

**SHREWSBURY & ATCHAM BOROUGH COUNCIL**

**ANNUAL STATEMENT OF ACCOUNTS**

**FOR 2008/2009**

**C Thomson  
HEAD OF FINANCE**

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## **Foreword to the Accounts**

### **1. Introduction**

- 1.1 The following financial statements were produced under the Code of Practice on Local Authority Accounting in Great Britain 2008 (the 2008 Code) which has effect for financial years commencing on or after 1 April 2008.
- 1.2 The financial statements have been produced under the statutory framework provided by the Accounts and Audit Regulations 2003 (the Regulations). Compliance with the 2008 Code ensures that these statements are prepared in accordance with the Regulations.
- 1.3 The accounting statements which comprise this report are:-
- ◆ Income and Expenditure Account - this is the primary revenue account of the Council and covers the expenditure and income of all the Council's services.
  - ◆ Statement of Movement on the General Fund balance
  - ◆ Statement of Total Recognised Gains and Losses
  - ◆ Balance Sheet - this shows all the assets and liabilities of the Council at the end of the financial year.
  - ◆ Cash Flow Statement - this summarises the financial activities of the Council in terms of their effect on the cash holdings of the Council.
  - ◆ Collection Fund Account - this account shows the income from council taxes and non-domestic rates and shows how it was distributed among the Council, Shropshire County Council, Shropshire and Wrekin Fire Authority and West Mercia Police Authority.
  - ◆ Trading Undertakings Services Revenue and Appropriation Account - this account shows the activities of the Council which operate on a trading basis. It shows the profits achieved and how these were utilised by the Council.

## General Fund Account

2.1 A comparison of actual net expenditure and budgeted expenditure for the year is shown below:

	<b>2008/2009 Original Budget £</b>	<b>2008/2009 Actual Expenditure £</b>	<b>Difference £</b>
Net Expenditure on Services	11,829,890	11,314,957	-514,933
Collection Fund Precepts	11,829,890	11,829,890	-
Balance Brought Forward	<u>1,433,274</u>	<u>1,433,274</u>	<u>-</u>
Balance Carried Forward	<u>1,433,274</u>	<u>1,948,207</u>	<u>-514,933</u>

2.2. The main variations between 2008/2009 estimates and outturn were (- denotes underspending):

<b>Organisation</b>		<b>£</b>
Corporate Management	Severance payments arising from local government reorganisation in Shropshire	1,610,755
Financing Transactions	Shropshire Council setting up costs	62,062
	Increased expenditure on early retirement payments offset by additional income from rents and investment properties credited to General Fund	554,918
Miscellaneous Property	Site costs of maintaining ex Tesco site at Arlington Way, offset by increased rental income from properties	83,406
Revenues	Reduced net expenditure	-38,179
<b>Economic</b>		
Building Control	Reduced income from fees and charges was offset by greater reductions in cost	-20,633
Development Control	Reduced income from planning fees was more than offset by grant income and lower office running costs	-20,626
Planning Policy	Reductions in employee costs	-29,930
<b>Community</b>		
Concessionary Travel	Additional expenditure arising from increased take up arising from introduction of national scheme	270,113
Housing Strategy and Enabling Activities	Increased expenditure on Homelessness and disabled facilities grants	161,650
Golf Course	Reduced income from green fees	20,706
Sports and Recreation	Unforeseen repair costs required at Sports Village	54,665
Sports Centres	Reduction in income offset more than offset by reduced running costs	-30,694

Swimming and Fitness Centre	Reduced expenditure on running costs	-45,300
<b>Environmental</b>		
Car parks and bus station	Reduced income from fees and charges	26,276
	Severance payments arising from restructuring of car parking services	48,807
	Increased net cost of Park and Ride arising from back dated water charges	51,885
	Net reductions in running costs	-107,329
Bereavement Services	Increased income from fees and charges	-31,937
Horticultural Services	Reduction in service costs	-100,012
Land Charges	Reduced income from fees and charges	29,145
Licensing	Increased income from fees and charges	-26,350
Public Conveniences	Reduced net expenditure	-43,900
Refuse Collection	Increased net cost of collection	124,830
<b>Learning</b>		
Theatre Services	Increased expenditure on set up costs and in commissioning of Theatre Severn	131,022
<b>General</b>		
	2007/08 underspends brought forward to 2008/09 and supplementary estimates	430,730
	Transfers from reserves	-3,500,198

### 3. Local Government Reorganisation in Shropshire

As a result of the reorganisation of local government in Shropshire the Borough Council ceased to exist on the 31 March 2009. Its legal responsibilities, services, assets and liabilities were transferred either to the new Shropshire Council or the new Shrewsbury Town Council on 1 April 2009.

The additional costs to the Council of implementing this reorganisation are as follows:

	£
Redundancy payments made to employees	1,650,796
Strain payments to Shropshire Pension Fund arising from early retirements	967,859
Other implementation costs	62,030

The redundancy and pension strain payments have been funded from the Borough Council's reserves. However any reserves which are required on an on going basis will be replenished by Shropshire Council where necessary. As a result these severance payments will be covered by on going savings of the new authority.

#### 4. Transfer of Waste Collection Service to Shropshire Waste Partnership

On 20 October 2008 the Council transferred its Waste Collection Service to the Shropshire Waste Partnership . To maintain the service to Borough Council residents from the date of transfer to 31 March 2009 it paid the Partnership £1,001,250.

As part of the Transfer agreement the Council transferred its stock of collection receptacles to the Partnership at the net book value of £940,000 and a vehicles at a cost of £10,000. The Council also provided the Partnership with use of the Weeping Cross Depot for a peppercorn rent.

#### 5. House Purchase and Improvement Loans

Income matched expenditure on the House Purchase Advances Account during the year. The average interest on variable rate loans during the year was 5.8%

#### 6. Capital Income and Expenditure

6.1 Comparison of the approved capital budget for 2008/2009 against the actual outturn is set out in the table below. (The actual outturn column includes capital accruals).

	2008/2009 Forecast £	2008/2009 Actual £
<b>General Fund:</b>		
Organisation	566,550	389,864
Learning	7,966,080	8,295,139
Environment	2,071,820	1,119,997
Economic	3,554,200	2,055,909
Community	<u>2,600,112</u>	<u>1,969,725</u>
Total General Fund Services	<u>16,758,762</u>	<u>13,830,634</u>

6.2 Spending on the Council's most significant capital projects in 2008/09 was as follows:

	£
New Entertainment Venue, Frankwell	7,418,852
Various small schemes to improve Council assets	1,040,222
Disabled Facilities Grants	898,224
Capital grants and direct payments to improve community assets	764,655
Redevelopment of Music Hall	672,529
Remediation of contaminated land in Pontesbury	664,166
Darwin Bi- centenary, including Geo Garden	328,017
Refurbishment of Quarry Swimming Pool	282,458
Social and affordable housing:	248,022
Construction of new and conversion of existing properties	

6.3 Capital income generated during the year totalled £218,849, comprising the sale of St Julian's public toilets and various other asset sales.

## **7. Euro Costs**

The government continues to decline to join those European countries which have formed a monetary union with a single currency (the Euro). The Council has thus not committed itself to incurring expenditure to meet preparations for the introduction of the Euro. However, the Council continues to monitor developments concerning the Euro and its new financial information and management system, introduced in 2004/05, is Euro compliant.

## **8. Pensions Liability**

The deficit on the pensions account increased by £0.626m during 2008/09 to £27,529. (This includes £0.056m which is the result of changes in accounting policies). This arises from the way in which the future cost of pension liabilities has been calculated by the Pension Fund's Actuary. Following the latest triennial revaluation of the Pension Fund, measures, including increasing the Council's employers contributions, have been agreed to eliminate this deficit. At national level discussions are continuing between Government, the Local Authority Association and public sector unions regarding changes to the local government pension scheme to ensure its continuing viability. One result of these discussions has been to replace, with effect from April 2008, the employees contribution of 6% on all salaries with one ranging from 5.5% on salaries up to £12,000 to 7.5% on salaries above £75,000.

## **9. Impact of Economic Climate**

The effect of falling property prices has had an impact on the value of properties acquired by the Council since 2005. This has been reflected in the accounts as an impairment and the value of these properties has been reduced by £1,255,000.

All other Council properties were last valued in 2004. The net change in property prices to the present time suggest that no impairment adjustment is required

## **10. Going Concern**

As a result of local government reorganisation in Shropshire, from April 1 2009 the Council no longer exists. Its services, assets and liabilities have transferred to its respective successor authorities, Shropshire Council and Shrewsbury Town Council.

## **11. Availability of Further Information**

- 11.1 The Council's estimates book for 2008/2009 is available for inspection at the Guildhall during office hours and on the Council's website.
- 11.2 When the annual accounts are audited, Council Tax payers have the right to inspect the accounts at the Shirehall. Full details of dates and times when the accounts are available for inspection are published in the local press.
- 11.3 The leaflet sent out with Council Tax and Non-Domestic Rate bills explains the services which the Council provides, the budget for the year 2008/09 and a summary of its Performance and Improvement Plan 2006-10.
- 11.4 The publications of the Chartered Institute of Public Finance and Accountancy and other professional bodies which show comparative service statistics for all local authorities in the country are available in local libraries.
- 11.5 Under the provisions of the Local Government Act 2000 the Council introduced a new form of political structure during 2001/02. Whilst Council remains the final decision making body of the Authority programme committees responsible for particular services have been replaced by a Cabinet , a Scrutiny Committee to examine Cabinet decisions and an Overview Committee responsible for policy development and review. There are 40 Council members.
- 11.6 If you wish to contact the Council or your local councillor please telephone Shrewsbury 252000, or write to:  
Shropshire Council,  
The Shirehall,  
Abbey Foregate  
Shrewsbury.  
SY2 6ND

L Rowley  
Director of Resources



## ACCOUNTING POLICIES

### 1. General Principles

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

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

### 3. 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.

Provisions are charged to the appropriate revenue account when 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 be required, the provision is reversed and credited back to the relevant revenue account.

#### **4. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are credited 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 revenue account in that year to score against the Net Cost of Services. 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 do not represent usable resources for the Council – these reserves are explained in Note 28 to the Core Financial Statements.

#### **5. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant given has been incurred. Revenue grants are matched in revenue accounts with service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant, Planning Delivery Grant, , Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **6. Retirement Benefits**

##### **Local Government Pension Scheme**

Employees of the Council are members of the Local Government Scheme, administered by Shropshire County Council.

The Local Government Pensions Scheme is accounted for as a defined benefits (retirement lump sums and pensions) scheme:

- The liabilities of the Shropshire pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 7.1% (based on the indicative rate of return on high quality bond).

- The assets of Shropshire pension fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities- current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
  
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
  - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - Gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services as part of Non Distributed Costs in the Income and Expenditure Account
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries because have updated their assumptions –debited to the Statement of Total Recognised Gains and Losses.
  - Contributions paid to Shropshire pension fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension

fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

### Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirements in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **7. VAT**

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

### **8. 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*. 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 multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

### **9. 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 revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

### **10. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on 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 previously 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 bases:

- 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 cost or net realisable value
- Infrastructure assets and community assets – depreciated.

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 value but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Account to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** an independent valuer is appointed each year to determine whether any Council fixed assets have reduced in value. Where this is the case the reduction in value is accounted by:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service account
- otherwise – written off against the Revaluation Reserve, with any excess charged to the relevant service 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. Any

revaluation gains in the Revaluation Account are transferred to the Capital Adjustment Account

The balance of receipts is required to be credited to the Usable Capital Receipts Reserve to be used for new capital investment . Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund balance. A proportion of receipts relating to housing disposals is payable into a Government pool.

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 – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment - 3 to 10 years based on useful life.
- Infrastructure – straight line allocation over 40 years.

When they occur 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 balance depreciation charges made for the related assets in the relevant service revenue account in line with the depreciation policy applied to them. Where grants cannot be matched to depreciating fixed assets the balance is written off to the Capital Adjusting Account.

## 11. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited 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 and other losses where there are

no accumulated gains in the Revaluation Account against which they can be written off

- 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. They are replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjusting Account .

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

Expenditure that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from its existing capital resources, a transfer to the Capital Adjusting Account then reverses out the amounts charged in the Statement of Movement on the General Fund balance so that there is no impact on the level of council tax.

## **13. Financial Assets – Loans and Receivables**

All the Council's loans have fixed payments and are not quoted in an active market. The amount presented in the Balance Sheet is the outstanding principal receivable and the interest accrued. Interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

## **14. Stocks**

Stocks are included in the balance sheet at cost.

## CORE FINANCIAL STATEMENTS

### INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the year ending 31 March 2008. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2007/08 Net Expenditure £000s		Gross Expenditure £000s	2008/09 Gross Income £000s	Net Expenditure £000s
	<b><i>Transferring services</i></b>			
5,415	Environmental and Regulatory Services	9,503	3,831	5,672
4,312	Culture and Related Services	10,938	5,471	5,467
3,616	Planning and Development	5,565	2,011	3,554
1,407	General Fund Housing	20,989	19,065	1,924
-94	Highways and Transport Services	5,004	4,588	416
836	Central Services to the Public	6,968	5,974	994
1,641	Corporate and Democratic Core	1,847	185	1,662
<u>985</u>	Non Distributed Costs	<u>7,207</u>	<u>4,756</u>	<u>2,451</u>
<b>18,118</b>	<b>Net Cost of Services</b>	<b>68,021</b>	<b>45,881</b>	<b>22,140</b>
313	Parish Precepts			338
-53	Surpluses (-) or Deficit on trading undertakings			117
-2,746	Interest on investments			-2,366
465	Pensions Interest Cost and expected return on assets			1,493
7	Amounts payable to Housing pool			1
<u>-527</u>	Net Gain (-)/loss on disposal of fixed assets			<u>-85</u>
<b>15,577</b>	<b>Net Operating Expenditure</b>			<b>21,638</b>
	Income from taxation and central government grants			
-4,730	Demand on the Collection Fund			-4,911
-24	Transfer to/from (-) the Collection Fund			-25
-1,657	General Government Grants			-1,379
<u>-6,087</u>	National Non-Domestic Rates redistribution			<u>-6,348</u>
<b><u>3,079</u></b>	<b>Deficit For Year</b>			<b><u>8,975</u></b>

From the 1 April 2009 all the Council's responsibilities for providing services transferred to either the new unitary Shropshire Council or the newly created Shrewsbury Town Council. The costs incurred by the Council in implementing this major change in the local government of Shropshire is shown in note 3 of the Explanatory Foreword.



## 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 during its financial year ending 31 March 2009. However it is required to raise council tax on a different accounting basis, the main differences being:

- Capital expenditure is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing receipts to the Government scores as a loss of income in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax
- 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 was raised for the year, taking account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the general Fund Balance. An analysis of this reconciliation is to be found in Note 1 of Notes to the Financial Statements on Page 20.

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
3,079	Transfer of the surplus(-)/deficit on the Income and Expenditure Account for the year	8,975
<u>-3,237</u>	Net Additional amount required by statute or non-Statutory proper practice to be taken into account when determining the surplus or deficit on the General Fund for the year.	<u>-9,490</u>
-158	<b>Increase in General Fund balance for the year</b>	-515
<u>-1,275</u>	General Fund balance brought forward	<u>-1,433</u>
<u>-1,433</u>	General Fund balance carried forward	<u>-1,948</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement consolidates all the Council's gains and losses 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 costs of retirement benefits.**

<b>2007/08</b>		<b>2008/09</b>
<b>£000s</b>		<b>£000s</b>
3,079	Surplus(-)/deficit on the Income and Expenditure Account for the year	8,975
-3,343	Gains (-) and losses arising on revaluation of fixed assets	-238
8,198	Actuarial gain (-)/ loss on pension assets and liabilities	-588
52	Other gains (-) and losses	7
-	Adjustment relating to change to valuation of pension fund assets	56
-	Adjustment arising from amortisation of a long term debtor	<u>556</u>
<u>7,986</u>	Total recognised gains and losses for the year	<u>8,768</u>

# BALANCE SHEET

## AS AT 31 MARCH 2009

2007/2008 £000s		Note	2008/2009 £000s
146	<b>Intangible Fixed Assets</b>	14	93
	<b>Tangible Fixed Assets</b>		
	<b>Operational Assets</b>		
50,887	Other Land and Buildings		77,216
2,850	Vehicles, Plant and Equipment		2,178
882	Infrastructure Assets		965
5,881	Community Assets		6,294
	<b>Non-Operational Assets</b>		
17,410	Investment Properties		16,645
<u>19,325</u>	Assets under construction		<u>1,050</u>
97,235		13	104,348
97,381	<b>Total Fixed Assets</b>		
3,540	Long Term Investments		400
23	Long Term Debtors - Mortgages	26	19
24	- Officers Car Loans		11
44	- Transferred Services	15	971
<u>1,801</u>	- Other		<u>1,108</u>
102,813	<b>Total long term Assets</b>		106,950
	<b>Current Assets</b>		
51	Stocks	20	50
4,028	Debtors	21	6,300
35,572	Temporary Investments		3,138
<u>415</u>	Cash in Hand and at Bank		<u>16,558</u>
40,066			<u>26,046</u>
142,879	<b>TOTAL ASSETS</b>		132,996
	<b>Current Liabilities</b>		
<u>-8,756</u>	Creditors	24	<u>-4648</u>
134,123	<b>Total assets less current liabilities</b>		128,348
	<b>Long Term Liabilities</b>		
-187	Creditors payable after one year	24	-
-97	Provisions	29	-453
-7,511	Government Grants Deferred	27	-9,709
<u>-26,903</u>	Liability related to defined benefit pension scheme	30	<u>-27,529</u>
-34,768			-37,691
<u>99,425</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>90,657</u>
	<b>Financed By</b>		
-91,052	Capital Adjusting Account*	28	-98,367
-	Revaluation Reserve		-238
-1,443	Deferred Capital Receipts	26	-830
-20,883	Usable Capital Receipts	28	-16,312
26,903	Pensions Reserve	30	27,529
-11,377	Earmarked Reserves	28	-361
<u>-1,573</u>	Revenue Balances	28	<u>-2,078</u>
<u>-99,425</u>	<b>TOTAL NET WORTH</b>		<u>-90,657</u>



## Notes to the Core Financial Statements

1. Analysis of additional items required by statute and non statutory proper practice to be taken into account in determining the General Fund surplus/deficit for the year.

2007/08 £000s		2008/09 £000s
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund deficit for the year</b>	
-46	Amortisation of intangible fixed asset	-52
-	Amortisation of deferred consideration for transfer of assets to Shropshire Waste Partnership	-23
-3,500	Depreciation and impairment of fixed assets	-3,020
1,057	Government Grants Deferred amortisation	169
-1,186	Revenue Expenditure Funded from Capital under Statute	-1,626
527	Net profit on sale of fixed assets.	85
-2,736	Net charges made for retirement benefits in accordance with FRS17	-4,162
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the General Fund deficit for the year</b>	
531	Capital expenditure charge in year to the General Fund	7,152
1,863	Employer's contributions payable to Shropshire Pension Fund	3,004
-7	Transfer from usable capital receipts equal to the amount payable into the Housing Capital receipts pool	-1
	<b>Transfers to or from the General Fund that are required by statute to be taken into account when determining the General Fund deficit for the year General Fund</b>	
<u>260</u>	Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purpose	<u>-11,016</u>
<u>-3,237</u>	<b>Net additional amount to be debited to the General Fund balance for year</b>	<u>-9,490</u>

## 2. Operating and Finance Leases

The Authority occupied offices at 24 Castle Street financed under the terms of an operating lease which terminated on the 31 December 2008. The lease payments for the year amounted to £44,246 (2007/2008 £59,000). The amount charged to revenue was £44,246.

The Authority holds no fixed assets under finance leases.

## 3. Expenditure on Publicity

Under Section 5 of the Local Government Act 1986 every Council is required to

separately account for spending on publicity. The following table sets out the details of this expenditure:

2007/2008		2008/2009	
£000s		£000s	
29	Recruitment Advertising	11	
<u>109</u>	General and Tourism Publicity	<u>111</u>	
<u>138</u>		<u>122</u>	

#### 4. Employees Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, fell within the following ranges were:

2007/2008	Salaried Remuneration Band	2008/2009
<b>All Employees</b>		
11	£ 50,001- £60,000	8
1	£ 60,001- £70,000	5
-	£ 70,001- £80,000	6
1	£ 80,001- £90,000	-
-	£100,001- £110,000	1
-	£110,001- £120,000	1
-	£120,001- £130,000	3
-	£130,001- £140,000	3
-	£250,001- £260,000	1
1	£330,001- £340,000	-
<b>Remuneration Band including one off redundancy and lump sum retirement payments to those staff, included above, who left during the year</b>		
-	£ 50,001- £60,000	5
-	£ 60,001- £70,000	5
-	£ 70,001 - £80,000	5
-	£ 80,001 - £90,000	-
-	£ 90,001 - £100,000	-
-	£100,001 - £110,000	1
-	£110,001- £120,000	1
-	£120,001- £130,000	3
-	£130,001- £140,000	3
-	£250,001- £260,000	1
1	£330,001 - £340,000	-

The figures for 2008/09 include the effect of severance payments to staff made redundant as a result of the local government reorganisation in Shropshire.

#### 5. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building

control function. However, certain activities performed by building control cannot be charged for. The total cost of operating building control, analysed between chargeable and non-chargeable activities, is shown in the following table:

	<b>Non- Chargeable</b>	<b>Chargeable</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Employees	167	302	469
Supplies & Services	17	26	43
Transport	4	20	24
Premises	11	24	35
Central Support Services	<u>31</u>	<u>34</u>	<u>65</u>
Total Expenditure	<u>230</u>	<u>406</u>	<u>636</u>
Building Regulation Fees	-	454	454
Miscellaneous Income	<u>1</u>	<u>-</u>	<u>1</u>
Total Income	<u>1</u>	<u>454</u>	<u>455</u>
Total Deficit/Surplus (-) for Year	<u>229</u>	<u>-48</u>	<u>181</u>

## 6. Members' Allowances

The totals of members' allowances paid during the year are set out below:

<b>2007/2008</b>		<b>2008/2009</b>
<b>£000s</b>		<b>£000s</b>
183	Basic Allowance	188
<u>230</u>	Special Responsibility Allowance	<u>231</u>
<u>413</u>		<u>419</u>

A revised scheme of Members' Allowances was adopted by the Council in 2003 following a report by an independent remuneration panel. From 2003 increases in allowances are tied to increases in Council officers' salaries.

## 7. 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.

The related parties of the Council include Government Departments, other Local Authorities, Members and Chief Officers. The transactions between the Council and its related parties include both financial and non-financial transactions. Transactions with related parties which have occurred during the year but are not disclosed elsewhere in the Statement of Accounts are summarised herewith:

2007/08 £000s		2008/09 £000s
	<u>Central Government</u>	
	Revenue Grants:	
-21,298	- Department of Work and Pensions	-23,385
-1,636	- Department of Communities and Local Government	-684
-15	- Home Office	-4
-214	- DEFRA	-58
-52	-Department of Transport	-410
-81	-Food Standards Agency	-1
-14	-Department of Health	-34
-	- Ministry of Justice	-12
	<u>North Shropshire District Council</u>	
-26	Provision of internal audit services	-26
-19	Parkright	-18
-	- Homelessness	-11
	<u>Bridgnorth District Council</u>	
-60	Parkright	-51
-	- Homelessness	-5
	<u>South Shropshire District Council</u>	
-44	Parkright	-40
-	- Homelessness	-11
	<u>Oswestry Borough Council</u>	
-13	Parkright	-7
-	- Homelessness	-11
	<u>Shropshire County Council</u>	
-648	Parkright	-688
216	Payments arising from disposal of commercial waste	170
7	Net recharge of joint use sports centre running expenses	4
-	- Community Safety	-152
-	- Park and Ride	-82
	<u>West Midlands Arts</u>	
-	- Grants	-43
	<u>Sports England</u>	
-	- Grants	-57

Members of the council have direct control over the Council's financial and operating policies. During 2008/09 a supply to the value of £2,700 was commissioned from a business in which two members had an interest. The contract for this supply was entered into in full compliance with the Council's financial regulations.

## 8. Surpluses or Deficits on Trading Undertakings

A summary of the income and expenditure on trading undertakings in 2008/2009 is shown on page 41.

## 9. Discretionary expenditure

Section 137 of the Local Government Act, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the UK and mayoral appeals. The Council's

expenditure under this power was £192,819 on grants to voluntary bodies working in the local area, mainly under service level agreements with the Council.

## 10. Audit Fees

The Council were charged the following fees by the Audit Commission in 2007/08.

<b>2007/08</b>		<b>2008/09</b>
<b>£000s</b>		<b>£000s</b>
71	Fees payable to the Audit Commission for external audit services	90
6	Fees payable to the Audit Commission for statutory inspection under Section 10 Local Government Act 1999	6
20	Fees payable to the Audit Commission for the certification of grant claims and returns	26

## 11. Agency Income and Expenditure

The Council has agency agreements with Shropshire C.C. and the other Shropshire district councils to enforce decriminalised parking regulations on the highway and off street car parks respectively. In 2008/09 it incurred costs, for which it is reimbursed, on behalf of each council and paid over income received and due from penalty charge notices, net of provisions for bad debts, as follows:

	<b>Expenditure</b>	<b>Income</b>
	<b>£000s</b>	<b>£000s</b>
Shropshire County Council	688	468
Bridgnorth District Council	51	29
South Shropshire District Council	40	17
Oswestry Borough Council	7	5
North Shropshire District Council	18	17

## 12. General Government Grants

The Council received the following general government grants (i.e. those grants not earmarked to specified services)

	<b>£000s</b>
NDR Pool	6347
Revenue Support Grant	884
Area Based grant	22
Housing and Planning Delivery	126
Local Government Grant Business Incentive (LAGBI)	238
Planning Delivery Grant	109



### 13. Movement of Fixed Assets

	Operational Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Non- Operational Assets £000s	Assets Under Construction £000s	Total £000s
<b>Gross Book Value</b>							
As at 1 April 2008	53,832	6,216	1,182	6,433	17,410	19,325	104,398
Revaluations and Impairment	-207			50	-860	-	-1,017
Additions	1,040	725	123	482	96	8,448	10,914
Disposals		-1,214	-	-	-57	-	-1,271
Reclassifications	<u>26,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-26,723</u>	<u>-</u>
As at 31 March 2009	<u>81,331</u>	<u>5,727</u>	<u>1,305</u>	<u>6,965</u>	<u>16,646</u>	<u>1,050</u>	<u>113,024</u>
<b>Depreciation and impairments</b>							
As at 1 April 2008	2,945	3,366	300	552	-	-	7,163
Charge for Year 2008/09	1,179	427	40	120	-	-	1,766
Disposals	-	-245	-	-	-8	-	-253
Reclassifications	<u>-8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>
As at 31 March 2009	<u>4,116</u>	<u>3,548</u>	<u>340</u>	<u>672</u>	<u>-</u>	<u>-</u>	<u>8,676</u>
<b>Net Book Value</b>							
As at 31 March 2009	<u>77,215</u>	<u>2,179</u>	<u>965</u>	<u>6,293</u>	<u>16,646</u>	<u>1,050</u>	<u>104,348</u>
As at 1 April 2008	<u>50,887</u>	<u>2,850</u>	<u>882</u>	<u>5,881</u>	<u>17,410</u>	<u>19,325</u>	<u>97,235</u>

All non operational assets are investment properties.

All fixed assets accounted for in this table are owned by the Council. They will transfer to the Shropshire Council on 1 April 2009.

## 14. Movement on Intangible Assets

	Balance at 1 April 2008 £000s	Expenditure £000s	Amounts Written Off £000s	Balance at 31 March 2009 £000s
Purchased software licences	146	-	53	93

## 15. Long Term Debtors – Transferred Services

The balance at 31 March 2009 represents amounts due from a related party, Shropshire County Council, arising from the 1974 local government reorganisation. No provision for doubtful debts has been raised in favour of this amount.

Also included is the sum of £927,012 in deferred consideration regarding the transfer of Council assets to the Shropshire Waste Partnership. This sum will be written down over the life of the contract to Veolia.

## 16. Summary of capital expenditure and sources of finance

	£000s
Capital Financing Requirement 1 April 2008	0
Capital Investment	
Operational Assets	10,914
Revenue Expenditure funded from capital under statute	3,062
Sources of finance	
Capital receipts	-4,643
Grants and Contributions	-2,180
Revenue provision	<u>-7,153</u>
Capital Financing Requirement 31 March 2009	<u>0</u>
Change in Capital Financing Requirement	0

## 17. Capital Commitments

Commitments to expenditure approved by Council and contracted at 31 March 2009 totalled £0.418m. The major schemes are as follows:

	£000s
Music Hall – preparation for redevelopment	250
Darwin Geo Garden	168

Commitments to expenditure approved by the Council but not contracted at 31 March 2009 were as follows:-

	<b>£000s</b>
Redevelopment of Music Hall	10,110
Social and affordable housing	6,414
Flaxmill Project	3,592
Rowleys House- disabled access and improvements	1,000
Shrewsbury Town Centre Toilets	591
Extension of Bridge St Austen St car parks	594
SCAT – changing room accommodation	366
Housing renewal assistance and disabled facilities grants	315
Old Abbey Foregate station	112

## 18. Information on Assets Held

An analysis of fixed assets at 31 March 2009 is shown below.

<b>31 March 2008</b>		<b>31 March 2009</b>
31	Housing Stock	31
1	Offices	1
1	Depot	1
7	Off Street Car Parks	7
1	Bus Station	1
7	Sports Centres and Swimming Pool	7
3	Museums	3
-	Theatre	1
1	Cinema	1
2	Markets	2
4	Cemeteries	4
1	Crematorium	1
8	Public Conveniences	7
47	Commercial Properties	47
1	Community Centre	1
1	Music Hall	1

## 19. Fixed Asset Valuation

The freehold properties which comprise the Council's property portfolio were valued as at 1 April 2004 by an external independent valuer in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Property inspections were carried out between May and December 2004. The valuation was conducted by RICS qualified Allied Surveyors, Commercial.

Properties regarded by the Council as operational were 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. Additions since 1 April 2004 are valued at their cost of acquisition.

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

## 20. Stocks

The value of stock at 31 March:

2007/2008 £000s		2008/2009 £000s
<u>51</u>	Stocks – General Fund items for resale	<u>50</u>

## 21. Debtors

Sums of money owed to the Council but unpaid at 31 March:

2007/2008 £000s		2008/2009 £000s
	Amounts Falling Due in One Year -	
1,107	- Related Parties	2,635
1,209	- Local Taxes	3,015
2,790	- Sundry Debtors	1,971
<u>53</u>	- Prepayments	<u>41</u>
5,159		7,662
<u>1,131</u>	Less, Provisions for bad debts	<u>1,362</u>
<u>4,028</u>		<u>6,300</u>
<u>1,892</u>	Amounts Falling Due After One Year	<u>1,997</u>

An analysis of amounts falling due in one year from related parties is provided below:

2007/2008 £000s		2008/2009 £000s
662	Government Departments	2,086
<u>445</u>	Other Local Authorities	<u>549</u>
<u>1,107</u>		<u>2,635</u>

The provisions for bad debts provides for amounts that were due from individuals and organisations for services rendered or liabilities incurred which are now unlikely to be recovered. An analysis of the bad debts provisions is shown below.

2007/2008 £000s		2008/2009 £000s
	Provisions for Bad Debts	
223	- National Non Domestic Rates	429
235	- Council Tax	367
393	- Rent Allowances	266
94	- Sundry Debtors	94
180	- Decriminalised Parking enforcement	190
<u>6</u>	- Homeless Prevention Fund	<u>16</u>
<u>1,131</u>		<u>1,362</u>

No provision for doubtful debts has been raised in favour of amounts owed to the Council by related parties.

## 22. Financial Instruments Balances

The balance shown below comprises the Council's creditors and short term borrowing (financial liabilities); and its short and long term investments and long and short term debtors (loans and receivables) in the Balance Sheet.

	Long Term		Current	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial liabilities at amortised cost	-	-	-8,756	-3,808
Loans and receivables	5,032	2,109	39,774	25,011

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets Loans and receivables	Total
	£000	£000	£000
Interest expenses	26	-	26
Interest income	-	<u>-2,010</u>	<u>-2,010</u>
Total	<u>26</u>	<u>-2,010</u>	<u>-1,984</u>

## 23. Nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks, viz.

Credit risk – the possibility that the parties might fail to make payments to the authority;

Liquidity risk – the possibility that the authority may not have the funds to meet its commitments to make payments;

Market risk – the possibility of financial risk that might arise for the authority as a result of changes in interest rates.

The council's annual Treasury Management Strategy focuses on these risks which arise from the inherent instability of financial markets and the need to minimise the potential adverse effects on the resources available to fund services. The Strategy is founded on the following fundamentals:

that security of principal is paramount;

the need to maintain liquidity;

to maximise the rate of return within these constraints.

## Credit Risk

Deposits are only made with banks that have a credit rating (provided to the Council by its independent financial consultants) of at least AA- and the ten largest building societies. In addition the Council has credit limits on the total deposits placed with individual institutions at any one time. No credit limits were exceeded in 2008/09 and the Council does not expect any losses from its counterparties in relation to its deposits which will mature in May 2009.

	Amounts Deposited 31 March 2009
	£000
<b>Loans and Receivables with counterparties</b>	
Ten largest building societies	3,138
<b>Trade debtors</b>	570

The Council generally allows its trade debtors 30 days credit. At 31 March £0.570 was due, of which £0.324 m is less than 3 months overdue and £0.246m is between 3 and 6 months overdue. In 2008/09 the Council wrote off £0.014m of debt as unrecoverable.

## Liquidity risks

The Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities, but seeks to minimise their use through cash flow management.

## Market risks

Market risks arise from fluctuations in interest rates and stock market fluctuations. As a debt free authority the risk of a fall in interest rates is reduced income. The Council's investments are in fixed rate deposits and are invested with the aim that over a year the return out performs the average 7day LIBID rate.

## 24. Creditors

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

2007/2008 £000s		2008/2009 £000s
1,637	Related Parties	476
1,057	Local Taxes	1,186
4,700	Sundry Creditors	1,786
341	Section 106 Agreements	443
<u>1,021</u>	Deferred Revenue Receipts	<u>757</u>
<u>8,756</u>		<u>4,648</u>
<u>187</u>	Creditors payable after one year	-

Section 106 Agreements are sums received by the Council from private developers to compensate it for the additional costs of service provision which arise from new developments.

An analysis of amounts payable to related parties is provided below:-

2007/2008		2008/2009
£000s		£000s
1,358	Government Departments	199
<u>279</u>	Other Local Authorities	<u>277</u>
<u>1,637</u>		<u>476</u>

## 25. Long Term Borrowing

The Council repaid all its outstanding loan in March 2002.

## 26. Deferred Capital Receipts

Deferred credits are capital receipts derived from sales of fixed assets which will be received in instalments over a fixed period of time. They arise principally from the sale of Council freeholds over a twenty five year period and mortgages on sales of council houses which are included in the Long Term Debtors in the Balance Sheet.

## 27. Government Grants Deferred Account

The Government Grants Deferred Account comprises the following balances:

	Balance at 31st March 2008	Movement in year	Balance at 31st March 2009
	£000s	£000s	£000s
Government Grants Deferred Account	6,729	434	7,163
Grants and Contributions Unapplied	<u>782</u>	<u>1,764</u>	<u>2,546</u>
	<u>7,511</u>	<u>2,198</u>	<u>9,709</u>

## 28. Reserves

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

Reserve	Balance at 31st March 2008 £000s	Net Movements In year £000s	Balance at 31st March 2009 £000s
Capital Adjusting Account	91,052	7,315	98,367
Usable Capital Receipts Reserve	20,883	-4,571	16,312
Revaluation Reserve	-	-238	-238
Pension Reserve	-26,903	-626	-27,529
<b>General Fund Reserves</b>			
- General Fund Balance	1,433	515	1,948
- Town Only Fund	133	31	164
- Collection Fund	7	-41	-34
Total General Fund reserves	<u>1,573</u>	<u>505</u>	<u>2,078</u>
<b>Earmarked General Fund reserves</b>			
- Markets Reserve	78	-7	71
- Capital Reserve	9,656	-9610	45
- Public Amenities Reserve	438	-293	145
- Insurance Reserve	195	-195	-
- VAT Reserve	225	-225	-
- Internal business reserves	578	-578	-
- Sundry Reserves	<u>208</u>	<u>-108</u>	<u>100</u>
Total earmarked reserves	<u>11,377</u>	<u>-11,016</u>	<u>361</u>

The purpose of these reserves is summarised below:

Capital Adjustment Account	Store of capital resources set aside to meet past expenditure. From 1 April 2007 it includes the balance transferred from the Fixed Asset Restatement Reserve (£1.904m)
Revaluation Reserve	Accounts for unrealised gains and losses arising from re-valuations of fixed assets
Usable capital receipts	Proceeds of fixed assets sales available to meet future capital investment
Pension Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
General Fund Reserves	Resources available to meet future running costs.
Earmarked General Fund Reserves	These have been voluntarily set up to earmark resources for future spending plans. The Insurance Reserve was used to meet the costs of the uninsured excess payments arising from public liability claims.

## 29. Provisions

The Council has made provision for the following obligations for which a transfer of economic benefits will be required in settlement. The provisions for assistance to historic buildings and heritage economic regeneration comprise of grants awarded but not yet paid to property owners for approved repairs.



Provision	Balance at 1 April 2008	Movements in year	Balance at 31 March 2009
	£000s	£000s	£000s
Local Government Reorganisation- severance payments regarding SABC employees	-	248	248
Rural Enhancement Scheme	1	-1	-
Planning Appeal – SABC costs	-	28	28
Heritage Economic Regeneration	65	102	167
Historic Building Grants	21	-21	-
Flood Relief Fund	<u>10</u>	<u>-</u>	<u>10</u>
	<u>97</u>	<u>356</u>	<u>453</u>

## 30. Pensions

### Participation in pensions schemes

The Council offers retirement benefits to its employees as part of its terms and conditions of employment. Although these benefits will not actually be payable until employees retire the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

The Council is a member of the Local Government Pension Scheme (LGPS) administered by the Shropshire County Pension Fund. The LGPS is funded defined benefit final salary scheme. The Council and its employees pay contributions into the Fund calculated at a level intended to balance the pensions liabilities with investment assets.

### Change in accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of scheme assets at 31 March 2009 has been restated from £26,903 to £26,959 resulting in an increase in the pension deficit of £0.056m (31 March 2008: decrease in assets value £0.057m). Current and prior year surplus have been unaffected by this change.

### Transactions relating to retirement benefits.

The annual cost of retirement benefits in the Net Cost of Services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

2007/08 £000s		2008/09 £000s
	<b>Income and Expenditure Account</b>	
(restated)	<b>Net Cost of Services</b>	
1,736	• Current service cost	1,743
535	• Past Service Costs /Gain(-)	3
-	• Curtailment Costs	923
	<b>Net Operating Expenditure</b>	
4,012	• Interest cost	4,883
-3,543	• Expected return of assets in scheme	-3,390
2,740	<b>Net Charge to the Income and Expenditure Account</b>	4,162
	 <b>Statement of Movement on the General fund Balance</b>	
-2,736	• Reversal of net charges made for retirement benefits in accordance with FRS 17	-1,158
	<b>Actual amount charged against the General Fund balance for pensions in the year:</b>	
1,863	• Employers' contributions payable to scheme	3,004

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £0.588m (£8,193m loss in 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of net actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £4.354m.

### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2007/08 £000s	Funded liabilities: Local Government Pension Scheme	2008/09 £000s
74,553	1 April	82,411
1,736	Current Service cost	1,743
4,012	Interest cost	4,883
597	Contributions by scheme participants	624
3,811	Actuarial gains (-) and losses	-16,226
-2,833	Benefits paid	-4,293
535	Past Service costs	3
-	Curtailments	958
-	Settlements	<u>-3,152</u>
<u>82,411</u>	31 March	66,951

## Reconciliation of present value of the scheme assets:

<b>2007/08</b>		<b>2008/09</b>
<b>£000s</b>		<b>£000s</b>
56,664	Value at 1 April 2008	55,452
3,543	Expected rate of return	3,390
-4,382	Actuarial gains and losses (-)	-15,638
1,863	Employer contributions	3,004
597	Contributions by scheme participants	624
-	Settlements	-3,117
-2,833	Benefits paid	-4,293
55,452	Value at 31 March 2009	39,422

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

The actual return on scheme assets in the year was £12.248m (£1.339m in 2007/08).

### Scheme history

<b>Local Government Pension Scheme</b>	<b>2004/05*</b>	<b>2005/06*</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Present value of liabilities	-67,291	-74,641	-74,553	-82,411	-66,951
Fair value of assets	45,425	54,473	56,664	55,452	39,422
Surplus/deficit(-)	-21,866	-20,168	-17,889	-26,959	-27,529

\*The Council has elected not to restate fair value scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £27.529m has a substantial impact net worth of the authority as recorded in the Balance Sheet. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

### Basis for estimating assets and liabilities

The Council's liabilities have been assessed by Mercer Human Resource Consulting Ltd, Liverpool, an independent firm of actuaries appointed by Shropshire County Pension Fund. They are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be

payable in future years dependent on assumptions about mortality rates, salary levels etc.

The principal assumptions used by the actuary have been:

At 31 March 2008		At 31 March 2009
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.5%
4.6%	Government Bonds	4.0%
6.1%	Other bonds	6.0%
6.5%	Property	6.5%
5.25%	Cash/liquidity	0.5%
7.5%	Other	7.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
21.1	Men	21.2
24.0	Women	24.0
	Longevity at 65 for future pensioners	
22.2	Men	22.2
25.0	Women	25.0
3.6%	Rate of inflation	3.3%
5.35%	Rate of increase in salaries	5.05%
3.6%	Rate of increase in pensions	3.3%
6.1%	Rate for discounting scheme liabilities	7.1%
	Take up of portion to convert annual pension into retirement lump sum	

**The Shropshire Pension Fund's assets consist of the following categories, by proportion of the total assets held:**

	Assets held at 31 March 2009	Assets held at 31 March 2008
	%	%
Equities	60.7	65.2
Government bonds	14.6	13.6
Other bonds	11.6	12.0
Property	5.9	4.8
Cash/Liquidity	2.4	1.9
Other	<u>4.8</u>	<u>2.5</u>
Total	<u>100</u>	<u>100</u>

### History of experience gains and losses

The actuarial gains as identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

Local Government Pension Scheme	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	2.5	14.2	-0.6	-7.9	-39.7
Experience gains and losses (-) on liabilities	-5.7	-	-	4.6	24.2

### 31. Joint Arrangements that are Not Entities (JANE)

The Council has entered a joint arrangement with Shrewsbury Technology Environment Centre. The Council's investment in the venture is the Old Waterworks (at a valuation of £400,000) and a proportion of the costs of converting it for its new use. The Council incurred costs of £72,000 in this respect in 2007/08. In 2008/09, the first full year of operation, the Council's share of the income from this enterprise was £24,935.

In October 2008 the Council entered a joint arrangement with the Shropshire Waste Partnership for its waste collection service. The Council contributed its stock of waste collection receptacles and vehicles at a combined value of £950,000 and paid a sum of £1,001,250 to the Partnership to maintain the collection service in the Borough to the 31 March 2009.

### 32. Notes to the Cash Flow Statement

#### a. Reconciliation of the General Fund surplus(-)/ deficit for the year to Revenue Activities Net Cash Flow

2007/2008			2008/2009	
£000s	£000s		£000s	£000s
-158		Surplus(-)/Deficit per Income and Expenditure Account	-515	
<u>307</u>		Surplus(-)/Deficit per Collection Fund	<u>351</u>	
	149	Interest		-164
	2,801	Non Cash Transactions:		2,781
3,918		Other Reserve movements	-4,963	
		Contributions to/from (-) Reserves		
260		Transfers to/from earmarked reserves	11,015	
-2,490		Depreciation and impairment	-2,904	
<u>-1,185</u>		Deferred charges	<u>-1,625</u>	
<u>-3,415</u>			6,486	1,523
	503	Items on an Accruals Basis:		
-4		Decrease (-)/Increase in Stock & WIP	-1	
559		Increase/Decrease (-) in Debtors	2,259	
<u>-1,707</u>		Decrease/Increase (-) in Creditors	<u>4,108</u>	
	<u>-1,151</u>			<u>6,366</u>
	<u>2,302</u>	Revenue Activities Net Cash Flow		<u>10,506</u>

#### b. Movement in Cash

	As at 31 March 2009	As at 31 March 2008	Movement
	£000s	£000s	£000s
Cash with Accounting Officers	145	242	97
Cash at Bank	<u>16,414</u>	<u>174</u>	<u>-16,240</u>

Net Decrease in Cash	<u>16,559</u>	<u>416</u>	<u>-16,143</u>
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### c. Movement in Management of Liquid Resources

	As at 31 March 2009 £000s	As at 31 March 2008 £000s	Movement £000s
Investments	3,138	38,710	-35,573

### d. Movement in Other Current Assets

	As at 31 March 2009 £000s	As at 31 March 2008 £000s	Movement £000s
Debtors	6,311	4,052	2,259
Creditors	-4,648	-8,756	4,108
Stocks	<u>50</u>	<u>51</u>	<u>-1</u>
	<u>1,713</u>	<u>-4,653</u>	<u>6,366</u>

### e. Other Grants

An analysis of grants received or repaid (-) during the year is as follows:-

2007/2008		2008/2009
£000s		£000s
6	DCLG - Defective Dwelling Grant	2
278	DCLG -Disabled Facilities Grants	361
28	DCLG- Homelessness	40
-	DCLG- Growth Point	1,834
-	DCLG- Housing	194
107	DEFRA	1,303
40	Department of Health	-
71	Department of Transport	410
129	DWP	-
<u>71</u>	Ministry of Defence	<u>76</u>
<u>730</u>		<u>4,220</u>

## COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund . It shows the income from non domestic rates and council tax and how it is distributed to central government, precepting authorities and the General Fund.

2007/2008 £000s		2008/2009 £000s
	Income	
42,179	Income from Council Taxes	44,285
	Transfer from the General Fund	
5,133	Council Tax Benefits	5,460
2	Transitional Relief	2
<u>33,731</u>	Income from Business Ratepayers	<u>34,098</u>
<u>81,045</u>	<b>TOTAL INCOME</b>	<u>83,845</u>
	Expenditure	
	Precepts	
5,456	SABC and Town Fund	5,676
33,810	Shropshire County Council	35,492
2,615	Shropshire and Wrekin Fire Authority	2,731
5,464	West Mercia Police Authority	5,765
	Business Rates	
33,577	Payment to National Pool	33,943
153	Costs of Collection	155
	Bad and Doubtful Debts	
67	Provisions	213
	Contributions	
<u>210</u>	Adjustment of previous Collection Fund surplus	<u>220</u>
<u>81,353</u>	<b>TOTAL EXPENDITURE</b>	<u>84,195</u>
-308	Net Movement on Fund Balance	-350
<u>361</u>	Balance Brought Forward	<u>53</u>
<u>53</u>	Balance Carried Forward	<u>-297</u>

The balance carried forward is payable by the new Shropshire Council. SABC's share of this balance at the 31 March 2009 is £ 33,985 (at 31 March 2008 £6,190 was payable to SABC) and the movement in the year is shown in the Statement of Total Recognised Gains and Losses.

## Notes to the Collection Fund Revenue Account

### 1. Council Tax Base

All properties which are liable for Council Tax have been valued by the District Valuer and assigned to a property band dependent on that valuation. In order to calculate the Council Tax chargeable the number of properties in each band is expressed as a number of band D (the average band) equivalents. This calculation results in a number of properties called the Council Tax Base. The calculation for 2007/2008 is below:

Band	Number of Taxable Properties (Allowing for Discounts)	Ratio	Band D Equivalents
A	6,064.95	6/9	4,041.10
B	11,856.5	7/9	9,221.72
C	8,989.30	8/9	7,990.49
D	5,324.70	9/9	5,324.70
E	3,388.20	11/9	4,141.13
F	1,564.10	13/9	2,259.26
G	1,177.25	15/9	1,962.08
H	57.65	18/9	<u>115.30</u>
			35,055.78
	Adjustment for Exempt Properties, Disabled Relief, Collection Rate and MoD property		<u>52.00</u>
	Council Tax Base		<u>35,107.78</u>

### 2. National Non-Domestic Rates

The Council collects non-domestic rates on behalf of the national non-domestic rates pool. All money collected is paid over to the central pool except for a small allowance to cover the Council's costs of collection. The pool is redistributed to Councils as a fixed amount per head of population.

The total non-domestic rateable value in the Shrewsbury and Atcham area was £82,704,194 at 31 March 2009. The multiplier set nationally to calculate rate bills was 46.2 pence per pound.



## TRADING UNDERTAKINGS REVENUE AND APPROPRIATION ACCOUNT SUMMARY

2007/2008		2008/2009		
Surplus(-) /Deficit	Undertaking	Expenditure	Income	Surplus(-) /Deficit
£000s		£000s	£000s	£000s
-37	Grounds Maintenance	1,669	1,655	14
<u>-16</u>	Street Cleansing	<u>1,056</u>	<u>953</u>	<u>103</u>
<u>-53</u>				<u>117</u>
-554	Reserves at start of year			-438
-53	Surplus/Deficit (-) for Year			117
	Less,			
290	Transfer to General Fund			176
<u>-121</u>	Transfer from Income and Expenditure Account			<u>-</u>
<u>-438</u>	Reserves at end of year			<u>-145</u>

### Notes to the Trading Undertakings' Revenue Account

1. The Local Government Act 2000 repealed the compulsory competitive tendering provisions under the Local Government and Planning Act 1980 and the Local Government Act 1988 with effect from 2 January 2001.
2. The Council continues to operate two Trading Undertakings under the compulsory competitive tendering provisions of the previous legislation. Above is a summary of their operations.

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

### **The Council's Responsibilities**

The Council is required to:

- \* make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the officer is the Head of Finance.
- \* manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- \* approve the statement of accounts.

### Approval by Council

The Statement of Accounts was approved by Council on July 2009.

Leader of the Council

### **The Head of Finance's Responsibilities**

The Head of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this statement of accounts, the Head of Finance has:

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

The Head of Finance has also:

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

## **Head of Finance's Certificate**

I hereby certify that the statement of accounts on pages 3 to 41 present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

Laura Rowley

Director of Resources  
September 2009

## **SHREWSBURY AND ATCHAM BOROUGH COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT FOR 2008/09**

#### **1. Scope of Responsibility**

Shrewsbury and Atcham Borough Council 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, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

To this end, Shrewsbury and Atcham Borough Council approved and adopted a Local Code of Corporate Governance in 2003. This Code has now been reviewed to ensure that it is consistent with the principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government" introduced in 2007.

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

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

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

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

The governance framework will remain in place at Shrewsbury and Atcham Borough Council for the year ended 31st March 2009 and up to the date of approval of the Annual Statement of Accounts.

#### **3. Principles and Elements of the Good Governance.**

The core principles and key elements of the Council's governance framework are as follows:

### 3.1. Vision, Purposes and Outcomes

There is a clear vision of the Council's purpose and intended outcomes, and arrangements exist for measuring the quality of service delivery against targets and performance indicators.

- **Corporate Plan**

The Council's objectives are derived from the Shrewsbury and Atcham Community Strategy and are set out and agreed in the Corporate and Performance Improvement Plan.

- **Performance Management**

The information needed to review service quality effectively and regularly is available. The Council has a performance management framework and Cabinet receive quarterly reports on key targets and performance indicators.

- **Scrutiny**

The roles and remits of the Overview and Scrutiny Committees were revised in 2005/06 to give greater emphasis on performance management and organisational development. The structure and roles are set out below.

<i>Scrutiny Committee</i>	<ul style="list-style-type: none"><li>• <i>review performance of the Cabinet and Officers</i></li><li>• <i>review of contractors' and partnership performance</i></li><li>• <i>scrutiny</i></li><li>• <i>call in</i></li><li>• <i>CPA</i></li></ul>
<i>Overview Committee</i>	<ul style="list-style-type: none"><li>• <i>policy and budget development</i></li><li>• <i>issues of local concern</i></li><li>• <i>referrals from Cabinet and Council</i></li><li>• <i>best value</i></li></ul>

- **Securing continuous improvement.**

The Best Value Performance and Improvement Plan is part of the Council's policy framework. The Head of Paid Service is responsible for proposing the best value performance plan to the Cabinet for consideration before its submission to full Council for approval. The plan links up to the Community strategy and through to departmental service portfolios and individual work plans. Progress on delivering the Best Value Performance and Improvement Plan is reported quarterly to Cabinet.

- **Partnerships**

Good governance arrangements exist in respect of partnerships, reflecting the Council's overall governance arrangements

Partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.

- **Annual Report**

The Council produced an Annual Report for 2007/8 which included a summary of financial performance and achievements and initiatives during the year. This report is published on the Council's Internet site.

### **3.2. Common Purpose**

Members and officers of the Council work together to achieve a common purpose, with clearly defined functions and roles.

- **Roles and Responsibilities**

The roles of members and officers are set in the Constitution and also within defined role descriptions (for councillors) and in job descriptions (for officers).

In order to ensure that public resources are not used for political purposes the Council politically restricts certain posts in accordance with the Local Government and Housing Act 1989.

- **Scheme of Delegation**

The scheme of delegation sets out clearly what powers are reserved to the Council, delegated to Cabinet or Committees and delegated to officers. The monitoring officer and service managers ensure that officers act within the scope of their delegated powers.

- **Section 151 Officer - Financial Management**

The Council has a nominated responsible Financial Officer in compliance with S151 of the Local Government Act 1972.

This officer is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

- **Internal Financial Control**

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability.

The Council's Financial Information System provides financial and management information and includes general ledger, debtors, creditors and on-line ordering modules.

In particular the system of internal control includes:

- a) Comprehensive budgeting systems
- b) Setting targets to measure financial and other performance
- c) The preparation of regular financial reports and management information, which indicate actual expenditure and commitments against forecasts.
- d) Regular reviews of periodic and annual financial reports
- e) Clear defined capital expenditure guidelines, and
- f) Formal project management system based on the Prince 2 methodology.

## g) Internal Audit

- **Monitoring Officer - Ensuring Compliance**

Arrangements are in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Council's Monitoring Officer advises management on new legislation and compliance with the Council's Constitution.

- **Whistleblowing and Complaints**

The Council has published a Whistleblowing Code of practice for employees to disclose concerns over malpractice without fear of recrimination.

- **Anti Fraud and Corruption Policy**

The Council has a comprehensive Anti Fraud and Corruption Policy, which is available to all staff on the Council's Intranet. The policy is subject to regular review and reporting to the Audit Committee.

### 3.3. Values and High Standards of Conduct and Behaviour

Shared values which require the highest standards of conduct and behaviour of Council members and staff are the foundation of good governance

- **Codes of conduct**

The Council adopted a revised code of conduct for members in May 2007. It adopted the national model code with certain additional paragraphs to ensure that the highest standards are maintained.

There is a code of conduct for all officers which they are required to sign on taking up their employment.

- **Conflict of interests**

The officers' code of conduct and the members' code of conduct require an individual to declare any possible conflict of interest between their private life and their role within the Council. This process is monitored on a 6 monthly basis by the Standards Committee to ensure compliance. The monitoring officer sends out regular updates to staff and members reminding them of this obligation.

- **Standards Committee**

The Council has a Standards Committee which among its functions, promotes and maintains high standards of conduct by councillors and monitors the operation of the Members' Code of Conduct.

### 3.4. Capacity and Capability of members and officers

Actions to develop the capacity and capability of members and employees to be effective:

- **Induction programme**

The Council has an induction programme for members and officers covering the facts that are needed for that person to undertake their duties. The process is structured to maximise learning and ensure that knowledge is acquired at a speed that it can be properly absorbed and yet in time to undertake the person's duties.

In addition the corporate management team meet all new members of staff at monthly induction events. At these the CMT members set out the council's values and introduce the monitoring and s.151 officers who play a key role in the corporate governance regime.

- **Personal Development Reviews**

The Council offers all staff a personal development review to assess their strengths, weaknesses and training needs. These have usually taken place in February when the priorities for the business units in the coming financial year are known and any training can be targeted to achieving those aims. These did not take place in 2009 as we approach vesting day to the Unitary Authority.

The timing allows for the allocation of training budgets prior to the ensuing financial year so that the training can be booked swiftly.

- **Training and Development**

The Council allocates training funds based on a council wide assessment of priority. The requests for training are collated by Personnel Services and then reported to CMT who decide how the monies are to be best allocated to achieve the council's priorities.

The Council splits its training fund between personal development likely to be of individual interest, corporate courses of general appeal (such as ICT skills, or disciplinary and grievance handling) and corporate health and safety training. In addition business units with specific skill needs (e.g. lifeguard training for the Leisure Service) have their own budgets for ensuring that staff are competent to undertake their jobs.

These allocated budgets can also be supplemented through the business unit system. Any business unit making a saving or surplus can keep a proportion of that money for use in the subsequent financial year at the discretion of the service manager which can include the purchase of extra training (as happened in Personnel and Legal Services in 2007/2008).

For those staff who are transferring to the new Council, training courses have been held to prepare for working for the new authority, including leadership, implementing change, and corporate vision and values.

Staff who are leaving the Council, under early retirement or voluntary redundancy, have been able to attend courses on pre-retirement and setting up as a business or consultant.

- **Succession Planning**

The Council has regularly considered reports on succession planning and also set up a Management Academy. During 2007/8 10 candidates from across Council Services undertook various projects which included the Dale Carnegie Leadership for Managers programme. Candidates were mentored by Senior Managers within the Council and received a certificate



upon completion of the course. It has not taken place in the current financial year as we approach vesting day of the new Unitary Authority.

### **3.5. Decision Making, Scrutiny and Risk Management**

Informed and transparent decisions are taken which are subject to effective scrutiny and managing of risk.

- **Facilitating policy and decision-making.**

The Council has a Constitution, which allocates power and responsibility within the Council and has adopted the Leader and Cabinet model as its form of executive arrangements. The Council approves the policy framework and budget, the Cabinet makes decisions within this policy framework and has adopted a scheme of delegation to Officers and Committees.

- **Overview and Scrutiny**

The Council also appoints Overview and Scrutiny Committees who have powers to review the Council functions, scrutinise decisions taken by the Cabinet and monitor their activities.

- **Risk Management**

The Council has an effective risk management system in place. The risk management framework includes a policy statement, strategy document and risk management guidelines which are regularly reviewed and updated. The Audit Committee is responsible for monitoring the effective development and operation of risk management within the Council.

Managers are responsible for maintaining up to date operational risk registers and action plans across Council services and providing annual statements of assurance on risk and control. A strategic risk review was undertaken in March 2006. This was revisited and updated at a strategic risk workshop in November 2006 and again in October 2007.

- **Audit Committee**

In April 2006 the Council established an Audit Committee to ensure that the Council follows best audit practice in all its procedures and that the systems for internal control and risk management are operating properly.

### **3.6. Engagement and Public Accountability**

The Council engages with local people and other stakeholders to ensure robust public accountability.

- **Consultation**

The Council has a duty to deliver services, which are responsive to the needs of its citizens.

To achieve this the council needs to consult and listen to the community, partner organisations, employees and elected members and to provide clear information about council services and activities. In order to achieve its aims and objectives on consultation, the Council has a clear Communications Strategy in place, which aims to provide a comprehensive approach to consultation with the local community.

To ensure that stakeholders are consulted regularly and annually, the Council undertakes an extensive and wide-ranging consultation programme. Public consultation events primarily include Shrewsbury Question Time (held annually in March), Shrewsbury

Conference (annually in October). These events include members of the public, public and private sectors partners, agencies and organisations, Parish Councils, staff and elected members. In addition to these events a fuller range of consultation activity is undertaken: The Shrewsbury Question time and Conference events did not take place in 2008 as we approach vesting day of the new Unitary Authority.

Under the Council's Consultation Strategy, the following best practice mechanisms include:

- Undertaking the Best Value Performance Surveys (including the General Household survey, every 3 years, Planning and Benefits surveys). the new Place survey due in 2009 will be carried out by the new Council following vesting day.
- Annual Council Tax survey to ascertain from the local community that the Council is providing value for money for its services. This was not done in 2008 as this was the responsibility of the new unitary authority.
- Newspaper articles and advertisements
- Using appropriate third parties (for example working with local strategic partners to undertake specific and timely consultation on specific issues of interest or concern to the public)
- Public and other meetings (Shrewsbury Conference and Shrewsbury Question Time, both highlighted as best practice by the Audit Commission CPA report 2004 and recent Beacon awards)
- Working extensively with existing networks and community groups (through the local Strategic Partnership).
- Council Weekly Bulletin and County Council Partners
- Web site and links to other sites
- Pilot projects and innovative techniques (for example the pilot digital voting system operated by the Council in 2004/2005)
- Working with local parish councils and community organisations, including two meetings a year with representatives from the parish councils.
- Participation in Local Joint Committees and Lets Talk meetings co-ordinated by Shropshire County Council.

Consultation reports and their Information is provided freely and accessibly via the Council's website.

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

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

This review is undertaken by a management group, which includes the Section 151 Officer and the Monitoring Officer. The Annual Governance Statement is then subject to review and approval by the Council's Audit Committee.

The review is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the governance and internal control environment.

The Chief internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control throughout the authority.

The review is also informed by comments made by the external auditors and other review agencies and inspectorates, including Comprehensive Performance Assessment and Use of Resources.

## **Comprehensive Performance Assessment.**

The Audit Commission published its Comprehensive Performance Assessment (CPA) of Shrewsbury and Atcham Borough Council in July 2004. The Council was rated as “excellent”. This included an appointed auditor assessment of financial standing, systems of internal financial control, standards of financial conduct and the prevention and detection of fraud and corruption, financial statements and the legality of significant financial transactions.

The 2007/08 Annual Audit and Inspection letter states that the Council has continued to make improvements in service performance in its priority areas. This is a major achievement in the light of also having to manage the additional demands of preparing for local government re-organisation. In particular improvements have been made in waste recycling and enhancing leisure and recreation facilities. In 2007/08, 69 per cent of best value indicators improved over the previous year, well above the average level for district councils.

## **Use of Resources**

In 2005 the Audit Commission undertook the Use of Resources assessment which evaluates how well councils manage and use their financial resources. It is a more stringent test than the judgements that formed part of the CPA framework up until 2004. The scope of the assessment was also widened.

The assessment focused on the importance of having sound and strategic financial management to ensure that resources are available to support the council’s priorities and improve services, covering five themes. The Audit Commission published its results in March 2006. The overall score was a three which meant that the council was consistently above minimum requirements and was performing well.

Since then, the Council has maintained its overall score of three for use of resources, which is a good performance. In particular, The 2007/08 Annual Audit and Inspection letter states that the Council maintained its good performance which is reflected in an overall score of three in the use of resources assessment. Financial management arrangements are good with effective budgetary control, supported by a sound financial position. The Council continues to drive improvements in value for money and has seen a strong improvement in its performance indicators and has exceeded its efficiency savings targets.

## **5. Significant Governance and Control Issues**

During 2008/9 the Council recognised that the move towards a Unitary Authority may pose significant risks to the control environment and assets of the Council which will need to be mitigated and monitored by Senior Management and members. This was recognised in the 2007/08 Annual Audit and Inspection letter which stated ‘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 make it particularly important for internal controls to be maintained. The links with Shropshire County Council have improved, resulting in effective working arrangements which should deliver a smooth transition to the Unitary Council.’

The Annual Audit Plan 2008/9 and audit approach was modified to reflect the changing risks and priorities of the organisation in the move towards a unitary Council, with more emphasis being placed on

- Regularity, anti-fraud testing and the verification and safeguarding of the Council’s assets.

- Compliance with policies, regulations and procedures, in particular Financial Regulations and Contract Rules.
- Reliability and integrity of books and records.

No action was necessary during the year ending 31 March 2009 to make corrections to the governance framework as only minor weaknesses were identified by either internal or external audit.

The Chief Internal Auditor has provided a positive independent opinion on the adequacy and effectiveness of the system of internal control throughout the Council. Where any errors or omissions have occurred, the necessary corrective actions have been taken during the year to safeguard the assets and interests of the Council, to ensure the reliability and integrity of financial records and compliance with Financial Regulations and Procedures.

**G. Morgan**

**P.A. Nutting**

**Council Manager**

**Leader of the Council**