

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

2008/09 (Restated) £000		2009/10 £000
51,319	Deficit for the Year on the Income and Expenditure Account	53,121
(50,191)	Net additional amount required by statute and non statutory proper practice to be debited or credited to the General Fund Balance for the year (Note 20)	(47,771)
1,128	(Increase)/Decrease in General Fund Balance for the Year	5,350
(10,517)	General Fund Balance brought forward - SCC	(9,388)
0	General Fund Balance brought forward - Districts	(6,141)
(9,388)	General Fund Balance carried forward (Note 39)	(10,179)
(7,139)	Amount of General Fund Balance held by schools under local management schemes	(7,304)
(2,249)	Amount of General Fund Balance generally available for new expenditure	(2,875)
(9,388)		(10,179)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2008/09 (Restated) £000		2009/10 £000
51,319	(Surplus)/deficit for the Year on the Income and Expenditure Account	53,121
(60,208)	(Surplus)/deficit arising on revaluation of fixed assets	(23,581)
(12,764)	Actuarial (gains)/losses on pension fund assets and liabilities	85,045
(21,653)		114,585
0	Exceptional Additional Loss arising from the Write off of Overhanging Premiums (Note 34)	
(21,653)	Total recognised (gains)/losses for the year	114,585
0	Balance Transferred from Districts on opening Balance Sheet	109,422
21,653		224,007

BALANCE SHEET

The Balance Sheet summarises the year end balances on the Council's accounts. Inter-directorate balances have been eliminated. The balances on the Pension Fund and Trust Accounts are not available for the Council's use and have also been excluded.

2008/09 (Restated)		2009/10	
£000	£000	£000	£000
<u>128</u>		<u>427</u>	
	128		427
0		229,221	
271,029		289,411	
397,496		483,632	
261,214		275,919	
5,537		12,721	
599		4,570	
9,210		22,241	
12,696		19,618	
<u>5,796</u>		<u>30,673</u>	
	963,577		1,368,006
	0		1,113
	96		1,583
	<u>963,801</u>		<u>1,371,129</u>
520		670	
26,624		47,120	
65,070		99,932	
<u>0</u>		<u>1,117</u>	
	92,214		148,839
	<u>1,056,015</u>		<u>1,519,968</u>
(2,151)		(2,612)	
(61,509)		(72,451)	
0		(762)	
<u>(4,623)</u>		<u>(7,677)</u>	
	(68,283)		(83,503)
	<u>987,732</u>		<u>1,436,465</u>
(251,115)		(280,343)	
(18,542)		(20,341)	
(4,311)		(4,643)	
(90,266)		(118,475)	
(777)		(765)	
<u>(160,632)</u>		<u>(325,802)</u>	
	(525,643)		(750,369)
	<u>462,089</u>		<u>686,097</u>
157,420		187,529	
444,218		785,845	
(7,458)		(7,356)	
9		0	
0		926	
0		372	
(271)		52	
0		3,927	
(160,632)		(325,802)	
19,415		29,625	
0		799	
9,388		10,179	
	<u>462,089</u>		<u>686,096</u>

CASH FLOW STATEMENT

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

	2008/09		2009/10
	£000		£000 £000
2008/09 Revenue Activities			
(29,016) Net inflow on Revenue Activities (Note 49)			(18,962)
Servicing of Finance			
<i>Outflows</i>			
12,541 Interest paid		12,926	
0 Interest element of finance lease rental payments		1,783	
<i>Inflows</i>			
<u>(3,418) Interest received</u>		<u>(1,599)</u>	
9,123			13,110
Capital Activities			
<i>Outflows</i>			
46,693 Purchase of fixed assets & Other Capital cash payments			62,767
0 Other Capital Cash Payments			15,953
<i>Inflows</i>			
(1,811) Sale of Fixed Assets		(3,720)	
0 Long Term Investments matured in year		(14)	
(20,160) Capital Grants (Note 54)		(44,822)	
<u>(1,769) Other Capital Income</u>		<u>(257)</u>	
<u>(23,740)</u>			<u>(48,813)</u>
3,060 Net Cash Outflow Before Financing (Notes 50 and 51)			24,055
Management of Liquid Resources (Note 53)			
(126) Net increase/(decrease) in short term deposits			28,307
Financing (Note 52)			
<i>Outflows</i>			
87 Repayments of amounts borrowed		4,211	
0 Capital Element of PFI Payments		697	
<i>Inflows</i>			
<u>(1) New Loans Raised</u>		<u>(27,900)</u>	
<u>(86)</u>			<u>(22,992)</u>
3,020 (Increase)/Decrease in Cash (Notes 38, 50 and 51)			29,370

This statement looks interesting. I can see exactly what the Council has been spending its cash on, but isn't it the same as the Income and Expenditure Account?



This statement reports all of the real cash transactions within the Council. This is different to the Income and Expenditure Account (I&E) because it does not include all of the accounting adjustments made to reflect where cash has not yet actually been paid or received but it is due to be paid or received.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. LOCAL GOVERNMENT RE-ORGANISATION

The Council inherited a number of new services from the District Councils through the transition to a Unitary Council. Expenditure for these services has been included in the Income and Expenditure Account as "Acquired Services" in order that accurate comparisons can be made between the 2009/10 figures and the 2008/09 comparatives, which represent those of Shropshire County Council.

Further analysis of the services feeding into the Acquired Services line is provided below:

Service	Expenditure £000	Income £000	Net Expenditure £000
Local Council Tax Collection	22,933	(20,877)	2,056
Housing Benefits	60,812	(61,351)	(539)
Local Land Charges	1,090	(508)	582
Leisure Services	11,845	(5,001)	6,844
Waste Collection	6,864	0	6,864
Street Cleansing	6,666	(225)	6,441
Bereavement Services	1,565	(1,086)	479
Public Protection (inc Licensing)	4,874	(729)	4,145
Planning Services	4,625	(1,954)	2,671
Economic Development	5,491	(1,202)	4,289
Parking Services	3,477	(3,749)	(272)
Public Transport	3,108	(962)	2,146
Housing Services (General Fund)	4,365	(954)	3,411
Community Development and Safety	2,323	(77)	2,246
Open Spaces	2,028	(540)	1,488
	142,066	(99,215)	42,851

2. SERVICE ANALYSIS 2009/10

The Best Value Accounting Code of Practice was issued in 2000 by CIPFA, which established a mandatory requirement on Local Authorities to present a service analysis in a standard form.

BVACoP Divisions of Service	Children & Young People's Services £000	Community Services £000	Development Services £000	Res, CEX, L&DS and Corporate* £000	Total £000
Central Services	0	0	405	14,167	14,572
Court Services	0	0	0	483	483
Cultural, Environmental & Planning Services	0	18,507	15,696	3,665	37,868
Education Services	39,045	46	297	(27)	39,361
Highways, Roads & Transport Services	0	0	28,566	0	28,566
Housing Services	0	796	0	168	964
Social Services	22,756	70,485	112	0	93,353
	61,801	89,834	45,076	18,456	215,167
Acquired Services		9,881	29,746	3,224	42,851

* Resources, Chief Executive's Office, Legal & Democratic Services and Corporate

NOTES TO THE CORE FINANCIAL STATEMENTS

2008/09 £000	Central Services	2009/10 £000
	Corporate & Democratic Core:	
1,625	Democratic Representation & Management	2,927
3,588	Corporate Management	4,616
5,213		7,543
	Central Services to the Public:	
19	Local Council Tax	0
45	Elections	644
359	Registration of Births, Deaths & Marriages	315
222	Emergency Planning	248
1,834	Other Services	(1,534)
2,479		(327)
	Other Operating Income and Expenditure:	
113	Precepts & Levies	111
4,256	Non Distributed Costs	7,245
12,061		14,572
2008/09 £000	Court Services	2009/10 £000
398	Coroners' Court Services	483
0	Other Court Services	0
398		398
2008/09 £000	Cultural, Environmental and Planning Services	2009/10 £000
	Cultural and Related Services:	
2,292	Culture & Heritage	10,700
258	Recreation & Sport	1,452
2,057	Open Spaces	1,241
344	Tourism	342
6,216	Library Service	5,114
11,167		18,849
	Environmental Services:	
9,522	Waste Disposal	11,095
712	Community Safety	543
194	Agricultural Services (Smallholdings)	48
1,434	Consumer Protection	1,270
0	Flood Defence	32
11,862		12,988
	Planning and Development Services:	
226	Development Control	837
705	Planning Policy	764
479	Environmental Initiatives	558
1,435	Economic Development	3,872
34	Community Development	0
2,879		6,031
25,908		37,868
2008/09 £000	Education Services	2009/10 £000
11,162	Primary Schools	8,720
20,008	Secondary Schools	15,272
8,459	Special Schools	9,213

NOTES TO THE CORE FINANCIAL STATEMENTS

	5,552 Non School Funding	6,156
	45,181	39,361
2008/09	Highways, Roads and Transport Services	2009/10
	£000	£000
	1,880 Transport Planning, Policy & Strategy	2,456
	3,439 Highways/Roads (Structural)	3,783
	4,446 Highways/Roads (Routine)	3,566
	7,153 Construction	7,571
	2,975 Winter Maintenance	3,185
	1,631 Street Lighting	1,530
	2,124 Traffic Management & Road Safety	2,163
	(166) Parking Services	55
	4,797 Public Transport	4,257
	28,279	28,566
2008/09	Housing Services	2009/10
	£000	£000
	76 Housing strategy, advice and enabling	0
	0 Other Council Property	228
	149 General Fund Housing – Traveller’s Sites	168
	259 Supporting People	568
	484	964
2008/09	Social Services	2009/10
	£000	£000
	410 Service Strategy	256
	21,345 Children & Families Services:	22,777
	36,309 Older People (Aged 65 or over) including Older Mentally Ill	37,945
	8,051 Adults Aged Under 65 with a Physical Disability or Sensory Impairment	8,680
	17,027 Adults Aged Under 65 with Learning Disabilities	17,973
	4,345 Adults Aged Under 65 with Mental Health Needs	4,734
	844 Other Adult Services	988
	(12) Supported Employment (including sheltered employment)	0
	88,319	93,353

3. LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2009/10, the expenditure and matching income relating to such provisions have been as follows:

		2009/10
		£000
2008/09	Expenditure	
	£000	
	848 Provision of administrative, professional & technical services	433
	9,014 Provision of training	8,158
	2,014 Provision of catering & cleaning	2,251
	427 Maintenance of land & buildings	189
	12,303	11,031
	Income	
	874 Provision of administrative, professional & technical services	445
	9,017 Provision of training	8,159
	2,077 Provision of catering & cleaning	2,392
	445 Maintenance of land & buildings	190
	12,413	11,186

NOTES TO THE CORE FINANCIAL STATEMENTS

The main public bodies to which goods and services have been supplied under this Act are the Borough of Telford & Wrekin, Shrewsbury College of Art & Technology, Telford College of Arts & Technology, Shropshire Town Councils, Shropshire & Wrekin Fire Authority, Job Centre Plus, schools outside of Shropshire and the Learning Skills Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

4. DISCLOSURE OF OFFICERS' EMOLUMENTS

The Accounts and Audit Regulations 2009 require disclosure of the numbers of officers whose remuneration in 2009/10 exceeded £50,000, analysed into bands of £5,000.

2008/09 No. of Employees	Salaried Remuneration Band £000	2009/10 No. of Employees
84	50 to 54	94
44	55 to 59	31
26	60 to 64	19
11	65 to 69	14
6	70 to 74	10
10	75 to 79	4
5	80 to 84	8
0	85 to 89	1
0	90 to 94	3
1	95 to 99	1
0	100 to 104	1
1	105 to 109	0
0	110 to 114	0
1	115 to 119	0
2	120 to 124	1
0	125 to 129	2
1	130 to 134	0
0	135 to 139	0

2008/09 No. of Employees	Remuneration Band Including One Off Redundancy and Lump Sum Retirement Payments £000	2009/10 No. of Employees
5	50 to 54	4
1	55 to 59	4
1	60 to 64	1
1	65 to 69	4
1	70 to 74	0
0	75 to 79	4
1	80 to 84	2
0	85 to 89	1
2	90 to 94	1
1	95 to 99	2
1	100 to 104	0
0	105 to 109	0
0	110 to 114	0
2	115 to 119	0
0	120 to 124	0
0	125 to 129	1
0	130 to 174	0
0	175 to 180	1
0	180 to 184	0
0	185 to 189	1

NOTES TO THE CORE FINANCIAL STATEMENTS

The following table details emoluments for Senior Officers whose salary is £150,000 or more per year 2009/10.

Post Holder Information (Post Title & Name)	Salary	Expense Allowances	Total excl. pension contributions 2009/10	Employers Pension Contributions	Total incl. pension contributions 2009/10
Kim Ryley – Chief Executive (started October 2009)	£90,000	£683	£90,683	£14,040	£104,723
Sheila Healy – Chief Executive (left October 2009)	£87,697	£608	£88,305	£13,680	£101,985

The following table details emoluments for Senior Officers whose salary is between £50,000 and £150,000 2009/10.

Post Holder Information (Post Title)	Salary	Expense Allowances	Total excl. pension contributions 2009/10	Employers Pension Contributions	Total incl. pension contributions 2009/10
Assistant Chief Executive Performance & Partnerships (started May 2009)	£72,205	£608	£73,199	£11,264	£84,463
Assistant Chief Executive Performance & Partnerships (left June 2009)	£30,183	£293	£30,479	£4,709	£35,188
Assistant Chief Executive Legal & Democratic Services	£95,000	£1,170	£96,170	£16,528	£112,698
Director of Development Services	£130,000	£1,170	£131,170	£20,280	£151,450
Director of Community Services	£120,000	£1,170	£121,170	£18,720	£139,890
Director of Children and Young Peoples Services	£125,000	£1,170	£126,170	£19,500	£145,670
Director of Resources	£125,000	£1,170	£126,170	£19,500	£145,670

The following table details emoluments for Senior Officers whose salary is £150,000 or more per year for the 2008/09.

Post Holder Information (Post Title & Name)	Salary	Expense Allowances	Total excl. pension contributions 2008/09	Employers Pension Contributions	Total incl. pension contributions 2008/09
Carolyn Downs – Chief Executive (left January 2009))	£128,588	£833	£129,421	£18,259	£147,680
Sheila Healy – Chief Executive (started January	£40,439	£262	£40,701	£5,472	£46,173

NOTES TO THE CORE FINANCIAL STATEMENTS

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The following table details emoluments for Senior Officers whose salary is between £50,000 and £150,000 for 2008/09.

Post Holder Information (Post Title)	Salary	Expense Allowances	Total excl. pension contributions 2008/09	Employers Pension Contributions	Total incl. pension contributions 2008/09
Head of Chief Executive's Office (left February 2009)	£79,061	£0	£79,061	£11,407	£90,468
Assistant Chief Executive Performance & Partnerships (started January 2009)	£25,414	£228	£25,642	£3,609	£29,251
Assistant Chief Executive Legal & Democratic Services	£94,202	£1,095	£95,297	£13,377	£108,674
Director of Development Services (started January 2009)	£31,102	£262	£31,364	£4,417	£35,781
Director of Development Services (left January 2009)	£93,040	£867	£93,907	£13,212	£107,119
Director of Community Services (started September 2008)	£62,875	£596	£63,471	£8,928	£72,399
Director of Children and Young Peoples Services	£120,733	£1,095	£121,828	£17,144	£138,972
Director of Resources	£123,454	£1,095	£124,549	£17,144	£141,693

5. REDUNDANCY COSTS

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

A number of employees leaving the council in 2009/10 had previously been employed by the District Councils and provision had been made within the District Accounts to fund these costs. The total redundancy costs incurred in 2009/10 relating to the Unitary Transition are £1,799,770 for redundancy and £1,431,990 for pension fund strain.

The Council has now moved into the Transformation stage of the Unitary process and further redundancy costs have been incurred in order to deliver ongoing savings within the budget. The total redundancy costs incurred in 2009/10 relating to the Unitary Transformation are £338,940 for redundancy and £331,880 for pension fund strain.

All redundancy and pension fund strain costs have been fully funded by the Voluntary Early Retirement Reserve.

6. TRANSITIONAL COSTS INCURRED FOR THE UNITARY COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

The One Council business case assumed that there would be costs incurred in the transition from six separate authorities to one. To date all of the transitional costs (excluding those related to voluntary early retirement and redundancy which are explained above) have been met from within existing resources. The total transitional costs incurred in 2009/10 amounted to £883,845, compared to £2,286,282 in 2008/09.

7. MEMBERS' ALLOWANCES

The total of members' allowances paid in 2009/10 amounted to £1,380,000 compared with £840,000 in 2008/09.

8. BUILDING CONTROL ACCOUNT

Shropshire Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Team cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	Chargeable *	Non- Chargeable	Total
	2009/10	2009/10	2009/10
	£	£	£
Employees	653,778	306,663	960,442
Premises	37,097	15,898	52,995
Transport	35,384	16,616	52,000
Supplies & Services	71,557	15,229	86,787
Support Services	264,183	52,610	316,793
Total Expenditure	1,061,999	407,017	1,469,016
Income	(1,019,764)	(1,368)	(1,021,132)
Total (Surplus)/Deficit for the Year	42,235	405,649	447,884

* Note - There is no balance in the Building Control Reserve to cover the deficit in year. The deficit has been charged to revenue in 2009/10.

9. POOLED BUDGETS

During 2009/10, the Council (SC) hosted the Intermediate Care pooled budget with Shropshire Primary Care Trust as shown below. The services covered by the pooled budget contribute to our aim of "creating and protecting a healthy, independent and safe way of life for all". The Council was not involved in any pooled budgets hosted by other partners.

Intermediate Care with SCPCT and Shrewsbury and Telford Hospital Trust

2008/09

2009/10

NOTES TO THE CORE FINANCIAL STATEMENTS

	Total £		Total £
	242,262	Gross Funding	236,849
	991,807	SCPCT	965,261
	1,234,069	Total	1,202,110
	1,234,069	Expenditure	1,202,110
	0	(Surplus)/Deficit	0

10. ECONOMIC DEVELOPMENT ACTIVITIES

The Council provides a number of workshops and industrial/commercial land and buildings to meet the demand from existing local businesses as well as attracting inward investment. Income from lettings in 2009/10 amounted to £1,373,000 which offset running expenses of £549,000. The figures for 2008/09 were income of £364,000 and running expenses of £223,000.

11. LEASES

a. Operating Leases

Vehicles – The amount paid under the terms of operating leases in 2009/10 was £610,000 compared with £487,000 in 2008/09.

Furniture & Equipment – The amount payable under the terms of operating leases in 2009/10 was £82,000 compared with £72,000 in 2008/09.

Land & Buildings – The amount payable under the terms of operating leases in 2009/10 was £960,500 compared with £952,000 in 2008/09.

The Council was committed at 31 March 2010 to making payments of £1,405,000 in 2009/10 under operating leases comprising the following elements:

	Land & Buildings	Plant & Equipment	Vehicles	TOTAL
	£	£	£	£
Leases expiring in 2010/11	43,000	8,000	176,000	227,000
Leases expiring between 2011/12 and 2015/16	333,000	108,000	383,000	824,000
Leases expiring after 2015/16	354,000	-	-	354,000
	730,000	116,000	559,000	1,405,000

Authority as Lessor – with regard to the authority's activity as a lessor, the gross value of assets held for use in operation leases was £26,540,000. All properties have been valued between 01/04/2005 and 01/04/2009 and where subject of cumulative depreciation of £378,000 to 31/03/2010. The Net Book Value of the assets at 31/03/2009 was £26,126,000.

b. Finance Leases

Under IFRIC 12, the liability relating to the QICS and Waste PFI are classified as a finance lease. Full details about these liabilities are disclosed in full in Note 14.

12. ACCOUNTING FOR PENSION COSTS – FRS17

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed

NOTES TO THE CORE FINANCIAL STATEMENTS

at the time that employees earn their future entitlement. The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service.

Local Government Pension Scheme:

The Local Government Pension Scheme, administered by Shropshire Council is a funded scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2008/09	2009/10
	£000	£000
Net Cost of Services:		
- current service cost	(15,687)	(12,836)
- past service gain/(cost)	(26)	(23)
- curtailment gain/(cost)	(946)	(2,150)
	(16,659)	(15,009)
Net Operating Expenditure:		
- interest cost	(29,549)	(41,581)
- expected return on assets in the scheme	20,254	21,892
	(9,295)	(19,689)
Net Charge to the Income and Expenditure Account	(25,954)	(34,698)
Statement of Movement in the General Fund Balance		
- reversal of net charges made for retirement benefits in accordance with FRS17	25,954	34,698
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	(14,925)	(21,399)

In 2009/10 the Council paid an employer's contribution of £21,399,000 representing 16.7% of employee's pensionable pay, into the Pension Scheme. The figures for 2008/09 were £14,925,000 and 15.6%.

In 2009/10 the Council paid pension strain and augmentation of £2,325,270 compared to £1,154,543 for 2008/09.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded together with the related increases. In 2009/10 these amounted to £1,503,000, representing approximately 1.36% of pensionable pay. The figures for 2008/09 were £1,442,000 and 1.65%.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £85,045,000 (gain of £12,764,000 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £202,000,000.

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme	
	2008/09	2009/10
	£000	£000
1 April	(482,166)	(588,917)
Current Service Cost	(15,687)	(12,836)
Interest Cost	(29,549)	(41,581)
Contributions by scheme participants	(5,548)	(7,279)
Actuarial gains and (losses)	104,298	(189,038)
Benefits paid	16,752	26,663
Past service costs	(972)	(2,173)
31 March	(412,872)	(815,161)

Reconciliation of fair value of the scheme assets:

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme		
	2008/09	2009/10
	£000	£000
1 April	319,799	361,459
Expected rate of return	20,254	21,892
Actuarial gains and losses	(91,534)	103,993
Employer contributions	14,925	21,399
Contributions by scheme participants	5,548	7,279
Benefits paid	(16,752)	(26,663)
31 March	252,240	489,359

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

The actual return on scheme assets in the year was a loss of £125,885,000 (2008/09 loss of £71,280,000).

Scheme History

	2005/06*	2006/07	2007/08	2008/09	2009/10
	£000	As restated £000	As restated £000	£000	£000
Present value of liabilities	(405,967)	(414,147)	(482,166)	(412,872)	(815,161)
Fair value of assets	304,799	323,231	319,799	252,240	489,359
Surplus/(deficit) in the scheme	(101,168)	(90,916)	(162,367)	(160,632)	(325,802)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £325,802,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £686,096,000

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government 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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables. The Council element of the Fund liabilities has been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2008/09	2009/10
Long term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.50%
Government Bonds	4.00%	4.50%
Other Bonds	6.00%	5.20%
Other	4.80%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2	21.2
Women	24.0	24.1
Longevity at 65 for future pensioners:		
Men	22.2	22.2
Women	25.0	25.0
Rate of inflation	3.30%	3.30%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.30%	3.30%
Rate for discounting scheme liabilities	7.10%	5.60%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%

Assets in the Shropshire County Pension Fund consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2009 %	31 March 2010 %
Equity investments	60.7	63.1
Government Bonds	14.6	13.1
Other Bonds	11.6	10.7
Other assets	13.1	13.1
	100.0	100.0

Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06*	2006/07 As restated	2007/08 As restated	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	13.9	(0.6)	(8.6)	(36.3)	(21.3)
Experience gains and losses on liabilities	0.0	0.0	2.6	0.0	0.0

NOTES TO THE CORE FINANCIAL STATEMENTS

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council paid £11,185,000 to the Pensions Agency for teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2008/09 were £10,962,000 and 14.1%.

In addition the Council is responsible for all the pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted in total to £2,371,000 representing 3.0% of pensionable pay. This covers all added years costs incurred for people retiring in 2009/10 and previous years. The figures for 2008/09 were £2,022,000 and 2.43%.

The Scheme is a defined benefit scheme, administered by the TPA. Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities (LAs). However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.

13. DISCLOSURE OF AUDIT COSTS

In 2009/10 Shropshire Council incurred the following fees relating to external audit and inspection.

	2008/09	2009/10
	£000	£000
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	210	332
• Fees payable to the Audit Commission for statutory inspection	15	17
• Fees payable to the Audit Commission for the certification of grant claims and returns	56	90

14. PRIVATE FINANCE INITIATIVE SCHEMES

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

a. The Quality in Community Services PFI Project

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

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

The contract was a Private Finance Initiative the Capital Finance Regulations. The Council was awarded a PFI credit of £20,400,000.

The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

Under the 2009 SORP PFI and similar contracts are now required to be accounted for in a manner that is consistent with the adaptation of IFIC 12 Services Concession Arrangements and

NOTES TO THE CORE FINANCIAL STATEMENTS

the detailed accounting requirements are contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009.

Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that Appendix E (Accounting for PFI Transactions and Similar Contracts) applies to the QICS PFI project. The project is, therefore, "on balance sheet" for the Council's purposes.

The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

Unitary Charge and PFI Grant

The Council pays an annual unitary charge (in monthly instalments) for the buildings and services provided under the QICS PFI contract. All the buildings are operational. The Council receives PFI grant from the government which contributes towards the unitary charge.

To date the unitary charge and government PFI grant receipts have been as follows:

Year	Unitary Charge (£000)	Grant Received (£000)
2005/06	Nil	Nil
2006/07	2,142	1,459
2007/08	2,838	1,523
2008/09	2,882	1,523
2009/10	2,906	1,523

Treatment of Existing Assets

The sites of five of the six buildings to be constructed under the contract were already in the ownership of the Council before the contract was entered into and each of these sites had on it a building which required demolition prior to the new buildings being constructed. To reflect the demolitions, each of these buildings was written out of the asset register in 2005/06. The land, which will return to the Council at the end of the contract, continues to be recorded in the Council's asset register.

Treatment of Assets Constructed Under the PFI Contract

Property provided by the operator under a PFI contract is recognised as an asset or assets of the local authority and a related finance lease liability is recognised at the same time. Once recognised assets are depreciated and re-valued in accordance with the Council's policies.

The annual unitary charge payable to the operator for the buildings and services provided under the QICS PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- Payment for services - this represents the fair value of the services received each year under the contract.
- Payment for lifecycle replacement - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract
- Payment for assets - this represents the annual lease rental for the asset and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

NOTES TO THE CORE FINANCIAL STATEMENTS

The value of assets held and liabilities resulting from the QICS PFI contract at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below:

	Year Ended 31 March 2006 (£000)	Year Ended 31 March 2007 (£000)	Year Ended 31 March 2008 (£000)	Year Ended 31 March 2009 (£000)	Year Ended 31 March 2010 (£000)
Fixed Assets -					
Buildings					
Balance Brought Forward		-	20,062	19,722	19,382
- Additions		20,402	-	-	-
- Revaluation		-	-	-	2,950
- Depreciation		(340)	(340)	(340)	(392)
Balance Carried Forward		20,062	19,722	19,382	21,940
Prepayments					
Balance Brought Forward	-	2,500	-	-	-
- Capital Contribution	2,500	-	-	-	-
- Release of Capital Contribution	-	(2,500)	-	-	-
Balance Carried Forward	2,500	-	-	-	-
Finance Lease Liability					
Balance Brought Forward	-	-	(17,775)	(17,455)	(17,122)
- Additions		(20,402)	-	-	-
- Release of Capital Contribution		2,500	-	-	-
- Repayment of Principal		127	320	333	360
Balance Carried Forward	-	(17,775)	(17,455)	(17,122)	(16,762)

Commitments Under the Contract

Payments under the contract can vary according to availability and performance and are also linked to the Retail Price Index (RPIx) and Average Earnings Index (AEI). Using an assumed 2.5% RPIx, 3.75% AEI and no performance deductions, the future commitments under the contract, separated into repayments of liability, interest and service charges, are as follows:

Year	Total Unitary Charge Payment (£000)	Service Charges (£000)	Principal (£000)	Interest (£000)
Amounts Falling Due Within One Year	2,931	1,207	367	1,357
Amounts Falling Due Within 2 - 5 Years	12,119	5,663	1,315	5,141
Amounts Falling Due Within 6 - 10 Years	16,125	8,496	1,793	5,836
Amounts Falling Due Within 11 - 15 Years	17,364	9,863	2,506	4,995
Amounts Falling Due Within 16 - 20 Years	18,793	11,556	3,379	3,858
Amounts Falling Due Within 21 - 25 Years	20,441	12,952	5,258	2,231
Amounts Falling Due Within 25 - 27 Years	6,429	4,052	2,145	232

b. The Waste PFI Project

On 29th September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1st October 2007. On 20th October 2008 Shrewsbury & Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40,800,000 of PFI credits which are paid as an annual PFI grant.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The Accounting View - IFRIC 12 Service Concession Arrangements Accounting Treatment

Under the 2009 SORP PFI and similar contracts are now required to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Services Concession Arrangements and the detailed accounting requirements are contained in Appendix E (Accounting for PFI Transactions and Similar Contracts) of the SORP 2009.

Using the IFRIC 12 Service Concession Arrangements assessment Council officers have determined that Appendix E (Accounting for PFI Transactions and Similar Contracts) applies to the QICS PFI project. The project is, therefore, "on balance sheet" for the Council's purposes.

The Council will revisit this accounting treatment periodically, and if there are any significant changes to accounting practice, to the contract or in the risk profile of the transaction.

Unitary Charge and PFI Grant

The Council pays an annual unitary charge (in monthly instalments) for the facilities and services provided under the contract. The Council receives PFI grant from the government which contributes towards the unitary charge.

To date the total unitary charge and government PFI grant receipts have been as follows:

Year	Unitary Charge* (£000)	Grant Received (£000)
2007/08*	5,848	1,459
2008/09	14,371	3,186
2009/10	21,069	3,186

* comprises the total monthly unitary charge paid to Veolia and, therefore, includes additional volume related payment streams of landfill and ancillary services

* from 1st October 2007

Treatment of Existing Assets

The Council has made existing waste infrastructure assets available to the contractor on a peppercorn lease. In its capacity as Contracting Authority for the former Shropshire Waste Partnership, the former County Council purchased some refuse collection vehicles, using pooled grant funding. These infrastructure assets and vehicles made available to the contractor are recorded in the Council's asset register and continue to be depreciated and re-valued in accordance with the Council's policies.

Treatment of Assets Provided Under the PFI Contract

Property provided by the operator under a PFI contract is recognised as an asset or assets of the local authority and a related finance lease liability is recognised at the same time. Once recognised assets are depreciated and re-valued in accordance with the Council's policies.

The annual unitary charge payable to the operator for the facilities and services provided under the Waste PFI contract is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

NOTES TO THE CORE FINANCIAL STATEMENTS

In order to appropriately account for the finance lease element, the annual unitary charge is split into three distinct elements:

- Payment for services - this represents the fair value of the services received each year under the contract.
- Payment for lifecycle replacement - this represents the costs incurred to maintain the asset in the required condition throughout the life of the contract
- Payment for assets - this represents the annual lease rental for the asset and can be further split between repayment of the finance lease liability, an annual finance charge on the outstanding liability and contingent rental (lease rental inflation).

The value of assets held and liabilities resulting from the Waste PFI contract at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below:

	Year Ended 31 March 2008 (£000)	Year Ended 31 March 2009 (£000)	Year Ended 31 March 2010 (£000)
Fixed Assets - Buildings			
Balance Brought Forward	-	4,803	4,712
- Existing Assets Reinstated	5,154	-	-
- Cumulative Depreciation (Existing Assets)	(351)	-	-
- Depreciation in Period	-	(91)	(96)
- Additions	-	-	-
- Depreciation in Period	-	-	-
Balance Carried Forward	4,803	4,712	4,616
Fixed Assets - Vehicles, Plant & Equipment			
Balance Brought Forward	-	3,069	3,783
- Existing Assets Reinstated	2,455	1,031	-
- Cumulative Depreciation (Existing Assets)	(727)	(81)	-
- Depreciation in Period	(169)	(351)	(410)
- Additions	1,748	398	2,495
- Depreciation in Period	(238)	(283)	(629)
Balance Carried Forward	3,069	3,783	5,239
Prepayments			
Balance Brought Forward	-	569	1,743
- Planned Capital Expenditure	569	1,174	2,165
Balance Carried Forward	569	1,743	3,908
Finance Lease Liability			
Balance Brought Forward	-	(1,571)	(1,420)
- Additions	(1,748)	(398)	(2,496)
- Repayment of Principal	177	549	337
Balance Carried Forward	(1,571)	(1,420)	(3,579)

Commitments Under the Contract

Payments under the contract can vary according to availability of services and facilities and the contractor's performance in delivering the service. Payments are also linked to the Retail Price Index (RPIx). Using an assumed 2.5% RPIx, and no performance or unavailability deductions, the future commitments for the unitary charge under the contract are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Year	Total Unitary Charge Payment (£000)	Service Charges (£000)	Principal (£000)	Interest (£000)
Amounts Falling Due Within One Year	17,047	13,140	1,942	1,965
Amounts Falling Due Within 2 - 5 Years	92,089	60,968	4,661	26,460
Amounts Falling Due Within 6 - 10 Years	147,742	91,084	14,672	41,986
Amounts Falling Due Within 11 - 15 Years	166,037	105,634	20,547	39,856
Amounts Falling Due Within 16 - 20 Years	186,576	122,315	28,620	35,641
Amounts Falling Due Within 21 - 25 Years	187,859	126,738	38,034	23,087

c. Prior Year Restatement

The new FReM based approach to accounting for PFI and similar contracts introduced by the 2009 SORP require prior period adjustment and restatement of the 2008/09 corresponding amounts in accordance with the provisions of the SORP.

The following tables summarise the restatement of the 2008/09 income and expenditure account, the 2008/09 balance sheet and the 2008/09 Statement of Movement on the General Fund Balance.

2008/09 Income and Expenditure Account:

	Net Cost of Services Cultural, Environmental & Planning Services (£000)	Social Services (£000)	Net Operating Costs Interest Payable & Similar Charges (£000)	(Surplus)/ Deficit for the Year (£000)
Shropshire Council Closing Balances 2008/09	25,908	88,319	12,565	51,642
Reverse Unwinding of Discount on the Deferred Consideration			220	220
Reverse Amortisation of Deferred Consideration	(289)			(289)
Reverse Capitalisation of the Unitary Charge		729		729
Annual Depreciation in period	413	340		753
Grant Applied		387	(387)	0
Finance Lease Interest	(194)	(1,413)	1,607	0
Finance Lease Principal	(549)	(333)		(882)
Contingent Rental	(47)		47	0
Prepayment (Assets not yet provided under the contract)	(1,174)			(1,174)
Restated Shropshire Council Closing Balances 2008/09	24,068	88,029	14,052	50,999

NOTES TO THE CORE FINANCIAL STATEMENTS

2008/09 Statement of Movement in General Fund:

	(Surplus)/Deficit for the Year	Amortisation of Deferred Consideration	Capitalisation of QICS PFI	Depreciation & Impairment of Fixed Assets	Minimum Revenue Provision for Capital Financing	Contributions to Reserves	(Increase)/Decrease in General Fund Balance for the Year
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Shropshire Council Closing Balances 2008/09	51,642	(118)	778	(40,240)	9,834	2,221	1,128
Reverse Unwinding of Discount on the Deferred Consideration	220	(171)	(49)				
Reverse Amortisation of Deferred Consideration	(289)	289	(729)				
Reverse Capitalisation of the Unitary Charge	729						
Annual Depreciation	753			(753)			
Grant Applied	0						
Finance Lease Interest	0				882		
Finance Lease Principal Prepayment	(882)						
	(1,174)					1,174	
Restated Shropshire Council Closing Balances 2008/09	50,999	0	0	(40,993)	10,716	3,395	1,128

2008/09 Balance Sheet:

	Buildings	Vehicles, Plant & Equipment	Long Term Debtors	Debtors	Finance Lease Liability	Capital Adjustment Account	Reserves
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Shropshire Council Closing Balances 2008/09	373,401	3,755	7,047	21,950	0	(443,834)	(17,672)
Assets Reinstated	4,803	195					
Assets Provided under the Contract	19,722	1,909				680	
Depreciation	(431)	(322)					
Write Back Deferred Consideration			(6,951)			2,065	
Reverse the Deferred Consideration Written Down						(114)	
Depreciation Neutralisation						544	
MRP Charge						(1,059)	
Unitary Charge Prepayment – Assets Not Yet Provided				1,744			
Initial Capital Contribution					2,500	(2,500)	
Finance Lease Liability Recognised					(22,548)		
Finance Lease Liability – Repayment of Principal					1,506		
Contribution to Waste PFI							(1,744)
General Reserve							
Restated Shropshire Council Closing Balances 2008/09	397,495	5,537	755	23,694	(18,542)	(444,218)	(19,416)

NOTES TO THE CORE FINANCIAL STATEMENTS

15. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families (DCSF), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the use of DSG for 2009/10 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2009/10	19,099	128,077	147,176
Brought forward from 2008/09	0	0	0
Carry forward agreed in advance	0	0	0
Agreed budgeted distribution in 2009/10	19,099	128,077	147,176
Actual central expenditure	19,099	0	19,099
Actual ISB deployed to schools	0	128,077	128,077
Local authority contribution for 2009/10	0	0	0
Carry forward to 2010/11	0	0	0

The level of Schools' Balances, not included within the above statement, is reported in the Balance Sheet, and detailed in note 39 to the Core Financial Statements; this figure is reconciled below:

	£000
Schools' Balances carried forward to 2010/11	7,648
DSG carried forward as a Government Grant Debtor to be Repaid in 2010/11	0
Schools' Balances carried forward to 2010/11	7,648
Less	
External balances held by Foundation Schools	(165)
IT Financing	(221)
	(386)
Schools' Balances as Reported in the Balance Sheet (note 39)	7,262

NOTES TO THE CORE FINANCIAL STATEMENTS

16. GENERAL GOVERNMENT GRANTS

The Council's expenditure is partly funded through General Government Grants such as the Revenue Support Grant and Area Based Grant. The Council also receives grants that are awarded for the general expenditure of the authority. This enables the Council to have full control as to how this funding can be effectively and efficiently spent.

In 2009/10 the funding received through General Government Grants was as follows:

2008/09		2009/10
£000		£000
7,755	Revenue Support Grant	16,905
14,794	Area Based Grant	15,646
546	Local Authority Business Growth Initiative	185
-	Housing and Planning Delivery Grant	1,117
23,095	TOTAL	33,853

NOTES TO THE CORE FINANCIAL STATEMENTS

17. **SHIRE SERVICES** operates as a trading organisation within the Council, delivering catering and cleaning services. Shire Services provides catering services to schools in Shropshire, Worcestershire, Herefordshire, Telford and North Wales, as well as to a range of non-school sites in Shropshire. Cleaning services are provided to schools and other Council premises in Shropshire, including the Area Headquarters.

Shire Services outturn position for 2009/10 is a net operating deficit of £11,000. The deficit has been transferred to Reserves and will be dealt with in 2010/11. The Catering service ended the year with a deficit of £139,000, the Cleaning service ended the year with a surplus of £128,000. For Catering there has been an increase in income across the service, helped by the DCSF grant funding that was successfully obtained. However, Shire Services have paid a substantial proportion of the total contribution to this funding in the 2009/10 financial year, the shortfall of £44,000 which will be met in 2010/11. The introduction of Food Standards into Secondary schools in September 2009 has inevitably led to an increase in food costs of the service, however, Shire Services are looking into various initiatives such as new menu ideas and new ways of delivering the service to ensure this does not have an adverse impact on income levels in 2010/11.

For Cleaning the outturn position has been achieved through greater income generation. As an example, Shire Services cleaning management have taken on the responsibility for Shirehall Services, thereby attracting a recharge of £32,000 to the cleaning service.

Other running costs, such as those related to transport have seen a significant increase over the year and higher costs relating to CRB clearance procedures have affected the labour costs of the service. These will be closely monitored in 2010/11 to ensure there is no adverse effect, particularly with the introduction of ISA (Independent Safeguarding Authority) regulations.

SHIRE SERVICES CATERING - Trading Account 2009/10

2008/09 Total	Statutory School Catering	2009/10 Other Catering	Total
£000	£000	£000	£000
Income			
9,188	6,132	3,177	9,308
835	886	0	886
<u>10,023</u>	<u>7,017</u>	<u>3,177</u>	<u>10,194</u>
Expenditure			
5,103	3,726	1,386	5,112
3,474	2,203	1,266	3,469
303	208	134	342
204	207	0	207
902	566	322	888
<u>9,986</u>	<u>6,911</u>	<u>3,108</u>	<u>10,019</u>
37	107	68	175
0	0	0	0
15	(89)	0	(89)
<u>52</u>	<u>18</u>	<u>68</u>	<u>86</u>
24	(167)	(59)	(225)
76	(149)	10	(139)

NOTES TO THE CORE FINANCIAL STATEMENTS

SHIRE SERVICES CLEANING - Trading Account 2009/10

2008/09 £000		2009/10 £000
	Income	
2,615	Charges	2,918
	Expenditure	
2,377	Employees	2,452
<u>227</u>	Other Expenses	<u>257</u>
<u>2,604</u>		<u>2,709</u>
11	Net Operating Income/(Expenditure)	209
<u>0</u>	Transfers from Reserves	<u>0</u>
11	Net Profit/(Loss) In Year	<u>209</u>
<u>9</u>	FRS17 Adjustment	<u>81</u>
20	Net Profit/(Loss) After FRS17 Adjustment (Transferred to Reserves)	<u>128</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

- 18. SHROPSHIRE COUNTY TRAINING** has operated as a trading organisation within the Council since 1st September 2004. The principal activity of County Training is the provision of training to enable people of all abilities to gain skills and qualifications required to meet the needs of the local labour market and so help employers to benefit from a better trained or more experienced work force. Up until 31 August 2004, these activities were delivered through Shropshire County Training Ltd., a separate company in which Shropshire County Council owned 100% of the issued share capital.

This is the Sixth full year of trading of Shropshire County Training since returning to the Council. The County Training brand contracts with both the Learning & Skills Council (LSC) whose new agency from the 1st April 2010 is the Skills Funding Agency (SFA) and Prime contractors of Jobcentre plus for the Department of Works and Pensions (DWP) funding of the new programme, Flexible New Deal (FND). Originally County Training had 100% of all New Deal Contracts across Shropshire and Telford & Wrekin but from September 2009 the two Prime Contractors which cover this area only allocated 50% of the contract to County Training which together with the various caps put on by the LSC severely reduced the income available and this necessitated County Training implementing a restructuring programme in July 2009. Due to the number of redundancies and the required informal and formal consultation periods the new structure did not come into force until 10th May 2010 and therefore staff were retained for a much longer period with the redundancy costs being funded in 2010/11 financial year.

As a result County Training traded in 2009/10 and finished the year with a deficit of £1,073,000. Due to a number of technical accounting adjustments, e.g. FRS17, and additional budget being allocated to the business unit to offset the costs incurred following job evaluation, the overall position for County Training is a Deficit of £1,197,000 compared with a surplus in 2008/09 of £3,000 (after taking account of technical accounting adjustments of £545,000). The technical accounting adjustments are outside the control of County Training and should be ignored when assessing the trading position. The loss will be carried forward and it will take 3 years to recover the trading position. Income for 2009/10 at £7,058,000 decreased by £632,000 from the previous year. Expenditure at £8,131,000 was £101,000 lower than the previous year, and reflects the difficult trading conditions experienced during the year.

SHROPSHIRE COUNTY TRAINING – Trading Account 2009/10

2008/09 £000		2009/10 £000
	Income	
7,690	Sales and Other Income	7,058
	Expenditure	
6,101	Employees	6,006
954	Training Costs	1,140
1,070	Premises and Equipment Costs	883
107	Other Expenses	102
8,232		8,131
(542)	Net Operating Income/(Expenditure)	(1,073)
0	Transfers from/(to) Efficiency Reserves	0
(542)	Net Profit/(Loss) In Year	(1,073)
37	Technical Accounting Adjustments	(369)
508	Job Evaluation	245
3	Net Profit/(Loss) Technical Accounting Adjustments	(1,197)

NOTES TO THE CORE FINANCIAL STATEMENTS

19. MINIMUM REVENUE PROVISION

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

2008/09		2009/10
£000		£000
8,362	MRP – Supported Borrowing	7,763
1,176	MRP – Telford & Wrekin Council, Probation and Magistrates	1,135
296	MRP – Unsupported Borrowing	339
	MRP – Quality in Community Services (QICS) and Waste PFI	697
9,834	Total MRP	9,934

As a result of the new Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the calculation of the Minimum Revenue Provision (MRP) has changed to reflect these new requirements. In the new regulation 28, the previous detailed rules have been replaced with a simple duty for an Authority to make an amount of MRP which it considers to be “prudent” each year. The operative date of the change was 31 March 2008 and as such these changes were first applied in 2007/08.

The Council has calculated MRP for supported borrowing (i.e. borrowing that is funded by Central Government grant) in accordance with option 1, the Regulatory Method. This starts with the opening Capital Financing Requirement which is then adjusted for the variance between the former credit ceiling and the capital financing requirement as at 1 April 2004 (known as adjustment “A”) when the prudential borrowing system was first introduced. The adjustment “A” total is £4,446,480 (this combines to adjustment “A” values of the previous Authorities who had a Capital Financing Requirement as at 1 April 2010), for information this reduces the Councils MRP by £177,860.

For new unsupported borrowing under the Prudential system (i.e. borrowing for which no Government grant is received which is therefore self-financed) the Council has calculated MRP in accordance with option 3, Asset Life Method. Therefore the Council makes provision over the estimated life of the asset for which the borrowing is undertaken. The outstanding period of estimated life for such assets has been used. 2006/07 was the first year in which unsupported borrowing took place. Due to MRP being calculated based on the previous years Capital Financing Requirement, MRP for unsupported borrowing was included in 2007/08 for the first time.

Changes in the 2009/10 Statement of Recommended Practise, to bring the accounting treatment for Private Finance Initiatives in line with International Financial Reporting Regulations, has resulted in both Council PFI schemes now being accounted for as on balance sheet. As a result an MRP charge has been included for these schemes, however this is not an additional charge for the Council it a reclassification of the part of the unitary charge.

Following the restructuring to Shropshire Council, with a vestment date of 1 April 2009, at which point the historic debt and capital receipts from the predecessor Authorities; the Council voluntarily set aside capital receipts from the predecessor Authorities as at 1 April 2009 to reduce the Council’s Capital Financing Requirement (CFR) and generate Minimum Revenue Provision (MRP) savings in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. NOTE TO THE STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

The Statement of Movement on General Fund Balance on page 35 provides a reconciliation of the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. That statement includes a figure for the *net additional amount required by statute and non statutory proper practice to be debited or credited to the General Fund Balance for the year*, an analysis of that figure is provided below.

2008/09		2009/10
£000		£000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.	
(41)	Amortisation of intangible fixed assets	(234)
(40,240)	Depreciation and impairment of fixed assets	(59,842)
0	Depreciation and Impairment on HRA Assets	14,633
8,058	Government Grants Deferred amortisation	4,740
(3,792)	Revenue Expenditure Funded from Capital Under Statute	(5,523)
(19,142)	Net (loss)/surplus on sale of fixed assets (see note below)	(5,918)
323	Transfer to/from Collection Fund Adjustment Account	(271)
0	Amortisation of Premiums - HRA	69
(118)	Amortisation of Deferred Consideration – Waste PFI	0
(25,953)	Net charges made for retirement benefits in accordance with FRS17	(34,698)
(80,905)		(87,044)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	
9,834	Minimum revenue provision for capital financing (Note 19)	9,934
2,641	Capital expenditure charged in year to the General Fund Balance	4,441
778	Capitalisation of Quality in Community Services – PFI	0
0	Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	(105)
0	Write off of overhanging premiums (Note 34)	
315	Amortisation of Financial Instrument Adjustment Account (Note 34)	315
14,925	Employer's contributions payable to Shropshire County Pension Fund and retirement benefits payable direct to pensioners	21,399
28,493		35,984

NOTES TO THE CORE FINANCIAL STATEMENTS

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

	0 Housing Revenue Account balance transferred from Districts	(975)
	0 Housing Revenue Account balance	800
	<u>2,221</u> Net transfer to or from earmarked reserves	<u>3,464</u>
	<u>2,221</u>	<u>3,289</u>
(50,191)	Net additional amount required to be debited or credited to the General Fund Balance for the year	(47,771)

Additional information on the Net (loss)/surplus on sale of fixed assets

The net loss on the sale of fixed assets in 2009/10 was £5,918,000. This figure included the transfer of ownership of 3 schools to the Diocese required as a legal obligation under Education legislation (Education Act 1946 or Schools Standards and Framework 1998). The Statement of Recommended Practice requires that where an authority is required to surrender assets without compensation, possibly following a transfer of responsibilities to another part of the public services, the current value of the asset should be written out as a loss on disposal. The transfer of the 3 schools resulted in a loss of £5,746,000 based on their current value; this was added to a loss on the sale of other assets of £172,000, resulting in the net loss of £5,918,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. ASSETS – INTANGIBLE AND FIXED ASSETS

The figures below provide information on the movement of fixed assets held by the Council during 2009/10. Following the introduction of capital asset accounting the fixed assets are now shown at their current value.

	Intangible Assets	Dwellings	Land	Buildings	Vehicles Plant & Equipment	Infra- structure	Community Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
Balance b/f 01/04/09	1,212	217,721	289,357	532,573	24,438	322,784	7,728	1,395,813
Additions	229	1,120	215	14,120	6,042	19,688	698	42,112
Disposals/Write out	(486)	(306)	(1,978)	(4,778)	(6,240)	(60)	(19)	(13,867)
Reclassifications	0	1,015	7,710	(3,041)	319	1,792	(880)	6,915
Revaluations	(67)	15,097	(5,865)	8,097	0	0	(2,093)	15,169
GBV at 31/03/10	<u>888</u>	<u>234,647</u>	<u>289,439</u>	<u>546,971</u>	<u>24,559</u>	<u>344,204</u>	<u>5,434</u>	<u>1,446,142</u>
Depreciation and Impairments								
Balance b/f 01/04/09	(742)	(2,518)	(394)	(43,436)	(14,246)	(59,263)	(1,501)	(122,100)
Charge for 2009/10	(272)	12,229	(9,222)	(32,089)	(4,042)	(8,648)	(1,496)	(43,540)
Disposals/Write out	486	3	0	378	6,232	60	19	7,178
Reclassifications	0	(43)	0	228	218	(434)	21	(10)
Revaluations	67	(15,097)	9,588	11,580	0	0	2,093	8,231
Balance at 31/03/10	<u>(461)</u>	<u>(5,426)</u>	<u>(28)</u>	<u>(63,339)</u>	<u>(11,838)</u>	<u>(68,285)</u>	<u>(864)</u>	<u>(150,241)</u>
NBV 31/03/09	<u>427</u>	<u>229,221</u>	<u>289,411</u>	<u>483,632</u>	<u>12,721</u>	<u>275,919</u>	<u>4,570</u>	<u>1,295,901</u>
NBV 01/04/08	<u>470</u>	<u>215,203</u>	<u>288,963</u>	<u>489,137</u>	<u>10,192</u>	<u>263,521</u>	<u>6,227</u>	<u>1,273,713</u>
Nature of Asset Holding								
Owned	427	229,221	289,411	455,020	7,482	275,919	4,570	1,262,050
PFI	0	0	0	28,612	5,239	0	0	33,851
	<u>427</u>	<u>229,221</u>	<u>289,411</u>	<u>483,632</u>	<u>12,721</u>	<u>275,919</u>	<u>4,570</u>	<u>1,295,901</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	Non-Operational Investment	Non-Operational Surplus	Non-Operational Asset Under Construction	Total	Total Intangible & Operational	Overall Total
	£000	£000	£000	£000	£000 (As previous page)	£000
Cost or valuation						
Balance b/f 01/04/09	31,428	24,995	8,556	64,979	1,395,813	1,460,792
Additions	400	0	22,420	22,820	42,112	64,932
Disposals/Write out	(546)	(3,744)	(87)	(4,377)	(13,867)	(18,244)
Reclassifications	(6,906)	45	(54)	(6,915)	6,915	0
Revaluations	(1,071)	(1,068)	(133)	(2,272)	15,169	12,897
GBV at 31/03/10	23,305	20,228	30,702	74,235	1,446,142	1,520,377
Depreciation and Impairments						
Balance b/f 01/04/09	(366)	(115)	(14)	(495)	(122,100)	(122,595)
Charge for 2009/10	(3,286)	(1,966)	(135)	(5,387)	(43,540)	(48,927)
Disposals/Write out	197	65	0	262	7,178	7,440
Reclassifications	39	(14)	(15)	10	(10)	0
Revaluations	2,352	1,420	135	3,907	8,231	12,138
Balance at 31/03/10	(1,064)	(610)	(29)	(1,703)	(150,241)	(151,944)
NBV 31/03/10	22,241	19,618	30,673	72,532	1,295,901	1,368,433
NBV 01/04/09	31,062	24,880	8,542	64,484	1,273,713	1,338,197
Nature of Asset Holding						
Owned	22,241	19,618	30,673	72,532	1,262,050	1,334,582
PFI	0	0	0	0	33,851	33,851
	22,241	19,618	30,673	72,532	1,295,901	1,368,433

Included in the above balances for operational land and buildings are 6 primary schools for which instructions have been issued, but full ownership has not yet transferred to the Diocese. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998). Work commenced on the transfers in 2008/09, this included the preparation and checking of plans, sites visits and meetings with Head Teachers. This detailed work is necessary because in many circumstances the schools are now physically different and it is necessary to ensure that the transfers relate purely to the school function and not other uses which may now be on site. Instructions have been passed to Legal Services for the completion of the transfers and transfers were completed for 10 schools in 2008/09, with a further 3 schools completed in 2009/10. The remaining 6 are awaiting formal legal completion.

The total net book value for the 6 schools based on current market value is £8,476,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. VALUATIONS OF FIXED ASSETS CARRIED AT CURRENT VALUE

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Council's internal valuation unit. The basis for valuation is set out in the statement of accounting policies. All values are on a net present value basis.

	Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Operational Intangible Assets	Community Assets	Infra-structure	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at Historic Cost	0	3,755	12,721	427	4,570	275,919	297,392
Valued at Current Value in:							
2005/06		98,660	0	0	0	0	98,660
2006/07		91,870	0	0	0	0	91,870
2007/08		163,127	0	0	0	0	163,127
2008/09	229,221	270,535	0	0	0	0	499,756
2009/10		145,096	0	0	0	0	145,096
CV Total	229,221	769,288	0	0	0	0	998,509
Total	229,221	773,043	12,721	427	4,570	275,919	1,295,901

	Investment	Non Operational Surplus	Assets Under Construction	Total	Total Operational	Total
	£000	£000	£000	£000	£000	£000
Valued at Historic Cost	405	0	24,197	24,602	297,392	321,994
Valued at Current Value in:						
2005/06	0	60	0	60	98,660	98,720
2006/07	175	0	0	175	91,870	92,045
2007/08	1,425	92	0	1,517	163,127	164,644
2008/09	2,480	8,088	2,000	12,568	499,756	512,324
2009/10	17,756	11,378	4,476	33,610	145,096	178,706
CV Total	21,836	19,618	6,476	47,930	998,509	1,046,439
Total	22,241	19,618	30,673	72,532	1,295,901	1,368,433

NOTES TO THE CORE FINANCIAL STATEMENTS

23. CAPITAL EXPENDITURE AND FINANCING

The figures below provide information on the financing of capital expenditure. This note complies with the requirements of the Prudential Code.

2008/09 £000		2009/10 £000
240,753	Opening Capital Financing Requirement	253,259
0	Adjustment for Opening Shropshire Council Balance Sheet	(19,662)
240,753	Opening Capital Financing Requirement Shropshire Council	233,597
	Capital investment	
41,404	Operational assets	39,497
5,530	Non-operational assets	22,820
13,375	Revenue Expenditure Funded from Capital under Statute	15,953
778	Long Term Debtor – Quality in Community Services (QICS) PFI	0
0	Finance Lease Principal - Quality in Community Services (QICS) PFI & Waste PFI	697
	Sources of finance	
(3,194)	Capital receipts	(4,095)
(32,134)	Government grants and other contributions	(37,325)
(3,419)	Direct Revenue Financing (Including MRA)	(4,541)
(8,658)	Minimum Revenue Provision	(8,103)
(1,176)	Minimum Revenue Provision – TWC & Probation & Magistrates	(1,135)
0	Minimum Revenue Provision – Quality in Community Services (QICS) PFI & Waste PFI	(697)
253,259	Closing Capital Financing Requirement	256,668
	Explanation of movements in year	
10,802	Increase in underlying need to borrowing (supported by Government financial assistance)	12,488
1,704	Increase in underlying need to borrow (unsupported by Government financial assistance)	10,583
12,506	Increase/(decrease) in Capital financing requirement	23,071

NOTES TO THE CORE FINANCIAL STATEMENTS

24. STATEMENT OF FIXED ASSETS

The following table gives an analysis of assets owned by the Council and assets used to carry out the Council services.

Asset	Owned by SC	Leased by SC	As At 31 March 2010		PFI Sites	Total
			Leased to Other Bodies	Owned by Other Bodies		
Administrative Offices	9	0	0	0	0	9
Advisory Services Centres	3	0	0	0	0	3
Archives	1	0	0	0	0	1
Arts	3	0	1	0	0	4
Business / Commercial Sites	21	1	5		0	27
Car Parks	74	1	0	0	0	75
Churches / Cemeteries / Crematoriums	9	0	0	0	0	9
Childrens Centres	13	2	0	0	0	15
Childrens Services	7	5	1	0	0	13
Connexions	3	2	0	0	0	5
Customer Services	8	2	0	1	0	11
Education Centres	4	2	0	0	0	6
Group Homes	7	13	0	6	0	26
Gypsy Sites	3	0	1	0	0	4
Highway Properties	14	4	2	0	0	20
Learning and Training	8	2	0	0	0	10
Leisure Facilities	31	1	0	0	0	32
Libraries	18	4	0	0	0	22
Markets and Town Halls	5	2	0	0	0	7
Mental Health and Older Peoples Services	6	1	5	7	0	19
Mental Health Residential	2	0	3	0	0	5
Multi Agency Teams	5	0	0	0	0	5
Museums	4	3	1	0	0	8
Older People Services and Physical Disabilities	1	1	0	0	0	2
Multi Occupancy Sites	0	0	0	0	6	6
Physical and Learning Disabilities	10	12	2	0	0	24
Public Conveniences	39	0	0	0	0	39
Registrars	7	5	0	1	0	13
Residential Homes for Older People	1	0	7	0	0	8
Schools	80	3	0	74	0	157
Smallholdings	24	4	0	0	0	28
Tuition / Medical and Behaviour Support Services	0	0	0	2	0	2
Waste Management Sites	0	0	4	0	3	7
Youth Centres / Offices	7	4	0	0	0	11
Council Dwellings	0	0	4251	0	0	4251
Sheltered Dwellings	8	0	0	0	0	8
Communal Rooms						
Garages	0	0	995	0	0	995

25. FOUNDATION SCHOOLS

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1 April 1999. In 2008/09 this Council had four Foundation schools, for which no opening or closing balances for current assets and liabilities controlled by Foundation

NOTES TO THE CORE FINANCIAL STATEMENTS

schools are included in this Balance Sheet. In 2009/10 two Foundation schools (Holy Cross CE School and Grange Junior School) were amalgamated with existing Council schools to create new non Foundation Schools. Holy Cross CE School is a Diocese owned school and remains in Diocese ownership following amalgamation, thus there is no asset transfer to Shropshire Council. The title to the Grange Junior School is still held by the Governing Body of the The Grange Junior School by virtue of an agreement dated 4 December 1996 made between (1) The Shropshire County Council (2) Education Assets Board and (3) The Governing Body of The Grange Junior School, thus although the school is no longer a Foundation School ownership has not yet transferred to Shropshire Council.

The remaining two Foundation schools have an estimated fixed asset valuation of £13,742,600 as at 31 March 2010, the former Foundation School still in the ownership of the Governing Body has an estimated fixed asset valuation of £2,918,900. (These are based on the last Estates Services valuation undertaken as at 1st April 2008). These fixed assets are not included in the fixed asset valuation.

26. DEFERRED PREMIUMS ON THE EARLY REPAYMENT OF DEBT

As at the 31st March 2010, the balance in the Income and Expenditure Account relating to the deferred premiums on three market loans was £765,000. This will continue be charged to the Income and Expenditure Account, and credited against the Financial Instruments Adjustment Account (FIAA), over the life of the replacement loans. The charge to the Income and Expenditure Account in 2009/10, and therefore the credit against the FIAA, was £12,000.

27. TRUST ACCOUNTS

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

Trust	Purpose	Balance as at 31 March 2010 £000
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	192
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	103
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	181
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	33
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	430
Shropshire Voluntary Association for the Blind	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	416

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

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

28. TEMPORARY INVESTMENTS (Loans and Receivables)

Investments are shown at amortised cost. As at 31 March 2010, £99,931,000 was placed with highly credit rated banks, building societies, other Local Authorities and the UK Debt Management Office (DMO) for periods of up to 365 days. The accrued interest relating to

NOTES TO THE CORE FINANCIAL STATEMENTS

investments, that is included in this figure, amounts to £116,000. Further details on the requirements relating to accounting for accrued interest are provided at note 32.

29. STOCK

Stocks are shown at the lower of cost price or net realisable value.

2008/09		2009/10
£000		£000
218	Road Materials	182
63	Visitor Centres and TIC Retail Stock	109
184	Shire Services	184
0	Leisure Services	32
0	Travel Tokens	68
55	Other	87
520		670

30. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2010.

2008/09		2009/10
(Restated)		£000
£000		
	Amounts falling due within one year:	
4,637	Government Departments	17,196
20,023	General Debtors	28,412
4,352	Payments in Advance	7,334
(2,388)	Provision for Bad Debts	(5,821)
26,624		47,120
	Amounts falling due after one year:	
96	Loans (including Car Loans)	1,583
0	QICS PFI Long Term Debtor (see page 133)	0
0	Waste PFI Deferred Consideration(see page 138)	0
96		1,583
26,720		48,703

The loans of £1,583,000 included under long term debtors comprise outstanding car loans to staff and loans to external bodies repayable after a period of more than 12 months.

31. LOANS (Financial Liabilities)

Loans outstanding represent the net amount owing to external lenders. The loans are detailed below with a profile of their maturity.

2008/09		2009/10
£000		£000
2,151	Temporary Loans	
	Maturing within 1 year	2,612
	Long Term Loans	
2,197	Maturing within 1 year (accrued interest, see note 34)	2,326
1,000	Maturing in 1 - 2 years	0
7,000	Maturing in 2 - 5 years	23,500
30,800	Maturing in 5 - 10 years	30,200
210,118	Maturing in more than 10 years	224,218
251,115		280,244
253,266		282,856

NOTES TO THE CORE FINANCIAL STATEMENTS

32. ACCRUED INTEREST

The latest SORP incorporates the requirements of FRS25, FRS26 and FRS29 and therefore the Authority is required to report accrued interest for loans and receivables and financial liabilities as part of the carrying value of the borrowing/investment.

33. FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 09 £000	31 March 10 £000	31 March 09 £000	31 March 10 £000
Financial Liabilities at Amortised Cost	251,115	280,244	2,151	2,612
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	251,115	280,244	2,151	2,612
Loans and Receivables Available for Sale Financial Assets	0	0	65,070	99,931
Unquoted Equity Investment at Cost	0	0	0	0
Total Investments	0	0	65,070	99,931

The financial instrument balances in the above table include accrued interest. The amount included within financial liabilities is £2,326,000. The amount included within loans and receivables amounts to £116,000. Further information on accounting for accrued interest is provided at note 32.

34. FINANCIAL INSTRUMENTS GAINS AND LOSSES

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

	Financial Liabilities; Measured at Amortised Cost £000	Financial Assets; Loans and Receivables £000	Total £000
Interest Expense	(14,795)	0	(14,795)
Losses on Derecognition	0	0	
Impairment Losses	0	(59,440)	(59,440)
Interest Payable and Similar Charges	(14,795)	(59,440)	(74,235)
Interest Income	0	771	771
Gains on Derecognition	0	0	
Interest and Investment Income	0	771	771
Net Gains/(Loss) for the Year	(14,795)	(58,669)	(73,464)

Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £974,000 are advanced to clients receiving residential/nursing care who following assessment are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

NOTES TO THE CORE FINANCIAL STATEMENTS

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £323,000. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

The deferred charges loans are part of the Charging Residential Accommodation Guide (CRAG) assessment and the adaptation loans are part of Disabled Facilities Grant legislation, which means they are part of national agreements. These loans are not part of the Councils internal policies and therefore are not classified as soft loans.

Fair Value Calculations

In accordance with the latest SORP each class of financial asset and liability should be disclosed at their fair value as a note to the Statement of Accounts. In addition, the methods used in determining such fair values should also be disclosed. The purpose of the fair value calculation is primarily to provide a comparison with the carrying value in the Balance Sheet.

The methods used to calculate the fair value of the Authority's outstanding debt has been based on the PWLB rates that applied to new loans as at 31 March 2010. These rates are then matched, as appropriate, to the duration remaining on an existing loan maturity. The market debt has been based on the equivalent LOBO rates as at 31 March 2010.

For financial assets the fair value is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender. The Authority's investments are all at fixed rates and have therefore been calculated using the comparable fixed deposit rates as at 31 March 2010. The balances held in call accounts are shown as cash.

The summary portfolio position of financial assets and financial liabilities as at 31 March 2010 is as follows:

Financial Assets	Nominal/Principal	Fair Value
Cash	£9,670,000	£9,670,000
Fixed Term Deposits	£90,145,000	£90,344,109

Further details about these assets are provided at note 28.

Financial Liabilities

Market Loans - LOBO	£49,200,000	£52,343,396
PWLB Maturity Loans	£231,228,693	£254,413,305

Further details about these liabilities are provided at note 31.

Premiums & Discounts

The treatment of premiums and discounts arising from the repayment of debt falls into one of two categories:

- Where the repayment falls under the terms of a loan extinguishment any premiums or discounts arising need to be charged/credited to the Income and Expenditure Account in year. These charges/credits are then reversed in the Statement of Movement on General Fund Balance and transferred to the Financial Instruments Adjustment Account. The balance held in the Financial Instruments Adjustment Account is then written down via the Statement of Movement on the General Fund Balance, over the longer of the remaining life of the loan repaid or the replacement loan. Discounts are credited over the shorter of the remaining life of the loan repaid or 10 years.
- Where the repayment falls under the terms of a loan modification any premium or discount arising needs to be subtracted or added to the carrying value of the loan and charged/credited over the life of the loan.

NOTES TO THE CORE FINANCIAL STATEMENTS

The £7,458,000 balance of the premiums held in the Financial Instrument Adjustment Account will continue to be amortised over the life of the replacement loans under regulation. This is a continuation of the Authority's existing policy. The total value of this amortisation in 2009/10 was £315,000, this sum was charged to the Statement of Movement on General Fund Balance and credited to the Financial Instrument Adjustment Account. As a result the balance on the Financial Instrument Adjustment Account stands at £7,143,000. Further details of the premiums are provided below:

- In 2006/07 a £800,000 premium was paid due to the restructuring of some market loans. As the original loans were classified as extinguishments under the SORP this amount is being amortised over the life of the replacement loan under Statutory Instrument 573. Further details are provided at note 26.
- All other premiums related to restructuring prior to 2006, the total sum amortised relating to these premiums was £303,000.

There were no premiums paid or discounts received in 2009/10.

35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities.

To avoid the Council suffering loss as a result of its treasury management activities a number of risk management procedures have been put in place. The purpose of these procedures is to manage the risks arising from the use of financial instruments down to acceptable and agreed levels.

These procedures are based on the concept that firstly security of principal is paramount, secondly that there is a need to maintain liquidity and finally earning a rate of return commensurate with the first two concepts.

The management of risks associated with the use of financial instruments is undertaken by a central treasury management team. The team works within policies approved by Full Council prior to the start of the year as part of the Treasury Management Strategy. The Authority has written procedures for overall risk management, as well as written policies covering specific areas, such as credit risk, liquidity risk, interest rate risk and the investment of surplus cash which are updated by the treasury team and approved by the Director of Resources.

The Council adopted the revised CIPFA's Treasury Management Code of Practice in February 2010. It has also set treasury management indicators to control the key risks associated with financial instruments in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities.

Credit Risk Exposure

Credit and counterparty risk is the failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness.

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principle sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Council's creditworthiness policy which is approved as part of the Annual Investment Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from, the list are approved by the Director of Resources.

NOTES TO THE CORE FINANCIAL STATEMENTS

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £20,000,000.

With security of capital being the main priority lending continues to be restricted to highly credit rated institutions, Part Nationalised Institutions, other Local Authorities and the UK Government via the Debt Management Office (DMO).

In addition to credit ratings the Authority also continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate. In conjunction with our treasury advisor, countries sovereign ratings are also taken into account when placing deposits and institutions credit default swap rates are monitored on a weekly basis and action taken to remove an institution from the approved lending list if required.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default and non recovery over the last five financial years, adjusted to reflect current market conditions.

	Amount deposited at 31 March 10 £000
Loans and receivables held with counterparties having a default rating of:	
AAA	3,185
AA	52,260
Other Local Authorities	44,370
Debtors (Customers)	12,562

The Authority generally allows its customers 30 days credit. Of the £12,562,000 outstanding from customers £5,142,000 is past its due date for payment. This past due amount is analysed by age as follows:

Age of Debt	£000
Less than 3 months overdue	1034
3 to 6 months overdue	1003
7 months to 1 year overdue	739
More than 1 year overdue	2,366
	5,142

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. The authority's strategy therefore is to ensure that no more than 15% of loans mature in any one financial year. The maturity analysis of the authority's financial liabilities is provided at note 31.

In addition, all of the Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

Interest Risk Exposure

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council minimises this risk by seeking expert advice on forecasts on interest rates from its Treasury Management consultants, and agreeing with them the strategy for the forthcoming year for the investment and debt portfolios. Movement of actual interest rates against these expectations is monitored continuously with advice from our treasury advisor.

Interest rate exposure limits and other prudential limits are set through the Annual Treasury Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Income and Expenditure Account or Statement of Recognised Gains and Losses (STRGL).

As at 31 March 2010 the Council's total outstanding debt (excluding accrued interest) amounted to £280,429,000 of which none of these loans were at stepped interest rates. Out of this balance £230,379,000 relates to fixed rate Public Works Loan Board (PWLB) loans, £850,000 relates to a variable rate PWLB loan and £49,200,000 relates to Lenders Option Borrower Option (LOBO) market loans. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. Had long term interest rates been 1% higher than they actually were, and all other circumstances been the same, this would result in an increase in interest payable of £8,500 on the PWLB loan and £492,000 on the LOBO loans. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2010, £9,670,000 was held in a Call Account. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £96,700. The impact of a 1% fall in interest rates would be a £96,700 loss.

The internal Treasury Team's aim is to outperform the 7 day LIBID investment benchmark.

Interest rate risk is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates, or the authority's cost of borrowing, and provides some compensation for a proportion of any higher costs.

Price Risk

The Authority does not invest in equity shares therefore is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Rate Exposure

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

Exceptional Items

Early in October 2008, the Icelandic bank Landsbanki Islands hf went into administration. Following steps taken by the Icelandic Government at this time its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. At that time the former Bridgnorth District Council had £1 million deposited with this institution the details of which and how it was accounted for in 2008/09 are shown below.

Invested	Maturity	Amount	Interest Rate	Carrying Amount	Impairment
2/10/2008	3/11/2008	£1,000,000	6.1%	£726,981	£278,200

NOTES TO THE CORE FINANCIAL STATEMENTS

The deposit was accounted for based on the latest available guidance which indicated a recovery rate of 83%. In calculating the impairment the estimated repayment dates and amounts detailed in the following table were used.

Date	Repayment
March 2010	21%
December 2010	21%
December 2011	21%
December 2012	20%

Bridgnorth District Council therefore recognised an impairment of £278,200 in 2008/09 based on recovering 83% of the deposit with the recovery being achieved by 2012.

Following Local Government Reorganisation on 1st April 2009 this issue has now been inherited by Shropshire Council. All local authorities who placed deposits with Landsbanki submitted claims to the Landsbanki Winding up Board in October 2009. All claims submitted were accepted as priority claims by the Board. However, an objection has been filed by non priority creditors meaning that all claims are currently being referred to the Icelandic District Court to be resolved as no agreement was reached during the mediation process.

Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011. On the basis of legal advice obtained by local authorities and advice provided by the Local Government Association, it remains the most likely outcome that the claims will enjoy priority status.

Landsbanki's latest creditors' report was issued on 26 March 2010. This confirms that a settlement has been reached between Landsbanki and the successor bank in Iceland about the way in which the successor will compensate Landsbanki for the assets taken over. Compensation is being provided through a series of interest-bearing bonds in a range of currencies. Latest information suggests that 95% of the deposit may now be repaid in eight instalments. The revised payment profile and estimated payment dates are detailed in the table below.

Date	Repayment Profile (Priority Status)
October 2011	22.17%
October 2012	8.87%
October 2013	8.87%
October 2014	8.87%
October 2015	8.87%
October 2016	8.87%
October 2017	8.87%
October 2018	19.47%

Failure to secure preferential creditor status would have a significant impact upon on the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming the bond remains at its current value. Therefore if preferential creditor status is not achieved the recoverable amount may only be 38%.

Based on this latest information, a reassessment of the recoverable amount at 31 March 2010 is required. As this reassessment is a change in an accounting estimate it has been accounted for in 2009/10 as this is the year in which the revised estimate has been made. The recoverable amount has been calculated by using the present value of the expected future cash flows discounted at the deposits original interest rate of 6.10%. The carrying amount of £772,588 as at 31 March 2010 is made up of the carrying amount of £726,981 as at 31 March 2009 plus interest credited to the Income & Expenditure Account in 2009/10 of £45,607. Based on the revised calculation the recoverable amount has now reduced to £713,148 therefore an Impairment adjustment of £59,439.54 has been recognised in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS

As the available information is not definitive as to the amounts and timings of payments to be made it is likely that further adjustments will be made to the accounts in future years.

36. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2010.

2008/09		2009/10
(Restated)		£000
£000		
16,233	Government Departments	24,110
39,848	General Creditors	41,344
2,063	Collection Fund	2,851
3,365	Receipts in Advance	4,146
61,509		72,451

37. LIABILITY TO DEFRA FOR LANDFILL USAGE

Allowances to use landfill at a specified level are allocated free of charge to Waste Disposal Authorities (WDAs) by DEFRA. The Landfill Allowance Trading Scheme (LATS) operates for 15 annual compliance periods and runs from 1 April 2005 to 31 March 2020. In order that WDAs can plan for the future and establish a market in landfill allowances, the allowances for all 15 annual compliance periods were notified to WDAs on 2 February 2005. WDAs are able to contract with other WDAs to buy and sell allowances for both the current and future compliance periods. 2009/10 is the first of three target years, and there is no balance carried forward from 2008/09 as the Waste and Emissions Trading Act 2003 (WET Act) prevents banked allowances being used in a target year, and all unutilised allowances were cancelled. The WET Act also prevents the banking of allowances across target years. Allowances not used in a target year are forfeited unless a trade can be undertaken in the reconciliation period between April and the end of September. The authority did not buy or sell any allowances in 2009/10, however trading activity in the reconciliation period is possible.

	Allowances No.	Rate £	Value £000
Balance of LATS Reserve as at 1 April 2009	107,824	0.00	0
Adjust for Changes to 2008/09			
Impairment of Allowances Transferred to Reserve	0	0.00	0
Changes during Reconciliation Period	0	0.00	0
Net Impact on Reserve	79,691		0
2009/10 Allowances			
Allowances Issued by DEFRA	67,395	16.57	1,117
Total Allowances Prior to 2009/10 Utilisation	67,395	16.57	1,117
Allowances Utilised in Year	(46,000)	16.57	(762)
Balance of Reserve as at 31 March 2010 (Pre Reconciliation Period)	21,395	16.57	355

38. CASH

2008/09		2009/10
£000		£000
(818)	Cheques issued but unrepresented	(1,120)
(3,805)	Net bank and petty cash balances	(6,557)
(4,623)		(7,677)

NOTES TO THE CORE FINANCIAL STATEMENTS

39. GENERAL FUND BALANCE

This represents the combined accumulated surplus of income over expenditure against the General Fund and Schools' budgets, these sums are separately identifiable and an analysis is provided below:

2008/09		2009/10
£000		£000
2,250	General Fund	2,875
	Schools' Balances	
5,305	Revenue Balances	5,428
2,074	Invested Balances	2,055
0	Foundation Schools (using the Council's bank account)	0
(240)	IT Financing	(179)
7,139		7,304
9,389		10,179

Following consultation with the Schools' Forum and Headteachers, an element of schools' balances have been used to purchase IT equipment for schools, the cost of this equipment is then recharged to schools over the life of that equipment, effectively operating as an internal leasing arrangement. In addition to the schools balances held by the Council a further £165,000 of balances are held by individual Foundation schools who hold their own bank accounts.

I see that there is money held in the General Fund Balance, does this mean Council Tax will be reduced in the future?



The general fund balance is available for use within the Council's budget and one of the options could be to help reduce Council Tax. However, the balance is small in terms of the Council's budget and it is prudent and sensible to retain this sum as a contingency to protect the Council's financial standing. The schools' balances element has to be ring-fenced for use by schools.

40. USABLE CAPITAL RECEIPTS RESERVE

The table below shows the capital receipts in hand at 31 March 2010 along with the movements in capital receipts that have taken place during the year. In the opening 2009/10 balance sheet for Shropshire Council capital receipts of £27,229,000 were set aside to reduce the Capital Financing Requirement and Minimum Revenue Provision Charge in 2009/10. In 2009/10 £4,074,000 of borrowing (use of the capital receipts set aside) was required to finance capital expenditure, reducing the capital receipts set aside balance to £23,155,000.

2008/09		2009/10
£000		£000
1,390	Opening Balance Shropshire County Council	9
0	Opening balance transferred from Districts	26,805
0	Third party Capital receipts (between SCC and Districts released to UCR)	415
0	Capital receipts set aside in Opening Balance sheet	(27,229)
1,390	In hand at 1 April 2009	0
1,813	Net Receipts in year	4,095
(3,194)	Capital Receipts applied to capital expenditure	(4,095)
(1,381)		0
9	In hand at 31 March 2010	0

NOTES TO THE CORE FINANCIAL STATEMENTS

41. REVALUATION RESERVE

The Revaluation Reserve was created in the 2007/08 Statement of Accounts and represents the net impact of the revaluation gains accumulated since 1 April 2007. The closing balance on the Reserve at 31 March 2009 was £157,420,000, this increased by £16,740,000 to £174,160,000 in the 2009/10 opening balance sheet for Shropshire Council. The Revaluation Reserve has increased by £13,370,000 in 2009/10 resulting in a closing balance of £187,530,000.

2008/09		2009/10
£000		£000
103,000	Opening Balance Shropshire County Council	157,420
0	Opening balance transferred from Districts	16,740
103,000	Opening Balance	174,160
70,942	Revaluations	24,974
(2,301)	Depreciation	(5,866)
(2,476)	Disposals	(4,676)
(11,745)	Impairment	(1,063)
157,420	Balance at 31 March 2010	187,529

42. CAPITAL ADJUSTMENT ACCOUNT

The system of capital accounting requires the establishment and maintenance of a Capital Adjustment Account, this is set out below:

	Balance at 1 April 2009	Adjustment Opening SC Balance sheet 1 April 2009	Adjustment PFI Opening Balance sheet 1 April 2009	Movements in 2009/10	Balance at 31 March 2010
	£000	£000	£000	£000	£000
Write-down of deferred Government Grants	43,794	5,770	0	4,740	54,304
Write-down Revenue Expenditure Funded from Capital Under Statute	(40,781)	0	2,500	(5,523)	(43,804)
Capital Receipts set aside used to repay debt	8,132	0	0	0	8,132
Capital Finance					
- Capital Receipts Applied	77,472	27,229	0	4,095	108,796
- Revenue Contributions	65,811	0	0	4,541	70,352
- Capitalisation of Quality in Community Services PFI – Revenue Contribution	2,186	0	(2,186)	0	0
- Amortisation of Deferred Consideration – Waste PFI	(232)	0	232	0	0
- Movements on Fixed Assets	313,320	339,055	94	(20,279)	632,190
MRP (less Depreciation & Amortisation provision)	(25,868)	0	(645)	(17,612)	(44,125)
	443,834	372,054	(5)	(30,038)	785,845

NOTES TO THE CORE FINANCIAL STATEMENTS

43. CONTINGENT LIABILITIES

As part of the Finance Protocol between Shropshire Council and the then Wrekin District Council, a number of contingent liabilities have been identified, the costs will be shared should they arise.

A capital contribution of £370,000 received in 2000/01 and applied to finance a capital project, at Severndale Special School, is repayable (in full or in part) if the terms of the contribution are breached before 2031.

Work on Job Evaluation is still in progress, as a result there is the possibility that the Council may incur costs relating to previous years should backdated pay be agreed.

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

- a legal case pending concerning a former HRA dwelling for which the Council is legally responsible.
- An insurance claim relating to the liability for a Highways maintenance issue.
- An appeal and potential judicial review relating to a planning application in Oswestry

There remains the possibility that some employees of the Council (and former employees who bring a claim within six months of leaving) may bring a claim against the Council to seek retrospective membership of the pension scheme. This would only apply to employees who were employed on a part time basis in the past and as a result were prevented at a particular time from being able to join the Local Government Pension Scheme. The Council has received a significant number of such claims over recent years but the vast majority have now been dealt with either by the Employment Tribunal or by way of settlement. The likelihood of further claims is low but if they were made they could result in the authority incurring costs. It is not possible to be precise as to what the cost might be in any particular case, as it would depend on the employment period being claimed for. However, such claims would not be material to the accounts as they would relate to prior years.

The Council has provided guarantees to a number of Community Bodies that have been admitted to the Shropshire Pension Scheme, to fund any potential pension liabilities. These few bodies are Relate, MENCAP, SALC, Coverage Care and South Shropshire Leisure Ltd. Relate has just one member of staff, whilst MENCAP has 3 active members of the Shropshire County Pension Fund, 3 Pensioners and 2 Deferred Members. SALC has 3 active members. South Shropshire District Council offered a guarantee to South Shropshire Leisure Ltd that transferred to Shropshire Council on 1st April 2009. This Employer has 25 active members in the Scheme and 15 deferred members. These do not therefore represent a significant potential liability for the Council. The guarantee for Coverage Care Ltd covers staff Tupe'd to them in a contract entered into 1st March 1997.

The Council has entered into two "Funding and Development Agreements" with Development Trust for construction of supported living properties at Old Fort Road, Oswestry and Curriers Lane, Shifnal. Under the agreement the Development Trust will provide the Council will funding of up to £325,000 for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

44. POST BALANCE SHEET EVENTS

The Director of Resources authorised the Statement of Accounts for issue on x September 2010. This date has been used for the purposes of determining any Post Balance Sheet Events. No such events have been identified for 2009/10.

45. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties, that is bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of any transactions allows a view to be taken on the extent to which the Council might have been constrained in its ability to operate independently or might

NOTES TO THE CORE FINANCIAL STATEMENTS

have secured the ability to limit another body or individual's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council, being responsible for the statutory framework within which the Council operates, provides the majority of its funding through the payment of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments appear in other parts of the Statement of Accounts.

Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed. Members are also asked to confirm that their entries in the Register of Clubs and Societies are correct. For 2009/10 Councillor Nutting and Councillor Barker declared that they are Board Members of Severnside Housing. In 2009/10 the Council paid Severnside Housing £2,196,100 of which the majority relates to payments for accommodation associated with the Supporting People programme. There are no other material reported related party transactions between the Council and its members or senior officers.

Details of any exceptional transactions with other public bodies should be disclosed where they are material and may involve the ability for one party to influence another. There are no exceptional and material transactions to disclose.

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2009/10 was £18,770,000 compared with £11,350,000 for 2008/09.

As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. During the year the pension fund had an average cash balance of £3,412,000 in the Council Accounts for which interest of £18,000 was paid by the Council. The Council also received £1,015,000 from the pension fund for the costs of administration it provided compared with £1,022,000 for 2008/09.

46. GOVERNMENT GRANTS DEFERRED

Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on the Government Grants deferred account of £118,475,000 represents grants not yet written off.

47. CAPITAL ACCOUNT SUMMARY

2008/09		2009/10
Actual		Actual
£000		£000
	<i>Expenditure</i>	
4,843	Community Services	11,349
23,023	Children & Young People's Services	34,343
	Development Services	
21,683	Highways	19,220
9,467	Other	5,390
1,293	Resources, Chief Executive's Office and Legal & Democratic Services	7,968
60,309		78,270

NOTES TO THE CORE FINANCIAL STATEMENTS


Sources of Finance		
20,340	Borrowing (Supported)	21,387
2,000	Borrowing (Unsupported)	6,848
0	Borrowing (Unsupported – use of capital receipts set aside)	4,074
23,074	Government Capital Grants	33,517
7,170	Other Capital Grants	2,537
1,890	External Contributions	1,271
3,194	Capital Receipts	4,095
0	Major Repairs Allowance	100
<u>2,641</u>	Revenue	<u>4,441</u>
<u>60,309</u>		<u>78,270</u>

Capital expenditure is, by definition, on assets whose useful life is greater than the financial year in which the payment took place. Expenditure generally considered to be capital includes payments on the:

- purchase and reclamation of land.
- purchase, construction, replacement or enhancement of roads and buildings.
- purchase, replacement or enhancement of vehicles and equipment.

Capital transactions are recorded on an accruals basis. Accruals for invoices of £75,000 or above are included in the capital expenditure this complies with the CIPFA Statement of Recommended Practice and the accounting policy.

Why do we need this statement, why aren't these figures included in the Income and Expenditure Account?



Capital is spent on big projects that result in some form of asset being improved or created, e.g. a building. Expenditure of this type is largely funded by borrowing, the cost of this borrowing is what appears in the Income and Expenditure Account, rather than the actual amount spent on the asset.

Capital Expenditure

Capital expenditure in 2009/10 totalled £78,270,000. The expenditure was incurred on:

	£000	%
Purchase Land & Buildings	7,530	10
Construction	35,563	45
Furniture, Equipment & Vehicles	5,832	7
Infrastructure	15,265	20
Grants	4,947	6
Professional Charges	9,133	12
	<u>78,270</u>	<u>100</u>

The professional charges relate to work on infrastructure and construction.

Commitments under Capital Contracts

Capital contractual commitments as at 31 March 2010 were £10,346,000.

Supported Capital Expenditure (Revenue)

The Council received a Supported Capital Expenditure allocation, borrowing for which debt charges are supported through the Revenue Support Grant from Central Government, of £21,416,000, of which £21,387,000 was applied to finance capital expenditure in 2009/10.

Capital Receipts

Capital receipts of £27,230,000 were set aside for the repayment of debt by the Council as at 1st April 2009, leaving a nil balance of capital receipts in hand. Capital receipts of £4,095,000 were generated during the year. These were fully used as to finance capital expenditure in year. In

NOTES TO THE CORE FINANCIAL STATEMENTS

addition of the capital receipts set aside £4,075,000 was used to finance capital expenditure in 2009/10, leaving a balance of £23,155,000 set aside as at 31st March 2010.

The Directorates/services generating receipts in 2009/10 were:

	£000
Smallholdings	192
Economic Development	65
Children & Young People's Services	282
Community Services	3,098
Housing (HRA & Non-HRA)	436
Resources	22
	<hr/> 4,095 <hr/>

48. RESERVES AND PROVISIONS

The Council has created a number of specific reserves and provisions as permitted under the provisions of the Local Government and Housing Act 1989. These are to provide for known or anticipated future liabilities, and to assist in protecting essential services. Contributions, charged to the revenue account, are made either on a regular basis, or by appropriation from the Revenue Account when this is considered necessary.

NOTES TO THE CORE FINANCIAL STATEMENTS

<i>Restated Balance at 31 March 2009</i>	<i>Balance transferred from the Districts 1st April 2009</i>	<i>Expenditure in 2009/10</i>	<i>Income in 2009/10</i>	<i>Balance at 31 March 2010</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Reserves				
50	-	50	-	-
2,167	-	1,676	1,176	1,667
78	-	78	-	-
441	-	118	45	368
414	-	378	-	36
-	70	-	-	70
595	-	1,094	960	461
79	-	-	42	121
951	-	2,280	1,627	298
144	-	150	44	38
1,701	-	-	8	1,709
-	-	-	355	355
59	-	-	110	169
507	-	485	28	50
61	-	-	956	1,017
-	1,503	174	2,599	3,928
150	-	85	97	162
249	-	2	38	285
291	1,664	2,418	1,266	803
1,780	3,887	3,962	519	2,224
-	-	-	285	285
83	-	83	-	-
-	-	1,000	1,000	-
91	-	187	176	80
7,610	-	-	3,535	11,145
2,655	-	-	2,653	5,308
-	-	-	155	155
688	-	90	816	1,414
-	-	-	-	-
-	-	-	149	149
219	1,081	4,407	4,972	1,865
435	-	385	-	50
58	-	58	-	-
21,556	8,205	19,160	23,611	34,212
Directorates Carry Forwards				
-	-	24	-	(24)
-	-	1,141	-	(1,141)
37	-	37	40	40
(2,386)	-	-	2,386	-
208	-	208	446	446
(2,141)	-	1,410	2,872	(679)
Provisions				
4,311	-	639	273	3,945
-	369	-	-	369
-	176	-	-	176
-	152	-	-	152
4,311	697	639	273	4,642
23,726	8,902	21,209	26,756	38,175

An explanation of the reserves and provisions shown above is provided below.

RESERVES

Advisory Service established from prior years' unapplied retained Standards Fund grant balances.

Area Based Grant - established from unapplied Area Based Grant balances. Commitments have been made against these balances in 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

Building Maintenance - this was established from an underspend within Property Services and slippage in the repairs and maintenance programme for council buildings. In 2009/10 this reserve has been used to fund planned repairs and maintenance on the buildings and the building works associated with the accommodation works for the unitary council.

Connexions Legacy - established from the process of liquidating the old external Connexions Company with effect from 31 March 2007. The Agreement to transfer the assets of the old Company to Shropshire County Council stipulates that "the Distributable Funds shall only be applied for the benefit of young persons and for no other purpose whatsoever".

Council Elections - established to meet the periodic cost of Council Elections which take place every four years. In 2009/10, £129,000 was used from this reserve to fund the cost of the Unitary elections held in June 2009. As the balance held within the reserve was not required for the purpose of the election, £250,000 was released to the Voluntary Early Retirement Reserve to help meet transition costs.

Craven Arms Auction Yard - has been established to cover the expected future costs associated with maintaining the new development at the former Craven Arms Auction Yard site.

CYPS Directorate - this reserve was established from overall directorate underspends in 2004/05. This reserve has been applied to one-off spending initiatives which are time-limited and not covered by base budget provision. It has also been used in 2007/08, 2008/09 and 2009/10 to support the directorate's base budget overspends.

Economic Development Workshops Major Maintenance - set up to meet the costs of major maintenance of Economic Development Workshops.

Education Staff Sickness Insurance - schools' self help insurance for staff sickness with premiums met from delegated budgets. Any surplus generated is used to benefit contributing schools and schools' related budgets.

Education Theft Insurance - this is the schools' self help insurance scheme to cover equipment damage and losses. Any surplus generated is used to benefit contributing schools and schools' related budgets.

Fire Liability - **see Fire and Liability Insurance under Provisions below.**

Landfill Allowance Trading Scheme - this reserve has been set up to recognise the notional surplus generated because the council's liability for waste disposal tonnage since 2005/06 has been less than the allowances allocated by DEFRA. As this represents a notional surplus it **cannot** be spent. This reserve has only been set up because the accounting guidelines require it.

Legal Disbursements - this helps to meet extraordinary legal costs incurred by service directorates over and above budgets. An underspend of £110,000 against legal budgets has been contributed to the reserve in 2009/10 to meet future corporate legal disbursement costs.

Local Authority Business Growth Incentive - this reserve has been established using grant from the Department for Communities and Local Government. The reserve will be spent on schemes that will benefit business development within Shropshire and is fully committed in 2010/11.

Major Planning Inquiries - this reserve is used to meet the one-off costs of major planning inquiries, and is a corporate reserve. There was no expenditure in 2009/10. The balance remaining from the Housing and Planning Delivery Grant received in 2009/10 (£956,000) has been allocated to the reserve to meet the costs of any future liabilities.

Major Repairs Reserve - this reserve is used to meet the costs of major repairs to be undertaken on the Council's housing stock.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

PFI Buildings Equipment Replacement - this was established in 2007/08 to fund replacement equipment in PFI buildings. This relates to items of equipment not covered by the PFI contract, that the council are responsible for maintaining.

Resources Efficiency - established for investment in new developments, particularly information technology, that client directorates would not be expected to meet from their internal service level agreements for support services. This reserve is used for corporate developments such as the development of the server room and electronic data management infrastructure. The reserve is fully committed in 2010/11.

Revenue Commitments for Future Capital Expenditure - this reserve comprises underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants. This sum is available to fund commitments against capital schemes in 2010/11.

Schools Building Maintenance Insurance - the schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school. In broad terms this includes annual contract maintenance, programmed structural repairs, mechanical and electrical contract maintenance and reactive essential maintenance works. In 2009/10 there has been some slippage in the programme of works, therefore the balance of £285,000 will be fully committed in 2010/11.

School Meals - Academic Year - this reserve was held to support financial years when there has been a higher than average number of school days.

Shire Catering and Cleaning Efficiency - this is built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits. During 2009/10 Shire Services' overall trading position was a deficit of £11,000, but a £91,000 surplus had been carried forward from the previous year leaving £80,000 available which will be carried forward for 2010/11.

Shropshire Waste Partnership (Smoothing Reserve) – the PFI smoothing reserve reflects the budgeted contributions in the early years of the Waste PFI contract that will be used to smooth the step up in the Unitary Charge once additional facilities come on line. The PFI smoothing reserve will ensure that the Shropshire Waste Partnership does not pay for services in advance of receiving them but that once costs are increased in line with the contract money is available to meet those costs. The SWP Business Plan anticipated the PFI smoothing reserve earning interest at 5% per annum. Interest of £48,641 has been added in 2008/09; applying an interest rate of 0.67% which reflects the average rate the Council has earned on its balances throughout the year. A further £314,355 has been transferred from the General reserve below to make up the shortfall in interest.

Shropshire Waste Partnership (General Reserve) - the general reserve arises from SWP underspends and this will be earmarked towards future capital and revenue pressures in the budget. £452,579 was added in 2009/10 and a contribution of £314,355 was made to the smoothing reserve to make up for a shortfall on interest. The balance has also been adjusted for the underspend arising from the prepayment for planned assets not yet provided under the SWP contract (£2,165,000) which is now required under International Financial Reporting Standards.

Theatre Severn Repairs & Maintenance - established from underspends within culture and leisure, the reserve will be earmarked towards future capital and revenue expenditure on repairs, maintenance and replacement of essential equipment at the Theatre.

TMO Vehicle Replacement - this reserve was set up to meet the costs of replacement vehicles by the Integrated Transport Unit. An additional £758,430 was added in 2009/10, which included £82,713 of Bus Services Operators Grant (BSOG), and contributions for the replacement of existing vehicles of £675,717. Expenditure of £89,643 was incurred on the acquisition of vehicles.

NOTES TO THE CORE FINANCIAL STATEMENTS

Transport – Academic Year - this reserve was held to support financial years when there has been a higher than average number of school days, or to support transport base budget spending pressures.

Unitary Transformation - this reserve has been established from underspends on Organisational Development training programmes and will be used in 2010/11 to fund costs incurred in supporting the transformation programme of the unitary council.

Voluntary Early Retirement/Severance - used to help meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account. During 2009/10 this reserve has been used to fund the one-off voluntary early retirement and redundancy costs associated with the transition and transformation stages of the Unitary Council.

Waste Management - to meet potential claims from our contractors. Expenditure of £384,904 was incurred in 2009/10, and all claims up to 2008/09 have now been settled.

Youth Service Vehicle Replacement - this reserve was established to meet the costs of purchasing specialist vehicles for the Youth Service.

Directorate Carry Forwards – this represents the net overspend on Directorates' budgets at the end of the year. Under devolved financial arrangements for directorates any underspend is available for use in 2010/11 or alternatively an overspend must be recovered.

PROVISIONS

Liability Insurance Provision and Fire Liability Reserve – the “Liability Insurance Provision” and the “Fire Liability Reserve” are treated as one overall combined balance (as approved by Cabinet on 8 July 2003 as per the “Reserves, Provisions and Balances” report, recommendation C). This sum is now available to meet the cost of excesses on all Council properties as well as the cost of excesses relating to Public and Employers' Liability Claims on or after 1 April 1998. Amounts over the excess are funded by the Council's external insurers. For 2009/10 this cover was provided by Risk Management Partners Ltd, 9 Alie Street, London, E1 8DE.

Single Status – this was established by Bridgnorth District Council to meet the costs of implementing the harmonisation of terms and conditions of service for employees under a nationally negotiated scheme. As the negotiations around the scheme are still ongoing, this provision has been retained for use in 2010/11.

Contract Retention – this was established by Oswestry Borough Council to fund contract retentions agreed for Housing improvement relating to the housing stock in Oswestry.

Other Provisions – this includes a number of small provisions inherited from the District and Borough Councils, including S106 Accrued Interest, Tenancy Deposit Clawbacks, and a planning appeal at Shrewsbury and Atcham .

NOTES TO THE CORE FINANCIAL STATEMENTS

49. RECONCILIATION OF NET SURPLUS/DEFICIT ON THE INCOME & EXPENDITURE ACCOUNT TO THE MOVEMENT ON REVENUE ACTIVITIES IN THE CASH FLOW STATEMENT

	2009/10	
	£000	£000
(Surplus)/Deficit for year per Income & Expenditure Account		53,125
Add items not resulting in cash flows		
Depreciation	(46,483)	
Government Grants Deferred Amortisation	4,740	
Write Down Government Expenditure Funded from Capital under statute	(5,523)	
Net loss on sale of fixed assets	(5,918)	
Impairment on Investments	(60)	
Net charges made for retirement benefits	(13,299)	
	(66,543)	
		(13,418)
Add/deduct movements in working capital		
Increase/(decrease) in stocks and work in progress	28	
Increase/(decrease) in revenue debtors	(4,431)	
(Increase)/decrease in revenue creditors	12,092	
(Increase)/decrease in provisions	520	
(Increase)/decrease in Collection Fund Adjustment Account	271	
	8,480	
		(4,938)
Add Revenue costs of financing		
Net Interest		(12,241)
Interest on Finance Leases		(1,783)
		(18,962)
Net (Inflow)/Outflow on Revenue Activities		(18,962)

50. RECONCILIATION OF NET CASH FLOW IN THE CASH FLOW STATEMENT TO MOVEMENT IN NET DEBT

2008/09 £000		2009/10 £000
(3,020)	Increase/(decrease) in cash in the period	(29,370)
(126)	Cash inflow/(outflow) from increase/(decrease) in liquid resources	20,938
0	Cash inflow/(outflow) from increase/(decrease) in amount relating to major Preceptors & NNDR	(6,667)
86	Cash inflow/(outflow) from increase/(decrease) in debt financing	(25,464)
0		
(3,060)	Movement in net debt in the period	(27, 292)
(189,003)	Net debt at 1 April 2009	(192,063)
	Adjustments from Districts on Opening Balance Sheet	8,894
0	Deferred Premium on Early Repayment of Debt (non-cash item)	
(192,063)	Net debt at 31 March 2010	(210,298)

NOTES TO THE CORE FINANCIAL STATEMENTS

51. ANALYSIS OF NET DEBT

	<i>Balance as at 1 April 2009</i>	<i>Adjus- ment Opening Balance Sheet</i>	<i>Adjusted Balance as at 1 April 2009</i>	<i>Cash Flow</i>	<i>Balance as at 31 March 2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash Overdrawn	(4,623)	26,316	21,693	(29,370)	(7,677)
Short Term Investments	64,405	14,472	78,877	20,938	99,815
Cash from Borrowing (Note 52)	(251,068)	(5,884)	(256,952)	(23,677)	(280,629)
Deferred Premium on Early Repayment of Debt (balance represent non-cash items)	(777)	0	(777)	12	(765)
Major Preceptors & NNDR	0	(7,368)	(7,368)	6,667	701
Deferred Liabilities - PFI	0	(18,542)	(18,542)	(1,799)	(20,341)
	(192,063)	8,994	(183,069)	(27,229)	(210,298)

52. ANALYSIS OF CHANGES IN FINANCING INCLUDED IN THE CASH FLOW STATEMENT

	<i>31 March 2009</i>	<i>Adjus- ment Opening Balance Sheet</i>	<i>Adjusted Balance as at 1 April 2009</i>	<i>31 March 2010</i>	<i>Movement</i>
	<i>£000</i>			<i>£000</i>	<i>£000</i>
Borrowing:					
Temporary Loans	(2,151)	(2,249)	(4,400)	(2,612)	1,788
Long Term Loans	(216,717)	(3,635)	(220,352)	(228,817)	(8,465)
Money Market	(32,200)	0	(32,200)	(49,200)	(17,000)
	(251,068)	(5,884)	(256,952)	(280,629)	(23,677)
Long Term Liabilities:					
Deferred Premiums on early repayment of debt	(777)	0	(777)	(765)	(12)
	(251,845)	(5,884)	(256,952)	(281,394)	(23,689)

53. LIQUID RESOURCES

The Council considers Liquid Resources to be:

- Current asset investments that are readily disposable (i.e. within 365 days), into known amounts of cash at or close to the amount of the investment, or traded in an active market, e.g. Gilts, Certificates of Deposit etc.
- Temporary investments of cash available within 365 days.

NOTES TO THE CORE FINANCIAL STATEMENTS

54. ANALYSIS OF GOVERNMENT GRANTS INCLUDED IN THE CASH FLOW STATEMENT

	2009/10 £000
Revenue Support Grant	16,905
Non Domestic Rate Income	73,240
Dedicated Schools Grant	147,176
Other Revenue Grants:	
Standards Fund	25,897
Supporting People	6,420
ABG	15,646
Sure Start	4,713
Rural Bus Challenge	1,111
LABGI	184
QICS – PFI Credits	1,523
SWP – PFI Credits	3,186
Housing & Planning Delivery Grant	1,117
Total Other Revenue Grants	297,118
Capital Grants	
Schools Formula Capital	7,774
Standards Fund	18,956
Early Years	3,637
Department of Transport (LTP)	2,904
Department of Health	619
DEFRA Waste Infrastructure	508
Regional Housing Pot	951
Disabled Facilities Grants	1,042
Growth Fund	1,696
Other	6,795
Total Other Revenue Grants	44,882

55. ACCOUNTING FOR SUSTAINABILITY

During 2009 Shropshire Council was selected to take part in the Carbon Trust Local Authority Carbon Management Programme, and as a result of 9 months work, has produced the Shropshire Council Carbon Management Plan. This strategy sets out Shropshire's commitment to reduce carbon emissions by 35% by 31st March 2014 from 2008/09 levels, and underpins potential financial savings to the council of around £17.2 million over 5 years. The baseline carbon footprint of 90,608 tonnes CO² has been calculated from the total annual energy, waste and transport fuel consumption through its direct activities.

The strategy sets out a wide range of short, medium and long term projects with initial sources of funding. An early activity has been to install automatic meter reading on gas and electricity meters in all buildings to enable more accurate data collection both for own monitoring of progress but also for submission under National Indicator 185 and in readiness for the Carbon Reduction Commitment. Other early projects include replacement boilers at the Shirehall, lighting and insulation upgrades across area HQ's and work with schools.

A number of the projects identified can be financed from existing capital and revenue resources and through applications for specific grants. However, additional resources of £6.4m through Prudential Borrowing will be required to progress a number of schemes. The schemes identified are self-financing, within a period of between 2 and 5 years.