effective; and
- (f) engaging with local people and other stakeholders to ensure robust public accountability.

## **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment and reports from Internal and External Audit and other review agencies and inspectorate.

There are a number of principles that underlie the six core principles; the attached “Principles of Good Governance and how they are delivered” illustrates the Council’s key systems and processes that provide the governance arrangements and reviews their effectiveness over the previous financial year:

### **1.0 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

- 1.1 Following extensive public and stakeholder consultation, in November 2005 the Community Strategy for North Shropshire was adopted by the Local Strategic Partnership (now North Shropshire Partnership (NSP)). An Action Plan was produced to progress the Community Strategy outcomes, prioritising those that local people had identified as being of most immediate importance. Within the Action Plan, links are made between local NSP outcomes and Shropshire Local Area Agreement (LAA) outcomes demonstrating the partnership working involved. These outcomes were the source for the Council’s Corporate Plan 2006-2009
- 1.2 The Corporate Plan is the key document that promotes the Council’s vision, values and priorities, illustrating that they have been aligned to these Community aspirations.
- 1.3 Following a review process involving the public, stakeholders and partners, the Council’s Corporate Plan was refreshed to provide corporate guidance to 31<sup>st</sup> March 2009 when the Council becomes subsumed into a Unitary Council for Shropshire.
- 1.4 With effect from 2007/08, the Council produces an annual report which brings together into one performance document, the achievements of the Council during the previous year. Performance and governance arrangements for the eleven months ending February 2009 will be reported to Members. 2008/09 annual reporting will also include a summary of the Council’s achievements since its inception in 1974.
- 1.5 Under normal circumstances, following the closure of the Council’s accounts, the Statement of Accounts and treasury management activities are approved by Members by the end of June. 2008/09 financial activities as at the end of February 2009, will be reported to North Shropshire District Council’s members. Following the completion of the Statement of Accounts and treasury management activities for the 2008/09 financial year, North Shropshire’s final financial position will be reported by the new Council at the end of June 2009.

- 1.6 Following audit by the Audit Commission, the Statement of Accounts is published and placed on the Council's website. Also on the website is the Audit Commission's Annual Audit Letter which reports on the performance of the Council. The AAIL is the Audit Commission's independent assessment on the Council's Use of Resources, its performance and direction of travel, the audit of accounts and value for money. In 2007/08 the Council improved its overall score on the Use of Resources from 2 to 3 and achieved savings in excess of its efficiency targets; the outcome for 2008/09 is yet to be established. The new Council will be responsible for the publication of this information where it relates to the final year of North Shropshire District Council.
- 1.7 Corporate Performance Assessments (CPA) are carried out by the Audit Commission. The 1999 Local Government Act introduced a duty for all councils to put in place arrangements to secure continuous improvement. It also gave the Commission general powers to inspect councils. The last CPA was undertaken in September 2007 and reported to Council on 22<sup>nd</sup> February 2008. The Council is designated a "good" Council.
- 1.8 The Council holds "performance surgeries" at monthly intervals during the year. Led by the Chief Executive this forum challenges, congratulates and provides a discussion vehicle for service providers to assess their performance when compared to a range of local and national performance indicators which measure performance, quality and satisfaction. The final surgery will be held in March 2009, reporting on performance as at the end of February 2009.
- 1.9 An annual household survey is undertaken. This survey measures the quality of individual services and the quality of access to services. The data is reviewed at performance surgeries and informs the business planning process through service plans. The 2008-09 survey reviews the outcomes for North Shropshire, and informs the new Council in its planning of service delivery.
- 1.10 Data quality audits are undertaken by the Audit Commission. The quality of supporting information used to calculate performance indicators is crucial to the validity of the measures used to establish the achievements that the Council has made.
- 1.11 The Council operates a Performance Escalation Process (PEP) which has three stages:
1. Identification of under performance through the Performance Surgery following which the responsible officer is required to measure performance more frequently.
  2. If performance falls below target for two months in a row, the relevant officer will be required to produce and deliver a detailed action plan to remedy.
  3. If performance falls below target for three months in a row despite the introduction of the action plan, the process requires a report to the Service Transformation and Performance Scrutiny Committee who will determine the remedial action to be taken.
- 1.12 The Council's measurement and review of value for money is carried out through the monthly performance surgeries. Performance Indicators are classified as "performance" "quality" or "satisfaction" and profiled against costs. Underlying this process are measures to create efficiency savings by business re-engineering, procurement procedures and frequent budget monitoring.
- 1.13 Service managers are required to compare their services against others in the Audit Commission's "family group" or other similar comparative data sources, establish why differences exist and learning from others, consider whether different procedures can be introduced to their own services to improve value for money and service delivery.

- 1.14 With the exception of the role of Chief Executive, the Chief Executive or the Cabinet approve staff appointments. Requests to fill posts are challenged to encourage managers to seek opportunities to maintain / improve service delivery in a more cost effective way.
- 1.15 The Council is committed to dealing with complaints fairly and impartially and has adopted a Complainants' Charter. Details of the Complainants' Charter are available to the public at the Customer Contact Centre, receptions in other public buildings and via the Council's web site. The Complainants' Charter outlines how the Council will respond to a complainant and directs the public to alternative contacts to pursue complaints if necessary. Formal reporting is carried out via the Service Transformation and Performance Scrutiny Committee where remedial actions are proposed if necessary. This committee also considers the Local Government Ombudsman Annual Letter.

## **2.0 Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- 2.1 The Council's Constitution sets out how the Council makes decisions and the procedures which will be followed to ensure that they are taken efficiently, are transparent and that local people can hold the Council to account.
- 2.2 Each Member of the Council is made aware of the Constitution when obtaining office and its contents are included in induction training for new members. A copy of the Constitution is available for public scrutiny on the Council's website as are records of all meetings of the Council. The Monitoring Officer attends Cabinet and Council meetings to ensure that proceedings are in accordance with the Constitution.
- 2.3 It is the responsibility of the Monitoring Officer to ensure that the Constitution is reviewed and updated when necessary. Updates of the Constitution were carried out and reported to Council most recently on 25/07/07; 26/03/08; 16/04/08 and 21/07/08.
- 2.4 The Cabinet is the heart of the day-to-day decision-making process. It works to a Forward Plan which is published on the Council's website. Article Six of the Constitution sets out the role and function of the Cabinet. It also outlines the role of the Leader and portfolio holders.
- 2.5 Cabinet procedure rules are outlined in Section 5B of the Constitution
- 2.6 The roles and responsibilities of all members are outlined in Article 2 of the Constitution and senior officers in Article 11. The Code of Conduct refers to member / officer relationships which are also addressed in the job descriptions of officers.
- 2.7 Details of where responsibility lies for each of the functions carried out by the Council are outlined in Part Three of the Constitution. Some functions are delegated. The Council's Scheme of Delegation is located in Part 4 of the Constitution.
- 2.8 The full Council will approve the appointment of the Chief Executive following the recommendation of an appointment panel set up by the Council, which must include at least one member of the Cabinet. Article 11 of the Constitution outlines the role and responsibilities of the Chief Executive. This includes "overall corporate management and operational responsibility." The Chief Executive is subject to an annual appraisal when any issues arising can be discussed and remedied.
- 2.9 Section D of Part 7 of the Constitution outlines the protocol for officer and member relationships generally. The roles and responsibilities of the Leader and the Chief

Executive are separately defined in Articles 6 and 11 respectively. The Leader and the Chief Executive meet on a weekly basis to discuss the business of the Council.

- 2.10 Section G of Part 7 of the Constitution deals with breaches of protocols. The Monitoring Officer is responsible for taking action in any cases of breach of protocols.
- 2.11 The Council's Section 151 Officer is the Chief Finance Officer who is a suitably qualified officer of the Council; duties and responsibilities are as outlined in Article 11 of the Constitution. i.e:
- a) Ensuring the lawfulness and financial prudence of decision making
  - b) Administration of financial affairs
  - c) Contributing to corporate management and the democratic process
  - d) Providing financial advice
  - e) Give financial information
- 2.12 The Council also maintains an internal audit service which is an integral element of the internal control process.
- 2.13 The Council's Monitoring Officer has the duties and responsibilities as outlined in Article 11 of the Constitution, i.e:
- a) Maintaining the Constitution
  - b) Ensuring lawfulness and fairness of decision making.
  - c) Supporting the Standards Committee.
  - d) Receiving reports and conducting investigations referred by Ethical Standards
  - e) Being the proper officer for access to information.
  - f) Advising whether Cabinet decisions are within the Budget and Policy Framework.
  - g) Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity to all councillors.
  - h) Appointing a Deputy to act in their absence.
- 2.14 Section G of Part 5 of the Constitution outlines the protocol for officer employment procedure rules. The terms and conditions for the remuneration of members are determined by an Independent Remuneration Panel reporting to Council. The recruitment / remuneration process for officers is guided by a suite of approved human resources policies and guidance. All applications to recruit / vary terms and conditions must be approved by the Chief Executive or the Cabinet. There are a set of performance indicators covering human resources issues that are discussed in the performance surgeries.
- 2.15 Note 1.1 explains how the Council's vision values and priorities were established and provides the "golden thread" which weaves through all the Council's plans and policies. Members and officers play a dual role in consulting with the local community and stakeholders to ensure communication and dissemination of the Council's aspirations. The Council's business planning cycle clearly sets out the process for setting, reviewing and implementing improvement.
- 2.16 Other communications mechanisms include the website, the Intranet, residents' newsletters and Members' Information Bulletins. Public consultation on the budget is carried out via the annual "Worth the Tax" Tour and at the Business Ratepayers meeting. Feedback is considered by Council before the budgets are set.
- 2.17 All reports to members include a "policy" section which requires the writer to assess how the subject matter and proposals comply with the Council's approved priorities.

2.18 In the case of the Council's key partnerships there are clear terms of reference and scope with outline responsibilities and legal status of the partnership. This includes parameters within which decisions can be made on behalf of the Council. In many cases members are accompanied by officers.

### **3.0 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

3.1 The Council's values are:

- Providing value for money services
- Being accountable
- Caring for and protecting the environment
- Being open and honest
- Making available the best quality services that our resources allow
- Working in partnership with others
- Being fair and showing that we care
- Providing equality of access and opportunity

3.2 Our commitment to the principles of good governance is demonstrated by our adoption of the Corporate Governance Code.

3.3 Awareness of Ethical Governance is included in the Officers and Members training programmes; independent consultancy advice in this area led to an Action Plan to implement best practice.

3.4 Internal behavioural policies reinforce this attitude; similarly the member and officer protocols. Communications mechanisms – North Shropshire Matters, staff and managers' briefings and portfolio holder briefings are also forums which are used to promote the climate of openness, support and respect.

3.5 The Council maintains a register of interests and members and officers are also required to declare Related Party Transactions which are included in the annual Statement of Accounts.

3.6 At meetings, members and officers are required to declare interests that they may have in an agenda item prior to consideration. Members who have prejudicial interests may not participate in the discussion unless the public are entitled to participate in the discussion and must not vote in any circumstances. The register of interests is monitored by a Standards Committee.

3.7 Article 3 of the Constitution sets out the rights of the public to know what the Council is doing and how they can participate in and contribute to the Council's processes. The public's rights to information and to participate are explained in more detail in the Access to Information Rules in Part 5E of the Constitution.

3.8 The Council has adopted the ten principles of public life promoted by the Relevant Authorities (General Principles) Order 2001. These principles set out the personal qualities and standards of conduct which elected members should strive to achieve. The Code of Conduct for Members supplements the ten principles with practical rules and procedures which help members achieve the high standards expected of them (Constitution Part 6).

- 3.9 A code of conduct for employees describes the standards of conduct expected from them (Constitution Part 6).
- 3.10 The suite of employment policies include a Code of Conduct, a Dignity and Respect at Work Policy and a Code of Behaviour Policy which have all been fully endorsed the EJCC and the Council.
- 3.11 The Whistle-blowing policy ensures that officers are not inhibited from raising issues of concern.
- 3.12 The Voluntary Sector Compact clearly defines Codes of Conduct and related protocols when working in partnership.
- 3.13 The Constitution contains a number of other codes and protocols:
- a) Members on Line
  - b) Planning Matters
  - c) Licensing Matters
  - d) Members / Officer relations
  - e) Over and Scrutiny – Member / Officer Protocol
  - f) Gifts and Hospitality – Guidance for Members and Officers
  - g) Procedures on Breach of Protocol
  - h) Procedures on Breach of Protocol
- 3.14 The Constitution contains the Council’s contract rules and financial rules to which members and officers must comply. The Financial Rules apply to the financial affairs of the Council and take effect subject to general legislation. Contract rules apply to all contracts for the procurement of supplies, works and services by the Council and take effect, subject to any relevant legislative provision of the UK or the European Union.
- 3.15 All reports to committees / Council which recommend new policies or procedures are passed via Legal Services for compliance with equalities and human rights law and probity matters.
- 3.16 The Standards Committee promotes standards of conduct, monitors / advises on the Members Code of Conduct and protocols; considers reports that a member may have breached the Code of Conduct, instigates investigations if necessary, decides on appropriate sanctions and overviews the whistle-blowing policy. It is composed of three district councillors other than the Chairman of the Council or Leader, only one of whom may be a member of the Cabinet; three persons who are not councillors or officers of the Council or any other body having a Standards Committee (independent persons) who will be entitled to vote at meetings and three members of a parish council wholly or mainly in the Council’s area who are not also on the district council who will also be entitled to vote at meetings. Chaired by one of the independent persons, the role and function of the Committee is outlined in the Constitution (Article 9).
- 3.17 Article 12 of the Constitution outlines the principles of decision making which include the Council’s shared values of openness and respect for human rights.

#### **4.0 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- 4.1 The Council has three Overview and Scrutiny Committees as set out in Article 7 of the Constitution – the Policy and Local Development Framework Scrutiny Committee; Service

Transformation and Performance Scrutiny Committee and the Resources and Business Continuity Scrutiny Committee.

- 4.2 The general remit of the scrutiny committees is to:
- a) review and/or scrutinise decision made or actions taken in connection with the discharge of any of the Council's functions.
  - b) make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of any functions.
  - c) consider any matter affecting the area or its inhabitants.
  - d) exercise the right to call-in, for reconsideration, decision made but not yet implemented by the Cabinet or any joint or area committee.
- 4.3 Article 12 of the Constitution clearly lays down the decision-making process that should be followed.
- 4.4 All agendas, supporting reports and minutes (unless excluded under confidentiality rules) are posted on the Council's website. The rationale for each decision made is recorded in the minutes.
- 4.5 The framework for the Council's Training and Development Programme reflects national standards and the requirements of West Midlands Local Government Association's (WMLGA) Members' Charter which ensures Members understand the principles of good decision making. Officers are also trained to the appropriate level of decision making either in house or through professional training programmes.
- 4.6 Reports to committees and the Council are passed through a monitoring process (Corporate Management Team, S151, Legal and Monitoring) to ensure that they meet criteria for effective decision making.
- 4.7 Agendas and their supporting reports are distributed giving sufficient notice to allow members five clear working days to peruse the reports and follow up any elements that require further explanation.
- 4.8 The Governance, Audit and Risk Delivery Group (GARD) reports to the Resources and Business Continuity Scrutiny Committee which has responsibility for monitoring risk and reviewing the effectiveness of governance arrangements. The Committee makes comments / suggests action to the Management Team / Scrutiny / Cabinet as and when appropriate.
- 4.9 Service providers are required to address risk as part of their normal service planning process.
- 4.10 Corporate Management Team with the support of G.A.R.D. examines the Corporate Plan and identifies and records risks.
- 4.11 Council reports follow a standard format which requires the writer to carry out a risk analysis of the issue under consideration.
- 4.12 Risk Management training is available to officers and members.
- 5.0 Developing the capacity and capability of members and officers to be effective**
- 5.1 Members are offered a comprehensive training programme to equip them with the necessary skills for effective decision making. Induction training for new members is

compulsory. Similar corporate training opportunities are available for officers. Substantial annual investment is directed to this area of member and officer development.

5.2 Individual training needs for officers are established in bi-annual employee appraisals. A Task and Finish Group of the former Performance Management Board (now the Service Transformation and Performance Scrutiny Committee) established member training needs. Officers and Members are asked to complete post training appraisal forms which inform on the success of training given and gives guidance for future training.

5.3 The statutory officers of the Council hold professional qualifications for their particular areas of expertise and within their professional codes of conduct ensure continuing development. Where specialist skills are required, e.g. licensing and development control there is a compulsory training requirement to attend additional specialist training.

5.4 Succession planning for officers is outlined in the workforce plan.

5.5 Member Champions have been selected to develop their skills in supporting portfolio holder areas of responsibility.

## **6.0 Engaging with local people and other stakeholders to ensure robust public accountability**

6.1 Through the Community Strategy and its links to the Council's principal strategy, the Corporate Plan and the Constitution, the Council demonstrates that it is very clear that it is accountable to the public of North Shropshire. As is outlined in the Constitution, many of the Council's activities are carried out within statutory constraints and it is therefore also accountable to the Government and the courts.

6.2 The Council works with and is accountable to a number of other stakeholders, for example local councils and Shropshire County Council.

6.3 The Policy and Local Development Framework Scrutiny Committee approves the annual overview and scrutiny reports covering the work of the three scrutiny committees.

6.4 NSDC contributes to PACT, which stands for Partners and Communities Together which are aligned to LPA areas. The process allows communities at a very local level to engage and work with statutory and other bodies to improve their local community.

6.5 The North Shropshire Local Development Framework Statement of Community Involvement outlines the Council's proposals for public involvement in the preparation of planning policy for the District and in decisions on planning applications and other development control matters.

6.6 On 29 November 2006 Shropshire County Council's Cabinet gave approval to the establishment of five local joint committees and two neighbourhood forums. Meetings are open to the public but occasionally some items on agendas are dealt with in private. This will be for a specific reason, for example because disclosure might prejudice negotiations which the Council is undertaking.

6.7 Members have approved a communications plan which outlines the policy on how the Council engages with the public and service users. This includes mechanisms for feedback relating to the delivery of the Council's priorities.

- 6.8 A medium term financial plan is agreed bi-annually. The revenue budget is agreed by Council in February each year following recommendation by Cabinet, scrutiny and public consultation. Supporting strategies are the Capital Strategy and Treasury Management Strategy.
- 6.9 The Council observes all statutory consultation procedures, for example publicity for planning applications; seeking the views of the public on the proposed annual revenue and capital budgets through the "Worth the Tax" tours and the Business Ratepayers' meetings and permitting the opportunity for public speaking at meetings.

### **Significant Governance Issues**

Following consideration by the GARD Group, the Resources and Business Continuity Committee has reviewed the effectiveness of the Council's governance arrangements which included those areas which were identified as governance issues as the Council approached its final year. Due to the positive and effective management of these issues, the majority of these control and risks issues are no longer significant.

There are however, a number of areas where risk will remain up to 30<sup>th</sup> June 2009 when the Council's Accounts are closed:

<b>Risk identified</b>	<b>Action taken</b>
<p>Issues relating to the finalisation of NSDC's financial reporting:</p> <ul style="list-style-type: none"> <li>a) Sufficient number of staff retained to close accounts prior to deadline (30<sup>th</sup> June 2009)</li> <li>b) Unauthorised expenditure</li> <li>c) Authorisation of NSDC invoices arriving post 31<sup>st</sup> March 2009</li> <li>d) Accuracy / completeness of data migration to the new Northgate Revenues and Benefits System</li> <li>e) Identification of income post 31<sup>st</sup> March 2009</li> <li>f) Conflicting priorities for those charged with closing down NSDC and taking forward new systems</li> <li>g) Failure of technology</li> </ul>	<ul style="list-style-type: none"> <li>a) The Chief Finance Officer will be retained until 30<sup>th</sup> June 2009 and accountancy staff will move across to their new posts only when their element of the final accounts process is complete.</li> <li>b) Closedown of ordering system (13/02/09)</li> <li>c) Communication of early closedown requirements in Managers' Forums / emails etc.</li> <li>d) Letters to suppliers / account payers</li> <li>e) Measures to "track" individuals and discuss where they will be post 31<sup>st</sup> March 2009 and take action accordingly</li> <li>f) Identification of person to whom responsibility will transfer; particularly capital schemes</li> <li>g) Maintaining close liaison between accountancy staff at NSDC and SCC / service providers</li> <li>h) Discussion / resolving issues in work streams</li> <li>i) Data back-ups</li> </ul>

Signed:.....

David Minnery  
Leader of the Council

Signed.....

Philip Thomas  
Interim Chief Executive

Date: 18<sup>th</sup> March 2009

## EXTRACTS FROM THE ACCOUNTS OF THE SHROPSHIRE WASTE PARTNERSHIP

### INCOME & EXPENDITURE ACCOUNT FOR THE YEARS ENDED 31 MARCH 2009 and 2008

2007/08 Net expenditure £		2008/09 Gross expenditure £	2008/09 Income £	2008/09 Net expenditure £
	<b>Expenditure on continuing service</b>			
(155,968)	Fees and charges for services	-	283,992	(283,992)
(31,964)	Other grants and reimbursements	-	25,471	(25,471)
(1,459,009)	PFI Credits	-	3,185,610	(3,185,610)
(33,802)	Balance of 2007/08 Waste Performance and Efficiency Grant	-	-	-
-	WRAP funding	84,871	84,871	-
(791,249)	Allocations of historic pooled grants	-	-	-
976,332	Contract procurement and mobilisation costs	-	-	-
664,340	Client and non-contract costs	1,472,148	-	1,472,148
7,533,755	Contract payment costs	17,811,998	-	17,811,998
149,249	Amortisation of deferred consideration net of unwinding of discount	434,080	256,611	177,469
198,420	Service support and FRS 17 pension charges	483,409	-	483,409
7,050,104	Net cost of service before partner contributions	20,286,506	3,836,555	16,449,951
	<u>Contributions from partners:</u>			
(7,897,786)	Cash funding		17,015,129	(17,015,129)
	Non-cash contributions:			
(377,834)	Amortisation of Deferred Consideration		434,080	(434,080)
228,585	Unwinding of discount on Deferred Consideration		(256,611)	256,611
(149,249)			177,469	(177,469)
<b>(996,931)</b>	<b>Net cost of service</b>	<b>20,286,506</b>	<b>21,029,153</b>	<b>(742,647)</b>
<b>(996,931)</b>	<b>Net operating expenditure</b>			<b>(742,647)</b>
<b>(996,931)</b>	<b>Surplus for the year</b>			<b>(742,647)</b>

Shropshire Waste Partnership's 2008/09 accounting statements pull together the costs and income recorded in the individual partner accounts to give an overview of the overall cost and financing of the SWP Waste PFI contract.

## STATEMENT OF TOTAL GAINS AND LOSSES

No Statement of Total Gains and Losses is included in the Statement of Accounts as the surplus on the Income & Expenditure Account equals the Total Realised Gains for the year as there is no surplus or loss arising from the revaluation of fixed assets and no actuarial gains or losses on Pension Fund assets and liabilities.

## STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Partnership's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, partner Councils are required to raise Council Tax on a different accounting basis, one of the main differences being that capital investment is accounted for as it is financed, rather than when the assets are consumed.

The General Fund Balance compares the Council's spending against Council tax that is raised for the year, taking into account the use of reserves build up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income & Expenditure Fund and the General Fund balance.

<b>2007/08</b>		<b>2008/09</b>
£		£
(996,931)	Surplus for the year on the Income & Expenditure Account	(742,647)
	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement of the General Fund Balance for the year</i>	
646,931	Transfer to earmarked reserves	477,917
350,000	Transfer to PFI smoothing reserve	350,000
-	Increase/Decrease in general fund balance for the year	-
-	General Fund balance brought forward	-
-	General Fund balance carried forward	-

## BALANCE SHEET AS AT 31 MARCH 2009 and 2008

<b>31 March 2008</b>		<b>31 March 2009</b>
£		£
	<b>Current Assets</b>	
852,992	Debtors due within one year	150,000
996,931	Temporary Investments	1,739,578
1,849,923		1,889,578
	<b>Current Liabilities</b>	
852,992	Creditors falling due within one year	150,000
<b>996,931</b>	<b>Net assets</b>	<b>1,739,578</b>
	<b>Financed by</b>	
646,931	Earmarked general reserve held in SCC accounts	827,917
350,000	PFI smoothing reserves held in SCC accounts	911,661
<b>996,931</b>		<b>1,739,578</b>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

This statement provides a link between the Balance Sheet at the beginning of the year, the Income & Expenditure Account for the year and the Balance Sheet as at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities, and therefore reflects the changes in the financial structure of the Partnership during the year.

	<b>2008/09</b>	
	£	£
<b>Revenue activities</b>		
<b>Outflows</b>		
Employee related client costs	629,538	
Non-employee related client costs	927,481	
FRS 17 and support costs charged to SWP	483,409	
Contract payments	<u>17,811,998</u>	
		19,852,426
<b>Inflows</b>		
Budget contributions from SWP partners	17,015,129	
Fees and charges	309,463	
PFI grant	3,185,610	
Other grants (Love Food Hate Waste)	<u>84,871</u>	
		<u>20,595,073</u>
		742,647
Net inflow on revenue activities		
Servicing of finance		-
Capital activities		-
Net cash inflow before financing		<u>742,647</u>
Management of liquid resources		(742,647)
Financing		-
Increase in cash		<u>-</u>

**RESERVES AND PROVISIONS**

**Shropshire Waste Partnership** – In 2007/08 Shropshire County Council established a smoothing reserve of £2,395,000. In line with the SWP Business Plan a further contribution has been made in 2008/09 by SCC of £4,387,000.

During 2008/09 Shropshire County Council also established a capital reserve of £120,000 in accordance with the SWP Business Plan.

In 2007/08 SWP created a further smoothing reserve of £350,000 with the proceeds of the sale of the District and Borough partners' trade waste business. During 2008/09 a further £350,000 was added to this smoothing reserve following the sale of Shrewsbury & Atcham Borough Council's trade waste business, bringing the balance to £700,000 as at 31 March 2009. During 2008/09 the reserve earned interest of £127,917 bringing the total value of the smoothing reserve to £6,909,917 as at 31 March 2009. This is included within the County Council accounts in accordance with the JANE accounting requirements under FRS 9.

The earmarked SWP reserve represents SWP's reported underspend of £646,931 for 2007/08 plus the reported underspend of £264,730 for 2008/09, a total of £911,661.

## **GLOSSARY**

### **Accruals**

The concept that income and expenditure is accounted for in the period in which it is earned or incurred, rather than when it is actually received or paid.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- b) The actuarial assumptions change.

### **Budget/Estimate**

A plan against which actual income and expenditure is measured and controlled. A revenue budget (General Fund and Housing Revenue Account) and capital budget (the Capital Programme) is prepared each year.

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Grants**

Payments by Central Government and other agencies towards the cost of local authority capital expenditure. These may take the form of specified capital grants which can only be used to finance particular capital expenditure, such as private sector housing renewal (house renovation grants).

### **Capital Receipts**

Money received from the sale of land or other capital assets, which is available to finance other items of capital expenditure, or to repay debt on assets originally financed from loan. Receipts below £6,000 are deemed not to be capital receipts and are credited to the revenue account.

### **Collection Fund**

The Collection Fund records the income received in respect of Council Tax, residual Community Charges and Non-Domestic Rates and records the demands of Shropshire County Council, the Police Authority, Parish Councils and payments to the NNDR National Pool.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Corporate and Democratic Core**

Corporate and Democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore, no logical basis for apportioning these costs to services.

### **Creditors**

Money which the Council owes for work, goods or services, but which had not been paid by the end of the financial year.

### **Current Services Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees, the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Debtors**

Money which is owed to the Council but has not been received by the end of the financial year.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### **Direct Revenue Financing**

The financing of capital expenditure directly from revenue i.e. General Fund and Housing Revenue Account.

**Discretionary Benefits**

Retirement benefits that the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

**Emoluments**

All sums paid to, or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**Equity**

There should be no bias in the Statement of Accounts. This is particularly true of the allocation of overheads where all services should receive their fair share of the costs incurred.

**Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Extraordinary Items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**General Fund**

The main revenue fund to which the costs of services financed by the Council Taxpayers are charged.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

### **Housing Revenue Account (HRA)**

The statutory account to which the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

### **Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards (IFRS) are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.

### **Investments (Pensions Fund)**

The investments of the pensions fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Investments (Non-Pensions Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria are classed as current assets.

### **Materiality**

If a judgement on whether or not to include or disclose an item in the Statement of Accounts, materiality has to be considered. Whether an item is material will depend on the size and nature of the item in question, judged in the circumstances of the case.

### **Minimum Revenue Provision**

A 4% minimum annual charge to revenue must be made to repay debt.

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **Non-Operational Assets**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operating Leases**

A lease which does not provide for the transfer of the property of the asset leased. Additionally, the estimated value of the asset at the termination of the lease must not be less than 10% of its value at the lease commencement date. An operating lease can be compared to a rental agreement, for example, on an item of domestic equipment.

### **Operational Assets**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **Past Service Costs**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### **Prior Period Adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) The accrued benefits for members in service on the valuation date

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

### **Provisions**

These represent sums set aside for liabilities or losses which are likely or certain to arise, but are uncertain as to their amount or timing.

### **Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

## **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either a) an employer's decision to terminate an employee's employment before the normal retirement date or b) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **Reserves**

Amounts set aside for purposes falling outside the definition of provisions. Statutory regulations dictate that the usable capital receipts reserve can be used only to finance new capital expenditure or to repay external debt. The other earmarked reserves are available to meet both capital and revenue expenditure. However, this Council has specifically designated them, for its own purposes, as either capital reserves or revenue reserves to match its strategy for supporting the two distinct areas of expenditure. Expenditure financed from revenue reserves is charged to the net cost of services with a transfer from the reserve appearing in the appropriation section of the Consolidated Revenue Account. The two statutory reserves that form part of the total equity in the Consolidated Balance Sheet namely, the Revaluation Reserve and the Capital Adjustment Account Reserve cannot be used to support spending.

## **Revenue Expenditure**

This is expenditure charged to revenue accounts mainly on recurring items and consists principally of salaries and wages, running expenses, transport and capital financing charges.

## **Revenue Support Grant**

The main form of Central Government aid towards the cost of local authority expenditure. This grant seeks to compensate authorities for their differing levels of need and revenue resources.

## **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **Settlement**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relation to the obligation and the assets used to effect the settlement. Settlements include:

- a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

## **Unapportionable Central Overheads**

These are overheads for which no user now benefits and should not be apportioned to services.

## **Vested Rights**

In relation to a defined benefit scheme, these are:

- a) For active members, benefits to which they would unconditionally be entitled on leaving the scheme
- b) For deferred pensioners, their preserved benefits
- c) For pensioners, pensions to which they are entitled

Vested rights include, where appropriate, the related benefits for spouses or other dependants.