



Committee and date  
Audit Committee

27 June 2019

Item

Public

## STATEMENT OF ACCOUNTS 2018/19

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### 1. Summary

The 2018/19 Statement of Accounts has been prepared in line with the faster closedown timetable introduced in the Accounts and Audit Regulations 2015. Therefore, the Draft Statement of Accounts for 2018/19 has been certified by the Section 151 Officer as a true and fair view of the financial position by 31<sup>st</sup> May 2019.

The Draft Statement of Accounts for 2018/19 is appended to this report. This report provides an overview of the Accounts and provides details of the reasons for the most significant changes between the 2017/18 Accounts and the 2018/19 Accounts.

The final revenue outturn for 2018/19 is an underspend of £0.167m on a gross budget of £561.950m. The final capital outturn shows a spend of £50.975m, representing 76% of the revised budget.

The authority's earmarked reserves and provisions have increased by £3.790m. The general fund balance has increased by £0.226m. Delegated Schools' balances have decreased by £1.196m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on the Agenda for this meeting.

### 2. Recommendations

It is recommended that Members:

- A. Receive and comment on the draft 2018/19 Statement of Accounts.
- B. Receive and note the additional accounting policy included in the Statement of Accounts for 2018/19.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the report.

#### **4. Financial Implications**

- 4.1. This report considers the projected outturn position for the 2018/19 revenue budget and the implications on the level of general fund balances of any overspends or spending pressures.

#### **5. Background**

- 5.1. A copy of the 2018/19 Statement of Accounts is attached at Appendix 1. The external audit by Grant Thornton is currently underway and will be completed in July, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the External Auditor.
- 5.2. The statutory deadline for the formal publication of the audited 2018/19 Statement of Accounts is 31 July 2019.

#### **6. Statement of Accounts**

- 6.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the "Code", to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The Code requires:
- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
  - Interpretation and explanation of the Statement of Accounts to be provided.
  - The Statement of Accounts and supporting notes to be written in plain language.
- 6.2 All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
- **Narrative Report** – this provides an explanation of the authority's financial position for 2018/19 and details the performance of the Council during the financial year.
  - **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.
  - **The Audit Opinion and Certificate** – this is provided by the External Auditor following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.

- **The Core Financial Statements**, which comprises:
  - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into ‘usable reserves’ and other reserves.
  - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council’s activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2018/19 Income and Expenditure Statement reports a deficit for the year of £74.240, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was an increase of £0.226m which reflects the year end underspend on the revenue budget.
  - **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2019. It shows the balances and reserves at the authority’s disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. As can be seen from the balance sheet the authority’s total equity amounts to £365.289m, an increase of £74.240 which is analysed in the Movement in Reserves Statement. Assets have decreased as a result of an increase in the value of the Pensions Liability as a result of an increase in the value of pension liabilities as a result of changes in actuarial assumptions. It should be noted that the equity value in the balance sheet does demonstrate that the authority’s assets exceed liabilities and therefore represents a very healthy financial position.
  - **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council’s accounting policies.

- **The Group Accounts** – these are prepared to account for the Council's share in IP&E Limited, Shropshire Towns & Rural Housing, West Mercia Energy, Jersey Property Unit Trust and SSC No.1 Limited.
  - **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. This statement and supporting notes are an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2018/19 and assets and liabilities as at 31 March 2019.
  - **The Housing Revenue Account** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The account details the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
  - **The Collection Fund Account** - this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
- 6.3 The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting 2018/19, published by CIPFA (the Code). For 2018/19 the main changes to the Code are as detailed below:
- Adoption IFRS15 Revenue from Contracts with Customers
  - Reporting of Debtors and Creditor has been amended to ensure reporting of detail fits local circumstances.
  - New requirements as detailed in IFRS9 Financial Instruments.

## 7. Accounting Policies

- 7.1 The accounting policies that the Council uses to determine the treatment of items within the Statement of Accounts are detailed in Note 1 to the Core Financial Statements. Amendments to the accounting policies have been made to reflect the new requirements relating to revenue from contracts with customers and the new accounting standards for financial instruments.

## 8. Analytical Review

- 8.1 An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous year's accounts. For 2018/19 the materiality threshold (i.e. the level of change between 2017/18 and 2018/19) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have been reviewed and explanations

are readily available. Details of the significant changes between the two years are shown in Appendix 2.

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

CIPFA's Code of Practice (Code) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2018/19

**Cabinet Member (Portfolio Holder)**

Peter Adams, Chair of Audit Committee

**Local Member**

All

**Appendices**

1. Draft Statement of Accounts 2018/19 (Unaudited)
2. Analytical Review of Statement of Accounts

### Analytical Review of Shropshire Council's Statement of Accounts for 2018/19

1. The analytical review for 2018/19 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Adult Services (Expenditure)**

	<b>2018/19 £000</b>	<b>2017/18 £000</b>	<b>Increase (Value) £000</b>	<b>Increase (%)</b>
Expenditure	142,885	132,711	10,174	8%

Within Adults Services there has been an increase in purchasing costs as a result of over 2,000 new clients in 2018/19 costing in the region of £8.639m and other inflationary pressures.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Children Services**

	<b>2018/19 £000</b>	<b>2017/18 £000</b>	<b>Decrease (Value) £000</b>	<b>Decrease (%)</b>
Expenditure	198,979	213,177	(14,198)	7%
Income	(143,422)	(158,167)	14,745	9%

A reduction in grant income in relation to Schools (Dedicated Schools Grant and Pupil Premium Grant) has resulted in a reduction in income and a corresponding reduction in expenditure.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Commercial Services**

	<b>2018/19 £000</b>	<b>2017/18 £000</b>	<b>Increase (Value) £000</b>	<b>Increase (%)</b>
Expenditure	29,253	8,817	20,436	232%
Income	(12,354)	(5,100)	(7,254)	142%

Income and expenditure in relation to the running costs and rents received for the Shopping Centres has increased in 2018/19 compared to 2017/18. The interest in the Shopping Centres was acquired on 24<sup>th</sup> January 2018 therefore only a part year of income and expenditure was included in the 2017/18 account compared to a full year in 2018/19. Following a revaluation of the Shopping Centres as at 31<sup>st</sup> March 2019 a revaluation loss of £11.476m has been included within expenditure in Commercial Services.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Workforce and Transformation**

	2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
Expenditure	5,740	3,043	2,697	89%

Increased expenditure in relation to the Digital Transformation programme.

- Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Corporate Services**

	2018/19 £000	2017/18 £000	Decrease (Value) £000	Decrease (%)
Expenditure	(5,722)	4,275	(9,997)	234%

Corporate Services include any past service costs, curtailments or settlements made in relation to pensions. In 2017/18 the net of these items was -£3.751m in comparison to -£13.236m in 2018/19. The decrease is because of income settlements increasing by £10.629m in 2018/19 due to several academies transferring with a pension deficit. Curtailment costs increased by over £1m as a result of increased redundancy and efficiency retirement costs resulting in a net movement of £9.467m.

	2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
Income	(7,133)	(4,118)	3,015	73%

Corporate Services income includes a number of corporate grants such as Education Services grant and Improved Better Care Funding (iBCF). The net movement on these grants is an increase of £3m.

- Comprehensive Income and Expenditure Statement - Other Operating Expenditure**

	2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
	81,827	29,715	52,112	175%

Losses on disposal of non-current assets have increased from £21.15m in 2017/18 to £73.35m in 2018/19. The major element of this loss was made up of Schools that transferred to Academies on 125 year leases and were written out of the Council balance sheet. In 2017/18, six schools (all Primary) previously on the Council balance sheet transferred to Academies/Diocese ownership, whereas in 2018/19, eleven schools (7 Primary, 4 Secondary) previously on the Council balance sheet transferred to Academies ownership.

- Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

	2018/19	2017/18	Increase (Value)	Increase (%)
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<b>£000</b>	<b>£000</b>	<b>£000</b>	
30,986	25,689	5,297	21%

(Income) and expenditure in relation to investment properties and changes in their fair value decreased from (£9.687)m in 2017/18 to (£3.834)m in 2018/19. The net income from investment properties stayed broadly static (£0.949m to £0.974m), the movement was in the capital charges for changes in value of investment properties, for which the movement was £2.860m in 2018/19, compared to £8.737m in 2017/18. This followed revaluations of a number of investment properties in 2017/18 and in particular significant revaluations to 3 land holdings related to change in use.

- Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
(284,993)	(274,507)	(10,486)	4%

Council Tax income has increased by £12.609m due to the increase in the taxbase and the 5.99% increase in the precept. Income generated from Business Rates increased by £3.086m as a result of an increase in the gross rateable value and an increase in the multiplier. These increases have been partially offset by reductions in non-ringfenced government grants such as a reduction of £6.117m in the Revenue Support Grant.

- Comprehensive Income and Expenditure Statement, Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
(39,431)	(13,292)	(26,139)	197%

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts. In 2018/19 the surplus was £26m greater than in 2017/18. This was mainly in relation to upward revaluations of assets in 2018/19, with the value of upwards revaluations £26.268m higher than in 2017/18. These changes reflect the movement in property values for those revalued each year, compared to their last valuations and the properties revalued each year (valuations are done on a rolling programme) and whether there has been a previous revaluation loss charged to service revenue accounts, which can be reversed if there is a subsequent revaluation increase.

- Comprehensive Income and Expenditure Statement, Remeasurement of the Net Defined Benefit Liability**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
51,028	(40,500)	91,528	226%

Remeasurement of the Net Defined Benefit Liability has changed from a gain of £40.500m in 2017/18 to a loss of £51.028m in 2018/19. The total swing of £91.528m is made up of three elements. The first is a change in liabilities as a result of a change in financial assumptions used by the actuary. This has resulted in a remeasurement loss of £63.336m in 2018/19 compared to a remeasurement gain of £47.04m in 2017/18. The second element is an Experience loss on liabilities of £14.365m. The third element relates to an increase in the return on plan assets (£33.209m). The increase in liabilities is due to a reduction in the discount rate of 0.2% and an increase in the CPI inflation assumption by 0.1%. Assets have increased due to investment markets showing rises over the year.

- **Balance Sheet Non Current Assets – Property, Plant and Equipment**

<b>2018/19</b>	<b>2017/18</b>	<b>Decrease (Value)</b>	<b>Decrease (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
1,069,254	1,104,614	(35,360)	3%

This reflects the overall movement in property, plant and equipment. The movement consists of additions, disposals, revaluations (upwards and downwards), depreciation charges and impairments. Although there has been a net revaluation increase in 2018/19 and £39m of additions, the value of assets written out of £75m has resulted in a net decrease in the value of property, plant and equipment held on the balance sheet. The high value of disposals is mainly due to the transfer of 11 schools to academies in 2018/19.

- **Balance Sheet Non Current Assets – Intangible Assets**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
4,051	34	4,017	11669%

In 2018/19 a number of schemes within the Digital Transformation Programme have gone live resulting in an increase in intangible assets.

- **Balance Sheet Long Term Assets – Long Term Investment**

<b>2018/19</b>	<b>2017/18</b>	<b>Decrease (Value)</b>	<b>Decrease (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
40,920	52,605	(11,685)	22%

In 2017/18 Shropshire Council purchased an investment in the Charles Darwin, Pride Hill and Riverside Shopping Centres. A valuation of the investment was carried out as at 31<sup>st</sup> March 2019 and this resulted in a reduction in the value of the investment of £11.476m due to changes in the retail sector over the last 12 months.

- **Balance Sheet Current Assets – Current Held for Sale Investment Properties**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
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<b>£000</b>	<b>£000</b>	<b>£000</b>	
3,822	0	3,822	100%

In 2017/18 Shropshire Council had no assets which fell into the category of Current Held for Sale Investment Properties. In 2018/19 an area of land owned by Shropshire Council has been transferred into this category from Investment Properties as an agreement has been entered into to sell this area of land in the next 12 months.

- **Balance Sheet Current Assets – Assets Held for Sale**

<b>2018/19</b>	<b>2017/18</b>	<b>Decrease (Value)</b>	<b>Decrease (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
1,432	3,027	(1,595)	53%

During 2018/19 disposals were completed for a number of Held for Sale assets.

- **Balance Sheet Current Assets – Short Term Investment**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
64,910	47,921	16,989	35%

**Balance Sheet Current Assets – Cash and Cash Equivalents**

<b>2018/19</b>	<b>2017/18</b>	<b>Increase (Value)</b>	<b>Increase (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
64,060	47,042	17,018	36%

**Balance Sheet Current Assets – Bank Overdraft**

<b>2018/19</b>	<b>2017/18</b>	<b>Decrease (Value)</b>	<b>Decrease (%)</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	
(7,005)	(14,625)	7,620	52%

The increase in short term investments needs to be combined with the balances of cash and cash equivalents and the bank overdraft to explain the true difference in cash balance during the two years.

There are five elements that detail the difference in cash:

- i. Revenue outturn (movement in usable reserves)
- ii. Capital
- iii. Movement in debtors/creditors
- iv. New loans provided/repaid
- v. Early Pension Payment

i. There was a £3.702m increase in usable reserves in 2018/19 due to a number of factors including; the Revenue Outturn delivering an underspend, an increase in the Housing Revenue Account reserve and planned contributions to earmarked reserves.

ii. The Capital Grant unapplied account has increased by £12.972m due to CIL payments of £5.764m received in 2018/19 and the receipt of a number of grants totalling £9.298m which have not been spent. Capital grants receipts in advance has increased by £2.251m due to early receipt of the 2019/20 Pothole Action Fund allocation and receipt of Basic Need Capital Grant.

iii. Debtors reduced during 2018/19 by £4.344m due to a decrease in amounts owed by Central Government bodies in relation to grants and a decrease in general debtors. Central Government creditors increased by £2.982m due to an increase in Business Rates due to Central Government. Creditors in contract increased by £9.718m. Due to the transfer to the new financial system invoices were unable to be processed in the last 2 weeks of March, this resulted in an increase in the number of creditor accruals processed. NHS Bodies and other Local Authority creditors reduced by £3.260m.

iv. Cash will have reduced due to the repayment of borrowing that the Council has undertaken of £6.400m and increased by the value of a short term loan taken out in 2018/19 for £4.840m.

v. In 2017/18 Shropshire Council paid the lump sum deficit to the Pension Fund in relation to the next 3 years in order to achieve financial savings. The value of this early payment relating to the year 2018/19 is £7.374m.

• **Balance Sheet Current Assets – Inventories**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
702	482	220	46%

Inventories have increased due to an increase in Salt stock. The balance of salt stock held at the end of 2017/18 had reduced as a result of the severe weather conditions in February and March 2018. Purchases were made to replenish the level of stock held and less salt was used in 2018/19 as a result of a less severe winter.

• **Balance Sheet Current Liabilities – Deferred Income**

2018/19 £000	2017/18 £000	Decrease (Value) £000	Decrease (%)
(1,101)	(2,175)	(1,074)	49%

£2.4m was placed in an escrow in 2017/18 relation to rent guarantees for the shopping centre. This was included in temporary investments and deferred income. As the funding is drawn down into revenue the deferred income is reduced. £1.074m has been drawn down in relation to 2018/19 resulting in £1.101m remaining on the balance sheet as deferred income.

• **Balance Sheet Current Liabilities – Short Term Borrowing**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
(10,873)	(8,457)	(2,416)	29%

During 2018/19 Shropshire Council took out a temporary loan for £4.840m, repaid loans to the value of £6.400m and loans to the value of £4m were transferred from long term to short term borrowing resulting in a net increase in Short Term Borrowing.

- **Balance Sheet Current Liabilities – Short Term Creditors**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
(76,402)	(66,962)	(9,440)	14%

Central Government creditors increased as a result of an increase in the Business Rates due to Central Government. General creditors also increased as a result of the closure of the old financial system mid-March, this resulted in an increase in the number of creditor accruals processed.

- **Balance Sheet Current Liabilities – Short Term Provisions**

2018/19 £000	2017/18 £000	Decrease (Value) £000	Decrease (%)
(2,167)	(3,453)	1,286	37%

Short term provisions have decreased by £1.286m. The accumulated absences provision has reduced by £0.722m. This provision is the estimated liability the Council would be required to cover for annual leave reimbursements for leavers. This calculation includes an estimate for Teachers and as a result of the transfer of Schools to academies in 2018/19 this liability has reduced. An environmental maintenance provision was set up in 2017/18 to retain a balancing payment due to the outgoing highways contractors providing that the work completed has been done to a satisfactory quality. Payments of £0.461m have been released from this provision in 2018/19.

- **Balance Sheet Current Liabilities – Grant Receipts in Advance Revenue**

2018/19 £000	2017/18 £000	Decrease (Value) £000	Decrease (%)
(3,180)	(4,065)	885	22%

The difference of £0.885m is primarily due to the Council applying the Dedicated Schools Grant (DSG) in excess of the amount received in the year in order to utilise the brought forward balance and therefore reducing the carried forward balance by £0.531m. Other grants received in previous years such as One Public Estate and Bus Service Operators Group have also been spent in 2018/19 further reducing the balance held in the Grant Receipts in Advance account.

- **Balance Sheet Current Liabilities – Grant Receipts in Advance Capital**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
(2,779)	(528)	(2,251)	427%

The increase is due to receipt of grants in 2018/19 which are not due to be spent until future years. The main grants that this relates to are:

- Department for Transport Pothole action fund - £0.908m
- Department for Education Basic Need Grant - £1.151m

• **Balance Sheet Long Term Liabilities – Pensions Liability**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
(478,802)	(419,636)	(59,166)	14%

Pensions Liability has increased by £59.166m in 2018/19 due to an increase in the value of pension liabilities as a result of a decrease in the discount rate during the year of 0.2% and an increase in the CPI inflation assumption of 0.1%.

• **Balance Sheet Long Term Liabilities – Provisions**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
(10,244)	(7,970)	(2,274)	29%

Long Term Provisions have increased by £2.274m due to an increase in the Business Rates appeals provision. Appeals from the 2017/18 and 2018/19 year are still to be resolved therefore the appeals provision has increased to take account of potential settlements.

• **Balance Sheet Long Term Liabilities – Usable Reserves**

2018/19 £000	2017/18 £000	Increase (Value) £000	Increase (%)
135,714	119,315	16,399	14%

The Capital Grants Unapplied Account has increased by £12.972m. This is due to additional grants being received in 2018/19 which have not been spent and as there are no conditions attached to them they have been transferred to the Capital Grants Unapplied account. This includes devolved formula capital of £0.700m, pothole action fund of £3.721m, safer roads fund of £3.823m and CIL of £5.764m. Earmarked Reserves have increased by £1.887m as a result of contributions to the development reserve for future projects. The Housing Revenue Account reserve has increased by £1.589m due to a lower than planned revenue contribution to capital due to slippage in the capital programme.

• **Balance Sheet Financing – Unusable Reserves**

2018/19	2017/18	Decrease (Value)	Decrease (%)
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<b>£000</b>	<b>£000</b>	<b>£000</b>	
229,575	320,214	(60,639)	28%

The decrease in Unusable Reserves is due to a decrease in the Capital Adjustment Account and Pensions Reserve and an increase in the Collection Fund Adjustment Account and the Revaluation Reserve. The Revaluation Reserve increased by £9.735m in 2018/19 which reflects the movement in asset values and disposals. The most significant areas of change were increases in upward valuations and the increase in the assets disposed/derecognised with balances in the Revaluation Reserve mainly the 11 Schools transferred to Academies. The Capital Adjustment Account has decreased by £49.659m in 2018/19 compared to movement of £12.2m in 2017/18. The movement reflects the movement in asset values, disposals and capital expenditure financing in 2018/19. The most significant area of change was the amount of non current assets written off on disposal or sale, reflecting the greater value of assets written off (again reflecting Academy Schools). There was also less revenue and capital receipt financing, the latter reflecting the reduced level of capital receipts generated in 2018/19 compared to 2017/18. Movements in the market value of Investment Properties was also less, as reported in the movement in Financing and Investment Income and Expenditure. In 2018/19 there was also a revaluation loss on Long Term Investments of £11.476m in relation to the revaluation of the Shopping Centres investment. The Collection Fund Adjustment Account has increased by £3.379m as a result of the increased surplus on the Collection Fund at the end of 2018/19. The Pensions reserve has moved by £51.792m as a result of an increase in pension liabilities due to a decrease in the discount rate and an increase on the CPI inflation assumption. The movement to the Pension Reserve is different to the pension's liability above due to the early pension payment.

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