

# Statement of Accounts

For the year ended 31<sup>st</sup>  
March 2009



The Council of the Borough of  
**OSWESTRY**

Improving the quality of life for the people who live in,  
work in, and visit the Borough of Oswestry.

**2008/09**

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## EXPLANATORY FOREWORD

### 1. INTRODUCTION

The Council's Accounts for the year ended 31st March 2009 are set out on Pages 1 to 73 and comprise the following:-

- A Statement of the Accountancy Principles used in the production of the Accounts.
- The Income and Expenditure Account of the Council, which is fundamental to the understanding of a local authority's activities. It brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the authority, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2008/09 Income and Expenditure Account reports a deficit for the year of £5,710,714, however, this figure needs to be considered alongside the Statement of Movement on General Fund Balance, where it can be seen that once adjustments are made to take account of statute and proper practice the actual year end outturn was a net contribution from the General Fund Balance of £190,706. The note to the Statement of Movement on the General Fund Balance on page 14 contains details of all these adjustments. The contribution of £190,706 uses up the remainder of the General Fund Balance as the authority ceases to exist as an entity after 31 March.
- The Statement of Movement on the General Fund Balance provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
- The Statement of Total Recognised Gains and Losses demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- The Balance Sheet, like the Income and Expenditure Account is also fundamental to the understanding of the authority's financial position as at the 31 March 2009. It shows the balances and reserves at the authority's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. As can be seen from the balance sheet the authority's total equity amounts to £89,666,280. In short this demonstrates that the authority's assets exceed liabilities by this amount and leaves the authority in a robust financial position.
- The Cash Flow Statement is a consolidated statement which summarises the authority's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.
- The Housing Revenue Account Income and Expenditure Account which relates to the income and expenditure of the housing service.
- The Collection Fund Accounts, summarise the Authority's council tax and non-domestic rates collection with regard to its position as a precepting authority.
- Explanatory notes are attached to provide additional information on the Council's financial position.

## 2. REVENUE BUDGET

The net service expenditure was as detailed below, compared to a budget of £6,177,689. During 2008/09 the Council budgeted for a contribution of £77,311 on the Housing Revenue Account, and a balanced budget for the General Fund. The outturn variation of £279,834 means a net contribution from the general fund balance of £190,707, and a net contribution of £11,817 from the Housing Revenue Account Balance. It is important to note that this budget position has been achieved after significant contributions from revenue reserves, which were necessary to fund significant capital commitments as well as redundancy costs associated with the Unitary process, further details about the Council's reserves are provided on page 36-38.

Service	Net Budget £000	Outturn £000	Variation from Budget Over/(Under)		
			Total £000	Controllable £000	Non-Controllable £000
<b>Housing Services (HRA)</b>	<b>(77)</b>	<b>12</b>	<b>89</b>	<b>89</b>	<b>0</b>
<b>General Fund</b>					
Community Services	4,394	6,135	1741	121	1620
Corporate Services	1,375	1,216	(159)	(134)	(25)
Chief Executive and Corporate	486	(905)	(1,391)	204	(1,595)
	<b>6,255</b>	<b>6,446</b>	<b>191</b>	<b>191</b>	<b>0</b>
<b>Authority Total</b>	<b>6,178</b>	<b>6,458</b>	<b>280</b>	<b>280</b>	<b>0</b>

Included within the net outturn shown above is income from Government grants totalling £10,852,057, which when added to the Government support through Non-Domestic Rates and Revenue Support Grant of £3,580,366 give a total level of Government support of £14,432,423.

The outturn position has resulted in balances on the General Fund of £nil and the Housing Revenue Account of £632,887, to be passed over to the continuing authority. The total net worth of the Authority is £89,666,280. This leaves the Authority in a robust position in relation to balances and reserves.

## 3. CAPITAL

In 2008/09 the Council spent £4,245,903 on capital projects, as detailed in the table below.

Description	Approved Budget £	Outturn £	Variation £
Asset Management Plans	1,103,000	1,028,508	(74,492)
Asset Replacement	268,000	61,600	(206,400)
Housing Stock	1,998,000	1,889,220	(108,780)
Private Housing	595,000	489,767	(105,233)
Regeneration Schemes	139,000	60,072	(78,928)
Environmental Schemes	41,250	41,182	(68)
Community Schemes	125,000	84,007	(40,993)
Leisure Schemes	956,000	591,547	(364,453)
<b>Total</b>	<b>5,225,250</b>	<b>4,245,903</b>	<b>(979,347)</b>

**Financed by**

Government Supported Borrowing	32,000
Capital Receipts	682,201
Government Grants	369,767
Other Grants & Contributions	430,243
Revenue	2,731,692
	<hr/>
Total Funding	4,245,903
	<hr/>

The main reason for this net underspend was slippage in projects which will lead to re-phased schemes in the future. It should be pointed out that £83,598 of the variance could not be classified as capital expenditure and was therefore charged directly to the revenue account. This mainly related to expenditure on corporate properties and equipment.

The Council's borrowing facility for 2008/09 was £16,000,000. At the 31st March outstanding long term borrowing was £3,611,000, which was included as part of this provision.

The council had impairments on its fixed assets totalling £3.5m during the year, largely due to revaluations undertaken during the year. These impairments were written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account in the Income and Expenditure account. These adjustments are then reversed out of the Statement of Movement on the General Fund Balance to ensure that there is no impact on council tax.

**4. FUTURE PROSPECTS**

In July 2007 the Authority received notification from Government Office that the Secretary of State for Community & Local Government decided in favour of the One Council for Shropshire proposal. This means that from 1 April 2009 Oswestry Borough Council and the five other councils in Shropshire (including four districts and Shropshire County Council) will cease to exist, and a new unitary authority will take over governance of Shropshire. 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. Under the creation of the new council all legal responsibilities, services, assets and liabilities will transfer to the new council. This will therefore be the last published Statement of Accounts for Oswestry Borough Council.

STATEMENT OF ACCOUNTANCY POLICIES  
ANNUAL ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009  
PRINCIPLES ADOPTED IN COMPILING ACCOUNTS

1. GENERAL

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is recognised by statute as representing proper accounting practices.

2. CONCEPTS

These accounts have been prepared in accordance with the all pervading concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in FRS18. The going concern concept assumes that the Council will continue in operational existence for the foreseeable future and will not significantly curtail the scale of its operation. Due to the creation of a new Unitary Council for Shropshire from 1st April 2009, Oswestry Borough Council will actually not continue in operational existence beyond 31st March 2009. However, all of Oswestry Borough Council's legal responsibilities, services, assets and liabilities will transfer to the new Unitary Council on 1st April 2009. Therefore, Oswestry Borough Council's scale of operation will be maintained but will be delivered by the new Unitary Council, which is committed to equalising the quality and level of services throughout Shropshire at the highest level currently delivered by district/borough councils.

3. 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 a continuing basis.

*Recognition:* expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previous assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

*Measurement:* assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement basis:-

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

Net current replacement cost is assessed as:-

- non-specialised operational properties - existing use value;
- specialised operational properties - depreciated replacement cost;
- investment properties and surplus assets - market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

*Impairment:* the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:-

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account;
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

*Disposals:* when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

*Depreciation:* depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings, plant and equipment - straight-line allocation over the life of the property as estimated by the valuer;
- vehicles - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitable qualified officer;
- infrastructure - straight-line allocation over 25 years.

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.

*Grants and Contributions:* where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

#### 4. CHARGES TO REVENUE FOR FIXED ASSETS

General fund service revenue accounts and central support services are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity).

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

#### 5. THE REDEMPTION OF DEBT

The Council makes provision for the repayment of debt in accordance with the Minimum Revenue Provision (MRP) requirements. The regulations governing this system have been amended, taking effect immediately, with a shift in emphasis from regulatory guidance and a simple duty for the Council each year to make an amount of MRP which it considers to be prudent. Calculation of the MRP has been made, in accordance with the revised regulations, and is 4% of the principal outstanding with reference to the capital financing requirement at 31st March.

#### 6. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

#### 7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses the amount charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

#### 8. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government grants-deferred account. Amounts are released to the service revenue accounts over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt



have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

9. LEASES

Rental payable under operating leases are charged to revenue on an accruals basis.

10. RESERVES

The Council maintains certain reserves to meet general rather than specific future expenditure. The purpose of the Council's reserves is explained in Note 29 to the Balance Sheet.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council.

11. PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

12. CAPITAL RECEIPTS

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

The Local Government Act 2003 requires local authorities to presently reserve 75% of receipts from the sale of Council houses and 50% from all other housing receipts to be paid to the Secretary of State.

The remaining elements of receipts (i.e. usable) will be used by the Council to help fund its capital programme or repay debt.

13. INTEREST ON SURPLUS FUNDS AND BALANCES

All interest earned on surplus cash or funds and balances is taken to the General Fund, except appropriate interest that is credited to the Housing Revenue Income and Expenditure Account and Section 106 Agreements.

#### 14. DEBTORS AND CREDITORS

All transactions are on an accruals basis in accordance with Code of Practice and FRS18 in order that the accounts record all liabilities incurred and monies due to the Council in the year of account. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading and are not apportioned between financial years. This treatment has been consistently applied each year and therefore does not have a material effect on the Accounts.

Creditors at 31st March 2009 represent goods and services received prior to 31st March 2009 which have not been paid for at that date.

Debtors at 31st March 2009 represent actual arrears due at that date, together with amounts estimated as being due in 2008/2009 but not billed. The bad debts reserves introduced in 1985/86 are now established accounting practice and details are set out in Note 22 to the Balance Sheet. The figures in the Balance Sheet are shown net of such provisions.

#### 15. 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 most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the carrying amount of the outstanding principal payable, adjusted for accrued interest payable at the year end. Interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. This in accordance with Local Authority Accounting Practice (LAAP) 73.

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

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

We have based our fair value report on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

#### 16. FINANCIAL ASSETS

Financial assets are classified into two types:-

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;
- 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, adjusted for accrued interest receivable at the year end. Interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). 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.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

## Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:-

- instruments with quoted market prices - the market price;
- other instruments with fixed and determinable payments - discounted cash flow analysis;
- equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### Instruments Entered into Before 1st April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 11.

#### 17. ACCRUED INTEREST

Prior to 2007/08, the SORP required Authorities to show accrued interest on borrowing (financial liabilities) and investments (loans and receivables) as a short term creditor or debtor on the balance sheet. This presentation was based on the optional treatment allowed under FRS4. The latest SORP incorporates the requirements of FRS25, FRS26 and FRS29 and therefore the optional treatment under FRS4 is no longer permitted. Instead the Authority is now required to report accrued interest for loans and receivables and financial liabilities as part of the carrying value of the borrowing/investment.

#### 18. STOCKS AND WORKS IN PROGRESS

Stocks are valued on the basis of the lower of cost or net realisable value (NRV) in accordance with SSAP 9.

Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

#### 19. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

#### 20. PENSIONS

The accounting requirements of FRS17 have been fully implemented.

FRS17 is a complex accounting standard, but it is based on a simple principle - that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. FRS 17 is a better reflection of the economic reality of the relationship between an employer and the pension fund than the standard it replaces, SSAP 24. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed from the trustees to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

#### 21. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are the correction of fundamental errors or changes in accounting policies. Material adjustment applicable to prior periods are included in accounts by restating comparatives for previous period and adjusting opening balances on reserves.

22. ESTIMATION TECHNIQUES

Estimation techniques are methods adopted by the Authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. 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 arrived at using an estimation technique.

23. POST BALANCE SHEET EVENTS

Where a material post balance sheet event occurs which:

- provides additional evidence relating to conditions existing at the balance sheet date; or
- indicates that application of the going concern concept to a material part of the Authority is not appropriate;

changes will be made in the amounts to be included in the Statement of Accounts.

24. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

## **RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **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, the responsibility of Chief Financial Officer is allocated to the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Approved by Council

The statement of accounts was approved at a meeting of the Council on [Date].

Leader of the Council  
[Date]

### **Responsibilities of Director of Resources as Chief Financial Officer**

The Director of Resources 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 SORP").

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Director of Resources has also:

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

## **CERTIFICATE OF CHIEF FINANCIAL OFFICER**

I hereby certify that the Statement of Accounts presents fairly the financial position and the income and expenditure of the authority for the year ended 31 March 2009 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2008.

Laura Rowley  
Director of Resources  
[Date]

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

2007/08 Net Expenditure £	2008/09 Gross Expenditure £	2008/09 Income £	2008/09 Net Expenditure £	
185,424	Central Services	4,683,376	2,927,854	1,755,521
4,376,388	Cultural, Environmental & Planning Services	7,305,662	2,385,642	4,920,020
257,869	Highways, Roads and Transport Services	533,473	323,916	209,557
(458,834)	Local Authority Housing (HRA)	7,701,969	6,080,797	1,621,172
455,894	Other Housing Services	8,191,831	7,737,944	453,887
1,458,579	Corporate and Democratic Core	1,360,735	2,010	1,358,725
178,786	Non Distributed Costs	1,559,376	0	1,559,376
6,454,106	<b>Net cost of services</b>	31,336,422	19,458,163	11,878,259
(147,816)	(Profit)/Loss on the disposal of fixed assets			(25,000)
427,934	Parish Council Precepts			469,309
297,151	Interest payable and similar charges			199,887
(611,130)	Interest and investment income			(381,157)
597,484	Contribution of housing capital receipts to Government pool			64,995
185,000	Pensions interest cost and expected return on pension assets			631,000
7,202,729	<b>Net operating expenditure</b>			12,837,293
(3,027,454)	Demand on collection fund			(3,091,943)
(690,216)	Government grants			(790,114)
(2,977,773)	Non-domestic rates redistribution			(3,142,855)
<b>507,286</b>	<b>Net general fund (surplus)/deficit</b>			<b>5,812,381</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:-

1. Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
2. The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
3. Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £		2008/09 £
507,286	(Surplus)/deficit for the year on the income and expenditure account	5,812,381
(336,286)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(5,621,675)
<hr/>		<hr/>
171,000	Net movement on the General Fund Balance	190,706
(361,706)	<b>Balance on general fund brought forward</b>	(190,706)
<hr/>		<hr/>
(190,706)	<b>Balance on general fund carried forward</b>	0
<hr/>		<hr/>



**NOTE ON RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND**

2007/08 £		2008/09 £
	<b>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</b>	
(468,616)	Depreciation and impairment of fixed assets	(3,836,863)
(43,171)	Excess of Depreciation charged to HRA over the Major Repairs Allowance element of housing subsidy	(61,737)
129,098	Government Grants deferred amortisation	88,139
(322,834)	Revenue Expenditure Funded from Capital under Statute	(289,026)
147,816	Net gain or (loss) on the sale of fixed assets	25,000
68,581	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	68,581
(1,149,000)	Net charges made for retirement benefits in accordance with FRS 17	(2,155,000)
(1,638,125)		(6,160,916)
	<b>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</b>	
135,492	Minimum Revenue provision for capital financing	119,065
2,657,699	Capital expenditure charged in-year to the General Fund balance	2,460,365
(597,484)	Transfer from Usable Capital receipts to meet payments to the Housing Capital Receipt Pool	(64,995)
634,786	Employer's contributions payable to the Shropshire County Pension Fund and retirement benefits payable direct to pensioners	1,514,482
2,830,493		4,028,927
	<b>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</b>	
0	Housing Revenue Account balance	(11,817)
(1,528,654)	Net transfer to or from earmarked reserves	(3,477,878)
(1,528,654)		(3,489,695)
<b>(336,286)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(5,621,675)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08 £		2008/09 £
507,286	(Surplus)/deficit for the year on the Income and Expenditure Account	5,812,381
(3,456,869)	(Surplus)/deficit arising on revaluation of fixed assets	(980,728)
28,096	(Surplus)/deficit for the year on the Collection Fund	76,634
3,906,000	Actuarial (gains)/losses on pension fund assets and liabilities	(647,000)
343,468	Any other gains and losses required to be included in the STRGL*	0
<u>1,327,981</u>	<u>Total recognised (gains)/losses for the year</u>	<u>4,261,287</u>

\* This relates to an exceptional additional loss arising from the write off of overhanging premiums (Note 16).

## BALANCE SHEET AS AT 31ST MARCH 2009

2007/08 £		Note No.	2008/09 £	2008/09 £
	Fixed Assets			
	Operational Assets			
94,143,131	council dwellings			88,826,570
6,317,492	other land and buildings			6,330,081
370,648	vehicles, plant and equipment			351,106
47,344	infrastructure assets			53,745
223,149	community assets			263,967
	Non-operational Assets			
1,663,098	assets under construction			1,385,637
188,500	Surplus assets held for disposal			4,961,600
<u>102,923,362</u>	<b>Total fixed assets</b>	10		<u>102,172,906</u>
16,106	Long term investments			0
366,773	Long term debtors	21		316,551
47,508	Intangible assets	12		0
<u>103,353,748</u>	<b>Total long term assets</b>			<u>102,489,458</u>
	Current assets			
21,675	Stocks and work in progress	20	12,893	
3,229,725	Debtors	21	3,349,512	
8,965,556	Investments		0	
64,248	Cash and bank		5,043,391	8,405,796
<u>115,634,952</u>	<b>Total assets</b>			<u>110,895,254</u>
	Current liabilities			
(727,278)	Short-term Borrowing		(749,066)	
(2,496,528)	Creditors	23	(2,088,229)	
0	Bank overdraft		0	(2,837,295)
<u>112,411,146</u>	<b>Total assets less current liabilities</b>			<u>108,057,959</u>
(3,600,000)	Long term borrowing	24	(3,611,000)	
(220,695)	Provisions	27	(298,121)	
(1,951,570)	Deferred grants and contributions	25	(2,025,362)	
(1,381,368)	Unapplied capital grants and contributions	26	(1,107,116)	
(11,419,000)	Liability related to defined benefit pension scheme		(11,419,000)	
(12,613)	Trust Funds	33	(32,747)	(18,493,346)
<u>93,825,900</u>	<b>Total assets less liabilities</b>			<u>89,564,613</u>
91,821,847	Capital adjustment account	15		89,099,291
(343,468)	Financial Instruments Adjustment Account	16		(274,887)
3,361,404	Revaluation Reserve	14		5,276,271
2,495,441	Usable capital receipts reserve	19		1,834,219
(11,419,000)	Pension reserve	29		(11,419,000)
2,001,169	Major Repairs reserve			1,503,127
5,012,373	Earmarked reserves	28		2,928,614
60,724	Balances - Collection Fund			(15,909)
190,706	- General Fund			0
644,704	- Housing Revenue Account			632,887
<u>93,825,900</u>	<b>Total Net Worth</b>			<u>89,564,613</u>

## CASH FLOW STATEMENT

2007/08 £		2008/09 £	2008/09 £	2008/09 £
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
(5,906,292)	Employees		(6,277,176)	
(4,055,592)	Other operating costs		(5,072,408)	
(16,275,119)	Precepts paid		(17,191,865)	
(1,197,416)	Payments to the Capital Receipts Pool		(1,537,911)	
(2,853,491)	Housing Benefits		(3,393,977)	
(7,383,637)	Payment to NNDR Pool		(7,296,059)	
<u>(37,671,548)</u>				(40,769,396)
	<b>Cash Inflows</b>			
2,443,957	Rents (after rebates)		2,590,664	
16,769,431	Council Tax Receipt		17,543,089	
6,957,317	NNDR Receipts		7,372,108	
2,977,773	Receipts from NNDR Pool		3,142,855	
499,732	Revenue Support Grant		437,511	
8,348,130	DWP grants for benefits		9,514,792	
84,121	Other Grants		992	
607,941	Other Income		219,195	
<u>38,688,401</u>				40,821,206
1,016,854	<b>Net Cash Flow from Revenue Activities (Note 37)</b>			<u>51,811</u>
	<b>Servicing of Finance</b>			
	<b>Cash Outflows</b>			
(297,152)	Interest paid		(268,468)	
	<b>Cash Inflows</b>			
491,790	Interest received		371,764	
<u>194,638</u>	<b>Net Cash Flow from Servicing of Finance</b>			103,296
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
(3,032,797)	Purchase of fixed assets		(3,376,305)	
(526,569)	Expenditure on Intangible Assets		(869,598)	
<u>(3,559,366)</u>				(4,245,903)
	<b>Cash Inflows</b>			
835,591	Sale of fixed assets		112,662	
105	Repayment of Grants & Loans		105	
777,967	Capital grants received		359,550	
<u>1,613,663</u>				472,317
(1,945,703)	<b>Net Cash Flow from Capital Activities</b>			(3,773,586)
<u>(734,211)</u>	<b>Net Cash Flow before Financing</b>			(3,618,478)
	<b>Management of Liquid Resources</b>			
1,554,193	Net increase/decrease in short term investments			8,597,621
	<b>Financing</b>			
	<b>Cash Outflows</b>			
0	Repayments of Amounts Borrowed			(661,000)
	<b>Cash Inflows</b>			
0	New loans raised			661,000
<u>1,554,193</u>	<b>Net Cash Flow from Financing</b>			<u>8,597,621</u>
<u>819,982</u>	<b>Net Increase/(Decrease) in cash</b>			<u>4,979,143</u>

## 1. MINIMUM REVENUE PROVISION

2007/08 £		2008/09 £
135,491	Non-housing amount - 4% of capital financing requirement	119,065
=====		=====
420,095	Amount charged as depreciation	333,585
(284,604)	Reduced charge to income & expenditure account - appropriation account	(214,520)
-----		-----
135,491		119,065
=====		=====

The Council makes provision for the repayment of debt in accordance with the Minimum Revenue Provision (MRP) requirements. The regulations governing this system have been amended, taking effect immediately, with a shift in emphasis from regulatory guidance and a simple duty for the Council each year to make an amount of MRP which it considers to be prudent. Calculation of the MRP has been made, in accordance with the revised regulations, and is 4% of the principal outstanding with reference to the capital financing requirement at 31st March.

## 2. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. Expenditure under Section 137 during the year in the context of total expenditure is not material.

## 3. PUBLICITY

During the year the following costs were incurred (excluding staff time):-

2007/08 £		2008/09 £
12,804	Staff Advertising	3,641
34,118	Other Advertising	24,800
5,140	Promotion of the Local Economy	5,070
47,193	Other Publicity	8,026
-----		-----
99,255		41,537
=====		=====

## 4. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:-

2007/08 Number of Employees	Remuneration Band Including One Off Redundancy and Lump Sum Retirement Payments	2008/09 Number of Employees
1	£50,000 - £59,999	0
2	£60,000 - £69,999	2
1	£70,000 - £79,999	0
0	£80,000 - £89,999	0
0	£90,000 - £99,999	0
0	Over £100,000	0

Redundancy payments were paid to employees in 2008/09. The number of officers whose remuneration including redundancy payment exceeded £50,000 is shown in the table below:

2007/08 Number of Employees	Remuneration Band Including One Off Redundancy and Lump Sum Retirement Payments	2008/09 Number of Employees
1	£50,000 - £59,999	7
2	£60,000 - £69,999	0
1	£70,000 - £79,999	3
0	£80,000 - £89,999	1
0	£90,000 - £99,999	0
0	£100,000 - £109,999	1
0	£130,000 - £139,999	1
0	£160,000 - £169,999	1

#### 5. MEMBERS' ALLOWANCES

The total amounts of Members' allowances paid during the year were:-

2007/08 £		2008/09 £
104,600	Basic Allowance	106,713
41,721	Special Responsibility Allowance	45,702

#### 6. RELATED PARTY TRANSACTIONS

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

*Central government* has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in Note 36 to the Cash Flow Statement.

*Members of the Council* have direct control over the Council's financial and operating policies. During 2008/09, grants were paid to organisations in which Members had an interest. Grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices.

<i>Name</i>	<i>Declaration</i>	<i>Amount £</i>
Cllr. Mrs. P.A. Raine	Representative on Oswestry Borderlands Tourism Association. In 2008/09, the Association received grants from the Borough Council.	9,320

<i>Name</i>	<i>Declaration</i>	<i>Amount £</i>
	Representative on Oswestry Station Building Trust In 2008/09 the trust received a loan and grants from the Borough Council	16,434
Cllr. B.Y. Gull	Representative on Oswestry Borderlands Tourism Association. In 2008/09, the Association received grants from the Borough Council.	9,320
	Representative on Oswestry Station Building Trust In 2008/09 the trust received a loan and grants from the Borough Council	16,434
Cllr. S.F. Charmley	Member of Meverley Internal Drainage Board. In 2008/09 the Borough Council paid a levy.	3,659
Cllr. T. Davies	Representative on Homelessness in Oswestry Action Partnership. The Partnership received funding from the Borough Council.	17,000
Cllr. J. Duggan	Member of The Friends of Montgomery Canal. A contribution towards maintenance of the canal and a grant were paid in 2008/09.	12,973
Cllr. J.R. Evans	Member of Oswestry Cricket Club. The Club were paid for room hire in 2008/09.	153
Cllr. Mrs. P. Mabe	Representative on Oswestry Borderlands Tourism Association. In 2008/09 the Association received grants from the Borough Council.	9,320
	Representative on Oswestry Station Building Trust In 2008/09 the trust received a loan and grants from the Borough Council	16,434
	Member of Crucial Crew. In 2008/09 the Borough Council paid a grant.	500
Cllr. N. Arthan	Representative on Oswestry Sports Council. In 2008/09, the Council received funding from the Borough Council.	3,330
Cllr. Mrs. J. Barrow	Chair of Shropshire Waste Partnership. In 2008/09, the Borough Council paid a contribution.	1,136,144
Officers	There were no material related party transactions involving officers during 2008/09.	

7. BUILDING REGULATIONS CHARGING ACCOUNT 2008/09

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Oswestry Borough Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Chargeable 2007/08 £		Chargeable 2008/09 £	Non- Chargeable 2008/09 £	Total Building Control 2008/09 £
<b>Expenditure</b>				
128,666	Employee expenses	121,344	12,020	133,364
5,374	Premises	3,936	836	4,772
1,357	Transport	2,163	298	2,461
33,093	Supplies and services	28,276	2,196	30,472
36,845	Central and support service charges	34,215	3,531	37,746
<u>205,335</u>	<b>TOTAL EXPENDITURE</b>	<u>189,934</u>	<u>18,881</u>	<u>208,815</u>
<b>Income</b>				
191,041	Building Regulations charges	138,680	0	138,680
	Miscellaneous income			
<u>191,041</u>	<b>TOTAL INCOME</b>	<u>138,680</u>	<u>0</u>	<u>138,680</u>
<u>(14,294)</u>	<b>Surplus/(Deficit) for Year</b>	<u>(51,254)</u>	<u>(18,881)</u>	<u>(70,135)</u>



8. AUDIT FEES

In 2007/08 Oswestry Borough Council incurred the following fees relating to internal audit and inspection:-

2007/08 £		2008/09 £
73,403	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	95,650
5,900	Fees payable to the Audit Commission in respect of statutory inspection	5,922
20,000	Fees payable to the Audit Commission for the certification of grants claims and returns	48,030
525	Fees payable in respect of other services provided by the appointed auditor	

9. LEASED ASSETS - OPERATING LEASES RENTALS

2007/08 £		2008/09 £
407,313	Total rentals paid	407,313
=====		=====
£	Outstanding undischarged leasing obligations:	£
2009/10		288,219

## NOTES TO THE BALANCE SHEET

### 10. TANGIBLE FIXED ASSETS

Movements in fixed assets during the year were:-

	Council Dwellings	Other land & buildings	Vehicles, plant & equipment	Infrastructure assets	Community assets	Non-Operational Assets		Total
	£	£	£	£	£	Under construction £	Held for disposal £	£
Gross book value as at 1/4/08	95,273,625	7,278,594	2,488,618	143,956	223,145	1,633,097	188,500	107,229,535
Depreciation as at 1/4/08	(1,130,490)	(961,100)	(2,117,971)	(96,612)	0	0	0	(4,306,173)
Net book value as at 1/4/08	94,143,135	6,317,494	370,647	47,344	223,145	1,633,097	188,500	102,923,362

#### *Movements in 2008/09*

Additions	1,847,344	962,106	37,158	10,845	40,817	478,035	0	3,376,305
Appropriations	0	(60,600)	63,505	0	2	(63,505)	60,600	2
Impairments	(1,847,344)	(937,106)	(14,404)	0	0	(661,792)	0	(3,460,646)
Disposals	(87,000)	(25,000)	(2,000)	0	(10,000)	0	0	(124,000)
Revaluations	(5,199,134)	32,809	(5,561)	0	9,999	0	4,712,500	(449,387)
Accumulated Depreciation on Sold Assets and Revaluations	1,130,490	327,475	5,543	0	0	0	0	1,463,508
Depreciation for year	(1,160,914)	(287,095)	(103,783)	(4,444)	0	0	0	(1,556,236)
Net book value as at 31/3/09	88,826,577	6,330,083	351,105	53,745	263,963	1,385,837	4,961,600	102,172,908

#### General Fund Property Valuation

The majority of freehold and leasehold properties which comprise the General Fund's property portfolio have been valued as at 1st April 2005 by the District Valuer. Exceptions are the Castle View Offices and Investment land which have been re-valued during the financial year by Shropshire County Council's Estates Department. The valuations have been made in accordance with the RICS Appraisal and Valuation Manual as published by the Royal Institute of Chartered Surveyors. Valuations in the accounts are in accordance with detailed Valuation Certificate issued by the District Valuer.

Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Depreciation is applied to all assets following the year they become operational. The methods used for calculating depreciation are on the straight line basis for fixed assets except council dwellings and the reducing balance for vehicles and equipment.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

#### Housing Revenue Account Property Valuation

The freehold and leasehold properties that comprise the Housing Revenue Account's property portfolio have been revalued as at 1st April 2008 by the District Valuer. The valuations have been made in accordance with the RICS Appraisal and Valuation Standards 5th Edition as published by the Royal Institute of Chartered Surveyors. Valuations in the accounts are in accordance with the detailed Valuation Certificate issued by the District Valuer.

Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Depreciation is applied to all assets the year following them becoming operational. The methods used for calculating depreciation are on the straight line basis for fixed assets except council dwellings and the reducing balance for vehicles and equipment. Council dwellings have been depreciated using the Major Repairs Allowance as a reasonable estimate measure of depreciation which is now regarded as UK generally accepted accounting practice.

Where an asset has been revalued, the current period's depreciation charge is based on the revalued amount and the remaining useful economic life.

#### 11. INFORMATION ON ASSETS HELD

Fixed assets held by the Council include the following:-

<u>Number as at 31/3/08</u>		<u>Number as at 31/3/09</u>
1,922	Council Dwellings	1921
	Operational Buildings	
2	Offices	2
1	Depot	1
1	Tourist Information Centre	1
1	Leisure Centre	1
1	Sports Hall	1
2	Recreation areas	2
1	Pavilions	1
2	Public conveniences	2
9	Car parks	10
1	Bus station	1
1	Station building	1
5	Sheltered dwellings communal rooms	5
474	Garages	474
3	Shops	3
0.2	Allotments (hectares)	0.2
	Operational equipment	
12	Vehicles	12
64	Plant and equipment	63
156	Computer terminals	156
	Community assets	
39.1	Amenity areas and open spaces (hectares)	43.1
3	Statues	3
6	Civic regalia (items)	6
	Non-operational properties	

4.57 Land holdings (hectares) 4.57

In addition, the Council has interests in industrial starter units at the Maes-y-Clawdd Industrial Estate in partnership principally with Shropshire County Council.

## 12. MOVEMENT IN INTANGIBLE ASSETS

	Purchased Software Licences
	£
Balance at 1st April 2008	47,508
Expenditure in Year	0
Written off to revenue in year	(47,508)
Balance at 31 <sup>st</sup> March 2009	0

The 2008 SORP has introduced a new category of expenditure - Revenue Expenditure Funded from Capital under Statute. This effectively replaces Deferred Charges, which had been a long – standing part of the capital accounting system, and by which this expenditure was identified and treated in the balance sheet. To comply with the new system residual balances have been written off in the year. Software licences are held for the majority of computerised systems supporting services to the public and Council clients such as electoral registration and rent collection. A number of software licences are also required centrally for operating these systems. The costs of providing these software licences are being written off over the three-year life of the licences.

### 13. SUMMARY OF CAPITAL EXPENDITURE AND HOW IT WAS FINANCED

	£	£
Opening Capital Financing Requirement		6,418,255
Capital Investment		
Operational Assets	2,898,270	
Non-Operational Assets	478,035	3,376,305
Revenue Expenditure Funded from Capital under Statute		869,598
Sources of Finance		
Capital Receipts		(682,201)
Government Grants and Other Contributions		(800,010)
Revenue Provision		(2,850,758)
Closing Capital Financing Requirement		6,331,189
Explanation of movements in year		
Decrease in underlying need to borrowing (supported by Government financial assistance)		(87,065)
Increase in underlying need to borrowing (unsupported by Government financial assistance)		0
Decrease in Capital Financing Requirement		(87,065)

Future capital commitments at 31st March 2009 total £7,600,000

These are analysed as follows:-

	Expenditure approved and contracted at 31st March 2009 £	Expenditure approved but not contracted at 31st March 2009 £
General Fund	7,600,000	1,309,000
Housing	0	2,274,000
TOTAL	7,600,000 =====	3,583,000 =====

14. REVALUATION RESERVE

2007/08 £		2008/09 £
4,798,240	Gains on revaluation of fixed assets	5,320,832
(1,202,570)	Impairments written off	(3,361,404)
(234,266)	Revaluation gains written off	(44,561)
<hr/>		
3,361,404	<b>Net movement in year</b>	1,914,867
0	Balance as at 1st April	3,361,404
3,361,404	Balance as at 31st March	5,276,271
<hr/>		

The Revaluation Reserve was created on the 31 March 2007 with a zero opening balance. The purpose of this reserve is to record the unrealised net gain from revaluations made after 1 April 2007. When an asset is revalued impairment charges relating to that asset are charged against the balance until it is extinguished. Revaluation gains following the sale of assets are written off immediately they are disposed of. The balance on this reserve does not represent resources available to support capital financing.

## 15. CAPITAL ADJUSTMENT ACCOUNT

2007/08 £		2008/09 £
	Capital receipts set aside	
507,075	- useable capital receipts applied	682,201
<hr/>		<hr/>
507,075	<b>Total capital receipts set aside</b>	682,201
	Fixed Assets	
(909,687)	- book value of assets disposed of during year	(124,000)
234,266	- net gain from assets disposed of during year	44,560
(35,874)	- impairment losses	(4,405,955)
<hr/>		<hr/>
(711,295)	<b>Total movement on fixed assets</b>	(4,485,395)
	Revenue Resources set aside	
2,657,699	- capital expenditure financed from revenue	2,731,693
(322,834)	- net capital expenditure classed as intangible assets written off	(47,508)
0	- reconciling Revenue Expenditure Funded from Capital under Statue	(270,890)
(1,173,661)	- Major Repairs Allowance for future capital expenditure on Housing	(1,222,654)
259,576	- repayments from mortgagors and other capital financing entries	104,517
(284,604)	- reconciling amount for provisions for loan repayment	(214,520)
<hr/>		<hr/>
1,136,177	<b>Total revenue resources set aside</b>	1,080,637
931,957	<b>Net movement in year</b>	(2,722,557)
90,889,890	Balance as at 1 April	91,821,847
91,821,847	Balance as at 31 March	89,099,290
<hr/>		<hr/>

The Capital Adjustment Account (CAA) was created upon the implementation of the Revaluation Reserve on 31 March 2007. On the same date the Fixed Assets Restatement Account was closed and the credit balance of £80,965,748 transferred to the Capital Financing Account with a credit balance of £9,924,142 and converted to the Capital Adjustment Account with an opening balance of £90,889,890.

From 1 April 2007 the Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting consumption of those resources. The balance on this reserve does not represent resources available to support capital financing.

16. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

2007/08 £		2008/09 £
412,048	Write-off of premiums on early repayment of debt reported in 2006/07 balance sheet	0
(68,580)	Annual write-off of balance on the account	(68,581)
<b>343,468</b>	<b>Net movement in year</b>	<b>(68,581)</b>
0	Balance as at 1 April	343,468
<b>343,468</b>	Balance as at 31 March	<b>274,887</b>

This reserve is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments. The £412,048 relate to premiums paid in 2003/04 which are being written off in accordance with statutory requirements at that time.

17. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

- Interest is calculated using the most common market convention, ACT/365
- Where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is greater than 1 year
- We have not adjusted the interest value and date where a relevant date occurs on a non working day

The fair values calculated are as follows:

	<b>31 March 2009</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000s</b>	<b>£000s</b>
Financial Liabilities	4,261	4,587

The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. The fair value has been calculated using the discounted cash flow method. The discount rates used are the PWLB rates that applied for new loans as at 31st March 2008. These rates are then matched, as appropriate, to the duration remaining on an existing loan maturity.

Cash Investments	0	0
Loans and Receivables	(37)	(33)



The fair value of loans and receivables is lower than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans, to community and charitable organisations, where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest below current market rates reduces the amount that the authority would receive if it agreed to early repayment of the loans.

#### 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the finance section, under policies approved by Council (Feb 2008) in the annual treasury strategy. The Treasury Management Policy Statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The authority's significant borrowings are all held with the Public Works Loan Board, and its investments are held only with institutions with an F1+ rating (exceptionally strong credit quality). This means that the authority's exposure to these risks is kept at a minimum, and is below materiality.

#### 19. USEABLE CAPITAL RECEIPTS RESERVE

2007/08		2008/09
£		£
845,715	Amounts receivable	143,504
(70,137)	Amounts to reduce receipts in accordance with regulations	(57,530)
(597,484)	Amounts payable to CLG	(64,995)
(507,075)	Amounts applied to finance new capital investment	(682,201)
(328,981)	Total increase in realised capital resources	(661,222)
2,824,422	Balance as at 1st April	2,495,441
2,495,441	Balance as at 31st March	1,834,219
=====		=====

#### Usable Capital Receipts Reserve

This reserve is the capital receipts available to finance capital expenditure in future years or repaying external loans voluntarily, after setting aside the statutory amounts for repayment of external loans. The arrangements pertaining to capital receipts from the disposal of Housing Revenue Account assets were amended on 1st April 2004. From this date the statutory portion of HRA capital receipts became subject to national pooling arrangements and are forwarded quarterly to Communities and Local Government (CLG).

20. STOCKS AND WORKS IN PROGRESS

At 31st March 2008 £		At 31st March 2009 £
	<u>Stocks</u>	
9,249	Stores	800
12,426	Other	12,093
<hr/> 21,675 <hr/>		<hr/> 12,893 <hr/>

Other stocks represent goods for resale at the Tourist Information Centre at Mile End.

21. DEBTORS

At 31st March 2008 £		At 31st March 2009 £
	<b>Amounts falling due within one year</b>	
1,689,047	Government Departments	1,476,074
49,410	Other Local Authorities	139,229
1,715,799	Local Taxpayers	2,075,614
562,252	Housing Tenants	529,792
796,909	Sundry Debtors	730,661
<hr/> 4,813,417 <hr/>		<hr/> 4,951,370 <hr/>
(1,583,693)	Less provision for doubtful debts	(1,601,858)
<hr/> 3,229,724 <hr/>		<hr/> 3,349,512 <hr/>
	<b>Amounts falling due after one year</b>	
11,483	Employees' Car Loans/Leases	7,539
53,412	Other Loans	37,014
31,536	Land Registered Debts	8,258
268,372	Transferred Assets	261,876
1,970	Rechargeable Loans	1,864
<hr/> 366,773 <hr/>		<hr/> 316,551 <hr/>
<hr/> 3,596,497 <hr/>	<b>Total Debtors</b>	<hr/> 3,666,063 <hr/>

22. BAD DEBTS PROVISION

At 31st March 2008 £		At 31st March 2009 £
386,160	Housing Tenants	346,080
309,297	General Debtors	272,276
223,462	National Non-Domestic Ratepayers	310,131
664,774	Council Taxpayers	673,371
<hr/>		<hr/>
1,583,693		1,601,858
<hr/>		<hr/>

23. CREDITORS

At 31st March 2008 £		At 31st March 2009 £
288,110	Government Departments	10,250
120,449	Other Local Authorities	66,143
71,316	Local Taxpayers	142,417
45,228	Housing Tenants	111,283
1,166,162	Other	940,498
805,263	Receipts in advance	817,638
<hr/>		<hr/>
2,496,528	<b>Total Creditors</b>	2,088,229
<hr/>		<hr/>

24. LONG TERM BORROWING

At 31st March 2008 £		Range of Interest rates payable (%)	At 31st March 2009 £
3,600,000	Public Works Loan Board	4.572 – 4.9	3,611,000
<hr/>			<hr/>
3,600,000			3,611,000
	Analysis of loans by maturity		
0	Maturing within	1 year	0
650,000		1-2 years	1,511,000
850,000		2-3 years	0
0		3-4 years	600,000
600,000		4-5 years	0
0		5-6 years	0
0		6-10 years	400,000
400,000		10-15 years	0
1,100,000		Over 15 years	1,100,000
<hr/>			<hr/>
3,600,000			3,611,000
<hr/>			<hr/>

25. DEFERRED GRANTS AND CONTRIBUTIONS

2007/08 £		2008/09 £
142,574	Grants applied to capital investment	216,302
(147,816)	Grants relating to non depreciating assets written off	(25,000)
(129,099)	Amounts credited to the Income and Expenditure accounts	(117,511)
<u>(134,341)</u>	<b>Net movement in year</b>	<u>73,791</u>
2,085,911	Balance as at 1st April	1,951,570
<u>1,951,570</u> =====	Balance as at 31st March	<u>2,025,361</u> =====

The grants and contributions deferred account contains the amounts received by the Council by way of grants from the Government, other public bodies and private contributions. These have been used to finance capital expenditure. The movements on the account represent the application of various specific grants and contributions to finance the Council's capital programme and the write-down of government grants against fixed assets as they depreciate.

26. UNAPPLIED CAPITAL GRANTS AND CONTRIBUTIONS

2007/08 £		2008/09 £
287,403	Amounts receivable	310,085
(236,316)	Amounts applied to finance new capital investment	(430,243)
(124,978)	Reclassification of brought forward unapplied grants	(154,094)
<u>(73,892)</u>	<b>Net movement in year</b>	<u>(274,252)</u>
1,455,259	Balance as at 1st April	1,381,368
<u>1,381,368</u> =====	Balance as at 31st March	<u>1,107,116</u> =====

These are capital grants that are available to finance new expenditure but have yet to be applied for that purpose.

## 27. PROVISIONS

	Balance at 1st April 2008 £	Net Appropriations Revenue £	Net Appropriations Capital £	Net Other Movements £	Balance at 31st March 2009 £
Housing Benefit Hardship	8,025	(2,514)	0	(5,511)	0
Whittington Castle	0	48,977	0	0	48,977
Contract Retention	144,438	0	0	32,042	176,480
Section 106 Accrued Interest	68,231	4,432			72,663
<b>TOTAL</b>	<b>220,694</b>	<b>50,895</b>	<b>0</b>	<b>26,531</b>	<b>298,120</b>

The Housing Benefits Hardship Fund was set up in 1984/85 to finance the Council's scheme for local enhancement of housing benefits. The Council's policy on enhancement is to make lump sum payments to individual cases, after careful consideration of the circumstances when they arise. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a general balance against this provision, as a result the uncommitted balance of this reserve at the end of 2008/09 has been appropriated to the General Fund Balance

The Whittington Castle Provision has been set up in the year to cover a future payment to the Trust to enable them to pay off a loan guaranteed by Oswestry Borough Council. The loan is due to be called in for repayment in 2009/10.

The Contract Retention Provision was set up in 1985/86 to receive and hold on trust the retention monies due on various contracts until they become contractually payable, usually within 12 months after completion of the contract.

The Section 106 Accrued Interest Provision has been set up in 2006/07 to cover any interest payable should the Council be unable to spend all of the S106 monies it holds before the contracted deadline.

## 28. MOVEMENT ON 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.

	Balance at 1st April 2008 £	Net Appropriations £	Movements Between Reserves £	Balance at 31st March 2009 £
Capital Adjustment Account	91,821,847	(3,961,041)	1,238,485	89,099,290
Financial Instruments Reserve	(343,468)	68,581	0	(274,887)
Revaluation Reserve	3,361,404	1,914,867	0	5,276,271
Useable Capital Receipts Reserve	2,495,441	(10,525)	(650,697)	1,834,219
Pension Reserve	(11,419,000)	0	0	(11,419,000)
Major Repairs Reserve	2,001,169	(61,740)	(436,302)	1,503,127
Earmarked Reserves*	5,012,372	(1,932,272)	(151,486)	2,928,614
Collection Fund Balance	60,725	(76,634)	0	(15,909)
General Fund Balance	190,706	(190,706)	0	0
Housing Revenue Account Balance	644,704	(11,817)	0	632,887
<b>TOTAL RESERVES</b>	<b>93,825,900</b>	<b>(4,261,287)</b>	<b>0</b>	<b>89,564,613</b>

\* See breakdown below

The Council has voluntarily set up a number of earmarked reserves to set aside resources for future spending plans. The movement on these reserves is set out below, along with an explanation of the purpose of each reserve.

	Balance at 1st April 2008 £	Net Appropriations £	Movement Between Reserves £	Balance at 31st March 2009 £
Capital Reserve	366,851	(183,636)	(117,000)	66,215
Civic Regalia Reserve	6,161	0	(6,161)	0
Efficiency Reserve	614,949	(384,859)	(230,090)	0
Emergency Planning Reserve	20,000	0	(20,000)	0
Homelessness Reserve	10,000	0	(10,000)	0
Insurance Reserve	275,068	0	(275,068)	0
Local Plan Reserve	217,000	(56,912)	0	160,088
Oswald Park Reserve	2,551,098	(231,056)	(449,676)	1,870,366
Planning Appeals Reserve	64,000	0	(64,000)	0
Voluntary Early Retirement/ Severance Reserve	0	(957,350)	1,074,807	117,457
Economic Development Reserve	149,307	(72,268)	(45,307)	31,732
Station Building Reserve	20,000	0	(20,000)	0
Community Bids Reserve	0	0	83,265	83,265
General Fund Reserves	4,294,434	(1,886,081)	(79,230)	2,329,123
HRA Reserves				
Housing Repairs Reserve	717,938	(46,191)	(72,256)	599,491
<b>TOTAL RESERVES</b>	<b>5,012,372</b>	<b>(1,932,272)</b>	<b>(151,486)</b>	<b>2,928,614</b>

**Capital Reserve;** the majority of this reserve is committed to funding the 2008/09 capital programme. The balance is available to help fund committed capital projects. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a general balance against this reserve, as a result any uncommitted balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.

**Civic Regalia Reserve** set aside to fund the maintenance and renewal of Civic Ceremonial items and dress and to fund Civic events. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement / Severance Reserve.

**Efficiency Reserve;** established to allow pump priming and investment in new developments and initiatives, where the main aim is to generate efficiencies and savings in the future. During 2008/09, through the monitoring reports to cabinet, the financing of the capital works on the refurbishment of the Castle View offices was approved to be funded from this reserve, as well as the financing of the Council's 'Buzzin' newsletter, and £80,000 to the Community Scheme reserve. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.

**Emergency Planning Reserve;** available to fund any expenditure arising from an emergency within the borough that could not be contained within budgets. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.

**Homelessness Reserve;** available to fund accommodation should levels of homelessness within the borough exceed the levels that can be accommodated within budget. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.

**Insurance Reserve;** this is available to meet the cost of excesses against any insurance claims made by the authority. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement / Severance Reserve.

**Local Plan Reserve;** the authority is required to update the Local Plan every 4 years, annual contributions are made into this reserve so that sufficient reserves are available in the year that the plan is updated. Work is currently in progress to update the currently Local Plan.

**Oswald Park Reserve;** set aside to part fund the project to develop new Leisure facilities at Oswald Park following Council's decision to progress to the next stage of this project. Following the review of reserves mentioned in this report considerable reserve balances have been transferred into the Oswald Park Reserve in 2008/09. These contributions have offset some of the expenditure made on the project during the year. Council approval to pay early retirement payments before 31 March has necessitated the transfer of £580,376 into the Voluntary Early Retirement / Severance reserve, this will be replaced by Shropshire Council enabling the scheme to be implemented

**Planning Appeals Reserve;** available to fund the cost of any significant planning appeals that can not be accommodated within existing budgets. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement / Severance Reserve

**Voluntary Early Retirement/Severance Reserve;** Council approval to pay early retirement payments before 31 March has necessitated the use of this reserve to fund the one off costs associated with the unitary restructure. The balance of the reserve is available to help meet the one-off costs arising from future approved staffing reductions as part of the unitary process.

**Economic Development Reserve;** this reserve was established using grant from the Department for Communities and Local Government and is available to support the work of the Economic Development Unit, helping to promote economic growth within the Borough.

**Station Building Reserve;** set aside to fund any major repairs required to the Council owned Cambrian Station Building. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement /Severance Reserve.

**Community Bids Reserve;** set aside to fund the Council's Community Schemes as approved by Council on 2 September 2008 and 16 December 2008. The balance of the reserves will be passed to Shropshire Council to ensure completion of the schemes

**Housing Repairs Reserve;** this represents sums set aside from within the HRA for future repairs within the authority's housing stock that can not be accommodated within existing budgets. Sums set aside from within the HRA must only be used within the HRA in the future.



## 29. DISCLOSURE OF NET PENSIONS ASSET/LIABILITY

The Authority participates in the Local Government Pensions Scheme administered by Shropshire County Council. The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March are as follows:-

2007/08		2008/09	
£		£	
21,312,000	Market Value of Assets	16,756,000	
(32,731,000)	Liabilities	(28,175,000)	
(11,419,000)	Deficit	(11,419,000)	

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £11,419,000 has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangement for funding the deficit means that the financial position of the Authority remains healthy.

The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed using an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Mercer Human Resources Consulting Ltd., an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2007.

The main assumption used in their calculations have been:-

	2007/08	2008/09
Rate of inflation	3.6%	3.3%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.6%	3.3%
Proportion of employees opting to take a commuted lump sum	N/A	N/A
Rate for discounting scheme liabilities	6.1%	7.1%

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments and consist of the following categories by value and their proportion of total assets held by the Fund:-

	Long Term Return %	31st March 2008		31 <sup>st</sup> March 2009	
		£	%	£	%
Equities	7.5	13,896,000	65.2	10,171,000	60.7
Government Bonds	4.6	2,898,000	13.6	2,446,000	14.6
Other Bonds	6.1	2,557,000	12.0	1,944,000	11.6
Property	6.5	1,023,000	4.8	989,000	5.9
Cash/Liquidity	5.25	405,000	1.9	402,000	2.4
Other	7.5	533,000	2.5	804,000	4.8
		<u>21,312,000</u>	<u>100</u>	<u>16,756,000</u>	<u>100</u>

30. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme administered by Shropshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income & Expenditure Account (I&E) in the note of reconciling items for the statement of movement on the general fund. The following transactions have been made in the I&E during the year:-

2007/08 £		2008/09 £
	Net Cost of Services	
721,000	Current Service Cost	716,000
243,000	Past Service Costs	293,000
	Net Operating Expenditure	
1,593,000	Interest Cost	1,978,000
(1,408,000)	Expected return on assets in the scheme	(1,347,000)
0	Effect of Curtailments or Settlements	515,000
	Amounts to be met from Government Grants and Local Taxation	
(1,149,000)	Movement on pension reserve	(2,155,000)
	Actual amount charged against council tax for pensions in the year	
634,786	Employers' contributions payable to scheme	679,019

Note 29 contains details of the assumptions made in estimating the figures included in this note. Note 31 details the costs that arose through the year.

31. The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2009:-

	2004/05		2005/06		2006/07		2007/08		2008/09	
	£	%	£	%	£	%	£	%	£	%
Differences between the expected and actual return on assets	414,000	2.4	3,018,000	14.1	(138,000)	(0.6)	(1,940,000)	(9.1)	(6,088,000)	(36.3)
Differences between actuarial assumptions about liabilities and actual experience	(934,000)	(3.6)	0	0	0	0	(295,000)	(0.9)	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	(4,468,000)	(17.2)	(2,425,000)	(8.3)	1,535,000	4.7	(1,671,000)	(5.1)	6,735,000	23.9
	(4,988,000)		593,000		1,397,000		(3,906,000)		647,000	

### 32. REDUNDANCY COSTS

Included within Non-Distributed Costs are the costs associated with redundancy and early retirement for employees leaving the borough council as a result of the unitary process.

For Oswestry Borough Council these are £770,859.98 for redundancy and £505,761.15 for pension fund strain. These costs have been part funded by the in year savings made by the Borough Council and part funded by the Borough Council's reserves (see note 28), however any reserves which are required on an ongoing basis will be replenished by Shropshire Council to enable projects to be completed. As a result these redundancy costs will be covered by the ongoing savings of the new authority.

### 33. TRUST FUNDS

	Balance at 1st April £	Movements in Year £	Balance at 31st March £
Christmas Lighting Joint Committee	12,613	20,134	32,747

The Christmas Lighting Fund is administered on behalf of the Christmas Lights Joint Committee, and receives contributions from Oswestry Borough Council and Oswestry Town Council annually to finance the cost of Christmas decorative lighting in the town centre.

34. ANALYSIS OF NET ASSETS EMPLOYED

	31st March 2008	31st March 2009
	£	£
General Fund	2,243,502	7,263,207
Housing Revenue Account	91,582,398	81,836,083
	<hr/>	<hr/>
Total	93,825,900	89,099,290
	<hr/>	<hr/>

35. CONTINGENT LIABILITIES

No material contingent liabilities have been identified.

36. POST BALANCE SHEET EVENTS

There were no events which would materially effect the financial position of the Council.

## NOTES TO CASH FLOW STATEMENT

### 37. Reconciliation of net surplus/deficit on the Income and Expenditure Account to net cash from revenue activities

2007/08		2008/09
£		£
(171,000)	Surplus/(deficit) on Income and Expenditure statement	(190,706)
(28,097)	Surplus/(deficit) on Collection Fund	(76,634)
0	Surplus/(deficit) on Housing Revenue Account	(11,817)
Non Cash Transactions		
1,161,776	Contributions to/from Provisions and Reserves	883,212
Changes in short term assets and liabilities		
18,134	(Increase)/Decrease in Stocks	8,782
(159,845)	(Increase)/Decrease in Debtors	(69,565)
390,524	Increase /(Decrease) in Creditors	<u>(388,165)</u>
248,813		(448,948)
(194,638)	Add Servicing of Finance	(103,296)
1,016,854	Net Cashflow from Revenue Activities	<u>51,811</u>

### 38. Analysis of the balances of cash and cash equivalents during the year

Movement	2009	2008	Movement	
£	£	£	£	
819,982	Bank overdraft/(Cash in Hand)	(5,043,391)	(64,248)	4,979,143
819,982	Net Cash Flow			<u>4,979,143</u>

### 39. Analysis of Government Grants Received

£		£	£
499,732	Revenue Support Grant	437,511	
8,348,130	DWP Grants for Benefits	9,514,792	
8,847,862			9,952,303
84,121	Other		992
8,931,983			<u>9,953,295</u>
=====			=====

40. Reconciliation of Movement in Liquid Resources to Balance Sheet

Movement £		2009 £	2008 £	Movement £
1,554,192	Investments	0	8,597,621	8,597,621
<u>1,554,192</u>	Net increase/decrease in short term investments			<u>8,597,621</u>
=====				=====

41. Private Finance Initiative Schemes

The Council has one new Private Finance Initiative (PFI) scheme: the waste PFI contract, signed on 29 September 2007.

**The Waste PFI**

On 29 September 2007, Oswestry Borough Council, along with 4 other Shropshire Councils (the Shropshire Waste Partnership), entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40.8 million of PFI credits which are paid as an annual PFI grant to the County Council. The County Council is the contracting authority for the Shropshire Waste Partnership.

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

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

The waste treatment element is also an output based contract. Veolia is proposing to deliver this element of the contract by developing and operating a 90,000 tonne per annum Energy Recovery Facility.

**The Accounting View – FRS5 or SSAP 21 Accounting Treatment**

As the Council's officers and advisors are of the opinion that the risks and benefits, for the duration of the twenty seven year contract, lie with the operator, Veolia ES Shropshire Ltd, in accordance with FRS5, the waste management facilities, once constructed, will be classified as assets of the operator and not the Council and they will not be recognised on the Council's Balance Sheet. The Council will revisit this accounting treatment periodically to establish if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

**Unitary Charge**

The Borough Council pays a contribution towards the Unitary Charge (in monthly instalments) for the facilities and services provided under the contract. None of the proposed facilities were constructed in 2007/08, which only covered the first six months of the contact. The County Council receives PFI grant from the government which contributes towards the unitary payment. Total payments in

respect of the SWP contract for the period 1 April 2008 to 31 March 2009 were £1,136,144.

**Fixed assets: treatment of existing assets**

The Council has made existing waste assets available to the contractor. These include wheeled bins and vehicles which were passed on to Veolia, free of charge, at the start of the contract.

**Debtors: amounts falling due after more than one year  
Deferred Consideration**

A prepayment for services receivable under the PFI contract has been established to reflect the value of the assets made available to Veolia. The prepayment relates to Deferred Consideration in respect of the value of the assets transferred to Veolia. The Deferred Consideration Balance will be 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 charge is, however, a notional charge which is reversed out in the Statement of Movement on General Fund Balance to remove any impact on Council Tax. The value of the deferred consideration arising on the transfer of assets and its amortisation is shown in the table below.

<b>Year ended 31 March 2008 (£000)</b>	<b>Long Term Debtor balance Deferred consideration</b>	<b>Year ended 31 March 2009 (£000)</b>
274	Value of assets transferred to Veolia	268
(16)	Less: amoritsation of balance	(16)
10	Plus: unwinding of discount on deferred consideration	10
268	Balance carried forward	262

None of the assets have yet been constructed under the contract, as a result no long term debtor has been built up on the balance sheet to reflect the residual value of those assets that will transfer to the Council's ownership at the end of the contract. This position will be reviewed once the waste infrastructure has been constructed.

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR THE YEAR ENDED  
31ST MARCH 2009**

2007/08 £		2008/09 £
	<b>INCOME</b>	
	Gross Rental Income	
5,485,550	Dwelling rents	5,756,772
106,316	Non-dwelling rents	102,108
220,855	Charges for Services and Facilities	192,100
9,360	Government grants deferred amortisation	29,817
<hr/>		<hr/>
5,822,081	<b>Total Income</b>	6,080,797
	<b>EXPENDITURE</b>	
	Repairs, Maintenance and Management	
1,588,299	Repairs and Maintenance	1,798,539
1,346,854	Supervision and Management	1,309,312
1,190,591	Negative subsidy payable to the Secretary of State	1,489,790
63,843	Increased provision for bad or doubtful debts	21,829
1,173,661	Depreciation and impairment of fixed assets	3,082,499
<hr/>		<hr/>
5,363,247	<b>Total Expenditure</b>	7,701,969
	<b>NET COST OF HRA SERVICES PER AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>	
(458,834)		1,621,172
253,640	HRA services share of Corporate & Democratic Core	253,640
<hr/>		<hr/>
(205,194)	<b>NET COST OF HRA SERVICES</b>	1,874,812
30,705	Pensions interest cost & expected return on pension assets	118,352
60,028	Interest payable and similar charges	55,323
(71,915)	Interest Receivable	(43,380)
<hr/>		<hr/>
(186,375)	<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	2,005,107
<hr/>		<hr/>
	<b>STATEMENT OF MOVEMENT ON THE HRA BALANCE</b>	
	(Surplus)/Deficit for the year on the income and expenditure account	
(186,375)		2,005,107
186,375	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	(1,993,291)
(644,704)	<b>Balance on HRA brought forward</b>	(644,704)
<hr/>		<hr/>
(644,704)	<b>Balance on HRA carried forward</b>	<b>(632,887)</b>
<hr/>		<hr/>



**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HRA BALANCE**

2007/08 £		2008/09 £
	<b>Amounts included in the HRA Income &amp; Expenditure Account but excluded from the Movement on HRA Balance for the year</b>	
0	Depreciation and impairment of fixed assets	(1,859,848)
68,580	Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	68,581
9,360	Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	444
(150,373)	Net charges made for retirement benefits in accordance with FRS 17	(252,646)
(72,433)		(2,043,469)
	<b>Amounts not included in the HRA Income &amp; Expenditure Account but included in the Movement on HRA Balance for the year</b>	
(43,171)	Transfer to/(from) Major Repairs Reserve	(61,737)
109,793	Transfer to/(from) Housing Repairs Account	0
50,000	Net transfer to or from earmarked reserves	(101,125)
92,186	Employer's contributions payable to the Shropshire County Pension Fund and retirement benefits payable direct to pensioners	111,915
50,000	Capital expenditure charged in-year to the HRA Balance	101,125
258,808		50,178
<b>186,375</b>	<b>Net additional amount required to be credited to the HRA Balance for the year</b>	<b>(1,993,291)</b>

## NOTES TO HOUSING REVENUE ACCOUNT

### 1. HOUSING FIXED ASSETS

Movements in fixed assets during the year were:-

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Non-operational Properties	Total
	£	£	£	£	£	£
Gross book value as at 1/4/08	95,273,625	2,019,064	64,144	58,532	0	97,415,365
Depreciation as at 1/4/08	(1,130,490)	(194,410)	(51,354)	(31,849)	0	(1,408,103)
Net book value as at 1/4/08	94,143,135	1,824,654	12,790	26,683	0	96,007,262
Movements in 2008/09						
Additions	1,847,344	12,504	0	0	0	1,859,848
Additions written down to restatement	(1,847,344)	(12,504)	0	0	0	(1,859,848)
Disposals	(87,000)	0	0	0	0	(87,000)
Revaluations	(5,199,134)	(27,778)	(1,917)	0	0	(5,228,829)
Accumulated Depreciation on Sold Assets and Revaluations	1,130,490	182,899	0	0	0	1,313,389
Depreciation for year	(1,160,914)	(58,514)	0	(3,227)	0	(1,222,655)
Net book value as at 31/3/09	88,826,577	1,921,261	10,873	23,456	0	90,782,167

#### Housing Revenue Account Property Valuation

The freehold and leasehold properties that comprise the Housing Revenue Account's property portfolio have been revalued as at 1st April 2008 by the District Valuer. The valuations have been made in accordance with the RICS Appraisal and Valuation Standards 5th Edition as published by the Royal Institute of Chartered Surveyors. Valuations in the accounts are in accordance with the detailed Valuation Certificate issued by the District Valuer.

Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Depreciation is applied to all assets following the year they become operational. The methods used for calculating depreciation are on the straight line basis for fixed assets, except Council dwellings and the reducing balance for vehicles and equipment. Council dwellings have been depreciated using the Major Repairs Allowance as a reasonable estimate measure of depreciation which is now regarded as United Kingdom generally accepted accounting practice.

Where an asset has been revalued, the current period's depreciation charge is based on the revalued amount and the remaining useful economic life.

Properties regarded by the Authority as non-operational have been valued on the basis (including investment properties and assets that are surplus to requirements) at the lower value of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value.

#### Vacant Possession Value

The vacant possession value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market. The Balance Sheet Value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the Balance Sheet Value is therefore lower than the Vacant Possession Value. The difference between the two values therefore shows the economic cost of providing houses at less than market value.

HRA Dwellings (Vacant Possession Value)	At 31st March 2009 £174,169,759
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#### 2. STOCK OF COUNCIL DWELLINGS

The total number of dwellings at 31st March was made up as follows:-

2008		2009
1,285	Houses and Bungalows	1,284
637	Flats	637
<hr/>		<hr/>
1,922		1,921
<hr/>		<hr/>

#### 3. The change in stock can be summarised as follows:

2008		2009
1,930	Dwellings at 1st April	1922
9	Less: Sales	1
1	Adjustment	0
<hr/>		<hr/>
1,922	Dwellings at 31st March	1,921
<hr/>		<hr/>

#### 4. HOUSING REPAIRS ACCOUNT

2007/08		2008/09
£		£
	Income	
1,698,092	Contribution from Housing Revenue Account	1,798,539
19,761	Service charges and repairs recharged	10,839
765,918	Direct Services building maintenance	916,742
<hr/>		<hr/>
2,483,771		2,726,120
	Expenditure	
2,373,978	On repairs and maintenance	2,726,120
0	On capital expenditure	118,447
<hr/>		<hr/>
(109,793)	(Surplus)/deficit for year	118,447
(571,902)	Balance brought forward	(681,695)
<hr/>		<hr/>
(681,695)	Balance carried forward	(563,248)
<hr/>		<hr/>
<u>=====</u>		<u>=====</u>

The year end balance carried forward appears under Earmarked Reserves in the HRA Reserve on page 36. In 1997/98 a Housing Repairs Account was opened to put money aside to pay for irregular repairs and maintenance to Housing property. Since the repeal in 1999 of the compulsory competitive tendering legislation, the profit and loss of the direct services building maintenance operations are now, from April 2000, charged to this account.

#### 5. MOVEMENT ON THE MAJOR REPAIRS RESERVE

2007/08 £		2008/09 £
	Income	
1,173,661	Amounts transferred during the year	1,222,651
(43,171)	Amounts transferred to the HRA during the year	(61,737)
<u>1,130,490</u>		<u>1,160,914</u>
(1,161,210)	Capital expenditure on HRA assets during the year	(1,658,957)
<u>(30,720)</u>		<u>(498,043)</u>
2,031,889	Balance brought forward	2,001,169
<u>2,001,169</u> =====	Balance carried forward	<u>1,503,126</u> =====

This reserve was established with the introduction of resource accounting to account for the new Government subsidy known as the Major Repairs Allowance (MRA) and the annual cost of capital works payable from this new source of income. At present the annual amount of subsidy received is equal to depreciation charged on housing assets.

#### 6. SUMMARY OF CAPITAL EXPENDITURE AND HOW IT WAS FINANCED

	£	£
Fixed Assets		
Operational Assets		
Council Dwellings	1,847,344	
Other Land and Buildings	<u>12,504</u>	1,859,848
Revenue Expenditure Funded from Capital under Statue		29,373
<b>TOTAL CAPITAL EXPENDITURE IN YEAR</b>		<u><b>1,889,221</b></u>
Finance of Capital Expenditure		
Government Supported Borrowing		32,000
Major Repairs Allowance		1,658,957
Grants and Contributions		29,817
Revenue		<u>168,447</u>
<b>TOTAL CAPITAL EXPENDITURE FINANCED IN YEAR</b>		<u><b>1,889,221</b></u>

## 7. SUMMARY OF CAPITAL RECEIPTS

	Total £	Reserved £	Usable £
Capital receipts from the disposal of HRA assets in 2008/09			
Council houses	86,660	64,995	21,665

The arrangements pertaining to capital receipts were amended on 1st April 2004. From this date the reserved portion of HRA capital receipts became subject to national pooling arrangements and are forwarded quarterly to Communities and Local Government (CLG). The retained portion of capital receipts (usable) are available either for financing new capital expenditure or repaying debt.

## 8. DEPRECIATION

Depreciation of £1,222,655 has been included in the Income and Expenditure Account, this can be further broken down as follows:-

2007/08 £		2008/09 £
	Depreciation of operational assets	
1,130,490	Dwellings	1,160,914
43,171	Other assets	61,741
<u>1,173,661</u>		<u>1,222,655</u>

## 9. HOUSING SUBSIDY

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

2007/08 £		£	2008/09 £
2,577,352	Management and maintenance	2,607,507	
1,130,490	Major Repairs Allowance	1,160,914	
386,528	Charge for capital	368,555	
117,013	Rental Constraint Allowance	0	
(442)	Interest on receipts	25	
(5,401,671)	Guideline rent income	(5,674,862)	
<u>(1,190,730)</u>	Housing element entitlement		(1,537,861)
140	Previous year adjustment		48,071
<u>(1,190,591)</u>	HRA subsidy entitlement/(recoupment)		<u>(1,489,790)</u>

The 1st April 2004 saw the removal of the expenditure on rent rebates and Government funding subsidy from the Housing Revenue Account to the General

Fund. This change in legislation has altered the position of the HRA from being a net receiver to a net contributor to national resources.

10. RENT ARREARS

The arrears at 31st March 2009 totalled £529,792. This excludes prepayments of £111,283, and may be analysed as follows:-

2007/08 £	2007/08 £		2008/09 £	2008/09 £
317,525		Due from Current Tenants	296,270	
244,727		Due from Former Tenants	233,522	
<u>          </u>			<u>          </u>	
	562,252	Rent Arrears		529,792
	(45,228)	Prepayments		(111,283)
	<u>          </u>			<u>          </u>
	517,024	Net Arrears		418,509
	=====			=====

These arrears include all charges due from tenants, i.e. rent and other service charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31st March 2009 the provision totalled £346,080.

## 11. FRS17 RETIREMENT BENEFITS

The implementation of the new accounting arrangements for pensions, applicable from 1st April 2003, have been applied to the HRA.

This has resulted in a contribution of £140,731 from the Pensions Reserve as the HRA's share of the shortfall of accounting for retirement benefits when it is committed to giving them, even if the actual giving will be many years into the future, compared to recognising liabilities in relation to retirement benefits only when employer's contributions became payable. The following transactions have been made in the HRA during the year:-

2007/08 £		2008/09 £
	Net Cost of Service	
119,668	Current Service Cost	134,294
	Net Operating Income	
264,399	Interest Cost	370,998
(233,693)	Expected return on assets in the scheme	(252,646)
	Appropriations	
(150,374)	Movement on pension reserve	(252,646)
	Actual amount charged in the HRA for pensions in the year	
92,186	Employer's contributions payable to scheme	111,915
(58,188)	Contribution from the Pensions Reserve	(140,731)

**COLLECTION FUND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008**

2007/08 £		£	2008/09 £
	INCOME		
16,731,185	Income from Council Tax		17,401,660
2,278,586	Transfers from General Fund Benefit		2,466,263
7,014,469	Income from Business Ratepayers		7,528,472
(163,229)	Contributions - Adjustment to Bad Debts Provision		(130,057)
<u>25,861,011</u> =====	<b>TOTAL INCOME</b>		<u>27,266,338</u> =====
	EXPENDITURE		
12,686,614	Precepts Shropshire County Council	13,492,549	
3,002,374	Oswestry Borough Council	3,091,944	
2,050,106	West Mercia Police Authority	2,191,630	
981,085	Shropshire Fire and Rescue Service	1,038,377	
<u>18,720,179</u>		<u>19,814,500</u>	
6,916,145	Business Rates Payment to National Pool	7,382,848	
56,675	Cost of Collection	56,197	
<u>6,972,820</u>		<u>7,439,045</u>	
154,460	Contributions To previous year's estimated surplus		0
41,649	Adjustment to Bad Debts Provision		89,428
<u>25,889,108</u> =====	<b>TOTAL EXPENDITURE</b>		<u>27,342,973</u> =====
(28,097)	<b>SURPLUS/(DEFICIT) FOR YEAR</b>		(76,634)
88,821	<b>ACCUMULATED SURPLUS AT 1ST APRIL</b>		60,724
<u>60,724</u> =====	<b>ACCUMULATED SURPLUS AT 31ST MARCH</b>		<u>(15,910)</u> =====



## NOTES TO COLLECTION FUND

1. The Authority is required by statute to maintain a separate Collection Fund to reflect its transactions as a billing authority in relation to local revenues and national non-domestic rates (NNDR) and to illustrate the way in which these have been distributed. The Collection Fund is consolidated with the other accounts of the Council.
2. The Collection Fund accounts conform with the requirements of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Code of Practice on Local Authority Accounting.
3. Council tax due for the year is determined by reference to the council tax base (see note 4) and the various levels of council tax set for each parish (see note 5).
4. The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2008/09 was as follows:-

	Net Properties	Ratio	Tax Base £
Band A1	14.76	5/9ths	8.20
Band A	4276.80	6/9ths	2,851.20
Band B	4048.84	7/9ths	3,149.10
Band C	2666.14	8/9ths	2,369.90
Band D	2423.10	9/9ths	2,423.10
Band E	1476.90	11/9ths	1,805.10
Band F	357.09	13/9ths	515.80
Band G	140.52	15/9ths	234.20
Band H	11.75	18/9ths	23.50
			-----
			13,380.10
		Provision - 1.00%	(133.80)
			-----
		TAX BASE 2008/09	13,246.30
			=====

5. The level of council tax is set by dividing the requirements of County Council, Borough Council, Police Authority and Fire Service by the tax base. This produced Band D council tax levels for 2008/09 as follows:-

Parish	Tax Base	Council Tax PC £	Council Tax OBC £	Council Tax SCC £	Council Tax WMPA £	Council Tax SFRS £	Council Tax Total £
Kinnerley	453.22	25.37	197.99	1018.59	165.45	78.39	1485.79
Knockin	113.94	37.30	197.99	1018.59	165.45	78.39	1497.72
Llanyblodwel	277.80	16.05	197.99	1018.59	165.45	78.39	1476.47
Llanymynech & Pant	598.54	25.69	197.99	1018.59	165.45	78.39	1486.11
Melverley	50.28	23.87	197.99	1018.59	165.45	78.39	1484.29
Oswestry Rural	1520.30	25.58	197.99	1018.59	165.45	78.39	1486.00
Oswestry Town	5440.09	40.81	197.99	1018.59	165.45	78.39	1501.23
Ruyton-XI-Towns	434.30	32.24	197.99	1018.59	165.45	78.39	1492.66
Selattyn & Gobowen	1204.92	41.50	197.99	1018.59	165.45	78.39	1501.92
St. Martins	890.39	44.92	197.99	1018.59	165.45	78.39	1505.34
West Felton	526.63	30.38	197.99	1018.59	165.45	78.39	1490.80
Weston Rhyn	865.69	21.53	197.99	1018.59	165.45	78.39	1481.95
Whittington	870.20	37.92	197.99	1018.59	165.45	78.39	1498.34
	<u>13246.30</u>						

6. Precepts on the Fund amounted to £19,814,100 and £nil of the accumulated surplus at 1st April 2008 was used towards this requirement. The average Band D tax was £1,495.85 which would have raised the required sum of £19,814,419.
7. Until 1993/94, parish precepts were made on the Collection Fund. They are now a charge against the General Fund which makes a demand on the Collection Fund in 2008/09 to meet the Borough Council's requirement of £2,622,235 and parish precepts of £469,309.
8. The Collection Fund collects business rates on behalf of the Government, based on the local rateable values set by the Valuation Office of the Inland Revenue and the uniform poundage set by the Department for Communities and Local Government. For 2008/09, these were £19,357,555 and 46.2 pence in the pound respectively, producing a potential gross rate income of £8,943,190.

9. After allowing for empty property and other reliefs, the amount actually collectable for the year amounted to £7,528,472. The amount paid to the national pool was:-

	£
Amount to be collected	7,528,472
Increase in amount set aside for bad debts	(89,428)
	<hr/>
	7,439,044
Less set allowance for cost of collection	(56,197)
	<hr/>
	7,382,848
	<hr/> <hr/>

The General Fund bears the actual cost of collecting business rates and receives the set allowance towards this cost.

10. Actual collection varies from the sums shown as due and a record of arrears and prepayments are maintained against individual payers. The position at 31st March 2009 is summarised as follows:-

	Council Taxpayers £	Business Ratepayers £
Net arrears at 1st April 2008	1,160,055	441,220
Amounts due 2008/09	17,401,660	7,528,472
Recovery costs due 2008/09	63,240	5,824
Collectable in year	<hr/> 18,624,955	<hr/> 7,975,516
Amounts paid	17,234,659	7,289,970
Discretionary NNDR relief funded by OBC	0	18,457
Uncollectable amounts written off	121,459	2,759
Net arrears at 31st March 2009	<hr/> <hr/> 1,268,837	<hr/> <hr/> 664,329
Arrears as at 31st March 2009	1,411,255	664,329
Prepayments at 31st March 2009	(142,418)	0

11. The Collection Fund balance at 31st March 2009 comprises:-

Council tax deficit of £15,910 which is to be applied to the amount required by Shropshire Council and precepting authorities in future years in accordance with the Regulations.

**OSWESTRY BOROUGH COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT 2008/09**

**1. Scope of Responsibility**

1.1 Oswestry Borough Council (OBC) is responsible for ensuring:

- That its business is conducted in accordance with the law and proper standards,
- That public money is safeguarded and properly accounted for,
- That public money is used economically, efficiently and effectively.

OBC 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 regards to a combination of economy, efficiency and effectiveness.

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

1.3 OBC approved and adopted the code of Corporate Governance in June 2006. Due to the imminent establishment of a Unitary Authority for Shropshire, which will result in the abolition of OBC, this has not been updated to be wholly consistent with the principals of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This was a conscious decision to allow resources to be targeted at the establishment of the new Unitary Council, as the authority would not be exposed to any additional risks by not updating the existing Code of Corporate Governance. A copy of the code is on our website at [www.oswestrybc.gov.uk](http://www.oswestrybc.gov.uk) or can be obtained by writing to:

Kevin Hull  
Borough Solicitor & Assistant Chief Executive  
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1.4 This statement explains how OBC 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. This statement should however be considered whilst bearing in mind the revised Local Government arrangement in Shropshire, where a new Unitary Council will be established from 1 April 2009, at which point Oswestry Borough Council will cease to exist.

**2. The Purpose of the Governance Framework**

- 2.1 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 achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designated 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 assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of OBC'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.
- 2.3 The governance framework has been in place at OBC for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

### **3. The Governance Framework**

- 3.1 The governance framework within OBC encompasses a wide range of systems and procedures covering a wide range of services to the public. The Council's Constitution provides the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which members and officers operate to achieve the Council's objectives.
- 3.2 Under the Constitution a Leader and Cabinet form the decision-making Executive. Their decisions must be in line with the Council's objectives, and are subject to examination by the Scrutiny Committee.
- 3.3 The officers responsible for overseeing and monitoring the control environment are the Council Manager, the Council's Policy Advisor, the Section 151 Officer and the Council's Solicitor and Monitoring Officer. These officers are assigned with the ownership of risks, and routinely monitor and review the related controls as an integrated part of the risk management process. This particular role is supported by the roles of the three statutory officers, Internal and External Audit and by external review agencies.
- 3.4 The key elements of the systems and procedures that comprise OBC's governance arrangements are detailed below:
- 3.5 **Identifying and Communicating the Authority's Vision of its Purpose and Intended Outcomes for Citizens and Service Users.**
- 3.5.1 The Corporate Plan 2006-2009 clearly sets out OBC's vision 'To improve the quality of life for those who live, work and visit the Borough of Oswestry' and sets out the five key priorities which local people have identified:
- Statutory Services
  - Internal Efficiencies
  - Recreation and Employment
  - Affordable Homes and Communities

- Healthier Communities

3.5.2 Under each priority the corporate plan sets out a number of objectives along with a clear target to show when that objective has been achieved, responsibility for completing it and how it will be achieved

3.5.3 The Oswestry Community Strategy takes a longer term vision for the Borough of Oswestry. Based on consultation with local people and stakeholders and sets out the key improvement priorities for the borough. This strategy, along with those of neighbouring districts, has then been used to create a five-year county-wide Shropshire Partnership Community Strategy and the three-year Shropshire Local Area Agreement, each of which contains specific actions and targets for partners.

3.5.4 The links between each OBC corporate plan priority and the Oswestry Community Strategy and Shropshire Local Area Agreement are clearly set out in the corporate plan.

3.5.5 The Council uses different methods to let the residents of the Borough know how we are doing. In previous years a performance plan summary was produced and recently this was reinvented as a poster campaign in local public spaces. This year, given the number of messages the Council needed to communicate to residents, it published a newsletter – Buzzin.

3.5.6 The key messages from the council's final medium term financial strategy were communicated to stakeholders as appropriate. The council's constitution required a formal budget consultation period of six weeks following approval of the draft budget strategy at Cabinet. This included meeting with parish/town councils and other groups as well as a questionnaire to gain the views of our customers

3.5.7 The Council has a communication strategy and uses a range of methods to gain residents and stakeholders views and to keep them informed of the services that we provide. These include:

- User satisfaction surveys;
- Comments and complaints;
- Press releases;
- Improved website;
- Face to face consultation such as “meet the cabinet” days and the “big debate”.

### **3.6 Reviewing the Authority's Vision and its Implications for the Authority's Governance Arrangements.**

3.6.1 The annual monitoring process provides an opportunity for a review of the objectives within the priorities and this informs the Medium Term Financial Strategy. This is a comprehensive statement covering a three year period which is rolled forward and updated annually. It is reviewed in detail to ensure that it remains accurate and focussed on delivering our corporate aims, objectives and priorities.

3.6.2 The Corporate Plan 2006-2009 is the Councils final corporate plan before its merger within Shropshire Council.,

- 3.6.3 Service Plans are three year documents which are reviewed annually; they provide the detail that informs the Corporate Plan as well as linking the objectives to specific area tasks. The Performance Plan will update the Corporate Plan..
- 3.6.4 Performance against the Corporate Plan, Community Strategy and Local Area Agreements is closely monitored and reported to Members and the Corporate Management Team.
- 3.7 Measuring the Quality of Services for Users, for Ensuring they are Delivered in Accordance with the Authority's Objectives and for Ensuring that they Represent the Best Use of Resources**
- 3.8 The Council's Performance Management framework links strategic and service planning, budget allocation, performance monitoring and organisational development. Corporate objectives and priorities are cascaded down to service plans and tangible projects and targets, which, following the roll out of the Personal Development Review Scheme, cascade down to individual targets.
- 3.9 The Audit Commission (in the most recent Annual Audit and Inspection Letter) recognises that the Council has good processes for monitoring and managing improvement plans. Quarterly reports on the progress of key PI's are provided for scrutiny committee and a performance panel has been established to enable scrutiny to provide a more rigorous challenge to performance. Councillors and Senior Management challenge and manage performance in council priority areas and influence the deployment of scarce resources to address under performance in key areas.
- 3.10 There is an effective corporate led focus on driving improvement in priority areas. A number of key performance indicators linked to corporate priorities have been identified through an assessment of risk and these are monitored monthly by Corporate Management Team. Plans to address underperformance are effective and underperforming services have to produce detailed action plans which are regularly monitored by Councillors and senior officers.
- 3.11 Targets are set using trend data as well as comparative information provided by the Audit Commission and through SPARSE.
- 3.12 Contract and Financial Rules are in place to ensure proper procurement procedures are employed when purchasing goods, works or services.
- 3.13 A range of Joint Working initiatives is underway to improve service performance and delivery. In addition the authority continue to work with Shropshire County Council, who now provide several support services, e.g. Internal Audit Management, Payroll, Section 151 Officer, etc. this has resulted in service improvements whilst also delivering efficiency savings.
- 3.14 A major PFI contract is under way which has led to the introduction of a Waste Management Strategy and integrated collection and disposal service for Shropshire.
- 3.15 Services are externally inspected and both External and Internal Audit have a role in commenting on economy, efficiency and effectiveness. PIs are

regularly monitored and reported on and analysis is provided to identify both improvements and deterioration in performance and to plot the Council's direction of travel.

- 3.16 The Medium Term Financial Plan determines key issues according to corporate priorities. The budget process re-allocates resources to priority areas from areas of lesser priority, e.g. Oswald Park Active Lifestyle Centre.
- 3.17 The financial management system operating within OBC is based upon a framework of regular management information and financial reporting to councillors, officers, detailed Financial Rules, Contract Rules, accounting instructions, financial training for staff, sound administrative procedures (including segregation of duties), management supervision, and a structure of delegation and accountability, training and personal development of staff. In particular, the financial management system includes:
- Comprehensive revenue and capital budgeting systems.
  - A detailed medium term financial planning process.
  - Identification of high risk budgets for more detailed monitoring.
  - Detailed capital appraisal process.
  - Monthly financial monitoring reports to managers indicating projected financial performance against budgets.
  - Quarterly Budget Monitoring reports to Cabinet and Scrutiny.
  - Officer delegated decisions in accordance with approved delegations, codes and policies (e.g. Treasury Management).
  - Highly effective Internal Audit.
  - Effective working relationships with the Audit Commission.
- 3.18 The system of internal financial control is subject to regular review by the Council's Internal Audit Service and by the External Auditors for the authority.
- 3.19 Internal Audit operates under the Accounts and Audit Regulations, which require the maintenance of an adequate and effective system of Internal Audit of accounting records and central systems. The work of Internal Audit is undertaken in accordance with the Service's own terms of reference, these reflect professional best practice, in particular the CIPFA Code of Practice on Local Government Internal Audit, as set out in the Council's Internal Audit manual.
- 3.20 As part of involving local people in decision making and making the Council more accessible, the Council takes part in the Shropshire Debate, a meeting where all tiers of local government and the public are brought together.
- 3.21 Defining and Documenting the Roles and Responsibilities of the Executive, Non-Executive, Scrutiny and Officer Functions, with Clear Delegation Arrangements and Protocols for Executive Communication.**
- 3.21.1 OBC is committed to the principles of good corporate governance and introduced a Code of Corporate Governance in June 2006; this was approved by Full Council and is reviewed annually. The Code of Corporate Governance forms part of the Council's Constitution and applies to all aspects of the Council's business. An Internal Audit Review of Corporate Governance during 2007 reported "The audit revealed very strong compliance with the Council's Code and no material breaches of were identified " As stated earlier, due to the imminent establishment of a Unitary Authority for Shropshire,



which will result in the abolition of OBC, the existing Code of Corporate Governance has not been updated to be wholly consistent with the principals of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This was a conscious decision so that resources could be targeted at the establishment of the new Unitary Council as it was not felt that the authority would be exposed to any additional risks by not updating the existing Code of Corporate Governance.

3.21.2 OBC's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is divided into 16 articles, which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in rules and protocols within the Constitution.

3.21.3 Within the Constitution Article 13 sets out the responsibilities and procedures for decision making. These are designed to ensure that all decisions will be made in accordance with the following principles:

- Proportionality (i.e. the action must be proportionate to the desired outcome).
- Due consultation and the taking of professional advice from officers;
- Respect for human rights.
- A presumption in favour of openness.
- Clarity of aims and desired outcomes.
- Consideration of alternative options.
- Recording reasons for the decision, including details of any alternative options considered and rejected.

3.21.4 All officers at OBC have a key role to play in helping to ensure that the principles enshrined in the Constitution (sustainable decision-making, robust scrutiny, the rules of natural justice, standards of conduct, efficiency, transparency and high standards of corporate governance) are delivered in practice through the Council's administrative process.

3.21.5 The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council, and is made up of the Leader, who is elected by the Council, and six other councillors whom he/she appoints. When major decisions are to be discussed or made, these are published in the executives' forward plan in so far as they can be anticipated. If these major decisions are to be discussed with council officers at a meeting of the Cabinet, this will generally be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions, which are in line with the Council's overall policies and budget. If it wishes to make a decision, which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

3.21.6 The Scrutiny Committee supports the work of the Cabinet and the Council as a whole, the Scrutiny Committee also set up Task and Finish Groups when it is felt that a particular issues warrants special attention. The Scrutiny Committee also monitors and scrutinises the decisions of the Cabinet. They can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. Scrutiny also monitors the performance of the Council and the achievement of performance indicators and targets

and considers matters affecting the area and/or its citizens. To aid the process of monitoring performance the Scrutiny Committee set up a Performance Monitoring Panel to focus on and scrutinise performance reports and information in great detail before reporting its findings to the Scrutiny Committee. An annual report of the activities of the Scrutiny Committee Panels is prepared and presented to Council.

### **3.22 Developing, Communicating and Embedding Codes of Conduct, Defining the Standards of Behaviour for Members and Staff**

3.23 A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council. Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests. A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish.

3.23.1 The Standards Committee is in place to promote and maintain high standards of conduct, assist members to observe the Members' Code of Conduct, hold hearings and investigate complaints referred to them by the Standards Board. In addition they also have the following roles and functions:

- Drawing up, advising, reviewing and monitoring of all protocols under the Constitution.
- Overview of complaints handling and Ombudsman Investigations.

### **3.24 Reviewing and Updating Standing Orders, Standing Financial Instructions, the Scheme of Delegation and Supporting Procedure Notes/Manuals, which Clearly Define How Decisions are Taken and the Processes and Controls Required to Manage Risks.**

3.25 The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc. is reviewed formally at biennial intervals, with an opportunity provided for both the executive and nonexecutive, as well as individual Members and senior management, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy.

### **3.26 Undertaking the Core Functions of an Audit Committee, as Identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.**

3.27 The Audit Committee is recognised as a formal Committee of Oswestry Borough Council and its Terms of Reference are incorporated into the Council's constitution. The Audit Committee's terms of reference represent current best practice, they are

reviewed annually to ensure that this remains the case, any significant changes can only be approved by Full Council.

3.28 The purpose of the Audit Committee is to provide:

- An independent assurance of the adequacy of the risk management framework and the associated internal control environment.
- An independent scrutiny of the authority's financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- An overview of the financial reporting process.
- A Forum for the discussion of internal control issues and reports from Internal Audit.

3.29 The work of Internal and External Audit is reported to the Audit Committee and Full Council. In addition an annual review of the effectiveness of the Council's system of Internal Audit is reported to the Audit Committee. An ongoing training programme has been put in place for Audit Committee Members.

### **3.30 Ensuring Compliance with Relevant Laws and Regulations, Internal Policies and Procedures, and that Expenditure is Lawful.**

3.30.1 All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions will be provided for officers as necessary and appropriate. Induction sessions are arranged for all new staff and Councillors. A Member Training Steering Group has also been established to deal with training under the Member Development Charter.

3.30.2 The Monitoring Officer and Assistant Chief Executive and his team have a key role in ensuring compliance with the Constitution and issuing advice and guidance on new legal developments, and compliance with current legislation.

3.30.3 Monitoring of Compliance is undertaken by relevant key officers, including the Section 151 Officer and the Monitoring Officer (the Council's Solicitor).

3.30.4 Financial Rules, Contract Rules, Policies and Procedures, Codes of Conduct, Financial Manuals and Guidance are all in place and available to staff.

3.30.5 In addition to the above, in order to allow the Council to make the many decisions that are required on a daily basis, responsibilities for certain decisions are delegated to Senior Officers. Section 8 of the Constitution "Delegations to Officers", identifies those delegated powers.

3.30.6 The Monitoring Officer (the Council's Solicitor) along with the Council Manager are responsible for making recommendations for ways in which the Constitution can be amended or improved. Changes to the Constitution must be approved by the full Council, subject to the Monitoring Officer making routine revisions and replacing references to any repealed or amended legislation or secondary legislation with current references.

### **3.31 Whistle-Blowing and Arrangements for Receiving and Investigating Complaints from the Public.**

3.31.1 A Whistle-Blowing Policy and Procedure has been adopted, this is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A phone line and web form are available for complainants' use at all times.

3.31.2 Any irregularities identified via the Whistle-Blowing Arrangements are investigated by Internal Audit or the appropriate officers within the Service Directorates.

3.31.3 The Council has a centralised, computer-based, complaints system, this enables complaints to be accurately tracked and ensures that the targets within the Council's complaints procedure are adhered to. It also makes it easy for customers to record a complaint or comment about council services, as it is not necessary to put anything in writing. The complaints form and procedure are published on the website.

#### **3.31.4 Identifying the Development Needs of Members and Senior Officers in Relation to their Strategic Roles, Supported by Appropriate Training**

3.31.5 Training and development is arranged for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and Members have been encouraged to consider the need for personal development planning. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists. A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the:

- Licensing Committee.
- Development Control Committee.
- Standards Committee.
- Scrutiny Committee.
- Audit committee.

3.31.6 A Member Training Steering Group has also been established to deal with training and to oversee arrangements in line with the WMLA Member Development Charter.

3.31.7 For officers, training and development needs are identified as part of the annual Personal Development Review (PDR) process; this is clearly documented to ensure a consistent approach across the authority. In addition CMT consider emerging issues throughout the year and any training that is necessary as a result is discussed and appropriate decisions are made at the same time

#### **3.32 Establishing Clear Channels of Communication with All Sections of the Community and Other Stakeholders, Ensuring Accountability and Encouraging Open Consultation.**

3.32.1 The Council has a communication strategy and uses a range of methods to gain residents and stakeholders views and to keep them informed of the services that we provide. These include:

- User satisfaction surveys;
- Comments and complaints;
- Press releases;
- Improved website;

3.32.2 Face to face consultation such as “meet the cabinet” days and the “big debate”.

**3.33 Incorporating Good Governance Arrangements in Respect of Partnerships and Other Group Working as Identified by the Audit Commission’s Report on the Governance of Partnerships, and Reflecting these in the Authority’s Overall Governance Arrangements.**

3.33.1 The last Internal Audit review of Partnership Arrangements reported the following conclusion “Many elements of good practice have been identified in this review which provides assurance that partnership activity is well regulated and conforms to standards that would be expected by the Audit Commission. .”

3.33.2 The most significant partnership arrangement that the authority is involved with is Shropshire Waste Partnership (SWP). During 2008/09 this partnership let a PFI contract for the collection and disposal of waste across the majority of Shropshire. Governance arrangements are detailed within the Joint Committee agreement, which forms part of Oswestry’s constitution, these arrangements include close monitoring of performance of the contractor to ensure that the necessary services standards are achieved and that risks to all parties to the partnership are being managed effectively.

**3.34 Risk Management Arrangements.**

3.34.1 The Council has a Risk Management Strategy in place, which is reviewed annually. The strategy sets out roles and responsibilities, and the procedures for managing risks within the Council.

3.34.2 The top risks for the Council have been identified and action plans have been put in place to ensure the risks are mitigated as far as possible. These risks are monitored quarterly by Scrutiny.

3.34.3 A Risk Register is in place, which is being continually expanded and developed.

3.34.4 There is a Risk Management Group with representatives from all Directorates with a key role of raising the profile of risk management across all areas of service. Terms of Reference for this group were discussed and agreed at the inaugural meeting in October 2006 before going on the Corporate Management Team for approval. These Terms of Reference were incorporated into the Council’s Risk Management Strategy that was approved by Members.

3.34.5 As part of the transition to Unitary and the risk exposure to OBC, rigorous risk management process have been put in place including biannual monitoring reports to the Joint Implementation team.

3.34.6 A Medium Term Financial Plan is in place, which explicitly addresses budget risk.

3.34.7 Budgets are in place to maintain IT Disaster Recovery arrangements.

3.34.8 An active and established Countywide Emergency Planning Team facilitated by Shropshire County council help to manage external risks to the authority and this is supported by a Service Level Agreement.

3.34.9 Risk Management and Insurance Services were brought together from 1 April 2006 to ensure appropriateness of insurance provision. Routine monitoring on insurance claims and other loss data is undertaken and is reported to the Section 151 Officer and the Risk Management Group.

3.34.10 The Council has a Health and Safety Officer who offers advice and training to all Directorates on Health and Safety issues.

#### **4. Review of Effectiveness**

4.1 OBC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control and an assessment of the action taken to address issues identified in last years Statement on Internal Control. The review of effectiveness is informed by the work of:

- The Council's Corporate Management Team and Monitoring Officer have responsibility for the development and maintenance of the governance environment.
- Internal Audit.
- The Risk Management Group.
- Member Committees and meetings including, Full Council, Cabinet, Scrutiny, the Standards Committee and the Audit Committee.
- Comments made by the external auditors and other review agencies and inspectorates.

4.2 The Council's Corporate Management Team and the Monitoring Officer have confirmed that to their knowledge, the governance framework, including the system of Internal Control, is operating adequately in their areas. The Council's Corporate Management Team are also requested to highlight any known areas of weakness in the Council's Governance arrangements, and to provide details of the steps that are being taken to address any weaknesses. During this latest review no such weaknesses have been identified.

4.3 Internal Audit continuously work with managers in assessing the control environment and enhancing controls where necessary. There is a 4 year risk based strategic internal audit plan which examines all key financial systems, the plan also includes an annual audit of the Governance Framework. The results of all Internal Audit work are reported regularly to the Audit Committee. Internal Audit's objectives include:

- Independently reviewing and appraising systems of control throughout the Authority.
- Recommending improvements in systems procedures, controls, and productivity in achieving the corporate aims and objectives.
- Working in partnership with our external auditors ensuring effective audit cover and optimising available audit resources.
- Working within the Authority's Counter Fraud and Corruption Strategy and undertaking fraud and irregularity investigations as necessary.

The work of Internal Audit culminates in the production of the Internal Audit Manager's Annual Report which is presented to the Audit Committee.

4.4 The Risk Management Group is the pivotal driving force behind Risk Management in Oswestry Borough Council. The Group is chaired by the Section 151 Officer and has senior level representation from each Directorate. The group monitor the key risks

that face the authority, including emerging risks and also the implementation of countermeasures for key strategic risks. The members of the group also play a key role in raising the profile of Risk Management within the authority, helping towards embedding the Risk Management process into everything that the authority does.

- 4.5 All Member Committees work within the policy framework and ultimately the constitution that Full Council approved. This document remains under constant review and any material changes must be reported to and approved by Full Council.
- 4.6 Cabinet and the Scrutiny Committee monitor the effectiveness of the Governance Framework, including the internal control system, via the consideration of regular performance management and financial information reports from senior management. Portfolio Holders receive regular feedback from their Directors on the progress towards the achievement of priorities and the management of risks linked to these objectives. Scrutiny Committee also has a role in the review of policies and their outcomes, development of new policies, and in the performance of services. Each year the Leader reports progress against priorities and the performance of the Council to Scrutiny and the Chair of Scrutiny reports to Full Council on the work of the Committee
- 4.7 The Standards Committee promote, and endeavour to maintain, high standards of ethical conduct by members.
- 4.8 The Audit Committee is a formal Committee of the council, the purpose of which is to provide:
- An independent assurance of the adequacy of the risk management framework and the associated internal control environment.
  - An independent scrutiny of the authority's financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
  - An overview of the financial reporting process.
  - A Forum for the discussion of internal control issues and reports from Internal Audit.

Each year the Audit Committee reports to Full Council the work of the Committee over the previous 12 months and provides an assurance statement to Council on the Council's internal control arrangements.

- 4.9 The Audit Commission carried out the authority's 2007/08 annual use of resources assessment in late 2008, the Council scored a level 3 overall, maintaining the level received the previous year, although there were a number of individual areas where there was some progress from a level 2 to a level 3. Level 3 means that the authority is consistently above minimum requirements and is performing well. The table below provides a detailed analysis of the scores from the recent use of resources assessment.

<b>Judgement Area</b>	<b>Score (out of 4)</b>
Financial Reporting	3

<b>Financial Management</b>	3
<b>Financial Standing</b>	3
<b>Internal Control</b>	3
Value for Money	2

- 4.10 The Council continues to receive positive Annual Audit and Inspection letters with unqualified accounts from the Audit Commission. Internal Audit has continued to achieve a very good rating from the Audit Commission. The Annual Audit and Inspection letter for 2007/08 from the Audit Commission included the following key messages:

“As the move to a new unitary council approaches, it is important that the Council maintains a positive approach in ensuring continuing progress in service delivery. Pressures on existing resources may increase and it will be important that internal controls are maintained. The links with Shropshire County Council will strengthen and good working arrangements are essential to deliver a smooth transition to the Unitary Council.

The main messages for the Council included in this report are as follows:

**The Council continues to make steady progress towards its priorities** although its overall rate of improvement has slowed, with 44 per cent of PIs improving compared to 57 per cent in the previous year. This places the Council below the average for district councils both for the rate of improvement (average 56-59 per cent) and the number of PIs in the best quartile with the Council achieving 24 per cent against an average of 33 per cent. Action is being taken to address under performance in priority services such as council tax and business rates and housing rents collection through monthly monitoring procedures. There was good performance in other priority areas such as recycling and composting and for minimising graffiti and littering. The Council has continued to widen access to services although it is below the average level on the equality standard. The Council has been at the forefront of the proposal and subsequent decision to create a unitary council and is playing a constructive role in the transition. Improvement plans are well managed and effectively monitored by officers and members. Capacity continues to be stretched and the Council is working in partnership with Shropshire County Council to address the issue where possible.

**The Council has continued to strengthen its use of resources arrangements**, with an overall score of three being maintained. Financial reporting was strengthened with good quality working papers supporting values in the 2006/7 financial statements. Arrears management continued to be a problem with a decline in performance in the areas of Local Taxpayers and Housing Tenants arrears. Value for Money (VFM) arrangements continue to develop and have been further strengthened through effective partnership working. Benchmarking of costs and performance continue to develop, although there remains scope for strengthening arrangements in respect of leisure services. As financial pressures continue to increase, the effective financial management arrangements are going to be important in carrying the Council through its final year.”

- 4.11 In last year’s Annual Governance Statement no Significant Internal Control Issues were identified, therefore no review of Significant Internal Control Issues has been necessary.



## Significant Governance Issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team, the transition to Unitary Council has gone very well and it is pleasing to report that there are no significant governance issues to address in this final year of OBC.

**Signed:** ..... **Leader**  
..... **Council Manager**  
..... **Section 151**  
**Officer**  
**on Behalf of Oswestry Borough Council**

## Independent auditor's report to the Members of Oswestry Borough Council

### **Opinion on the financial statements**

I have audited the Authority accounting statements and related notes of Oswestry Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Oswestry Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Director of Strategic Financial Services and auditor

The Director of Strategic Financial Services responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

### Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United

Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

### ***Authority's Responsibilities***

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

### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Oswestry Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### ***Best Value Performance Plan***

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 10th December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **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 2008