

Telford & Wrekin Council

Statement of Accounts

2009/10

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Telford & Wrekin Council

Statement of Accounts

2009/10

Financial Statements

Explanatory Foreword

1. INTRODUCTION

The Council's accounts for the year 2009/10 are set out in the remainder of the report. They consist of:-

- ... **The Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services;
- ... **The Statement of Movement on General Fund Balance** – which brings together recognised movements in and out of the General Fund Balance for the year in line with proper practice;
- ... **The Statement of Total Recognised Gains and Losses** - this statement brings together all the gains and losses of the council for the year;
- ... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2010;
- ... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties;
- ... **The Notes to the Core Financial Statements** – which provide further information supporting the financial statements;
- ... **The Collection Fund** - the statutory account in which income from business rates, council tax and government grants is held temporarily, pending payment of precepting authorities;

These accounts are supported by the Statement of Responsibilities and the Statement of Accounting Policies, which follow this foreword plus various notes to the accounts which provide further detailed information on specific items.

2. FINANCIAL CONTEXT

2.1 Introduction

This section of the Statement of Accounts summarises the background to the Council's accounts for 2009/10. In particular it sets out

- An overview of the budget process for 2009/10
- Issues highlighted during 2009/10
- The final outturn for 2009/10
- A commentary on 2010/11

2.2 An Overview of the Budget 2009/10

The Council's 2009/10 budget was set in the context of a three year policy and planning strategy which covered the period 2009/10 to 2011/12. The budget is the financial expression of the Council's corporate and service priorities and plans compared with funding allocations. The Council is a relatively low-spending, high performing Local Authority which has a comparatively low level of Council Tax for its own services and the lowest for Unitary Services in the Midlands for both 2009/10 and 2010/11.

In December 2007 the Government announced the provisional 3 year settlement for 2008/09, 2009/10 and 2010/11. Capital allocations and Area Based Grant were also announced for the 3 year period. The Government's method of allocating resources between local authorities includes a mechanism designed to even out year-on-year volatility in the level of grant received by individual authorities – protecting grant losers and “damping” the effect of grant gains - Telford & Wrekin lost over £6.0m through this process in 2009/10.

Initial consideration of the Council's 2009/10 financial position took place at the Cabinet meeting in October 2008 and was followed by the strategy for consultation agreed at Cabinet in December 2008.

The final RSG settlement was announced in January 2009 and there was no change for the Council since the provisional settlement and a final budget strategy was approved at Council in March 2009 taking account of consultation responses.

The finally agreed budget package included a savings package of £3.8m and a range of investments including: an additional £1.2m into Adult Social Care to address increasing client numbers and the cost of care packages for the elderly; £0.250m re-invested in Children & Families services; £5.5m into the Borough Towns Initiative; £0.500m p.a. to improve play areas and playgrounds across the borough; £2.2m p.a. to continue the roads, footpaths and street lighting improvement programme; and £2m for South Telford estates.

The Council agreed to use £0.950m from balances to support the budget for 2009/10 together with £1.946m for one-off initiatives/contingency. The Council Tax increase was an average of 2.5% for Council Services, with the average charge (Band B) for the Council's services being £838 per year.

The Council consulted extensively on the budget proposals for 2009/10 which included discussions with: special interest groups, the Education Community, the Health Service Community, the Voluntary Sector, Town and Parish Councils, Partners, the general public, the Business Community as well as the Internal Value for Money Scrutiny Committee and in general feedback was supportive for the Council's approach towards the budget.

The Medium term planning projections for the council showed potentially a much tighter financial position for 2010/11 and a need to keep some flexibility to accommodate unknowns. A mixture of efficiency savings, some service changes and the use of some balances, were required to keep Council Tax increase in low single figures.

2.3 Issues Highlighted During 2009/10

A summary of the monitoring presented to Cabinet during 2009/10 is shown in the table below.

Portfolio	Forecast Over/(under) Spends (before FRS17)				Final £m		
	Qtr 1 £m	Qtr 2 £m	Qtr 3 £m	Qtr 4 £m	Service	Council Wide *	Total
Safeguarding & Corporate Parenting	Analysis by Service Delivery Unit not available as prior to council Restructure		1.816	2.029	1.975	0.000	1.975
Learning & Achievement			0.663	0.662	0.630	0.000	0.630
Regeneration & Housing			-0.076	-0.089	-0.052	0.000	-0.052
CYP One-Off Balances/Other			-1.349	-1.471	-1.604	0.000	-1.604
Property & Design			0.673	0.698	0.187	0.242	0.429
Economic Development			0.050	0.138	0.003	0.050	0.053
Environmental Services			0.274	0.434	-0.116	0.489	0.373
Planning & Transport			0.174	0.174	-0.275	0.373	0.098
Adult Social Care (Delivery)			0.292	0.064	-0.198	0.000	-0.198
Adult Social Care (Commissioning)			-0.192	-0.250	-0.344	0.000	-0.344
Adult Social Care –Other Variances			-0.159	-0.208	0.000	0.000	0.000
Customer & Leisure Services			-0.140	-0.084	-0.211	0.112	-0.099
Governance			-0.190	-0.173	-0.155	-0.068	-0.223
ICT & Procurement			-0.043	0.002	-0.213	0.000	-0.213
Finance			0.032	-0.022	-0.077	0.024	-0.053
Core Services			0.130	0.101	-0.012	0.079	0.067
Council wide	-2.036	-2.225	0.144	-1.315	-1.171		
Total Variation	-0.174	-0.994	-0.081	-0.220	-0.318	-0.014	-0.332
Other Year End Adjustments:							
Planned Use of General Balances							2.896
Transfer to Service Balances/Reserves							0.318
Actual Use of General Balances							2.882
* At year end Council Wide Balances are treated corporately and service balances are carried forward							

The final outturn shown in the above table excludes asset rental variations, which are notional year end charges, to allow comparison.

During the year there were a number of areas highlighted and a summary of these is covered below:

Safeguarding & Corporate Parenting

The year end overspend was £1.975m which was after the £1.4m virement from pay/general inflation benefits and treasury previously approved.

£1.174m of the overspend related to **Children in Care**. The number of children in care at year end was 274 which reflects around 40 additional placements above the average throughout 2008/09. £0.934m of the overspend related to Social Work and the additional

cost of agency staff due to ongoing vacancy levels, increased numbers of assessments and care proceedings.

Learning & Achievement

Specialist Education – the provision of additional special placements for children and young people demonstrating higher end behavioural, emotional and social difficulties and autistic spectrum disorder need and meeting the needs of educational statemented children gave rise to an overspend of £0.580m at year end.

One off Balances and Other Variations across all Children & Young People Service Delivery Units – A total benefit of £1.604m was identified towards the Service Delivery Unit overspends. This was a combination of £1.194m flexible use of grant income and £0.410m from other underspends.

Property & Design

Asset & Property Management – a shortfall in PIP rental income due to a high level of void properties and other PIP costs was experienced during the year giving rise to a variance of £0.961m at year end. One off balances of £0.461m were used towards this shortfall.

Planning & Transport

Planning Fees – a shortfall in planning fees due to a downturn in the economy gave rise to a variance of £0.276m at year end; this was covered from prior years' trading surplus and vacancy management.

Public Inquiries – an inquiry into the planning application for opencast mining in Lawley gave rise to £0.283m overspend. A further inquiry was highlighted relating to Granville Incinerator with legal costs of £0.090m falling in 2009/10; costs associated with any appeal will fall in 2010/11.

Landfill costs – £0.289m benefit from increased recycling and diversion from landfill was reported at year end.

Environmental Services

Concessionary Travel – a benefit of £0.116m was reported due to lower take-up than budgeted.

Street Lighting energy costs - £0.180m overspend was reported at year end

Winter Maintenance - £0.268m overspend arising from the adverse weather conditions

Adult Social Care (Delivery)

Mental Health – Staff vacancies and purchasing underspends from a reduced number of supported clients resulted in underspends during the year, totalling £0.142m.

Substance Misuse – Staff vacancies and consistently reduced care costs resulted in underspends of £0.117m being reported at year end.

Adult Social Care Commissioning

Supporting People – £0.143m being used to offset pressures across Adult Social Care purchasing.

ICT & Procurement – Overall underspend of £0.289m in 2009/10 arising from vacant posts which are part of the 2010/11 savings strategy.

Treasury – benefits from restructuring undertaken earlier in the year, the impact of cash flow and the changed regulations for calculating MRP have given rise to an underspend of £1.367m for 2009/10, after the £0.400m virement to Children & Families.

Council Tax/Housing Benefit Subsidy – benefit subsidy was higher than budgeted i.e. less subsidy lost due to reduced use of expensive B&B as temporary accommodation giving rise to a benefit of £0.292m at year end.

Single Status

Single Status is a National pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2009/10 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 3 years: £6.6m for services outside Education/DSO funding; £5.0m for Education/DSO services. The 4% is based on average settlements made by other unitaries and was the percentage used for the 2009/10 budget process.

2.4 Final Outturn for 2009/10

Revenue

Final net service expenditure was £124.251m (as detailed below before transfers to reserves) compared to a budget of £124.583m, an underspend of £0.332m (or -0.27%).

Description	Budget £m	Outturn £m	Variation £m
Actual Spend Per Outturn	124.583	124.251	(0.332)
Funded by Council Tax, Revenue Support Grant and Non Domestic Rates	121.687	121.687	0
Transfers to Reserves and Service Balances			0.318
Budget Contribution from Balances			2.896
Total Movement in General Balances for year			2.882

This position can be reconciled with the formal Income and Expenditure Account as shown below.

Description	Expenditure £m	Income £m	Net Expenditure £m
Net Cost of Services	456.473	311.580	144.893
Trading Services	10.806	9.706	1.100
Pensions Adjustments under FRS17	3.858	0.000	3.858
Interest Payable and Similar Charges	10.396	0.000	10.396
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	0.085	0.491	(0.406)
Interest and Investment Income	0.000	3.493	(3.493)
Area Based Grant	0.000	10.063	(10.063)
Remove Depreciation & Impairments, etc from Net Operating Cost	(27.584)	0.000	(27.584)
Minimum Revenue Provision	3.832	0.000	3.832
Net Movement on Reserves	1.718	0.000	1.718
Total	459.584	335.333	124.251

Included within the income shown above are government grants totalling £215.275m, which when added to the government support through Non Domestic Rates and Revenue Support Grant (£67.415m) give a total level of government support of £282.690m. See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balance of £3.972m and a special fund balance of £0.187m (see Note 23 to the Core Financial Statements), giving a consolidated balance of £4.159m. The total for all reserves and revenue balances held by the authority is £26.022m which leaves the Council in a robust financial position to approach the next budget cycle.

Treasury Management

At 31st March 2010 Investments stood at £73.8m which was a decrease of £69m from the previous year. In light of the economic climate and to reduce investment risk and volatility, the strategy during the year was to reduce investments and therefore reduce the need to borrow. Investments were reduced through not re-investing investments as they matured and funds were also drawn back from fund managers.

The level of borrowing at 31st March 2010 was £123.1m which was a decrease of £66m from the previous year. This is in line with the above strategy to reduce the level of investments and therefore the need to borrow. The borrowing strategy for the year was to take a pragmatic approach to the use of PWLB borrowing, spreading interest rate risk and taking advantage of rate movements when appropriate.

Overall a net saving of just under £1.4m was made against the budget in 2009/10 which was in the main due to low interest rates and the impact of cash flow.

Financial Reporting Standard No 17 – Retirement Benefits

The objectives of FRS17 are to ensure that:

- financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- the operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

Overall the deficit on the Council's share of the Pension Fund has increased by £57.5m; this has been as a result of changes in actuarial assumptions. Looking forward, the estimated contributions expected to be paid into the local government pension scheme next year is £14.040m. There was an actuarial valuation as at 31st March 2010 which will inform future employers contributions.

Capital Accounting

Capital

The Council spent £45.168m on capital projects during the year as detailed in the table below.

Priority Area	2009/10 Approved Budget £m	2009/10 Expenditure £m
Adult Care & Support	1.504	0.415
Active Lifestyles – Leisure & Culture	1.353	0.271
Housing, Regeneration & Prosperity	29.498	11.719
Children & Young People	24.777	16.244
Environment & Rural Areas	12.843	9.755
Community Protection & Cohesion	2.710	1.814
Community Focussed Efficient Council	7.126	4.950
Total	79.811	45.168
Funded by		
Borrowing		24.144
Capital Receipts		3.167
Government Grants		14.534
Revenue		0.128
Other External Sources		3.195
Total		45.168

The Council has a 28 year PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and JIGSAW (which provides Education, Health and Social Care packages) for £289m. The costs of the contract will be met from a combination of government support, school contributions and council support. The Council has approved a budget strategy which makes provision for its commitments. In 2009/10 the authority made payments of £9,396,344 in respect of this PFI contract with Interserve Limited. The authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

Group Accounts

The Council has no significant relationships with other bodies that would necessitate the production of Group Accounts. The Council has examined the relationship with partners including West Mercia Supplies (see note 47 to the accounts) and have concluded that group accounts do not need to be prepared.

2.5 2010/11 Commentary

The Council has a rolling three-year financial planning process. This was updated formally by reports to the Council's Cabinet in December 2009 and February 2010. The decisions on the medium term budget strategy at 4th March 2010 Council, reflect the outcome of extensive consultation with a wide variety of stakeholders during the Autumn/Winter.

The provisional Revenue Support Grant settlement for 2010/11 was announced in December 2007, as part of a 3 year settlement. Figures were finalised in January 2010 and there was no change for the Council. As experienced in 2009/10 the Council again lost funding through the “damping” mechanism, with over £5m being diverted to other Local Authorities through this process in 2010/11 alone.

Nevertheless, the 2010/11 RSG settlement overall was positive for Telford and Wrekin. There is uncertainty around the 2011/12 grant settlement, as this won't be known until December 2011 when the Government announces the provisional grant figures.

The finally agreed budget package included a savings package of £4.7m, Use of £0.980m general balances and a council tax increase of 1.9%.

Notable investments include:

- Phase 1 redevelopment of Telford Town Centre (including new Civic Offices) - £59.2m
- A five year programme of over £20m investment in Borough Towns
- Regeneration of New Town Estates - £11m
- Housing Supply and Affordable Housing - £10.8m
- Building Schools for the Future - £115.3m to modernise and improve schools
- Adult Social Services – £1.675m
- Children & Families Services - £1.9m
- £9.9m for maintenance of roads and pavements
- £0.5m for replacement/new street lights
- Improvements to Parks & Play Areas - £0.5m

The Council agreed to use £0.980m from its level of balances to support the budget for 2010/11. As a result, the Council Tax increased by around 1.9% for the Council's services, taking the average charge (Band B) to £854 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,098). This represents a weekly increase of just under 31p before parish and town councils and the police and fire precepts are added.

Looking Ahead

The financial climate ahead is one of uncertainty and challenge. In advance of the Spending Review, due in Autumn 2010, the Government has already announced £6.2bn savings in 2010/11 needed to tackle the public spending deficit. £1.165bn will come from Local Government through reduced grants which will undoubtedly impact on the Council, although the exact detail is not yet known. The Revenue Support grant is due to be announced in December 2010 – however it is unclear how many years will be set and therefore how much certainty will be provided. There is also a central drive for a council tax freeze as the Government seeks to reduce public spending. Overall the outlook will be exceptionally difficult with additional savings of at least £5m p.a. being needed and considerably more.

3. FURTHER INFORMATION

Further information is contained in the Council's Service & Financial Planning Strategy, which is available from the Corporate Finance Unit, Civic Offices, Telford, [contact Bernard Morris on (01952) 383702].

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Chart 1

**Midlands Authorities 2009/10 Band D Council Tax for Equivalent Unitary Services
(Excluding Police, Fire* and Parish Precepts)**

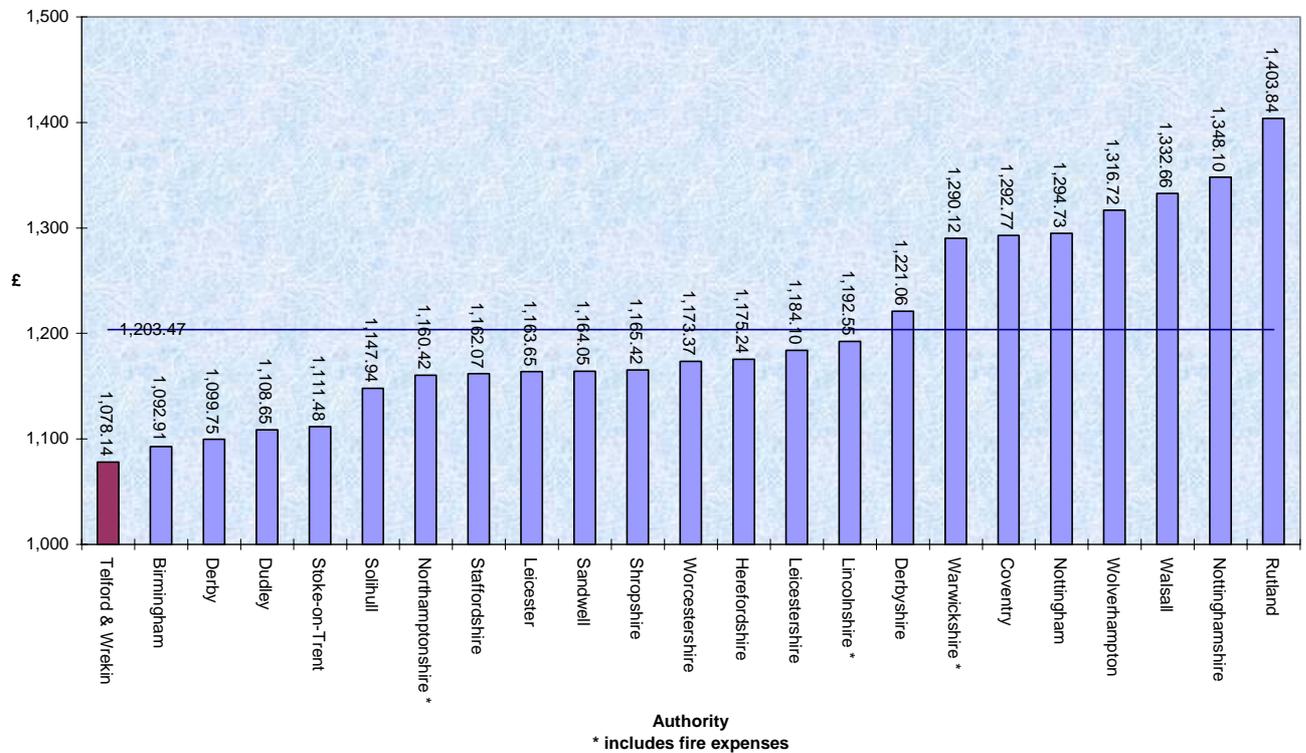


Chart 2

Net Revenue Expenditure by Main Service Area 2009/10
£m

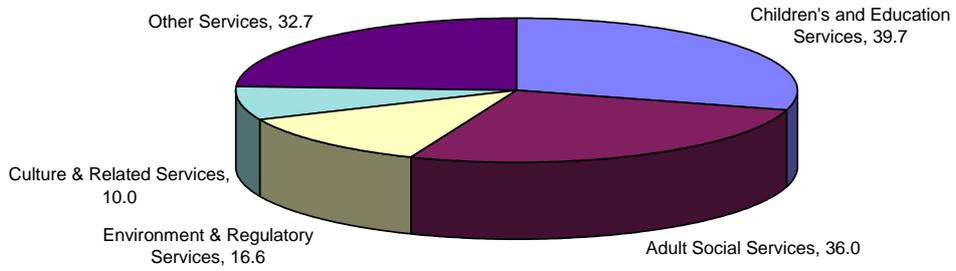


Chart 3

Sources of Finance 2009/10
£m

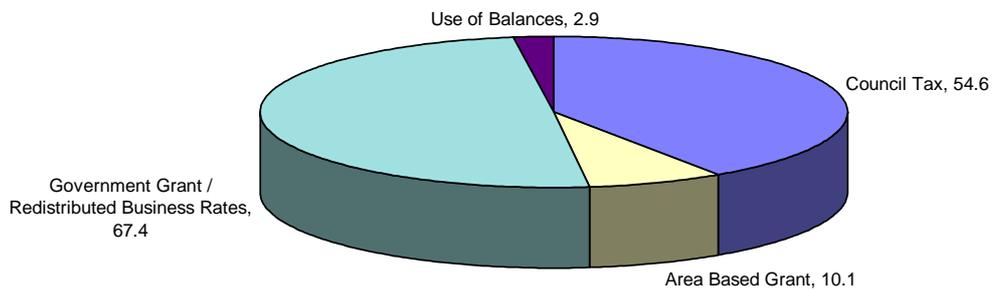


Chart 4

Capital Expenditure 2009/10 (£m)

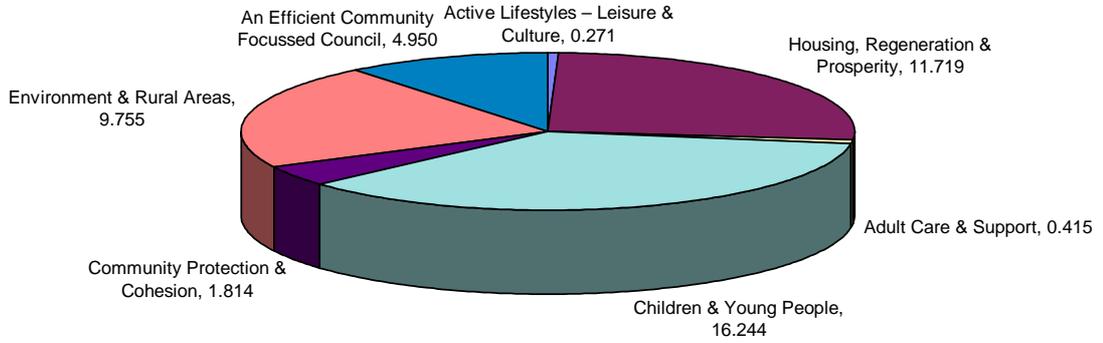
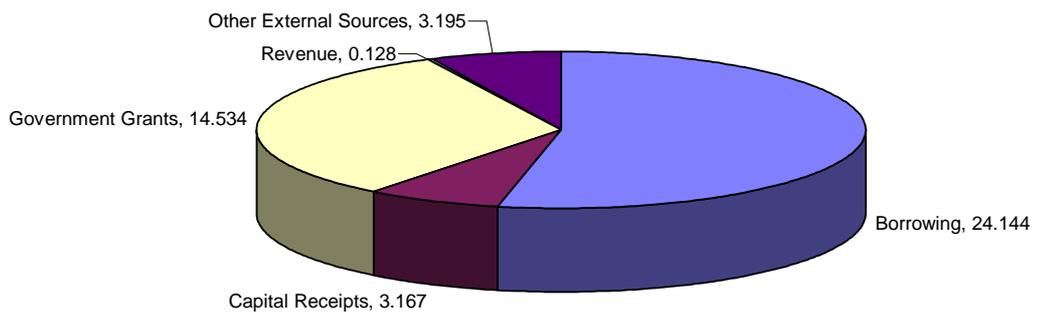


Chart 5

Sources of Capital funding 2009/10 (£m)



Statement Of Responsibilities

The Council's Responsibilities

The Council is required:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2010.

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

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

The Chief Finance Officer has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 2 to 85 complies with the requirements of the Accounts and Audit Regulations 2003.

Paul Clifford CPFA,

Corporate Director

Dated : 21 September 2010

APPROVED BY AUDIT COMMITTEE

The Statement of Accounts was approved at a meeting of the Audit Committee on 21 September 2010

Councillor David Wright

Chair of Audit Committee

Dated : 21 September 2010

ANNUAL GOVERNANCE STATEMENT 2009/10

1. Standards of Governance

- 1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as the applicable statutory requirements.

2. Scope of Responsibility

- 2.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively to secure continuous improvement.

- 2.2 To this end the Council has approved and adopted a local code of corporate governance which was updated during 2006 and again in May 2008 to ensure that it is consistent with the principles of the CIPFA/SOLACE (see glossary) Framework Delivering Good Governance in Local Government. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations¹ and ensuring the effective exercise of its functions.

- 2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the

community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- a) identify and prioritise the risks to the achievement of the Council's policies, priorities and objectives;
- b) evaluate the likelihood of those risks being realised;
- c) evaluate the impact should they be realised; and
- d) manage them efficiently, effectively and economically.

- 3.3 The governance framework has been in place at the Council for the year ended 31st March 2010 and up to the date of approval of the annual report and statement of accounts. Reviews and updates to the framework will take place during 2010/11 and beyond to support good governance, revised service delivery and organisational change.

4. The Governance Framework

- 4.1 The key elements of the systems and processes that comprise the authority's governance framework include:

- Vision 2026 – Transforming Telford & Wrekin: From New Town to Modern City, the Community Strategy, the Council's Priority Plans which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- "One Council, One Team, One Vision" principles document;
- The Council has designated statutory officers – Head of Paid Service (Chief Executive), Chief

¹ Regulation 4(2) of the Accounts and Audit Regulations as amended 2006 in relation to the publication of a statement on internal control.

Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services and Scrutiny Officer;

- The Council's Information Governance Framework including data and information security and sharing policies and procedures;
- The Performance management framework and data quality systems. These provide regular monitoring reports to CMT², Cabinet and Scrutiny. There is also a Cabinet Member (responsible for the Community Focussed Efficient Council priority) who challenges other Cabinet members CMT and reports back to all Cabinet members;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- CMT meet twice a week, weekly briefing to HOS, monthly joint CMT & HOS meeting and bi-monthly senior management meetings – CMT, HOS and service delivery managers;
- Policy Forum – where CMT and Cabinet meet monthly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's People Strategy (HR) and workforce/organisational development strategies³ supported by rigorous recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development in line with Investors in People;
- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers. There is a bi-annual ethics survey which monitors adherence and understanding to these;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The Cabinet Member Resources and from January 2010 the Cabinet Member for Community Focussed Efficient Council is responsible for Corporate Governance and Risk Management. The key officer was the Corporate Director Resources and from January 2010 the Chief Executive. The corporate risk management function has integrated risk management into the service and financial planning process including the provision of appropriate awareness and training for officers and members;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and robust budget monitoring process provides sound financial management and regular reporting of financial management information;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit review controls based on risk to provide assurance and recommendations for improvement;
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;

² Corporate Management Team – Chief Executive, Corporate Directors and Assistant Chief Executive

³ Further development work is required on these during 2010/11

- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- Projects are managed, as appropriate, within the PRINCE 2 methodology. This includes risk identification and management. Projects use the Corporate Risk Management methodology as appropriate for the management and reporting of their risks.
- Awareness and training for members within their member development programme and for officers through induction, the e-news (previously the bulletin), Managing Ethically module and update sessions on any revised governance arrangements (including information governance).

5. Review of Effectiveness

5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-

- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
- b) the work of internal audit; and also
- c) by comments made by the external auditors and other external review agencies and inspectorates.

5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.

5.3 The Council's Scrutiny arrangements were reviewed in 2008/09 and changes were implemented from 1st January 2009. The Scrutiny function is overseen by the Scrutiny Leadership Board led by a member of the opposition. The Council's

Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed from community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal). These revised arrangements have been the subject of an external post implementation review during January/February 2010. The results of this review are being considered by the Council.

5.4 Internal Audit plan their work on the outputs from the Council's risk management and performance management processes, external inspection reports, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance arrangements and internal control system. During 2009/10 the Internal Audit team achieved 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the systems of internal control.

5.5 Internal Audit report on a quarterly basis and annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Risk Owners (Cabinet Members and Corporate Directors) and Heads of Service to attend to provide assurance on the management of risks and implementation of recommendations. The Audit Committee has also reviewed the benchmarking process and information of Internal Audit.

5.6 The Audit Committee extended its terms of reference during 2009 to include reviewing and monitoring the Council's Treasury Management arrangements. This was to meet the recommendations of the Audit Commission Report – "Risk & Return" published in late March 2009 (as a result of the collapse of the Icelandic Banks). Members of the Committee have received internal and external training to enable them to fulfil their revised responsibilities.

5.7 The Audit Committee reviewed their effectiveness during January 2010 and at their March 2010 meeting agreed to appoint a co-optee. The next stage is for the Committee to agree the process and person specification but this must include

- financial experience as an accountant or auditor
- 5.8 A revised "harder test" Use of Resources assessment was undertaken by KPMG for 2008/09 which was reported in December 2009. This included reviewing how the Council manages its money, governs its business and manages resources. The Council's overall score is 2 (performs adequately) – see 5.16.
- 5.9 The Council's performance management framework has well established systems and procedures which drive continuous improvement in performance. The External Auditor now reviews the Data Quality arrangements as part of the Use of Resources assessment and concluded that they were adequate but continuing to improve.
- 5.10 From early January 2010 the re-organised Council created a new "Governance Unit" headed by the Monitoring Officer. The Governance Unit joined together Legal Services, Democratic Services, Scrutiny Services, Internal Audit, Risk Management, Information Governance and the Registrars. This will enable the Council to further raise the profile of governance across the Council and integrate/avoid duplication as appropriate. There should also be the opportunity for further efficiencies through the review and reorganisation of these services.
- 5.11 As outlined the Council has continued to review the governance framework to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work is required to update the Constitution and management procedures and this is included in the action Plan attached to this statement (Annex 1).
- 5.12 The Council recognises the importance of Information Governance and has taken significant steps to improve the security of its IT, Paper and Handling Processes to meet the compliance requirements for Data Handling in Government. Through the Council's enhanced internal controls, there have been no data losses or reportable breaches of privacy during 2009/10. All appeals against the Council's decisions with regard to access to information have been dealt with successfully under our internal appeals process. There are no Information Commissioner's Office investigations into the Council in relation to the Freedom of Information Act, Environmental Information Regulations or Data Protection Act. Infrastructure upgrades during the year have further improved security and data handling. The Council has continued to monitor the implementation of the actions from the 2008/09 review of the security arrangements against ISO27001. Further actions require implementation and these are referenced in Annex 1.
- 5.13 The annual review by Internal Audit of the key systems, corporate governance and risk management arrangements have reported that at the time of the reviews the internal control systems were operating subject to minor recommendations identified.
- 5.14 The Corporate Directors, Assistant Chief Executive and Heads of Service have signed an annual assurance statement confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.15 The system of internal audit has not changed and the annual review will be presented to the Audit Committee as part of the Internal Audit Annual Report 2009/10. This will include a review, an update of the previous actions and identification of any new actions.
- 5.16 The External Annual Audit Letter 2008/09 included in its key messages that:
- Under the Use of Resources assessment the Council has got sound processes in place and there is evidence of positive outcomes in all three themes. In two areas within the three themes, Risk Management and Internal Control, and Strategic Asset Management, there is strong evidence that the Council is delivering outcomes and we awarded scores of 3 (performing well) for these two areas.
 - The Audit Commission assesses how well the Council manages and improves its services and contributes to the wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The Council scored 2 out of 4 for managing its performance. (See paragraph 5.16

for further comments from the Audit Commission summary report).

- An unqualified opinion was given on the Council's 2008/09 accounts in September 2009. We identified a number of adjustments to the draft accounts which in aggregate we considered as material. Officers amended the accounts for these adjustments and we issued our opinion in advance of the statutory deadline. The number and magnitude of adjustments was less than in 2007/08 and we also noted improvement in the quality of the working papers provided to support the accounts.

5.17 The Audit Commission "oneplace" organisational assessment 2008/09 (incorporating the use of resources assessment and other external inspection results) judged that overall the Council performs adequately (2 out of 4).

The summary includes - "It has some good services. Social care for adults is excellent. The Council has ambitious plans and can show that it has delivered some impressive results. But there are other key services and priority areas where the Council has not made enough progress.

Prospects for the borough's children and young people are not as good as other areas. School results, although improving, are below average and the gap between the achievement of children from poorer backgrounds and rest of the borough is widening. Plans to regenerate the towns and local economy include raising aspirations and improving the skills and 'employability' of local people. The Council shows ambition and there are many encouraging signs that it will make more progress in the future....."

5.18 Ofsted undertook an announced key inspection on 9th November 2009 of the Council's Fostering Service and reported in early 2010. The overall quality rating for the service is good (aspects of the provision is strong – level 3 out of 4). 5 recommendations were made. The summary included the following comments:

"The fostering service had made exceptionally good progress in meeting previous requirements (May 2007). In some area there has been a marked improvement with considerable development in service provision following reconfiguration of the fostering service, new staff appointments and an increase in resources. The enjoying and achieving outcomes for young people is outstanding particularly in respect of the involvement of young

people. There are a small number of requirements on this occasion with three minor breaches of regulations and two breaches of the national minimum standards (health assessments, recruitment records of panel members, records of complaints and allegations, contact details for Ofsted and issuing of the children's guide.

Overall, the inspection found hard work, commitment and dedication of the management and staff had been successfully applied to achieve a significant change and marked improvement in the service delivery. This means that fostering service provides a good quality of service that is effective in achieving positive outcomes for children and young people."

"Helping children to be healthy – the provision is good.
Protecting children from harm or neglect and helping them stay safe – the provision is good.
Helping children achieve well and enjoy what they do – the provision is outstanding (exceptionally high quality provision).
Helping children make a positive contribution – the provision is good.
Achieving economic wellbeing – the provision is good.
Organisation – the organisation is good."

5.19 The Council's Children's Services annual rating for 2009 was provided in a letter from Ofsted in December 2009. The children's services rating was "performs adequately" (level 2 – an organisation that meets only minimum requirements). The letter goes on to say:

"The overall effectiveness of inspected services and settings is adequate. Children receive a good start to their care and education in the early years. The proportion of childminder and childcare settings that are good or better is greater than in similar areas and found nationally. The quality of primary and secondary schools is uneven, with just under two thirds of primary schools and half of secondary schools judged to be good or better. Post-16 provision is good or better in four out of five schools, outstanding in the further education college and satisfactory in the sixth form college. Inspection judgements for enjoying and achieving are in line with similar areas and national averages in the large majority of settings and services..."

5.20 The Annual Performance Assessment of Adult Social Care for the Council 2008/09 reported in December 2009. The overall grade for the delivery of outcomes was "excellently" - **a service that overall delivers well above minimum requirements for people, is highly cost-effective and fully**

contributes to the achievement of wider outcomes for the community.

The table below shows the scores for the 7 delivering outcomes reviewed as part of the assessment.

Delivering Outcomes	Grade Awarded
Improved health and emotional well-being	Excellent
Improved quality of life	Well
Making a positive contribution	Excellent
Increased choice and control	Excellent
Freedom from discrimination or harassment	Well
Economic well-being	Well
Maintaining personal dignity and respect	Excellent

5.21 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

5.22 The Audit Committee will continue to monitor the action plan during the year.

Victor Brownlees

Chief Executive

Dated 9th June 2010

Councillor Andrew Eade

Leader

Dated: 9th June 2010

Annex 1
ACTION PLAN FOR 2009/10 ANNUAL GOVERNANCE STATEMENT
(for implementation 2010/11)

No.	ACTION	Resp.	Comments	Date
1.	Further develop service continuity plans to integrate ICT requirements. (2006/07 AGS action plan)	Head of Community Protection (MA) & Head of ICT & Procurement (MW)	Delays have occurred due to the reorganisation and ICT infrastructure project but tools are in place to review existing business continuity plans and to incorporate them with service delivery plans. Previous actions from CGAP action 1 Review & Test corporate business continuity plan, action 2 – Revised ICT business continuity plan to be produced during 2008/09 and action 3 Ensure that ICT infrastructure projects supports the corporate & service continuity plans.	31/07/10
2.	Catering - Implement the outstanding areas from the internal audit review and on-going system/processes update. (2006/07 AGS action plan)	Head of Property & Design (DS)	Interim arrangements to be operated and monitored Long term solutions to be identified and implemented Previous action 4 from CGAP	30/06/10 on-going 31/03/11
3.	Strategic management of the One Team, One Council Vision including agreeing the governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance). (NEW)	CMT	Overseeing the transformation process and its governance and the establishment of a robust on-going governance framework.	Ongoing 31/03/11
4.	Review of the Constitution to reflect: a) Strong leader model b) Revised Scrutiny arrangements c) Officer/member roles and responsibilities including delegations d) Employment rules e) Member/officer protocol f) Other changes to reflect the revised organisational structures & ways of working g) Changes to reflect the requirements of the new financial management system (c), (d) and (e) from CGAP 2009 others NEW)	Head of Governance (JE)	Some parts were from CGAP but the list has been expanded to incorporate the other issues to be incorporated into the full Constitution Review.	31/03/11 ready for new Council May 2011

No.	ACTION	Resp.	Comments	Date
5.	To implement the actions from the self assessment against ISO27001. (2008/09 AGS action plan)	Head of ICT & Procurement (MW) and Head of Governance (JE)	Many ISO27001 standards have been met due to the code of connection for Government Connect. However a further gap analysis needs to be carried out since the changes to evaluate the gap and work required. The implementation of any key issues identified will take place during 2010/11. Previous action 13 from CGAP.	30/04/10 31/12/10
6.	<ul style="list-style-type: none"> • Review of our Workforce Development priorities and delivery • Review of management competencies and skills required in the new "One Council" • Review of HR policies and processes to support the delivery of the One Council Vision with recruitment as a priority (NEW)	Assistant Chief Executive (RP)	Some areas were previous actions from CGAP – action 15 – induction for managers, 17 – training for members, 22 – media training, 24 – disciplinary and capability training for managers, 25 – all HR procedures should be reviewed regularly and show a future review date and 29 – training for officers and members on changes to governance processes and guidance including the code of conduct, the Constitution, HR policies and procedures and good governance generally. However these have been updated and summarised into these areas/actions to match the organisational changes.	31/03/11
7.	Communication Strategy should be in place. (CGAP 2009)	Assistant Chief Executive (RP)	Work continues to further develop and agree the internal and external communications strategies. (Previous CGAP action 16 – there should be a communication strategy in place which should be communicated to all stakeholders including hard to reach groups). Completion Awareness and training	31/07/10 31/10/10
8.	Review of the Partnership Protocol and pack. (CGAP 2009)	Head of Governance (JE)	Had been allocated and started within Legal Services but due to staff leaving has now been reallocated.	31/12/10
9.	Implement action plans from external assessments and inspections. (NEW)	Assistant Chief Executive and appropriate Heads of Service.	Action plans to address relevant governance issues from external assessments/ inspections have been and will be included in appropriate business/service area plans/priority plans.	Latest 31/03/11

Auditors' Report

Independent auditors' report to the Members of Telford & Wrekin Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Telford & Wrekin Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Telford & Wrekin Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Telford & Wrekin Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Telford & Wrekin Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 and auditors

The Section 151 officer responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority

Accounting in the United Kingdom 2009, of the financial position of the Authority and its income and expenditure for the year.

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

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations

which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Michael McDonagh (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
Birmingham

Conclusion on Telford & Wrekin Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Telford & Wrekin Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Statement Of Accounting Policies

1. General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including the Application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Statements (FRSs) to Local Authorities in Great Britain, approved by the Accounting Standards Board.

2. Concepts

These accounts have been prepared in accordance with the all pervading concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in the SORP.

3. Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in note 21 to the Core Financial Statements.

The current system of capital accounting also requires the maintenance of two accounts in the balance sheet:

- the revaluation reserve, which represents principally the balance of the upward revaluations of fixed assets and;
- the capital adjustment account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other financing transactions.

4. Provisions

The Council sets aside provisions for specific future expenses which are likely, or certain, to be incurred, based on the best estimate available.

5. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). The Council, under de minimis, excludes assets from its register with a value below £50,000. Fixed assets are classified into the groupings required by the 2009 Code of Practice on Local Authority Accounting and valued on the following bases:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value.
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Surpluses or deficits arising from revaluation are credited or debited to the revaluation reserve respectively as long as there is a sufficient balance on the reserve in respect of deficits, where there is an insufficient balance or a clear consumption of economic benefits deficits are charged to the income and expenditure account as impairments.

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals. Other assets previously acquired under advance and deferred purchase schemes are also recognised and included in the balance sheet.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing account, and has not been used, is included in the balance sheet as useable capital receipts.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

Amounts payable to PFI operators are analysed into five elements. Fair value for the services received in the year (debited to the appropriate service). Finance cost (debited to interest payable and similar charges). Contingent rent – increases in the amount to be paid for the property arising during the contract (debited to interest payable and similar charges). Payment toward liability (applied to write down the Balance Sheet liability towards the PFI operator). Lifecycle replacement costs (recognised as a fixed asset on the balance sheet).

Expenditure on site clearance carried out prior to contract signature is capitalised as part of the Council's land value.

As at 31st March 2010 there was 1 significant contract in place. Wellington Civic £7.935m within the Borough Towns Initiative (BTI).

6. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- newly acquired assets are depreciated from the start of the year, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
- depreciation is not provided for on Investment Properties.

7. Charges to Revenue in respect of Fixed Assets

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation and impairments. Where there is sufficient balance in the Revaluation Reserve, impairments are charged there, otherwise they are charged to the Revenue Account. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the income and expenditure account, below net operating expenditure.

8. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute (formerly deferred charges) represent expenditure which may properly be capitalised, but which does not create tangible

fixed assets. These are written off to the Income and Expenditure account in year.

9. Government Grants and Contributions

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

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

10. Direct Revenue Financing of Capital Expenditure

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2009/10, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

11. Interest on surplus funds and balances

All interest earned on surplus cash or funds and balances is taken to the General Fund, except appropriate interest that is credited to the school balances, section 106 agreements, commuted sums, insurance provision (Ex Shropshire Council) and certain Adult & Consumer Care balances.

12. Capital Receipts

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

13. The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008 and Explanatory Memorandum and Guidance.

The "Minimum Revenue Provision" (MRP) is calculated by setting aside 4% of the principal outstanding in relation to assets funded from government allocations. For assets funded from prudential borrowing, MRP is calculated on the basis of the life of the asset and the ultimate funding of that asset. MRP is not charged until the year after the asset comes into operation.

14. Leases

The Council accounts for leases as Finance Leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Leases that do not meet this definition are accounted for as Operating Leases. The Council also operates as Lessor for its Property Investment Portfolio.

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation is explained in note 42 to the Core Financial Statements.

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

The cost of assets acquired under operating leases and the related liability for future rentals payable are not included in the balance sheet.

15. Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

16. Stocks

Stocks are valued in accordance with SSAP 9 at current value with an allowance made for obsolescent and slow-moving items.

17. Costs of Support Services

The revenue accounts for the various services include charges for the related support services. These are agreed annually and are based on agreed criteria. Support Services are fully allocated in line with CIPFA recommended practice.

18. Pensions

The Council participates in two formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, and the Teacher's Pension Scheme administered by the Teacher's Pension Authority.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These costs have been determined on the basis of contribution rates that are set to meet the liabilities of the Pension Fund, in accordance with relevant Government regulations.

In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under SSAP 24 are disclosed by way of a note to the Core Financial Statements.

It should be noted that with effect from April 1993 arrangements have been set in place to ensure that 100% funding is achieved.

In accordance with Financial Reporting Standard No 17 – *Retirement Benefits* (FRS17) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2009 SORP. There was a change to the 2009 SORP that required different valuation methods for assets and investments. When applied to the Council's share of the Pension Fund retrospectively, this resulted in no material changes being required for prior years. The information is only

necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any authority's share of the assets and liabilities under the Teachers scheme.

The age profile of this Council's Local Government Pension Scheme is not currently rising significantly, so we should not see the current liabilities of the scheme rising significantly as the members approach retirement.

19. Investments

Investments are shown in the Balance Sheet at amortised cost. The council has some investments managed by external fund managers and these are held as fair value through profit or loss.

20. Estimation Techniques

Estimation techniques are methods adopted by the authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at using an estimation technique.

21. Post Balance Sheet Events

Where a material post balance sheet event occurs which

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

Changes will be made in the amounts to be included in the statement of accounts.

22. Private Finance Initiative

There has been an amendment to the Statement of Recommended Practice that has resulted in schemes under PFI being included in the Council's accounts. An asset has been recognised and a long term financial lease

creditor created to reflect the asset in the accounts and recognise the commitment to make future payments to the operator. See also the note to the accounts and the Prior Period Adjustment.

23. Collection Fund and Non Domestic Rates

The updated SORP has resulted in a change of treatment. Any surplus or deficit on the Collection Fund is allocated between the precepting authorities, the Council's share is shown as council tax income in the year. Any arrears, prepayments or provisions are also allocated between the authorities.

For non domestic rates which are collected on an agency basis for the government. Arrears and prepayments were previously shown as debtor or creditors of the Council. The net position with the government is now shown as one figure, being a debtor or a creditor as required. See also Prior Period Adjustment note.

Income and Expenditure Account

	2009/10 Gross Expenditure £'000	2009/10 Income £'000	2009/10 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000	Notes
SERVICE							
Children's and Education Services	187,848	148,141	39,707	184,966	142,400	42,566	1
Adult Social Services	63,698	27,733	35,965	60,557	25,263	35,294	
Environment & Regulatory Services	19,820	3,238	16,582	19,534	2,832	16,702	
Cultural and Related Services	18,446	8,417	10,029	20,364	8,114	12,250	
Planning & Development	16,772	5,528	11,244	18,518	7,787	10,731	
Highways & Transportation	19,606	9,572	10,034	26,654	16,095	10,559	
Housing Services	67,923	65,374	2,549	59,588	56,215	3,373	
Court & Probation Services	297	3	294	352	5	347	
Contribution re Former County Council Debt	2,352	0	2,352	2,475	0	2,475	
Corporate & Democratic Core	4,388	0	4,388	4,300	0	4,300	
Central Services Provided to the Public	53,017	43,574	9,443	50,829	41,557	9,272	
Non Distributed Costs	2,306	0	2,306	1,042	0	1,042	
Net Cost of Services	456,473	311,580	144,893	449,179	300,268	148,911	
Loss/(Gain) on disposal of fixed assets			(1,346)			(492)	
Precepts of Parish Councils			2,889			2,809	
(Surplus) / Deficit of Trading Undertakings			1,100			890	3
Interest Payable and Similar Charges			10,396			10,729	
Interest and Investment Income			(3,493)			(8,511)	
Pensions Interest Cost and Expected Return on Assets			10,396			7,020	
Net Operating Expenditure			164,835			161,356	
Demands/Precepts on Collection Fund			(57,427)			(55,717)	
Transfers to/from Collection Fund			(100)			0	
Area Based Grant			(10,063)			(9,343)	4
Local Authority Business Growth Incentive Grant			0			(269)	
Revenue Support Grant			(12,642)			(7,826)	
Non Domestic Rates Redistribution			(54,773)			(56,219)	
(Surplus) or deficit for year			29,830			31,982	5

Statement of Movement on General Fund Balance

	2009/10 £'000	2008/09 £'000
(Surplus) or Deficit for the year on the Income and Expenditure Account	29,830	31,982
Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	(26,948)	(31,896)
Movement in General Fund Balance	2,882	86
Balance at beginning of year	(7,041)	(7,127)
Balance at end of year	(4,159)	(7,041)

Note of Reconciling Items for the Movement on General Fund Balance

	2009/10 £'000	2008/09 £'000
Amounts included in Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance		
Depreciation and Impairment of Fixed Assets	(28,460)	(51,556)
Government Grants Deferred Amortisation	10,059	17,770
Revenue Expenditure funded from Capital under Statute	(9,183)	(1,628)
(Loss)/Gain on disposal of fixed assets	1,346	492
Transfer to/from Collection Fund Adjustment Account	367	122
Differences between amounts debited/credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on early repayment of debt	(406)	1,899
Net charges made for retirement benefits in accordance with FRS 17	(19,717)	(19,362)
	(45,994)	(52,263)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on General Fund Balance		
Minimum Revenue Provision	3,832	3,056
Employers Contributions to Pension Fund	13,179	10,724
	17,011	13,780
Transfers to or from the General Fund Balance required to be taken into account		
Net transfer to or from earmarked reserves	2,035	6,587
	2,035	6,587
Net additional amount required to be credited or debited to the General Fund balance for the year	(26,948)	(31,896)

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, this 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.

	2009/10 £'000	2008/09 £'000
(Surplus)/loss for the year on the income and expenditure account	29,830	31,982
(Surplus)/Loss arising on the revaluation of fixed assets	(17,716)	1,342
(Surplus)/Deficit arising on the revaluation of available for sale financial assets	167	(125)
Other Adjustments	(2,796)	0
Actuarial (gains)/losses on pension fund assets and liabilities	50,927	(11,762)
Total recognised (gains)/losses for the year	60,412	21,437

Balance Sheet

	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	Notes
Net Fixed Assets				6,7,8
Operational Assets				
Infrastructure	27,938		19,009	
Community Assets	100		100	
Operational Assets – Land & Buildings	236,172		220,598	
Vehicles, Plant, Furniture and Equipment	1,770		1,537	
Non-Operational - Assets under Construction	3,552		992	
Non-Operational - Investment Properties	56,416		57,350	
		325,948	299,586	
Long Term Investments		40,033	45,033	9,10
Long Term Debtors				
Mortgages	22		31	
Other	375	397	306	
			337	
Total Long Term Assets		366,378	344,956	
Current Assets				
Stocks and work in progress	340		443	
Debtors	21,862		25,600	16
Investments - (short term)	33,811		97,871	9,10
Cash and Bank	323		2,001	
		56,336	125,915	
Current Liabilities				
Provisions	(71)		(878)	17
Temporary borrowing	(10,052)		(64,099)	11
Creditors	(80,704)		(65,245)	18
Bank overdraft	0		(20)	
		(90,827)	(130,242)	
Total Net Current Assets/(Liabilities)		(34,491)	(4,327)	
Less Long Term Borrowing		(113,024)	(125,024)	10,11
Less Long Term Creditors (Finance Leases)		(63,830)	(65,423)	
Less Pensions Liability		(176,634)	(119,169)	14
Government Grants Deferred		(20,751)	(12,953)	
Total Assets Less Liabilities		(42,352)	18,060	
Represented by:				
Capital Adjustment Account		60,685	77,844	19
Revaluation Reserve		38,899	22,081	20
Financial Instruments Adjustment Account		1,678	2,084	
Collection Fund Adjustment Account		882	515	
Available For Sale Financial Assets Reserve		0	167	
Deferred Capital Receipts		7	19	
Pensions Reserve		(176,634)	(119,169)	15
Reserves		21,863	21,491	21
Useable Capital Receipts		36	1,363	22
Revenue Balances				
General Fund	3,972		6,841	
Special Fund	187		200	23
Controllable Service Balance	1,579		1,284	
Schools Balances	4,494	10,232	3,340	24
		(42,352)	18,060	

Cashflow Statement

	2009/10 £'000	2009/10 £'000	2008/09 £'000	Notes
Revenue activities				
<u>Cash Outflows</u>				
Cash paid to and on behalf of employees	164,068		162,140	
County/Parish Precepts	2,889		2,809	
Other operating cash payments	170,083		150,583	
Housing Benefit paid out	57,514		47,475	
		394,554	363,007	
<u>Cash Inflows</u>				
Rents (after rebates)	(34)		(53)	
Council Tax Income	(47,235)		(46,949)	
Payment from NDR Pool	(54,773)		(56,219)	
Revenue Support Grant	(12,642)		(7,826)	25
Dedicated Schools Grant	(96,081)		(94,710)	1,25
DWP Grants for Benefits	(73,796)		(61,090)	25
Other government grants	(54,084)		(43,466)	25
Cash received for goods and services	(20,923)		(21,482)	
Other operating cash receipts	(57,174)		(62,633)	
		(416,742)	(394,428)	
Net cash (inflow)/outflow from revenue activities		(22,188)	(31,421)	26
Servicing of finance				
<u>Cash Outflows</u>				
Interest paid	12,323		15,144	
Interest element of finance lease rental payments	64		76	
		12,387	15,220	
<u>Cash Inflows</u>				
Interest received		(736)	(2,318)	
Net cash outflow from servicing of finance		11,651	12,902	
Capital Activities				
<u>Cash Outflows</u>				
Purchase of fixed assets	44,328		71,802	
Other Capital cash payments	1,289		1,427	
		45,617	73,229	
<u>Cash Inflows</u>				
Sale of fixed assets	(2,453)		(23,330)	
Capital grants received	(31,270)		(27,647)	25
Other capital cash receipts	(3,195)		(827)	
		(36,918)	(51,804)	
Net cash (inflow)/outflow from Capital Activities		8,699	21,425	
Net cash (inflow)/outflow before financing		(1,838)	2,906	27
Management of Liquid Resources				28
Net Increase/(Decrease) in Short Term Deposits	(26,275)		8,675	
Net Increase/(Decrease) in Other Liquid Resources	(36,210)		4,108	
		(62,485)	12,783	
Financing				
<u>Cash Outflows</u>				
Repayments of amounts borrowed	264,994		232,125	
Capital element of finance lease rental payments	312		419	
		265,306	232,544	
<u>Cash Inflows</u>				
New loans raised	(15,000)		(30,000)	
New finance Leases	(378)		(372)	
New short term loans	(183,947)		(220,326)	
		(199,325)	(250,698)	
Net cash outflow/(inflow) from financing		65,981	(18,154)	29
(Increase)/decrease in cash and cash equivalents		1,658	(2,465)	30

Notes to the Core Financial Statements

1. Disclosure of deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG) which is within Children & Education Services in the Income & Expenditure Account. 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 range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

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

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2009/10			96,081
Brought forward from 2008/09			30
Carry forward to 2009/10 agreed in advance			0
Agreed budgeted distribution in 2009/10	11,405	84,706	96,111
Actual Central Expenditure	(11,487)		(11,487)
Actual ISB deployed to Schools		(84,706)	(84,706)
Local authority contribution for 2009/10	82	0	82
Carry Forward to 2010/11	0	0	0

2. Prior Period Adjustment

As a result of an updated Statement of Recommended Practice there are a number of prior period adjustments that have been made to the accounts. The main adjustment is in relation to the recognition on the balance sheet of assets relating to Hadley Learning Community and Jigsaw which were funded under the Private Finance Initiative and a corresponding long term finance lease creditor in respect of the future payments due under the agreement. The payment to the contractor has also been analysed between the service element and the interest cost. Other adjustments have been made to the accounts in respect of the Collection Fund and Non Domestic Rates.

Extract of Income & Expenditure Account

	2008/09 Net Expenditure Before Adjustment £'000	Change due to PFI	Change due to Collecti on Fund	2008/09 Net Expenditure After Adjustment £'000
SERVICE				
Children's and Education Services	48,572	(6,006)		42,566
Central Services Provided to the Public	9,155	117		9,272
Net Cost of Services	154,800	(5,889)		148,911
Interest Payable and Similar Charges	5,090	5,639		10,729
Net Operating Expenditure	161,606	(250)		161,356
Demands/Precepts on Collection Fund	55,595		122	55,717
(Surplus) or deficit for year	32,354	(250)	(122)	31,982

2 Prior Period Adjustment cont.

Extract of Statement of Movement on General Fund Balance

	2008/09 Before Adjustment £'000	Change due to PFI	Change Due To Collecti on Fund	2008/09 After Adjustment £'000
(Surplus) or Deficit for the year on the Income and Expenditure Account	32,354	(250)	(122)	31,982
Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	(32,268)	250	122	(31,896)

Extract of Note of Reconciling Items for the Movement on General Fund Balance

	2008/09 Before Adjustment £'000	Change Due To PFI	Change Due To Collection Fund	2008/09 After Adjustment £'000
Amounts included in Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance				
Depreciation and Impairment of Fixed Assets	(51,806)	250		(51,556)
Transfer to/from Collection Fund Adjustment Account	0		122	122
	<u>52,635</u>	(250)	(122)	<u>52,263</u>
Net additional amount required to be credited or debited to the General Fund balance for the year	<u>(32,268)</u>	250	122	<u>(31,896)</u>

2 Prior Period Adjustment cont.

Extract of Statement of Total Recognised Gains and Losses

	2008/09 Before Adjustment £'000	Change Due To PFI	Change Due To Collection Fund	2008/09 After Adjustment £'000
(Surplus)/loss for the year on the income and expenditure account	32,354	(250)	(122)	31,982
(Surplus)/Deficit arising on the Collection Fund	(122)		122	0
Total recognised (gains)/losses for the year	21,687	(250)		21,437

Extract of Balance Sheet

	31 March 2009 Before Adjustment £'000	Change Due to PFI	Change Due To Collection Fund	Change Due To NDR	31 March 2009 After Adjustment £'000
Net Fixed Assets					
Operational Assets – Land & Buildings	169,701	50,897			220,598
Long Term Debtors					
Other	632	(326)			306
	294,387	50,571			344,956
Current Assets					
Debtors	27,291		(71)	(1,620)	25,600
	127,606		(71)	(1,620)	125,915
Current Liabilities					
Creditors	65,411	1,525	(71)	(1,620)	65,245
	130,408	1,525	(71)	(1,620)	130,242
Less Long term Creditors (Finance Leases)	(661)	(64,762)			(65,423)
Total Assets Less Liabilities	33,778	(15,718)			18,060
Represented by:					
Capital Adjustment Account	93,581	(15,737)			77,844
Revaluation Reserve	22,062	19			22,081
Council Tax Collection Fund	515		(515)		0
Collection Fund Adjustment Account	0		515		515
	33,778	(15,718)			18,060

2 Prior Period Adjustment cont.

Debtors

	31 March 2009 Before £'000	Change Due To Collection Fund	Change Due To NDR	31 March 2009 After £'000
Amounts falling due in one year:				
Government Departments	6,187		(972)	5,215
General Debtors	22,554	1		22,555
Collection Fund	4,253	(490)	(1,585)	2,178
	33,088	(489)	(2,557)	30,042
Provision for doubtful debts	(5,797)	418	937	(4,442)
Total	27,291	(71)	(1,620)	25,600

Creditors

	31 March 2009 Before £'000	Change Due To PFI	Change Due To Collecti on Fund	Change Due To NDR	31 March 2009 After £'000
Government Departments	15,273			1,248	16,521
Sundry Creditors	45,087	1,525	(71)	(2,870)	43,673
Total	65,411	1,525	(71)	(1,622)	65,245

Extract of Capital Adjustment Account

	31 March 2009 Before £'000	Change Due To PFI	31 March 2009 After £'000
Balance Brought Forward	117,040	(15,988)	101,052
Restatement and impairment of assets at 31 March MRP (less depreciation provision)	(47,978) (428)	1,097 (846)	(46,881) (1,274)
Balance Carried Forward	93,581	(15,737)	77,844

Extract of Revaluation Reserve

	31 March 2009 Before £'000	Change Due To PFI	31 March 2009 After £'00
Balance Brought Forward	28,709	19	28,728
Balance Carried Forward	22,062	19	22,081

2 Prior Period Adjustment cont.

Extract of Fixed Assets

	2008/09 Before	Change Due To PFI	2008/09 After
	£'000		£'000
Gross Book value at 31 March 2009	269,159	53,432	322,591
Depreciation at 31 March 2009	20,468	2,537	23,005
Net Book value at 31 March 2009	248,691	50,895	299,586

Extract of Summary of Capital Expenditure and Sources of Finance

	2008/09 Before	Change Due To PFI	2008/09 After
	£'000		£'000
Opening Capital Financing Requirement	101,064	67,712	168,776
Operational Assets	56,656	116	56,772
Capital Receipts	(15,454)	136	(15,318)
Private Finance Initiative Finance Lease	0	(1,342)	(1,342)
Closing Capital Finance Requirement	120,086	66,622	186,708
Movement for Year	19,022	(1,090)	17,932
Increase in underlying need to borrow (supported by Government financial assistance)	13,407	(1,090)	12,317
Increase/(decrease) in Capital Financing Requirement	19,022	(1,090)	17,932

3. Market Undertaking, Industrial Units and former DSO trading activities

The Council operates markets in the Town Centre, Oakengates, Madeley, Hadley, and Dawley, whose financial results were as follows:-

	2009/10 £'000	2008/09 £'000
Income from Stallholders' Rents and charges	7	13
Expenditure	<u>(36)</u>	<u>(42)</u>
(Deficit)/Surplus taken to General Fund	<u>(29)</u>	<u>(29)</u>

The Council also operates industrial units whose financial results were as follows:-

	2009/10 £'000	2008/09 £'000
Income from rents	8,843	8,648
Other income	856	687
Expenditure	<u>(10,768)</u>	<u>(10,196)</u>
(Deficit)/Surplus taken to General Fund	<u>(1,069)</u>	<u>(861)</u>
Total Trading Accounts	<u>(1,098)</u>	<u>(890)</u>

The council also operated former direct service organisation services as internal trading accounts, these are charged directly to services.

Trading Unit	Turnover £'000	Surplus / (Deficit) £'000
Commercial Catering	3,693	(114)
Building Cleaning	<u>3,167</u>	<u>114</u>
Total	<u>6,860</u>	<u>0</u>

4. Area Based Grant

Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant in 2008/09. Previously, LAA grant was treated as Service Income and therefore reduced the overall Net Cost of Services in the Income and Expenditure Account. However, ABG is different as it is non ring-fenced i.e. there are no conditions on its use. It is therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The total value of ABG received by the Council in 2009/10 was £10.063m.

5. Income & Expenditure Account Deficit.

For 2009/10 the accounts show a deficit on the Income and Expenditure Account of £29.393m. The actual use of General Fund Balances was £2.882m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which are detailed in the Statement of Movements on General Fund Balances and summarised below:

Deficit on Income & Expenditure Account	£28.370m
Less:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	- £44.834m
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£17.011m
Changes in Reserves	£2.035m
Actual Use of General Fund Balances	£2.882m

6. Fixed Assets

Movements in fixed assets during the year were as follows:-

	Assets Under Construction	Infrastructure	Operational Assets		Non Operational Assets		Total
		Infrastructure	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Investment Properties	
	£'000	£'000	£'000	£'000	£'000	£'000	
Gross book value at 31 March 2009	992	20,364	241,354	2,431	100	57,350	322,591
Additions	3,552	9,737	16,526	4,183	0	2,856	36,854
Impairments	0	(275)	(17,418)	(3,552)	0	(5,062)	(26,307)
Impairments met from Revaluation Reserve	0	0	(3,297)	0	0	(981)	(4,278)
Revaluations	0	0	7,843	0	0	1,811	9,654
Reclassifications	(992)	0	550	0	0	442	0
Disposals	0	0	(268)	0	0	0	(268)
Gross book value at 31 March 2010	3,552	29,826	245,290	3,062	100	56,416	338,246
Depreciation at 31 March 2009	0	1,355	20,756	894	0	0	23,005
Depreciation Charge for Year	0	663	4,291	398	0	0	5,352
Revaluations	0	(130)	(15,883)	0	0	0	(16,013)
Disposals/Adjustments	0	0	(46)	0	0	0	(46)
Total Depreciation	0	1,888	9,118	1,292	0	0	12,298
Net Book Value at 31	3,552	27,938	236,172	1,770	100	56,416	325,948

March 2010

*Net Book Value at 31
March 2009*

Nature of Asset Holding

Owned	3,552	27,938	180,184	1,069	100	56,416	269,259
Leased	0	0	0	701	0	0	701
PFI	0	0	55,988	0	0	0	55,988
Total	3,552	27,938	236,172	1,770	100	56,416	325,948

7. Fixed Asset Valuation

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2009 by an internal valuer – A. Fox, MRICS - on the basis below in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Assets with a value of less than £50,000 are excluded from the register.

Plant and machinery are included in the valuation of the buildings where they form an integral part of the asset, for example swimming pool filtration equipment and specialist equipment at the Ice Rink. All other vehicles, plant, furniture and equipment are valued at historic cost, less depreciation, as a proxy for current value.

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

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

Community assets acquired since the introduction of capital accounting are valued at cost. Other community assets are valued on a nominal basis. This list differs from the Context Sheet in the Council's Corporate Asset Management Plan, which only lists properties where the Council has a direct repairing liability.

Investment Properties are valued annually and their current value is £56.416m, Other Land & Buildings are valued over a 5 year rolling programme and the value of assets valued in each of the last 5 years is shown in the table below.

Year	Value £000
2005/06	45,989
2006/07	40,331
2007/08	45,823
2008/09	48,354
2009/10	40,867
Total	221,364

Infrastructure and Vehicles, Plant & Equipment are valued at depreciated historical cost and Community Assets are valued at historical cost.

Depreciation is provided for on all fixed assets with a finite useful life (which can be

determined at the time of acquisition or revaluation) according to the following policy:-

- newly acquired assets are depreciated from the start of the year, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
- depreciation is not provided for on Investment Properties.

8. Information on Assets held

Fixed assets owned by the Council include the following:-

	31-3-10 (Nos.)	31-3-09 (Nos.)
<u>Operational Assets</u>		
Hostels	3	4
Houses for Homeless	17	17
Offices	26	25
Depot and workshop	1	1
Community centres	12	13
Business Dev't Centre	1	1
Parks and recreation	315.2 ha	310.7ha
Amenity Sites	3	3
Off-Street car parks	28	28
Bus Stations	4	4
Theatres	1	1
Cemeteries	3	3
Ice Rink	1	1
Leisure Centres	4	4
Swimming Pools	2	2
Changing Rooms/ Pavilions	12	12
Nursery Schools	1	1
Schools	54	53
Outdoor Activity Centre	1	1
Special Schools	4	4
Learning Communities	1	1
Child Development Centre	1	0
Joint Service Facility	1	1
First Point Centre	1	1
Pupil Referral Unit	1	3
Youth Centres	5	6
Libraries	8	8
Elderly Persons Homes	3	3
Toilets	11	11
Children's Centres	2	2
Children's Homes	0	1
Group Homes	23	23
Residential Homes	2	2
Training/Day Centres	7	7
Emergency Planning Cen	1	1
Traveller Sites	2	2
Allotments	10	10

Visitor Info Centre	1	1
Land associated with assets (ex parks)	619Ha	596.5Ha
Other land holdings	128.7Ha	111.8Ha
Caretakers bungalows	4	4
Ski Slope Centre	1	1
Play Areas	113	115
Golf Courses	73ha	73ha
School Playing Fields	12	12
<u>Non Operational Assets</u>		
Smallholdings	1	1
Offices	24	23
Retail	30	30
Industrial Estates	29	29
Misc Ground Rents	47	47
Sites For Disposal	51	48
Woodlands	5	4
Assets Under Construction	2	2
Sites for Regeneration	16	4
Misc Rents	50	50

9. Investments

In total our investments have fallen by £69.1m. The Council decided in the light of the current economic climate to reduce investments and therefore reduce the need to borrow. Investments are categorised as Long or Short term dependent on the type and maturity date.

The Council has a number of long term investments in external organisations, totalling £40.033m. The majority (£40.000m) relates to fixed term investments with banks. Investments are shown in the Balance Sheet at market value.

The council also has a number of short term investments totalling £33.811m. These have reduced over the year as some callable deposits were repaid and the number of fund managers was reduced from 3 to 1. The element of our investments that are managed by fund managers is as follows;

	31 st March 2010	31 st March 2009
	£000	£000
Investec Asset Management	19,811	19,594
Invesco Asset Management	0	19,610
Morley	0	19,193
Total	19,811	58,397

The remainder of the investment sum is managed in house and includes a range of other investments such as callable deposits.

Summary of Investments

Category	31 st March 2010	31 st March 2009
	£000	£000
Long Term Investments		
Supranational Bonds	0	0
Fixed Term Deposits	40,000	45,000
Other	33	33
Total Long Term	40,033	45,033
Short Term Investments		
Supranational Bonds	0	4,199
Callable Deposits	0	20,000
Fixed Term Deposits	14,000	15,275
Fund Managers	19,811	58,397
Total Short Term	33,811	97,871
Total Investments	73,844	142,904

Fund Managers have been valued at "fair value through profit and loss", supranational bonds as an available for sale asset at fair value and all other investments are valued as "loans and receivables". See also note 10 on fair value.

10. Fair Value of Assets & Liabilities

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

We have worked in conjunction with Sector our treasury advisors to produce the following portfolio valuation

	Nominal/ Principal	Fair Value
	£000	£000
Financial Assets		
Fixed Term Deposits	39,000	45,819
Cash	5,000	5,000
Fixed Term Variable Investment	10,000	9,932
Fund Managers	19,811	19,811
Other	33	33
	73,844	80,595
Financial Liabilities		
Money Market Loans (LOBO's)	60,052	61,772
PWLB Loans	63,024	71,787
	123,076	133,559

The assets and liabilities are shown in the balance sheet at Nominal/Principal cost. What the above table shows is that the fair value of our assets (investments) is greater than that shown on the balance sheet due mainly to accrued interest. Conversely, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

Methodology and Assumptions

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

Complexities of the NPV calculation

It is unlikely that the future cash instalments of an instrument will fall in equal time periods from the date of valuation, and there is likely to be a "broken" period from the valuation date to the next instalment. This means that an adjustment needs to be made to each discount factor, in order to take account of the timing inequality.

Evaluation of PWLB debt

We have used the new borrowing rate, as opposed to the premature repayment rate as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Sector from the market on 31st March, using bid prices where applicable.

Assumptions:

It is noted that the following assumptions do not have a material effect on the fair value of the instrument:

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

Exposure to Risk

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

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management on investments is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of AA-, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The authority has a policy of not lending more than 20% of its surplus balances to one institution.

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

	Amount at 31 March 2010 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2009 %	Estimated maximum exposure to default and uncollectability £000s
	A	B	C	A * C
Deposits with banks and financial institutions	54,000	0.0	0.0	0
Fund Managers	19,811	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	28,970	12.0	15.9	4,599
Total	102,814	3.4	4.5	4,599

The Council has not experienced any defaults with any of the above counterparty types in the last 10 years. 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 and bonds. The Council has a number of long term (greater than 1 year) investments, the majority of these are with UK banks that are within the UK Government Guarantee Scheme and pose no risk of default. The current market conditions are unprecedented and our position will be continually monitored.

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans 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 unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	2009/10 £'000	2008/09 £'000
Maturing in 1-2 years	15,001	10,001
Maturing in 2-5 years	15,002	20,002
Maturing in 5-10 years	5	4
Maturing in more than 10 years	83,016	95,017
	113,024	125,024

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

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

- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses. The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss 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 provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price risk

The authority does not generally invest in equity shares and has no shareholdings. The authority is not consequently exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

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

Financial Instruments Adjustment Account – this account holds the accumulated difference between the financial costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

The **Available-for-Sale Reserve** is a new revaluation reserve introduced to manage the fair value process for these financial assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Fair Value through Profit and Loss – part of the council's investments are managed by 3 fund managers, and these are treated as fair value through profit and loss, as they are held to make profits through trading. The net gains or losses on these assets are as follows.

Fund Manager	Capital Gain (Loss) £000	Interest Gain £000	Total Gain (Loss) £000
Investec	(261)	510	249
Total	(261)	510	249

Sensitivity Analysis

At the 31st March 2010 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

The table below shows an analysis of investments and borrowing into fixed and variable together with the impact of a 1% change in interest rates.

	Investments £000	Borrowing £000	Net Total £000	1% Movement £000
Variable	(24,811)	5,000	(19,811)	198.1
Fixed	(49,033)	118,024	68,991	0.0
Total	(73,844)	123,024	49,180	198.1

A 1% change in interest rates would have an impact on the budget of £198,100, this is as a result of that at 31st March 2010 we had more variable investments than variable borrowing. As the most likely next move in interest rates is upwards then this should lead to a net increase in investment income. Other considerations that the Council is managing ongoing are maturity profiles for both investments and borrowing.

11. Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding at 31 March	
				2010 £'000	2009 £'000
Public Works Loan Board	2.58	-	8.875	53,024	70,024
Money Market Loans (LOBOs)	0.62	-	4.50	60,000	55,000
				113,024	125,024

An analysis of loans by maturity is:

	2009/10 £'000	2008/09 £'000
Maturing in 1-2 years	15,001	10,001
Maturing in 2-5 years	15,002	20,002
Maturing in 5-10 years	5	4
Maturing in more than 10 years	83,016	95,017
	113,024	125,024

	2009/10 £'000	2008/09 £'000
Total Long Term Borrowing	113,024	125,024
Temporary Borrowing	10,052	64,099
Total Borrowing	123,076	189,123

In total fixed and temporary borrowing fallen by £76m, from £189.123m to £123.076m during the year. This is as a result of the Council actively reducing the level of its investments to reduce volatility.

See also note 10 on fair value.

12. Pension Costs

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under FRS 17 and has resulted in transactions impacting on the Income and Expenditure Account as above. There are also further explanations and disclosures within Notes 13, 14, and 15 to the Core Financial Statements.

The Teacher's Pension Scheme is also a Defined Benefits Scheme but it is not possible to determine any authority's share in the assets and liabilities of the scheme. It therefore does not fall within FRS17. The disclosures below relate to those required under SSAP 24.

In 2009/10 the Council paid an employer's contribution of £6,796,603 (£6,741,097 in 2008/09) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quinquennial actuarial valuations, the last review being at 31st March 2010. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with FRS 17, Accounting for pension costs are £6,796,603 (£6,741,097 in 2008/09) representing 14.1% of pensionable pay.

The Council also pays employer's contributions in relation to the Local Government Pension Scheme administered on our behalf by Shropshire Council. These are disclosed in the Notes 13 - 15.

13. Pensions Accounting

In accordance with Financial Reporting Standard No 17 – *Retirement Benefits* (FRS17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 18 of the Accounting Policies, the Council participates in two formal schemes, the Local Government Pension Scheme, and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities. The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council's share of has increased by £57.5m; this has been as a result of changes in actuarial assumptions. Looking forward, the estimated contributions expected to be paid into the local government pension scheme next year is £14.040m.

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the [Shropshire County Pension Fund/fire service uniformed officers' pension arrangements] are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011. This constitutes a non-adjusting post balance sheet event under FRS 21

The Council's assets and liabilities related to the Local Government Pension Scheme operated by Shropshire Council amounted to:

	2009/10	2008/09
	£000	£000
Present Value of Funded Benefit Obligations	(437,985)	<i>(309,106)</i>
Present Value of Unfunded Benefit Obligations	(10,140)	<i>(8,498)</i>
Total Present Value of Benefit Obligations	<u>(448,125)</u>	<u><i>(317,604)</i></u>
Fair Value of Pension Fund Assets	271,491	<i>198,435</i>
Surplus/(Deficit)	<u>(176,634)</u>	<u><i>(119,169)</i></u>

Change in Benefit Obligation during year.

	2009/10	2008/09
	£000	£000
Benefit Obligation at Beginning of Year	(317,604)	<i>(375,240)</i>
Current Service Cost	(7,886)	<i>(12,150)</i>
Interest on Pension Liabilities	(22,487)	<i>(22,993)</i>
Member Contributions	(4,647)	<i>(4,512)</i>
Past Service Cost	(361)	<i>(86)</i>
Actuarial Gain or (Loss) on Liabilities	(108,364)	<i>84,199</i>
Curtailment Cost	(1,074)	<i>(106)</i>
Benefits / Transfers Paid	14,298	<i>13,284</i>
Surplus / (Deficit) at End of Year	<u>(448,125)</u>	<u><i>(317,604)</i></u>

Change in Plan Assets during year.

	2009/10	2008/09
	£000	£000
Fair Value of Plan Assets at Beginning of Year	198,435	<i>252,947</i>
Expected Return on Plan Assets	12,091	<i>15,973</i>
Actuarial Gain or (Loss) on Assets	57,437	<i>(72,437)</i>
Employer Contributions	13,179	<i>10,724</i>
Member Contributions	4,647	<i>4,512</i>
Benefits / Transfers Paid	(14,298)	<i>(13,284)</i>
Surplus / (Deficit) at End of Year	<u>271,491</u>	<u><i>198,435</i></u>

Statement of Gains and Losses

	2009/10	%	2008/09	%
	£000		£000	
Actuarial Gain/(Loss)	(50,927)	<i>11.4% of liabilities</i>	12,012	<i>3.8% of liabilities</i>
Actual Return on Plan Assets	69,528		56,214	
Experience Gains/(Losses) On Assets	57,437	<i>21.2% of assets</i>	(72,187)	<i>36.4% of assets</i>
Experience Gains/(Losses) On Liabilities	0	<i>0.0% of liabilities</i>	0	<i>0.0% of liabilities</i>

Assets are valued at fair value, principally market value for investments, and consist of:

	2009/10		2008/09	
	£000	%	£000	%
Equity Investments	171,311	63.1%	120,450	60.7%
Government Bonds	35,565	13.1%	28,972	14.6%
Other Bonds	29,050	10.7%	23,018	11.6%
Property	11,674	4.3%	11,708	5.9%
Cash/Liquidity	12,217	4.5%	4,762	2.4%
Other	11,674	4.3%	9,525	4.8%
Total	271,491	100%	198,435	100%

The expected rate of return on assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected returns are adjusted for risk and is appropriate to each of the asset classes weighted by the proportion of the assets in the particular asset class. The rates are shown in the table below:

	2009/10	2008/09
Equity Investments	7.5%	7.5%
Government Bonds	4.5%	4.0%
Other Bonds	5.2%	6.0%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.5%

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31st March 2007 and updated for the following 36 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31.03.2010, but the full analysis won't be available until later in the year. The main assumptions used in the calculations are:

	2009/10	2008/09
- rate of inflation	3.3%	3.3%
- rate of increase in salaries	5.05%	5.05%
- rate of increase in pensions	3.3%	3.3%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	5.6%	7.1%
- longevity at 65 for current pensioners		
Male	21.2	21.2
Female	24.1	24.0
- longevity at 65 for future pensioners		
Male	22.2	22.2
Female	25.0	25.0

Changes to the pension scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take advantage of this change to the pension scheme.

Scheme History

	2009/10	2008/09	2007/08	2006/07	2005/06
	£000	£000	£000	£000	£000
Present Value of Liabilities	(448,125)	(317,604)	(375,240)	(337,648)	(331,871)
Fair Value of Assets	271,491	198,435	252,947	262,125	246,250
Surplus/(Deficit) on scheme	(176,634)	(119,169)	(122,293)	(75,523)	(85,621)
Gains and Losses on Assets	(21.2%)	36.4%	9.0%	(0.6)%	13.9%
Gains and Losses on Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

14. Pensions Asset/Liability Account

	£'000		£'000
		Opening Balance	119,169
Return on Assets	12,091	Past Service Cost - Added Years	1,435
Payments to Pension fund	13,179	Current Service Cost	7,886
		Interest Cost	22,487
		Actuarial Losses	50,927
Balance carried forward	<u>176,634</u>		
	201,904		<u>201,904</u>

15. Pensions Reserve

	£'000		£'000
Opening Balance	119,169		
Added Years	1,435	Charging Pensions Cost Payable	13,179
Reversing Out FRS 17 items	18,282		
Actuarial Losses	50,927		
	<u>189,813</u>	Balance Carried Forward	<u>176,634</u>
			189,813

16. Debtors

	31	31
	March	March
	2010	2009
	£'000	£'000
Amounts falling due in one year:		
Government Departments	5,548	5,215
General Debtors	18,696	22,555
Car Leasing to Employees	83	94
Collection Fund	2,134	2,178
	<u>26,461</u>	<u>30,042</u>
Provision for doubtful debts	(4,599)	(4,442)
Total	<u>21,862</u>	<u>25,600</u>

17. Provisions

	1 April 2009 £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	31 March 2010 £000
Restructure Costs	878	0	807	71
Total	878	0	807	71
<i>2008/09</i>	<i>120</i>	<i>878</i>	<i>120</i>	<i>878</i>

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2008/09. A provision to meet the one off costs associated with the re-structure was made in the 2008/09 accounts, this has been partly used during 2009/10 and the balance is expected to be used in 2010/11.

18. Creditors

	31 March 2010 £'000	31 March 2009 £'000
Government Departments	13,144	16,521
Sundry Creditors	61,262	43,673
Receipts in advance	6,298	5,051
Total	80,704	65,245

19. Capital Adjustment Account

	2009/10 £'000	2008/09 £'000
Balance Brought Forward	77,844	101,052
Restatement and impairment of assets at 31 March	(20,312)	(46,881)
Disposal of fixed assets at book value	(106)	(6,512)
Capital receipts set aside	0	0
Government Grants Deferred Written Off	10,060	17,769
Capital financing - Capital receipts	3,167	15,318
MRP (less depreciation provision)	(785)	(1,274)
Less		
Revenue Expenditure funded from Capital under Statute	(9,183)	(1,628)
Balance Carried Forward	60,685	77,844

The capital accounting system requires a capital adjustment account. The account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition. The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

20. Revaluation Reserve

	2009/10 £'000	2008/09 £'000
Balance Brought Forward	22,081	28,728
Impairments	(4,278)	(17,898)
Revaluations	9,654	16,556
Depreciation Revaluations	12,340	0
Disposals	(162)	(5,097)
Depreciation	(736)	(208)
Balance Carried Forward	38,899	22,081

The Revaluation Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The reserve is also debited with amounts equal to the part of depreciation on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the reserve thus represents the amount by which the current value of fixed assets carried on the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

21. Reserves

Reserve	Purpose	1 April 2009 £'000	Transfers /Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
Theft & Vandalism Fund	Self Insurance Fund - schools	421	47	437	31
Schools Stop Loss Reserve	Stop loss Insurance - self insurance to cover fire policy excesses on school buildings	1,337	0	150	1,187
Building Schools for the Future	Funding for up front costs associated with the Government's programme for replacing and refurbishing primary and secondary schools.	151	113	0	264
Building Schools for the Future	Funding contribution towards the BSF programme	2,905	180	381	2,704
Hadley PFI Sinking Fund	Fund is required to meet future commitments re unitary charge payments. The reserve is being built up to address future shortfalls as PFI credits will be received at a fixed rate, whilst our expenditure will increase in line with profiling and indexing.	2,095	9,032	9,536	1,591
CRA Sinking Fund	Intended to support future R&M costs on investment property	401	0	401	0
Property	Condition Liability Fund for PIP	430	9	384	55

Reserve	Purpose	1 April 2009 £'000	Transfers /Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
Investment Fund	properties				
S117 Provision	Provision for future liability as per S117 of the Mental Health Act	251	0	0	251
Personalisation Reserve	To assist with the implementation of the Social Care Personalisation Agenda	300	0	0	300
Supporting People	Balance of grant funding committed in the medium term financial strategy.	880	122	143	859
SDG Balances	Balance held on behalf of groups of Schools working together to deliver extended school activities within their local community	19	423	36	406
Purchasing Consortium dividend balance	West Mercia Suppliers trading organisation surplus dividend; committed to the medium term financial strategy	300	247	0	547
LABGI Grant Reserve	Local Authority Business Growth Incentive Grant committed to support the budget strategy	1,000	103	0	1,103
LPSA Grant Reserve	Performance reward grant committed towards LAA targets and to support the medium term financial strategy	979	0	511	468
LPSA Grant Capital	Performance reward grant committed towards LAA targets and to support the medium term financial strategy	0	306	0	306
ICT Technical Strategy Investment Fund	Reserve to fund ICT strategy	388	164	351	201
Connexions Reserve	Deferred income and reserve distribution from the former partnership	289	361	393	257
Insurance Stop Loss Reserve	Self Insurance Reserve (non education) as part of overall insurance strategy to keep premiums down	572	162	325	409
Self Insurance Fund	Fund to meet increased costs following the change in excess at the last insurance tender renewal process.	454	471	87	838
Actuarial Strain Reserve	Reserve created to help manage the impact of capitalised contributions to the pension fund following early retirements which are repaid by services from ongoing savings.	601	983	1,123	461
Capital Financing Reserve	Funds set aside cost of future capital programme.	608	0	208	400
Contingency /Invest to Save Reserve	Reserve created to meet unexpected items of expenditure on council wide priorities	1,000	0	0	1,000
Capacity Building	To recognise capacity issues within the organisation	411	0	0	411
Insurance Claims	Required to offset future claims as	353	0	0	353

Reserve	Purpose	1 April 2009 £'000	Transfers /Receipts in year £'000	Payments in year £'000	31 March 2010 £'000
	they arise				
Planning Fees Holding Account	Trading equalisation account	292	192	340	144
Bad Debts Reserve	To meet unexpected bad debts	629	0	0	629
New Technology Reserve	Corporate reserve set aside to fund redevelopment of ICT systems.	418	0	32	386
Section 38 Income	Monies paid in advance by developers under the Section 38 of the Highways act.	0	698	0	698
Others under £250k		4,007	2,563	966	5,604
TOTAL		21,491	16,176	15,804	21,863
<i>2008/09</i>		<i>15,020</i>	<i>20,280</i>	<i>13,809</i>	<i>21,491</i>

22. Useable Capital Receipts Reserve

	2009/10 £'000	2008/09 £'000
Opening balance	1,363	3,683
Capital receipts received during year	2,786	12,998
Less		
Capital receipts set aside	0	0
Capital receipts used for financing during year	(2,953)	(15,318)
	1,196	1,363

The useable capital receipts reserve represents the capital receipts available to finance capital expenditure. The balance is already earmarked to fund an element of the committed capital programme.

23 Special Fund Revenue Account

	2009/10 Gross Expenditure £'000	2009/10 Income £'000	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
EXPENDITURE ON SERVICES				
Cemeteries	198	93	105	59
Highways – footway lighting	753	30	723	691
Total expenditure on services	951	123	828	750
INCOME				
Council Tax			(815)	(807)
(Surplus) or deficit for year			13	(57)
Special Fund				
Balance at beginning of the year			200	143
Surplus or (deficit) for year			(13)	57
Balance at end of year			187	200

The Special Fund covers the cost of providing footway lighting and cemetery services in the former unparished areas of the borough (excluding the parishes of Lawley & Overdale, Oakengates, St Georges & Priorslee and Wrockwardine Wood & Trench which have taken over responsibility for the footway lighting in their parishes). The above costs for footway lighting relate to the remaining parishes of Great Dawley, Dawley Hamlets, Hollinswood & Randlay, Madeley, Stirchley & Brookside, The Gorge and Wellington.

24. School Balances

School balances do not form part of the Council's General Fund Balances. They are held separately and are solely for use by schools. The balances held are as follows:-

	31 st March 2010	31 st March 2009
	£000	£000
School Balances - Revenue	3,103	2,303
School Balances - Capital	1,391	1,037
Total School Balances	4,494	3,340

25. Cash Flow Statement - Analysis of Government Grants

	2009/10 £'000	2008/09 £'000
Revenue Support Grant / NDR	(12,642)	(7,826)
DWP Grants for Housing and Council Tax Benefits	(73,796)	(61,090)
Dedicated Schools Grant	(96,081)	(94,710)
Other Revenue Grants		
NNDR Cost of Collection Allowance	(16)	(4)
School Standards Grant	(16,658)	(16,272)
School Development Grant	(1,795)	(1,795)
Learning and Skills Council	(2,766)	(2,526)
Area Based Grant	(10,063)	(9,343)
Other	(22,786)	(13,526)
Total Other Revenue Grants	(54,094)	(43,466)
Total Revenue Grants	(236,604)	(207,092)
Capital Grants		
Improvement Grants	(698)	(698)
European Regional Development Fund	(5,652)	(5,329)
Homes and Communities Agencies	(6,690)	0
New Deal for Schools Standards Fund	(8,414)	(5,360)
Growth Points - DCLG	(2,917)	(2,610)
Department for Communities and Local Government - Various	(1,781)	(1,781)
PFI Credits	0	(5,858)
Other Capital Grants	(5,118)	(6,011)
Total Capital Grants	(31,270)	(27,647)

26. Cash Flow Reconciliation of Consolidated Deficit to Net Cash from Revenue Activities

	2009/10 £'000	2008/09 £'000
Surplus/(Deficit) on income & expenditure	2,882	84
Surplus/(Deficit) on collection fund	(454)	(149)
Net Surplus/(Deficit)	2,428	(65)
Interest	(11,651)	(12,902)
Non Cash Transactions		
MRP in excess of depreciation	1,145	619
Collection fund adjustment account	(367)	0
Contribution to other Provisions, Reserves etc.	(5,109)	(7,835)
Contributions to capital	208	0
Payments made directly from Provisions, Reserves etc	(971)	(881)
Items on an accruals basis		
(Decrease)/increase in Stocks and Work in Progress	(103)	48
(Decrease)/increase in Debtors	(3,738)	4,336
Decrease/(increase) in Creditors	(4,030)	(14,741)
Net Cashflow from Revenues Activities	(22,188)	(31,421)

27. Cash Flow Reconciliation of the Movement in Cash and Equivalents to the Movement in Net Debt

	31 March 2009 £'000	Cash Flows £'000	Other Changes £'000	31 March 2010 £'000
Cash and Cash Equivalents (note 30)	1,972	(1,658)	0	314
Debt Outstanding (note 29)	(190,159)	65,980	0	(124,179)
Liquid Resources (note 28)	129,404	(68,894)	0	60,510
	(58,783)	(4,572)	0	(63,355)
			£'000	£'000
Increase/(Decrease) in Cash and Equivalents in the Period (note 30)			(1,658)	
Cash from Borrowing (note 29)			65,980	
Change in Value of Liquid Resources Other than Cash Purchases			0	
Cash from Sale of Liquid Resources (note 28)			(68,894)	
Increase/(Decrease) in Net Debt				(4,572)
Net Funds at 31 March 2009				(58,783)
Net Funds at 31 March 2010				(63,355)

28. Cash Flow 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.

29. Cash Flow Analysis of Changes in Financing

	31 March 2010 £'000	31 March 2009 £'000	Movement £'000
Long Term Borrowing:			
– Public Works Loans Board	(63,024)	(70,024)	7,000
– Finance Company	0	(326)	326
– Money Market	(60,000)	(55,000)	(5,000)
Money Market (Short Term)	(52)	(63,772)	63,720
Finance Leases	(1,103)	(1,037)	(66)
	(124,179)	(190,159)	(65,980)

30. Cash Flow Analysis of Balances of Cash and Cash Equivalents

	31 March 2010 £'000	31 March 2009 £'000	Movement £'000
Cash at Bank	214	214	0
Bank Overdraft	109	1,767	(1,658)
	323	1,981	(1,658)

31. Soft Loan

During the year the Council granted a 12 month loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 0.93% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. This is shown as a debtor on the Balance sheet at a fair value of £475,000 and a notional £25,000 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place which covers the £500,000.

32. Private Finance Initiative

The updated SORP for the 2009/10 accounts has resulted in a change to the treatment of PFI schemes. Previously the schemes were treated as off Balance Sheet and only the payments to the operator included within revenue expenditure. For 2009/10 (and comparables) an asset had been recognised on the balance sheet. This has increased our assets held as at 31st March 2010 by £56.0m (2008/09 £50.9m). A finance lease creditor has also been recognised to the value of £64.9m as at 31st March 2010 (£66.3m as at 31st March 2009). The payment made to the operator has been analysed between the service element and the interest charge. The latter has

added £5.5m in to the interest paid for 2009/10 (£5.6m 2008/09). Amounts due are shown in the table below

	2009/10				2008/09			
	Service	Lifestyle	Interest	Finance Lease	Service	Lifestyle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	1,905	325	5,401	1,760	2,124	119	5,510	1,527
2 to 5 years	7,709	1,779	20,551	7,178	7,437	1,820	20,981	6,979
6 to 10 years	8,370	4,888	23,540	12,004	8,234	4,700	24,069	11,173
11 to 15 years	8,117	6,883	20,500	16,673	7,765	6,869	21,225	15,606
16 to 20 years	9,630	7,342	15,403	23,466	9,166	7,391	16,628	22,000
21 to 25 years	13,652	4,522	6,584	29,540	14,506	4,227	8,757	29,366
26 to 30 years	0	0	0	0	2,274	731	320	5,498

33. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3,831,661 in 2009/10 (£3,056,141 in 2008/09).

34. Employee Remuneration

The following table excludes Senior Officers shown in note 35 below.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:

	<u>Number of Employees</u> <u>2009/10</u>	<u>Number of Employees</u> <u>2008/09</u>
£50,000 - £49,999	74	55
£55,000 - £59,999	40	40
£60,000 - £64,999	18	15
£65,000 - £69,999	8	2
£70,000 - £74,999	3	3
£75,000 - £79,999	1	2
£80,000 - £84,999	3	1
£85,000 - £89,999	0	1
£90,000 - £94,999	1	0
£95,000 - £99,999	0	1
£100,000 - £104,999	2	0
£105,000 - £109,999	0	1

The 2009/10 figures include 94 school based employees (76 in 2008/09). The 2009/10 figures include 5 employees (3 in 2008/09) who were made redundant or retired during the year. Please note those bands with nil in both years have been excluded.

35. Senior Officer Remuneration 2009/10

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
		£	£	£	£	£	£	£
Chief Executive	<i>Note 1</i>	162,164	59,889		231	60,120	9,163	69,283
Chief Executive	<i>Note 1</i>	149,000	99,855		547	100,402	15,277	115,679
Interim Chief Executive	<i>Note 1</i>	128,786	30,327		151	30,478	4,640	35,118
Corporate Director	<i>Note 2</i>	110,786	11,019		133	11,152	1,686	12,838
Corporate Director	<i>Note 3</i>	108,084	93,617		717	94,334	14,314	108,648
Corporate Director			112,343		416	112,759	17,191	129,950
Corporate Director			118,897		781	119,678	18,191	137,869
Corporate Director	<i>Note 4</i>	116,191	41,466		324	41,790	6,356	48,146
Interim Corporate Director	<i>Note 5</i>	108,084	72,052		604	72,656	11,025	83,681
Assistant Chief Executive	<i>Note 6</i>	88,000	19,622		151	19,773	3,004	22,777
Single Status Project Director			80,860		323	81,183	12,345	93,528
Head of Adult Social Care	<i>Note 7</i>	80,689	26,894		302	27,196	4,115	31,311
Head of Adult Social Care Delivery			80,629		871	81,500	12,345	93,845
Head of Finance	<i>Note 8</i>	80,689	10,857		151	11,008	1,660	12,668
Head of Finance			80,783		810	81,593	12,298	93,891
Head of Customer & Leisure Services			79,197		902	80,099	12,098	92,197
Head of Safeguarding & Corporate Parenting		80,689	29,302	70,335	326	99,963	4,472	104,435
Head of Safeguarding & Corporate Parenting			75,248		237	75,485	11,516	87,001
Head of Regeneration & Housing			77,393		707	78,100	11,850	89,950
Head of Property & Design			77,318		899	78,217	12,097	90,314

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
Head of Learning & Achievement			75,833		836	76,669	11,603	88,272
Head of Governance			80,213		21	80,234	12,281	92,515
Head of Environmental Services			80,048		902	80,950	12,345	93,295
Head of Adult Social Care Commissioning			77,415		906	78,321	11,850	90,171
Head of Planning & Transport			80,629		830	81,459	12,346	93,805
Head of ICT & Procurement			77,451		92	77,543	11,850	89,393
Head of Economic Development			75,836		906	76,742	11,603	88,345
Head of Early Intervention			75,751		720	76,471	11,590	88,061
Head of Community Protection			80,629		870	81,499	12,345	93,844
Head of Policy, Performance & Partnership	<i>Note 6</i>	80,689	62,746		755	63,501	9,591	73,092
Head of Integrated Housing	<i>Note 9</i>	74,220	22,266		0	22,266	3,407	25,673
Head of Environmental Services	<i>Note 10</i>	75,836	64,280		4,916	69,196	9,804	79,000
Head of Community & Neighbourhoods	<i>Note 10</i>	80,689	13,457		102	13,559	2,057	15,616
			2,144,122	70,335	21,439	2,235,896	328,315	2,564,211

Notes:

The roles shown in bold represent the current Senior Management Team.

- 1) There was a change of Chief Executive during 2009/10. Mr Steve Wellings was in post until 31st July 2009; the post was then covered on an interim basis and filled permanently from 1st August 2009 by Mr Victor Brownlees.
- 2) Mr Victor Brownlees was in this Corporate Director's post until May 2009 when he became Interim Chief Executive and was then appointed permanently as Chief Executive.
- 3) Corporate Director in post part year following the changes in Note 2 above.

- 4) This Corporate Director left the authority on 9th August 2009. The post was filled on an interim basis for the remainder of the year.
- 5) Interim Corporate Director following the resignation of the Corporate Director in Note 4 above.
- 6) The Assistant Chief Executive post was appointed to in January 2010 and the Head of Policy, Performance & Partnership was deleted as part of the Council re-structure.
- 7) This Head of Service was in post part year and moved into the Interim Corporate Director post referred to in Note 5 above. This post was then deleted as part of the Council re-structure.
- 8) This Head of Service was in post part year and moved into the Corporate Director post referred to in Note 3 above.
- 9) Head of Service in post part year; post deleted as part of the Council re-structure.
- 10) Head of Service in posts part year until the Council re-structure took place.

Senior Officer Remuneration 2008/09

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2008/08	Pension contributions	Total Remuneration including pension contributions 2008/09
		£	£	£	£	£	£	£
Chief Executive			163,031		637	163,668	23,476	187,144
Corporate Director: Resources			109,660		819	110,479	15,791	126,270
Corporate Director: Community Services	<i>Note 1</i>	116,191	95,742		685	96,427	13,781	110,208
Corporate Director: Adults & Consumer Care			114,883		849	115,732	16,570	132,302
Corporate Director: Environment & Regeneration			118,897		635	119,532	17,120	136,652
Corporate Director: Children & Young People			109,660		385	110,045	15,791	125,836
Head of Human Resources			80,753		309	81,062	11,619	92,681
Head of Customer Strategy & BT			80,652		849	81,501	11,596	93,097
Head of Safeguarding & Corporate Parenting			80,813		776	81,589	11,620	93,209
Head of Mobility & Development	<i>Note 2</i>	80,689	39,950		369	40,319	5,745	46,064
Head of BSF, Resources and Social Regeneration			75,372		665	76,037	10,862	86,899
Head of Environmental Services	<i>Note 3</i>	75,836	40,865		2,711	43,576	5,876	49,452
Head of Asset & Property Management			71,184		841	72,025	10,687	82,712
Head of Learning & School Improvement	<i>Note 4</i>	80,689	26,903		275	27,178	3,874	31,052
Head of Learning & School Improvement	<i>Note 4</i>	77,451	55,665		592	56,257	8,016	64,273
Head of Legal	<i>Note 5</i>	80,689	18,918		132	19,050	2,725	21,775
Head of Legal (acting)	<i>Note 5</i>	74,220	61,850	61,917	12	123,779	8,907	132,686
Head of Leisure & Culture			76,245		824	77,069	11,386	88,455
Head of Performance & Standards			77,415		849	78,264	11,153	89,417
Head of Integrated Housing	<i>Note 6</i>	74,220	23,379		0	23,379	3,367	26,746

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2008/08	Pension contributions	Total Remuneration including pension contributions 2008/09
Head of Audit & Scrutiny			80,786		704	81,490	11,619	93,109
Head of Prevention & Protection			80,629		770	81,399	11,619	93,018
Head of Planning & Environment			80,629		781	81,410	11,619	93,029
Head of ICT			75,122		68	75,190	10,818	86,008
Head of Finance			80,762		849	81,611	11,619	93,230
Head of Service Development			80,683		849	81,532	11,619	93,151
Head of Housing needs & Community Care			80,629		803	81,432	11,619	93,051
Head of Economic Development	<i>Note 6</i>	77,451	37,512		430	37,942	5,401	43,343
Head of Policy, Performance and Partnerships			80,765		849	81,614	11,619	93,233
Head of Locality Services for Children & Families	<i>Note 7</i>	74,220	24,343		239	24,582	3,482	28,064
Head of Locality Services for Children & Families	<i>Note 7</i>	74,220	10,603		84	10,687	1,527	12,214
Head of Commissioning, Performance & Partnerships	<i>Note 8</i>	77,451	33,319		381	33,700	4,798	38,498
Head of Community & Neighbourhoods			79,125		4,613	83,738	11,836	95,574
			2,346,744	61,917	24,634	2,433,295	339,157	2,772,452

Notes:

- 1) This Corporate Director left post in January 2009; the post was deleted from the structure.
- 2) The HOS left this post in September 2008; the post was deleted from the structure.
- 3) The HOS was appointed to this post in September 2008.
- 4) The HOS left this post in July 2008 and was replaced in the same month.

- 5) The Head of Legal post was appointed to in an acting capacity until January and was replaced in the same month.
- 6) These posts were appointed to in September 2008.
- 7) This HOS post left the post in July 2008 and was replaced in February 2009.
- 8) This post was appointed to in October 2008.

36. Members Allowances

Total allowances paid to members during 2009/10 amounted to £663,774 (*£640,251 in 2008/09*)

37. Building Control Account 2009/10

	Chargeable	Non- Chargeable	Total Building Control
<u>Expenditure</u>	2009/10 £'000	2009/10 £'000	2009/10 £'000
Employee Expenses	293	175	468
Supplies & Services	6	0	6
Support Services	97	64	161
	396	239	635
<u>Income</u>			
Building Regulation Charges	358	1	359
Misc. Income	0	0	0
	358	1	359
(Surplus)/Deficit	38	238	276
<i>2008/09</i>	<i>14</i>	<i>222</i>	<i>236</i>
<i>(Surplus)/Deficit</i>			

38. Transactions with Related Parties

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

Central Government

The government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in Note 25 to the Core Financial Statements

Members and Officers

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell – his company, Peace of Mind Homecare, provided services to the Council through service contracts and received £610,013 in 2009/10.

Councillor Joy Francis – receives government grant for 3 to 4 year olds for 2 nurseries that she runs. This grant is administered by the Council. For 2009/10 the total grant was £121,913.

39. Pooled Budgets

During 2009/10 the Council was involved in the following pooled budgets in conjunction with Telford & Wrekin Primary Care Trust for improving life chances of all children, young people, adults and older people with learning difficulties and their families and for Integrated Community Equipment.

Pooled Budgets where Telford & Wrekin is the host.

Learning Disability Development Fund

To improve the service for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £158k.

	2009/10	2008/09
	£000	£000
Expenditure	198	157
Income	238	209

Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services which are delivered in partnership between primary and secondary health care, local government services and the independent sector. The Council's contribution to this budget is £292k.

	2009/10	2008/09
	£000	£000
Expenditure	292	284
Income	292	284

Intermediate Care Pooled Budget

To improve intermediate care services for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £51k.

	2009/10	2008/09
	£000	£000
Expenditure	325	312
Income	323	312

Joint Commissioning Scheme

To ensure an effective and integrated approach to commissioning for health and social care services, which is service user focussed and reflects local need. The Council's contribution to this budget is £211k.

	2009/10	2008/09
	£000	£000
Expenditure	995	763
Income	1,064	813

Stafford Park Pooled Budget (previously known as Revolution)

Provide a 'Young Person centred' environment with opportunities and support services that will help all service users achieve the five outcomes central to the Children Act 2004. The Council's contribution to this budget is £119k.

	2009/10	2008/09
	£000	£000
Expenditure	168	130
Income	159	150

Pooled Budgets where Telford & Wrekin PCT is the host.

Integrated Community Equipment Services

To improve the service for equipment users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £59k.

	2009/10	2008/09
	£000	£000
Expenditure	59	79
Income	81	79

Substance Misuse

To promote a partnership approach to the development of local systems of effective drug misuse treatment. The Council's contribution to this budget is £0k.

	2009/10	2008/09
	£000	£000
Expenditure	1,280	1,197
Income	1,271	1,254

40. Audit Costs

The Council's accounts have been audited by KPMG in 2008/09 and 2009/10. In 2009/10 the Council incurred the following fees relating to external audit and inspection:

	2009/10 £000	2008/09 £000
Fees payable to the KPMG with regard to external audit services	255	215
Fees payable to the KPMG in respect of statutory inspection	17	127
Fees payable to the KPMG for the certification of grant claims and returns	76	78
Fees payable in respect of other services provided by the appointed auditor, for 2009/10 includes £2,000 paid to the Audit Commission in relation to the National Fraud Initiative	2	2

41. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2009/10 expenditure on this totalled £1,708,681 and grant receivable amounted to £698,000. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

42. Summary of Capital Expenditure and Sources of Finance

	2009/10	2008/09
	£'000	£'000
Opening Capital Financing Requirement	186,708	168,776
Capital Investment		
Operational Assets	40,723	56,772
Non Operational Assets	2,856	4,316
Revenue Expenditure funded from Capital under Statute	1,709	1,628
Leased Vehicles	338	113
Sources of Finance		
Capital Receipts	(3,167)	(15,318)
Private Finance Initiative Finance Lease	(1,527)	(1,229)
Finance Leases	(337)	(113)
Government Grants and Other Contributions	(17,858)	(25,181)
Revenue Provision (NB: includes MRP)	(3,832)	(3,056)
Closing Capital Finance Requirement	205,613	186,708
Movement for Year	18,905	17,932
Explanation of movements in the year		
Increase in underlying need to borrow (supported by Government financial assistance)	6,368	5,615
Increase in underlying need to borrow (unsupported by Government financial assistance)	12,537	12,317
Increase/(decrease) in Capital Financing Requirement	18,905	17,932

The main items of capital expenditure during the year related to improving schools, roads, local housing improvement grants and ICT Broadband/VOIP/Business Transformation, Borough Towns Initiative, Woodside and Street Lighting.

At 31-3-2010 there was 1 significant contract in place. Wellington Civic £7.935m within the Borough Towns Initiative (BTI).

The Council entered into a PFI transaction in March 2007 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.

Unitary payments are being paid to the operator, and PFI credits received from the government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2009/10 the authority made payments of £9,396,344 in respect of this PFI contract with Interserve Limited. The authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

The accounting treatment for the PFI has changed for 2009/10 and previous years. The asset for PFI is now included within fixed assets and a long term creditor has also been included for the future payments due on the contract.

43. Obligations under Leases and Hire Purchase Agreements

Finance Leases

During 2009/10 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £378,115. Finance lease rentals of £401,609 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	Next Year £	2 to 5 years £	Over 5 years £	Total £
Outstanding Obligations	289,126	755,021	52,412	1,096,559

The aggregate amount of finance charges in respect of finance leases was £63,773 for 2009/10 (£70,991 for 2008/09)

The Council operates a de minimus level of £50,000 for including assets in the asset register, therefore not all the assets acquired under finance leases are shown on the balance sheet within fixed assets. Within note 6 to the accounts the value of assets held within Vehicles, Plant and Equipment are shown.

Operating Leases

During 2009/10 the value of vehicles, plant and equipment acquired under operating leases amounted to £5,968. Operating lease rentals of £170,612 were paid during the year. Total outstanding obligations at the end of the year were as follows:-.

	Next Year £	2 to 5 years £	Over 5 years £	Total £
Outstanding Obligations	42,509	61,497	0	104,006

Hire Purchase Contracts

During 2009/10 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rent income received from these properties for 2009/10 amounted to £8,843,000 (£8,648,000 for 2008/09). See also note 3 Trading Accounts and note 6 in respect of the valuation of these assets as Investment Properties.

44. Trust Funds

The Council acts as a Trustee for the Telford Trust, which provides the leisure facilities at Madeley Court Recreation Centre. The Trust is a separate legal entity whose full set of accounts are audited by independent auditors. In 2009/10 the accounts will be audited by Muras Baker Jones and we expect to receive an unqualified audit opinion. The 2008/09 figures have been re-stated to take account of an adjustment made by the auditors in the final Telford Trust accounts.

THE TELFORD TRUST	2009/10	2008/09
	£	£
Balance at 1st April	466,169	559,892
Income	1,085,678	1,063,994
Expenditure	(1,119,331)	(1,126,717)
Actuarial loss on defined benefit pension scheme	(269,000)	(31,000)
Balance at 31 March	163,516	466,169

The Council also operates a Common Good Fund which is used for various charitable purposes.

THE COMMON GOOD FUND	2009/10	2008/09
	£	£
Balance at 1st April	8,600	8,600
Income	0	0
Expenditure	0	0
Balance at 31 March	8,600	8,600

45. Insurance Reserves

The Council has insurance reserves on its General Fund and specifically for Education.

The reserves are in existence for the following purposes:-

- to enable the Council to move towards an element of self insurance and risk management to mitigate premium increases.
- to provide for unbudgeted potentially significant increases in annual premiums and late premium adjustments in a volatile insurance market.
- to meet any potential liabilities resulting from the winding up of MMI.

An analysis of the reserves for 2009/10 indicates the following:-

	<u>General Fund</u>		<u>Education</u>	
	2009/10 £	2008/09 £	2009/10 £	2008/09 £
Balance b/f	1,025,879	567,380	1,336,724	937,667
Charges in the Year	(412,192)	(108,828)	(150,000)	(943)
Contributions	632,925	567,327	0	400,000
Balance c/f	1,246,612	1,025,879	1,186,724	1,336,724

The charges relate to additional premium costs and excesses and the contributions to interest. An analysis of the general fund reserve is as follows:

	<u>General Provision</u>		<u>Self Insurance</u>	
	2009/10 £	2008/09 £	2009/10 £	2008/09 £
Balance B/f	571,662	567,380	454,217	0
Charges In Year	(324,936)	(100,895)	(87,256)	(7,933)
Contributions	161,935	105,177	470,990	462,150
Balance c/f	408,661	571,662	837,951	454,217

For 2009/10 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims and £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, liable and slander and officials indemnity claims.

46. Single Status

Single Status is a National pay and conditions agreement for staff employed under NJC terms and conditions, which is a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2009/10 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 3 years: £6.6m for services outside Education/DSO funding; £5m for Education/DSO services. The 4% is based on average settlements made by other unitaries and was the % used for the 2009/10 budget process.

47. West Mercia Supplies Purchasing Consortium

West Mercia Supplies (WMS) is a Purchasing Consortium that was established in 1987. It is constituted as a Joint Committee, Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council.

Once again Telford & Wrekin Council has undertaken a review of the accounting treatment that should be applied to WMS within this Council, this involved working through the group accounts questions in the chart

contained within the Guidance Notes relating to The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). As a result it was concluded that:

1. Telford & Wrekin Council has an interest in WMS, and,
2. WMS is not delivering a service or carrying on a trade or business of its own, therefore,
3. WMS is not an entity and no group relationship exists.

We concluded that WMS is not delivering a service or carrying on a trade or business of its own because WMS exists in order to provide joint procurement services to the four constituent authorities, that is why it was constituted as a Joint Committee. Also WMS carries out business primarily on behalf of the four constituent authorities, the trade that is undertaken with other customers is merely a means of making the organisation more efficient, e.g. improved purchasing power, increased turnover over which to spread fixed costs etc.

The chart referred to above refers to further guidance, concerning accounting for bodies in which a Council has an interest but which are not entities, this reads as follows:

"A reporting authority's investment in a structure with the appearance of a joint venture that is used only as a means for each participant to carry on its own business should account directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from that structure."

Having regard for the above and also for the requirements of FRS9 (Associates and Joint Ventures) the overall conclusion is that WMS should be accounted for as a Joint Arrangement that is Not an Entity (JANE). However, having referred to the concept of materiality, which the SORP guidance notes, defines as:

'Materiality is the final test of what information should be given in a particular set of financial statements.....materiality is a threshold quality ensuring that the information is of such significance as to justify its inclusion in the financial statements.'

An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence assessments of the authority's stewardship, economic decisions, or comparisons with other entities, based upon those financial statements.....

Strict compliance with the SORP, both as to disclosure and accounting principles is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader."

The conclusion of the Council is that the exclusion of its share of WMS' assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability the unaudited 2009/10 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 20.8%. The WMS balance sheet has been provided by Worcestershire County Council, in their capacity as Section 151 Officer for West Mercia Supplies:

Extract of WMS 2009/10 Balance Sheet	£000	Telford & Wrekin's Share of WMS 2009/10 Balance Sheet £000
Fixed Assets (Net of Depreciation)		
Warehouse	2,475	515
Vehicles and Equipment	285	59
Current Assets		
Stock	2,822	587
Debtors	11,096	2,309
Cash	1,767	368
Current Liabilities		
Creditors	(9,762)	(2,031)
Liability Related to Defined Benefit Scheme	(4,006)	(834)
Total Assets less Liabilities	4,677	973
Financed By		
General Fund	(5,921)	(1,232)
Capital Assets Financed from Revenue	(75)	(16)
Capital Financing Account	(2,687)	(559)
Pensions Reserve	4,006	834
	(4,677)	(973)
Turnover	43,270	9,004

Collection Fund Account

	2009/10 £'000	2008/09 £'000	Notes
Income			
Income from Council Tax	57,168	56,333	1
Transfers from the Council's General Fund			
– Council Tax Benefits	13,472	11,841	
– Transitional Relief	0	(2)	
– Discounts for prompt payment	0		
Income collectable from business ratepayers	60,095	60,265	2
Contributions			
- Towards previous year's Collection Fund deficit	0	0	
- Adjustment of previous years' community charges	1	0	
	130,736	128,437	
Expenditure			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	69,899	67,831	3
Business Rates			
– Payment to national pool	59,877	60,045	
– Costs of collection	217	220	
Bad and Doubtful Debts/Appeals			
– Write Offs	199	200	
– Provisions	(10)	(8)	
Contributions			
- Towards previous year's estimated Collection Fund surplus	100	0	
- Adjustment of previous years' community charges	0	0	
	130,282	128,288	
Movement on fund balance (Increase)/Decrease	(454)	(149)	

Notes To Collection Fund Accounts

1. Council Tax Base for 2009/10

	Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings	2008/09 Equivalent Band D Dwellings
Band A	25,651	(3,734)	21,917	14,600	14,747
Band B	17,733	(1,982)	15,751	12,251	12,198
Band C	9,715	(955)	8,760	7,787	7,762
Band D	7,364	(285)	7,079	7,079	7,057
Band E	4,222	(261)	3,961	4,841	4,798
Band F	1,908	(106)	1,802	2,603	2,590
Band G	977	(60)	917	1,528	1,475
Band H	45	(13)	32	64	64
TOTAL	67,615	(7,396)	60,219	50,753	50,691
Adjustments for growth and losses				(508)	(507)
Taxbase for year				50,245	50,184
Average Council Tax for year				£1,390.71	£1,351.64
				2009/10 £'000	2008/09 £'000
Gross Yield				69,876	67,831
Less Benefits and Transitional Relief				(13,472)	(11,839)
Add increase in debit net of exemptions and relief's				764	341
				57,168	56,333

2. Income Collectable from Business Rate Payers

	2009/10 £'000	2009/10 £'000	2008/09 £'000
Effective non-domestic rateable value for year	142,348		141,297
Uniform Business Rate for year	48.5p		46.2p
Gross Yield for year		69,039	65,279
Less Reductions & Transitional Rate Relief		(8,944)	(5,014)
		60,095	60,265

The rateable value was £ 148,468,191 at 31.3.2010

3. Precepts on the Fund

	2009/10 £'000	2008/09 £'000
Telford & Wrekin Council	54,172	52,786
West Mercia Police Authority	8,738	8,303
Shropshire & Wrekin Fire Authority	4,100	3,934
Parish Councils	2,889	2,808
	69,899	67,831

4. Allocation of Fund Balance

	2009/10 £'000	2008/09 £'000
Telford & Wrekin Council	(881)	(514)
West Mercia Police Authority	(136)	(77)
Shropshire & Wrekin Fire Authority	(64)	(36)
	(1,081)	(627)

Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance & Accountancy and comply with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS) approved by the Accounting Standards Board
ABG	Area Based Grant
Balances	See Reserves and Balances
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 st March for Local Authorities
Best Value Performance Indicators (BVPI's)	A set of national performance indicators used to measure performance
Budget	The financial statement reflecting the Council's policies over a period of time i.e. what the Council is going to spend to provide services.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Receipts	The proceeds from the disposal of land or buildings, or other assets. These can be used to finance new capital expenditure.
Capping	The Government has the power to tell Councils to set a lower budget requirement if it thinks the year on year increase is excessive
CIPFA CIPFA/SOLACE	The Chartered Institute of Public Finance and Accountancy CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of Public Finance and Accountancy, have worked with SOLACE - the Society of Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management.
Collection Fund	A separate statutory fund maintained by the Council, as billing authority, which records council tax and non-domestic rates collected, together with payments to precepting authorities (Police, Fire, Parishes), the national pool of non domestic rates and the Council's own General Fund.
Income & Expenditure Account (I&E)	Summarised income and expenditure during the year by service area
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end
Revenue Expenditure funded from Capital under Statute (formerly	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of

Deferred Charges)	stock issues, expenditure on properties not owned by the authority and amounts directed by the government.
Depreciation	The accounting term used to describe the write off of the reduction in value of a fixed asset due to wear and tear, passing of time
Dedicated Schools Grant (DSG)	Specific ring-fenced grant allocated by the Department for Education for the funding of schools
Discounts	The benefit obtained from re-scheduling debt
Financial Reporting Standard 17	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Local Area Agreement (LAA)	A Government initiative through which local authorities and partners deliver national outcomes in a way that reflects local priorities
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Outturn	Actual Expenditure within a particular year
Pension Fund	An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early
Private Finance Initiative (PFI)	A central government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain
Public Works Loans Board (PWLB)	A government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Formula Spending Share, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 117	Refers to the aftercare required to be provided under Section 117 of the Mental Health Act 1983
Section 137	Section 137 of the Local Government Act 1972 gives authorities the power to undertake a limited amount of spending on activities for which it has no specific powers but which it considers 'will bring benefit to the area, or any part of it or some of its inhabitants'
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs. For Telford & Wrekin this is the Corporate Director:Resources.
Soft Loan	A loan granted at lower than the prevailing interest rate
Special Fund Revenue Account	Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council
STRGL	Statement of Total Recognised Gains and Losses
Supranational Bonds	These are investments in Multilateral Development Bank Bonds which are very highly credit rated and safe bonds and are similar in nature to UK Government Gilts.
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.