

Telford & Wrekin Council

Statement of Accounts

2010/11

Contents

Financial Statements

• Explanatory Foreword	3
• Statement of Responsibilities	15
• Auditors' Report	26
• Movement In Reserves Statement	27
• Comprehensive Income and Expenditure Account	29
• Balance Sheet	30
• Cash Flow Statement	32
• Notes to the Core Financial Statements	
1. Accounting Policies	33
2. Accounting Standards that have been issued but not yet adopted	40
3. Critical Judgements in Applying Accounting Policies	40
4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	40
5. Material Items of Income & Expenditure	42
6. Events after the Balance Sheet Date	42
7. Adjustments between Accounting Basis and Funding Basis under Regulations	42
8. Transfers to/from Earmarked Reserves & Balances	46
9. Other Operating Expenditure	46
10. Financing and Investment Income and Expenditure	46
11. Taxation and Non Specific Grant Incomes	47
12. Property, Plant and Equipment	47
13. Investment Properties	51
14. Financial Instruments	52
15. Inventories	54
16. Debtors	54
17. Cash and Cash Equivalents	54
18. Assets Held for Sale	55
19. Creditors	55
20. Provisions	55
21. Usable Reserves	55
22. Unusable Reserves	56
23. Cash Flow Statement – Operating Activities	60
24. Cash Flow Statement – Investing Activities	60

25. Cash Flow Statement – Financing Activities	60
26. Amounts Reported for Resource Allocation Decisions	61
27. Acquired and Discontinued Operations	62
28. Market Undertaking, Industrial Units and former DSO Trading Activities	62
29. Pooled Budgets	63
30. Member Allowances	65
31. Officer's Remuneration	66
32. External Audit costs	71
33. Disclosure of deployment of Dedicated Schools Grant	71
34. Grant Income	72
35. Related Parties	73
36. Capital Expenditure & Capital Financing	74
37. Leases	75
38. Private Finance Initiatives and Similar Contracts	76
39. Impairment Losses	76
40. Termination Benefits	76
41. Pension Schemes Accounted for as Defined Contribution Schemes	76
42. Defined Benefit Pension Schemes	77
43. Contingent Liabilities	80
44. Contingent Assets	80
45. Nature & Extent of Risks Arising from Financial Instruments	80
46. Area Based Grant	85
47. Income & Expenditure Account Deficit	85
48. Investments	86
49. Intangible Assets	87
50. Usable Capital Receipts Reserve	87
51. Special Fund Revenue Account	88
52. School Balances	88
53. Soft Loan	89
54. Minimum Revenue Provision	89
55. Building Control Account	89
56. Revenue Expenditure Funded from Capital Under Statute	89
57. Trust Funds	90
58. Insurance Reserves	90
59. Single Status	91
60. West Mercia Supplies Consortium	91
61. Landfill Allowances Trading Scheme	92
62. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements	93
63. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	93
• The Collection Fund Account	94
• Glossary	96

Telford & Wrekin Council

Statement of Accounts

2010/11

Financial Statements

Explanatory Foreword

1. INTRODUCTION

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis and has resulted in the restatement of various balances and transactions and the introduction of new statements. This has created a further level of complexity for readers to overcome. However, the information contained within these accounts is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

The Statement of Accounts features four main statements reporting on the Council's core activities:

- the Movement in Reserves Statement
- the Comprehensive Income and Expenditure Statement,
- the Balance Sheet and,
- the Cash Flow Statement

The purpose of each is briefly described within this foreword and they are each followed by notes explaining the statements and any specific restatements required as a result of the introduction of IFRS.

The main statements are supplemented by:

- the Collection Fund Account,

The Council's accounts for the year 2010/11 are set out in the remainder of the report. They consist of: -

- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance;
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services;
- ... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2011;
- ... **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, which follow this foreword plus various notes to the accounts which includes the Statement of Accounting Policies and 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 2010/11. In particular it sets out

- An overview of the budget process for 2010/11
- Issues highlighted during 2010/11
- The final outturn for 2010/11
- A commentary on 2011/12

2.2 An Overview of the Budget 2010/11

The Council's 2010/11 budget was set in the context of a three year policy and planning strategy which covered the period 2010/11 to 2012/13. The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low-spending 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 2010/11 and 2011/12.

In December 2007 the Government announced the provisional 3 year settlement for 2009/10, 2010/11 and 2011/12. 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 £5m through this process in 2010/11.

Initial consideration of the Council's 2010/11 financial position took place at the Cabinet meeting in October 2009 and was followed by the strategy for consultation agreed at Cabinet in December 2009.

The final RSG settlement was announced in January 2010 and there was no change for the Council since the provisional settlement and a final budget strategy was approved at Council in March 2010 taking account of consultation responses.

The finally agreed budget package included a savings package of £5.2m and a range of investments which included an additional £1.675m into Adult Social Services to address increasing client numbers and the cost of care packages for the elderly and £1.9m invested in Children & Families services.

The Council agreed to use £0.980m from balances to support the budget for 2010/11. The Council Tax increase was an average of 1.9% for Council Services, with the average charge **(Band B) for the Council's services being £854 per year.**

The Council consulted widely on the budget proposals for 2010/11 which included a postal survey, 'Your Money, Your Views' consultation document, engagement events in the Borough

Towns and meetings with 11 external and internal stakeholder groups and in general **feedback was supportive for the Council's approach towards the budget.**

There was a very challenging outlook for public spending and following the General Election in May 2010 the Government announced in June that Local Government would be subject to mid-year grant cuts – the impact of Telford & Wrekin Council was £3.1m revenue and £1m capital grant cuts which had to be managed during the remainder of 2010/11.

The medium term planning period was one of unprecedented uncertainty – with the next Comprehensive Spending Review expected in Autumn of 2010 and 2011/12 being the first year of a new Revenue Support Grant Settlement.

2.3 Issues Highlighted During 2010/11

A summary of the monitoring presented to Cabinet during 2010/11 is shown in the table below.

Service Delivery Unit	Q1 Projected Variance £m	Q2 Projected Variance £m	Q3 Projected Variance £m	Outturn Actual Variance £m
Safeguarding	Analysis not available due to Council Restructure		1.620	1.501
School Improvement			0.274	0.980
Family & Community Services			-0.148	-0.636
Property & ICT			0.373	-0.010
Economy & Skills			-0.160	-0.201
Environmental Services			-0.609	-0.790
Housing & Planning			0.249	-0.121
Care & Support			0.732	0.375
Customer, Leisure & Libraries			-0.174	-0.245
Governance			-0.068	-0.208
Finance			-0.146	-0.151
Core Services			-0.478	-1.056
Council Wide			-1.521	0.478
Total Variation	-0.552	-1.290	-0.056	-0.084
Planned Use of General Balances				0.980
Underspend at Year End				-0.084
Actual Use of General Balances				0.896
Variances are shown as Over (+) /Under (-) spends before IAS 19 – pensions entries which are accounting entries required by legislation that do not alter the overall position.				

A summary of the key issues highlighted during the year is shown below:

Safeguarding

Children in Care: £1.518m overspend at year end - there were 269 children in care at the end of the year. Regular review meetings are in place to review all placements and additional funds of £1.4m have been included in the 2011/12 budget.

Agency Staff: £0.249m overspend at year end arising from the use of agency staff to cover vacancies and long term sickness absence.

Support for Children in Need/Legal Costs and Assessments: £0.164m overspend at year end relating to payments made to promote the welfare of children in need.

Underspends of £0.434m were also identified from across the whole service delivery unit towards the overspends

School Improvement

Specialist Education: £0.125m overspend at year end. Additional resources were allocated to this budget as part of the 2010/11 Education Budget strategy to ensure all current placements were fully funded. The overspend is a combination of new statements, additional support hours and the cost of out of county placements.

NNDR: £0.465m underspend at year end relating to reduced costs due to revaluation of school properties.

Primary schools delegated budgets: lower delegated amount due to in year conversion to academy status gave rise to a £0.138m benefit at year end.

Dedicated schools grant: £0.520m lower than budgeted at year end relating to reduced grant received due to academies, lower pupil numbers and rates revaluation.

Family & Community Services

Transport: £0.275m benefit at year end due to lower than budgeted charges from the Integrated Transport Unit for transport.

Underspends totalling £0.119m were also identified across the whole service area.

Property & ICT

Asset & Property Management: £0.349m shortfall at year end relating to rental income due to the continuing high level of voids.

Estates and Investment Management: in year savings of £0.156m were reported at year end.

ICT: £0.150m underspend at year end arising from active management of licensing requirements.

Economy & Skills

One Telford/Lifelong Learning: £0.135m underspend relating to savings from revised working practices

Environmental Services

Winter Maintenance Costs: £0.228m overspend at year end due to costs associated with the extreme weather conditions.

Engineers: £0.198m benefit at year end from increased fee income from work carried out on major capital projects.

Transport: £0.306m benefit at year end arising from bus contract re-tender exercise and fuel costs.

Waste: £0.120m overspend at year end due to increased waste receptacle replacement costs.

Waste: benefit of £0.148 at year end from contract penalty deductions.

Concessionary Travel: underspend of £0.151m at year end due to demographic impact.

Housing & Planning

Planning Fees: shortfall of £0.128m in planning fees at year end due to the downturn in the economy.

Care & Support

Purchasing budgets: an overspend of £0.668m reported at year end due to the reduction in continuing health care funding support to clients from the PCT. This has had the impact of increasing costs falling on the council for all client groups, particularly Adults with Learning Disabilities. Costs will rise further in the new year as the PCT continue their review of individual cases and full year impacts feed through of 2010/11 decisions.

Customer, Leisure & Libraries

Telford Ice Rink: a shortfall of £0.240 reported at year end due to Income levels being below target as a result of reduced usage and reduced secondary spend e.g. bar, café, vending machines which is also reflective of the national position. The overspend was offset by reduced expenditure and the good performance of Aspirations health and fitness gym across other leisure sites.

Revenues & Benefits: £0.223m benefit from additional admin. grant received to support workload which has increased by 20% while costs managed substantially within existing resources.

Governance

Income: income from chargeable works gave rise to a benefit of £0.121m at year end.

Core Services: £0.245m benefit from changing the provision of service following restructure in Organisational Improvement.

Planning Process Costs: an overspend of £0.275m relating to technical and legal advice in support of planning decisions

Treasury: £1.222m benefit from active treasury management, continuing low interest rates and capital programme re-phasing.

Council Tax / Housing Benefit Subsidy: £0.301m benefit relating to increased benefit subsidy performance.

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 2010/11 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 3 years: £12.4m for Council services and £3.1m relating to schools. The 4% is based on average settlements made by other unitaries and was the percentage used for the 2010/11 budget process.

2.4 Final Outturn for 2010/11

Revenue

Final net service expenditure was £127.028m (as detailed below) compared to a budget of £127.112, an underspend of £0.084m (or -0.07%). 2010/11 was a very challenging year, including managing in year revenue and capital grant cuts of £4m. Within the overall position provision was also made for £3.1m required as part of the 2011/12 budget strategy and £3.9m was set aside to meet one-off costs associated with the delivery of ongoing restructure savings.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council 23/6/11	127.112	127.028	(0.084)
Funded by Council Tax, Revenue Support Grant and Non Domestic Rates	126.132	126.132	0
Contribution from Balances	0.980	0.896	(0.084)

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	477.041	381.475	95.566
Trading Services	3.850	8.202	(4.352)
Pensions Adjustments under IAS 19	25.738	0.000	25.738
Interest Payable and Similar Charges	10.341	0.000	10.341
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.464)	0.000	(0.464)
Interest and Investment Income	0.000	2.762	(2.762)
Capital Grants	0.000	(45.519)	45.519
General Grants (ABG, LABGI, LPSA)	0.000	13.172	(13.172)
Remove Depreciation & Impairments, etc	(41.728)	0.000	(41.728)

Description	Expenditure £m	Income £m	Net Expenditure £m
from Net Operating Cost			
Gains and Losses on Disposal of Fixed Assets	1.115	0.000	1.115
Minimum Revenue Provision	6.011	0.000	6.011
Net Movement on Reserves	3.258	(2.318)	5.576
Total	484.802	357.774	127.028

Included within the income shown above are government grants totalling £227.802m, which when added to the government support through Non Domestic Rates and Revenue Support Grant (£70.537m) give a total level of government support of £298.339m. See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balances of £2.973m and a special fund balance of £0.290m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.263m. The total for all reserves and usable revenue balances held by the authority is £40.1m. The total amount available to support future budget strategies is estimated to be £4.28m.

INSTITUTE OF ACCOUNTING STANDARDS NOTE NO 19 – Retirement Benefits

The objectives of IAS 19 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 reduced by £54.3m; this has been as a result of changes in actuarial assumptions including the impact of using CPI instead of RPI. Looking forward, the estimated contributions expected to be paid into the local government pension scheme next year is £13m. The Government is currently undertaking a review of public sector pensions which will impact on future years.

Capital Accounting

Capital

The Council spent £74.690m on capital projects during the year, an underspend of £18m against budget, as detailed in the table below.

Priority Area	2010/11 Approved Budget £m	2010/11 Expenditure £m
Adult Care & Support	0.552	0.796
Active Lifestyles – Leisure & Culture	2.107	2.157
Housing, Regeneration & Prosperity	28.162	24.279
Children & Young People	41.213	33.042
Environment & Rural Areas	15.021	9.469
Community Protection & Cohesion	2.671	2.204
Efficient, Community Focussed Council	3.338	2.743
Total	93.064	74.690

Funded by:		
Borrowing		27.537
Capital Receipts		1.635
Government Grants		39.959
Revenue		0.523
Other External Sources		5.036
Total		74.690

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 2010/11 the authority made payments of £9,637,961 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 60 to the accounts) and have concluded that group accounts do not need to be prepared.

2.5 2011/12 Commentary

The Council has a rolling three-year financial planning process. This was updated formally by reports to the Council's Cabinet in November 2010, January 2011 and February 2011. The decisions on the medium term budget strategy at 3rd March 2011 Council, reflect the outcome of extensive consultation with a wide variety of stakeholders during the Autumn/Winter.

The provisional Revenue Support Grant settlement for 2011/12 was announced in December 2010 and final figures followed in January 2011 which were only £0.002m different for the Council. Government grants for day to day services were reduced by £13.6m in cash terms which equates to over 50% of the expected grant reductions that the Council will need to make over the 4 year CSR period. Grants will be reduced by a further £5m in 2012/13. Projections beyond 2012/13 have a high degree of uncertainty because of the planned review of the local government finance system.

The projected budget gap for 2011/12 was £20m and the strategy to meet this is: a savings package delivering £13.2m to general fund budgets; use of £1.4m general balances; use of £4m specific funds and £1.4m council tax freeze grant. In total the Council is using £9.2m one-off funds in 2011/12 which is due to the front-loaded impact of Government grant cuts and will be replaced by ongoing savings through a planned programme of service review and restructure savings.

The Council agreed to use £1.42m from its level of balances to support the budget for 2011/12. As a result, the Council Tax was held at 2010/11 levels for Council Services keeping the average charge (Band B) at £854 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,098).

Looking Ahead

Full Council approved the medium term financial strategy on the 3rd March 2011. Given the use of £9.2m one off resources in 2011/12, the further grant cuts of £5.3m announced for 12/13 and the under lying budget pressures facing the council, further cuts of around £20m will be required in 2012/13. There is an ongoing programme of service reviews and restructures underway which aims to deliver 20% savings across all Service areas together with other specific work streams, such as procurement, which are also focussed on the delivery of savings and will assist in achieving these 20% targets. Projections beyond 2012/13 are difficult because the Council only received a 2 year grant settlement pending a major review of the local government financial system and there are no details available yet about how this may impact on the Council. The financial climate ahead will, therefore, still be one of uncertainty and challenge.

The new administration, elected in May 2011, is undertaking a high level review of the **Council's 2011/12 Service & Financial Planning Strategy and proposals to revise the current** strategy will be presented to Cabinet on the 26th July 2011 and will also feed into the 2012/13 strategy.

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**. Details of all purchases made by the Council costing over £500 have been published on the Council's web site since January 2011.

Chart 1

**Midlands Authorities 2010/11 Band D Council Tax for Equivalent Unitary Services
(Excluding Police, Fire* and Parish Precepts)**

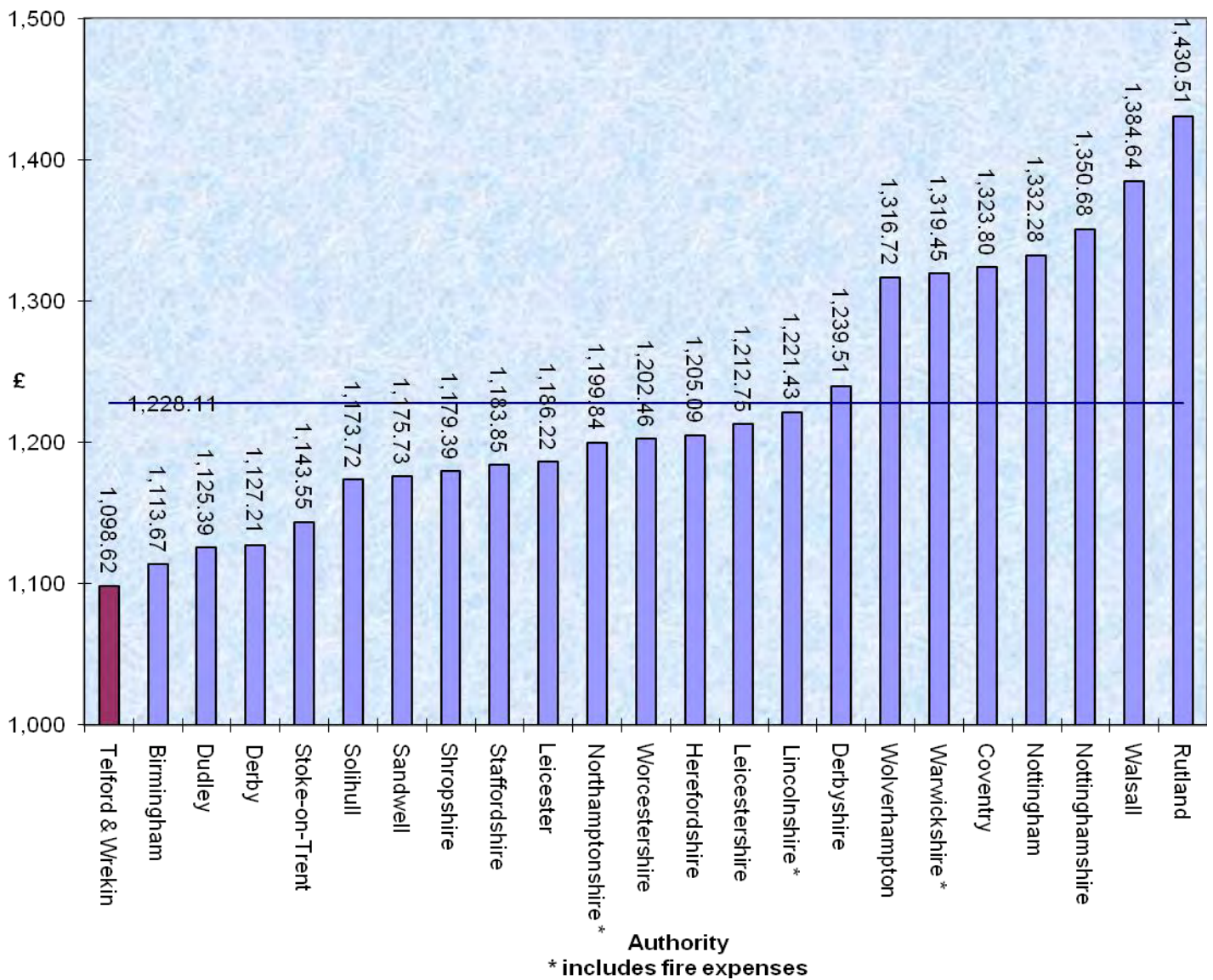


Chart 2

**Net Revenue Expenditure by Main Service Area 2010/11
£m**

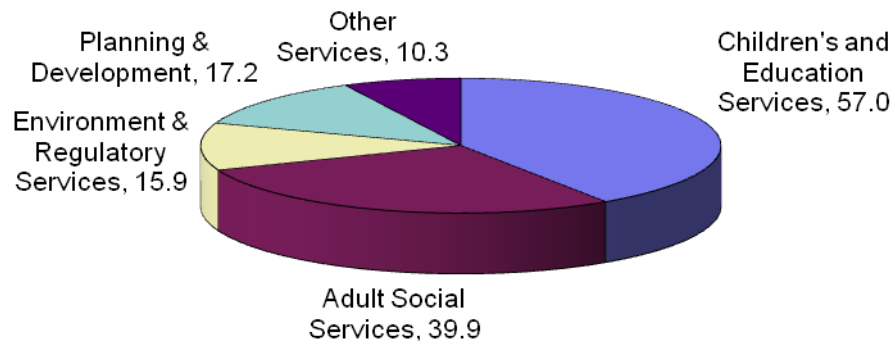


Chart 3

**Sources of Finance 2010/11
£m**

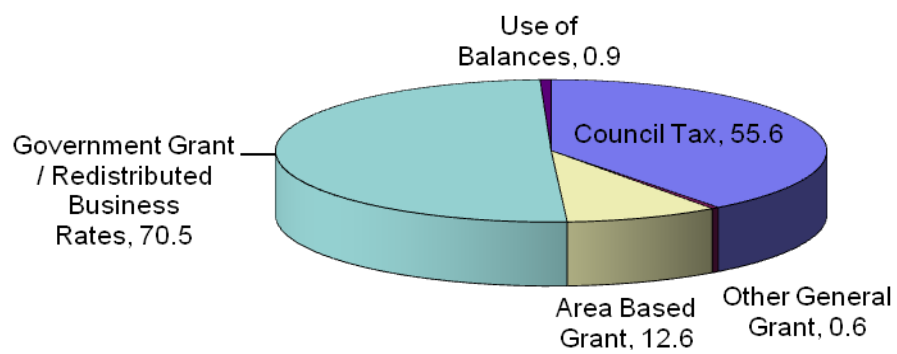


Chart 4

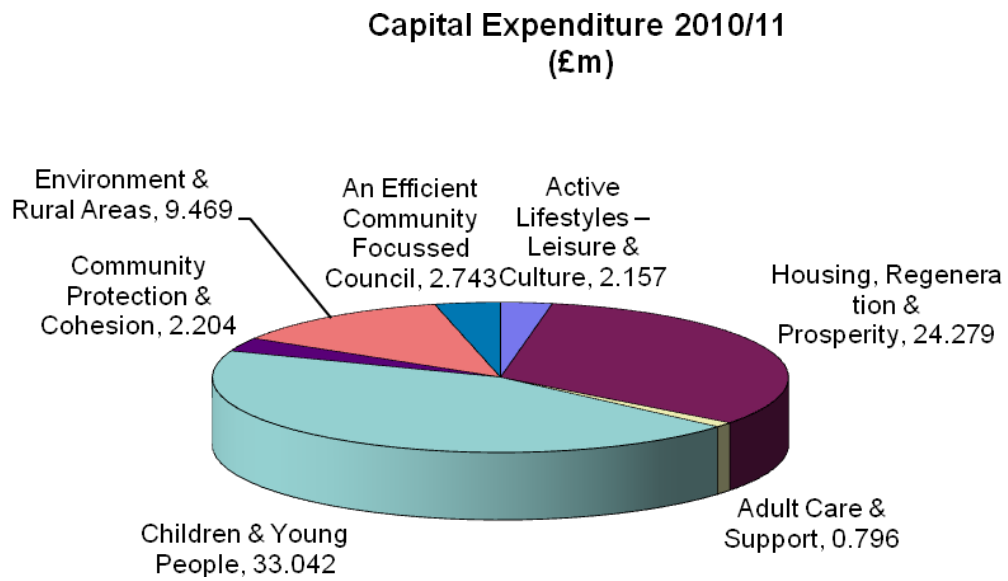
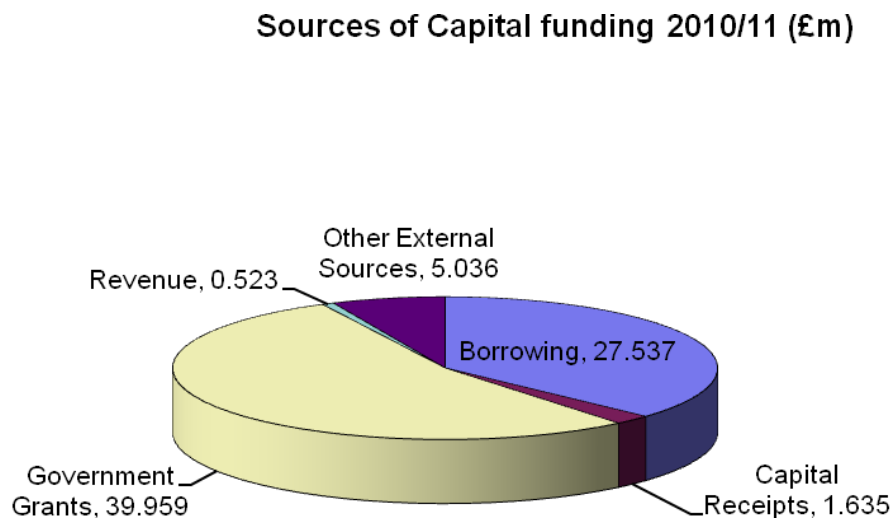


Chart 5



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 2011.

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 3 to 95 complies with the requirements of the Accounts and Audit Regulations 2003 as amended.

Paul Clifford CPFA,

Corporate Director

Dated : 20 September 2011

APPROVED BY AUDIT COMMITTEE

The Statement of Accounts was approved at a meeting of the Audit Committee on 20 September 2011

Councillor David Davies

Chair of Audit Committee

Dated : 20 September 2011

ANNUAL GOVERNANCE STATEMENT 2010/11

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 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 last updated in May 2008 to ensure that it was 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:
- identify and prioritise the risks to **the achievement of the Council's** policies, priorities and objectives;
 - evaluate the likelihood of those risks being realised;
 - evaluate the impact should they be realised; and
 - manage them efficiently, effectively and economically.

- 3.3 The governance framework has been in place at the Council for the year ended 31st March 2011 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2011/12 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 and clear governance arrangements to manage the implementation of the restructure programme;
 - Clear governance arrangements to **manage the Council's change** programmes occurring across the Council and key capital projects;
 - The Council has designated statutory officers – Head of Paid Service (Chief

¹ Regulations 4(2), 4 (3) and 4(4) of the Accounts and Audit (England) Regulations 2011

Executive), Chief 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 SMT², Cabinet and Scrutiny. There is also a Cabinet Member who is the member lead for performance;
- 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 weekly as does SMT with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Forum³ – where CMT and Cabinet meet regularly 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 human resources and workforce/organisational development procedures⁴** are supported by clear 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;
- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- 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 for Efficient, Community Focussed Council is the lead member responsible for Corporate Governance and Risk Management⁵. The key officer for Corporate Governance is 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 and the Audit & Assurance Manager has been measured by external Audit against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the **council's governance processes and anti-fraud and corruption culture;**
- **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

² Senior Management Team – Chief Executive, Corporate Directors, Assistant Chief Executive and Heads of Service

³ This governance arrangement may change during 2011/12 due to the change in administration

⁴ Further development work is required on some of these during 2011/12

⁵ Again this will change for 2011/12 under the new administration

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, 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. These revised arrangements were the subject of an external post implementation review during January/February 2010 and detailed changes were developed following Annual Council in May 2010 and adopted at full Council in June 2010. The Scrutiny function was informally overseen by the Scrutiny Chairman's Forum and each Committee was led by a member of the administration. 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 by community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and Executive. The scrutiny arrangements have been the subject of a further review following the May 2011 elections and further revisions were agreed at the Annual General Meeting on 26th May 2011.

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 2010/11 the Internal Audit team achieved 92% 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 terms of reference also incorporates the review and **monitoring of 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 are kept up to date through awareness training on the state of the markets that influence/affect delivery of the strategy.

5.7 The Audit Committee reviewed their effectiveness during January 2010 and chose not to make any changes at that time. This exercise will be repeated during 2011/12 following the appointment of the new Audit Committee. This review will

- include the consideration of a need to appoint any suitably experienced and qualified co-optees/members
"independent" of the Council .
- 5.8 **The Council's performance management** framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and will be further developed to reflect the **Government's Single Data List.**
- 5.10 In November 2010 the Governance Unit headed by the Monitoring Officer was reorganised, alongside all units of the Council as part of reorganisation and budget savings. The Governance Unit now comprises Legal Services, Democratic Services, Scrutiny Services, Internal Audit, Risk Management, Information Governance, Health & Safety (including Civil Resilience) and Procurement. This demonstrates that the functions within governance are an important part of the Council operations and support mechanisms.
- 5.11 The Council has continued to review its governance framework to gain assurance 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. This included (summarised in paragraph 5.9) bringing the Information Governance standard setting and compliance responsibilities into a new team of Audit & Assurance⁶ and reorganising resources to provide increased resources to support these information governance responsibilities.
- 5.13 There have been 10 data losses reported to Audit & Assurance since October 2010 when formal records were maintained of data breaches. In the main the data losses reported were low/medium risk and the impact contained. There were no reported breaches of privacy during 2010/11. All data losses are investigated by Audit & Assurance and improvements identified are implemented by the relevant service area or Council wide (if appropriate) to minimise similar future data losses.
- 5.14 **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. However, the Council through its assurance processes did identify some weakness in the Safeguarding (Children) procedures in respect to the security and processing of personal data. An improvement programme has been agreed and implementation is well underway. Further actions are due to be completed during 2011/12 and these are included in the action plan in Annex 1.
- 5.15 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 review of the security arrangements against ISO27001.
- 5.16 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.
- 5.17 The Corporate Directors, Assistant Chief Executive, Heads of Service and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.18 The requirements under the Accounts and Audit (England) Regulations 2011 have changed and a review of internal audit rather than the system of internal audit is now required. To meet the revised

⁶ The Audit & Assurance Team is responsible for Internal Audit, Risk Management, Information Governance and contributing to the development of the Council's governance arrangements.

- requirements the previous categories have been used and the review will be presented to the Audit Committee as part of the Internal Audit Annual Report 2010/11.
- 5.19 The External Annual Audit Letter 2009/10 included in its headlines that:
- Use of Resources - In May 2010 the Government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included work for UoR scored assessments at local authorities. However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion. At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion. The Authority has improved in most areas of the assessment and there were no significant issues arising from our work on specific risks. We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.
 - Financial Statements - We issued an unqualified opinion on your accounts on 30 September 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year.
- 5.20 The Council was assessed by the Care Quality Commission in 2009/10 on Safeguarding Adults and Choice and Control for Older People but the report was not published until June 2010. The Council was assessed as performing well in both respects with a promising capacity to improve.
- 5.21 The Council was assessed by the Care Quality Commission in respect to **Social Services' responses to People's First Contact** with them. This took place during December 2009 and August 2010 and involved approximately 50 calls a mystery shopper which recorded a satisfaction rating under 3 core themes:
- Access and facilitation
 - Exploring and assessing needs
 - Provision of information, advice and support
- Within each theme were a number of assessments whose scores were combined to give an overall score for the theme. The theme scores were then combined to give an overall Local Authority rating. Overall **Telford & Wrekin are rated as a "Best Performing" authority for the first contact services** and this ranking is just outside the top 10 in England.
- 5.22 In late March 2011 Ofsted carried out an inspection under section 138 of the Education and Inspections Act 2006. This contributes to the annual review of the **Council's children's services which Ofsted** will award later in 2011. The inspection identified two areas of strength and several areas of practice which met with statutory requirements; there were some areas for development identified. Ofsted had previously identified areas of development during their inspection of contact, referral and assessment arrangements in May 2010. Progress was found in all areas except for one.
- 5.23 In response to the results of the external **reviews outlined in paragraph's 5.18 - 5.21** the Council has noted the areas for development and incorporated them into existing work programmes and plans.
- 5.24 The 2010/11 Annual Governance Statement **sets out the Council's governance** arrangements that operated during the period measure the effectiveness of them. Unitary elections took place on 5th May 2011. The new administration will make changes to **the Council's governance** arrangements during 2011/12 which will be included in the 2011/12 statement. The new administration has already proposed a **review of the statutory Director of Children's Services** role.
- 5.25 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.
- 5.26 The Audit Committee will continue to monitor the action plan during the year.

Victor Brownlees

Chief Executive

Dated 27th June 2011

Councillor Kuldip Sahota

Leader

Dated: 27th June 2011

ACTION PLAN FOR 2010/11 AGS TO BE IMPLEMENTED 2011/12

No	Action	Lead Officer	Comments	Date
1.	Strategic management of organisational change and the development of the new administrations governance requirements. Strategic management of the implementation of the revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance).	CMT (plus the Monitoring Officer)	Understanding the revised governance requirements and confirming their legality. Confirming the requirements are incorporated into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/12
2.	Managing Decision making: a) Implementation of the Strong leader model; b) Implementation of the revised governance staff structure; c) Embedding the new administration; d) Clarifying officer/member roles & responsibilities including delegations e) Developing Member/officer relationships including revised standards regime f) Continued development and implementation of transparency agenda. g) Other constitution changes to reflect the revised organisational structures & ways of working h) Preparations for the revised external audit arrangements.	Head of Governance	This action develops further the implementation of previous actions in respect to the Constitution and has been updated to include the implementation or preparation of key governance areas including embedding the new administration, the implementation of the Governance Unit restructure the requirements of the Localism Act and revised external audit arrangements.	Some action will be completed during 2011/12 and others will still be in development and progress by 31/03/12.
3.	<ul style="list-style-type: none"> Review of our Workforce Development priorities and delivery Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes. 	Chief Executive (VB)	Work continues to develop the people aspects of the revised One Council One Team One Vision and appropriate cultures to support good governance.	31/03/12
4.	Implement action plans from external assessments and inspections.	Assistant Chief Executive & appropriate Heads of Service.	Action plans to address relevant governance issues from external assessments/ inspections have been and will be included in appropriate priority/service area plans.	Ongoing but by 31/03/12
5.	Data and information security: a) Continue the development & implementation of ICT service continuity & resilience within the ICT infrastructure. b) Implement the transfer of the administration and management of the Council's information right's	Head of Property & ICT, Head of Governance and Head of Safeguarding	Deadlines: a) Completion of work from 2010/11 b) This change has arisen out of a review of the freedom of information arrangements within the Council and will be	Dates: a) 31/10/11 b) 31/10/11

No	Action	Lead Officer	Comments	Date
	<p>legislation to Governance.</p> <p>c) Continue the implementation of revised systems & procedures for safeguarding.</p>		<p>implemented in the second quarter of 11/12</p> <p>c) This is the continuation and completion of work commenced during 2010/11 which was identified during internal and external reviews.</p>	c) 31/03/12

Auditors' Report

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

Opinion on the accounting statements

We have audited the financial statements of Telford & Wrekin Council for the year ended 31 March 2011 on pages 27 to 32 and page 94. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Authority, 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 the members of the Authority, 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 the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's **Responsibilities**, set out on page 15, the Chief Finance Officer is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and to express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to **comply with the Audit Practice's Board's Ethical Standards for Auditors**.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications in our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the **Authority's** expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement set out on pages 16 to 21 does not reflect compliance with "Delivering Good Governance in Local Government: a Framework" published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11(3) of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.**

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are

satisfied that, in all significant respects, Telford & Wrekin Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Michael McDonagh

**For and on behalf of KPMG LLP,
Statutory Auditor**

Chartered Accountants

One Snowhill
Snowhill Queensway
Birmingham
BA 6GH

Date: 29 September 2011

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic **cost of providing the authority's services, more details** of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	7,041	25,342	1,363	4,332	38,078	(6,795)	31,283
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(18,939)	0	0	0	(18,939)	0	(18,939)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(34,417)	(34,417)
Total Comprehensive Income and Expenditure	(18,939)	0	0	0	(18,939)	(34,417)	(53,356)
Adjustments between accounting basis & funding basis under regulations (Note 7)	21,569	0	(1,327)	(790)	19,452	(19,452)	0
Net Increase /(Decrease) before Transfers to Earmarked Reserves	2,630	0	(1,327)	(790)	513	(53,869)	(53,356)
Transfers to/ from Earmarked Reserves (Note 8)	(5,512)	2,405	0	0	(3,107)	3,107	0
Increase/Decrease in 2009/10	(2,882)	2,405	(1,327)	(790)	(2,594)	(50,762)	(53,356)
Balance at 31 March 2010 carried forward	4,159	27,747	36	3,542	35,484	(57,557)	(22,073)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	23,371	0	0	0	23,371	0	23,371
Other Comprehensive Income and Expenditure	0	0	0	0	0	47,799	47,799
Total Comprehensive Income and Expenditure	23,371	0	0	0	23,371	47,799	71,170
Adjustments between accounting basis & funding basis under regulations (Note 7)	(18,252)	0	(24)	(524)	(18,800)	18,800	0
Net Increase/Decrease before Transfers to Earmarked Reserves	5,119	0	(24)	(524)	4,571	66,599	71,170
Transfers to/from Earmarked Reserves	(6,015)	6,100	0	0	85	(85)	0
Increase/Decrease in 2010/11	(896)	6,100	(24)	(524)	4,656	66,514	71,170
Balance at 31 March 2011 carried forward	3,263	33,847	12	3,018	40,140	8,957	49,097

Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2009/10 Gross Expenditure £'000	2009/10 Income £'000	2009/10 Net Expenditure £'000	2010/11 Gross Expenditure £'000	2010/11 Income £'000	2010/11 Net Expenditure £'000	Notes
SERVICE							
Children's and Education Services	187,009	153,237	33,772	199,521	176,158	23,363	33
Adult Social Services	63,730	27,733	35,997	68,147	29,033	39,114	
Environment & Regulatory Services	19,824	3,268	16,556	18,349	2,652	15,697	
Cultural and Related Services	18,459	8,430	10,029	21,189	11,393	9,796	
Planning & Development	16,771	4,650	12,121	14,974	6,839	8,135	
Highways & Transportation	19,607	11,311	8,296	17,268	8,699	8,569	
Housing Services	67,924	67,337	587	75,720	72,973	2,747	
Court & Probation Services	297	3	294	286	0	286	
Contribution re Former County Council Debt	2,352	0	2,352	2,140	0	2,140	
Corporate & Democratic Core	4,388	0	4,388	4,035	0	4,035	
Central Services Provided to the Public	53,074	43,358	9,716	53,376	47,357	6,019	
Exceptional Item - Pensions Gain	0	0	0	0	26,371	(26,371)	42
Non Distributed Costs	2,306	0	2,306	2,036	0	2,036	
Net Cost of Services	455,741	319,327	136,414	477,041	381,475	95,566	26
Other Operating Expenditure			169			5,807	9
Financing and investment income and expenditure			17,361			18,027	10
Taxation & Non Specific Grant Income			(135,005)			(142,771)	11
(Surplus) or deficit on provision of services			18,939			(23,371)	
Surplus or deficit on revaluation of Property, Plant and Equipment Assets			(16,677)			(9,919)	
Surplus or deficit on revaluation of Available for sale financial assets			167			0	
Actuarial Gains/Losses on Pension assets/liabilities			50,927			(37,880)	42
Other Comprehensive Income & Expenditure			34,417			(47,799)	
Total Comprehensive Income and Expenditure			53,356			(71,170)	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold **timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'**.

31 March 2009 £'000	31 March 2010 £'000		31 March 2011 £'000	31 March 2011 £'000	Notes
245,087	271,239	Property, Plant & Equipment		303,682	12
54,447	53,853	Investment Properties		49,269	13
0	0	Intangible Assets		754	49
45,033	40,033	Long Term Investments		40,033	14, 45, 48
337	397	Long Term Debtors		491	14
344,904	365,522	Total Long Term Assets		394,229	
		Current Assets			
443	340	Inventories	449		15
25,600	21,862	Debtors	21,094		14, 16
97,871	28,811	Investments - (short term)	20,000		14, 45, 48
72	800	Assets held for sale	5,873		18
0	0	Landfill Allowances Asset Account	133		61
2,001	5,323	Cash and Cash Equivalents	15,824		17
<u>125,987</u>	<u>57,136</u>		<u>63,373</u>		
		Current Liabilities			
(878)	(71)	Provisions	(1,912)		20
(64,099)	(10,052)	Short term borrowing	(24,382)		14, 45
(58,204)	(66,044)	Creditors	(81,262)		14, 19

31 March 2009 £'000	31 March 2010 £'000		31 March 2011 £'000	31 March 2011 £'000	Notes
(0)	(0)	Landfill Allowances Liability Account	(130)		61
(20)	(0)	Bank overdraft	(335)		17
<u>(123,201)</u>	<u>(76,167)</u>		<u>(108,021)</u>		
2,786	(19,031)	Total Net Current Assets/(Liabilities)		(44,648)	
(125,024)	(113,024)	Less Long Term Borrowing	(106,523)		14,45
(65,423)	(63,830)	Less Long Term Creditors (PFI & Finance Leases)	(62,151)		14
(119,169)	(176,634)	Less Pensions Liability	(122,295)		42
(6,791)	(15,076)	Capital Grants Receipts in Advance	(9,515)		34
<u>31,283</u>	<u>(22,073)</u>	Net Assets		<u>49,097</u>	
38,078	35,484	Usable Reserves	40,140		8
(6,795)	(57,557)	Unusable Reserves	8,957		22
<u>31,283</u>	<u>(22,073)</u>		<u>49,097</u>		

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended **to contribute to the authority's future service delivery**. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10		2010/11
£000		£000
18,939	Net (surplus) or deficit on the provision of services	(23,371)
(130,574)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 62)	(53,679)
92,614	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 63)	66,412
(19,021)	Net cash flows from Operating Activities (Note 23)	(10,638)
(55,772)	Investing Activities (Note 24)	12,441
71,451	Financing Activities (Note 25)	(11,969)
(3,342)	Net increase or decrease in cash and cash equivalents	(10,166)
1,981	Cash and cash equivalents at the beginning of the reporting period	5,323
5,323	Cash and cash equivalents at the end of the reporting period (Note 17)	15,489

Notes to the Accounts

1. Accounting Policies

a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (COP): Based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) 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 COP.

c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of 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.

d) Area Based Grant

Area Based Grant is a shown on the Comprehensive Income and Expenditure Statement within Taxation and Non Specific Grant Income and is not allocated to services. The actual sum due for the year is shown in the accounts in line with the accruals concept.

e) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments that are short-term, highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value. Under this definition investments held in call accounts would count as cash equivalents but fixed term investments and investments in notice accounts would not, as they are not readily convertible to cash.

f) Contingent Asset

A contingent asset is a possible asset that arises for a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. The Council does not recognise contingent assets, but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

g) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Council or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Council does not recognise a contingent liability but discloses its existence in the financial statements.

h) Employee Benefits

The accounting arrangements for Employee Benefits are covered by IAS 19. The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The areas of remuneration that relates to the Council are as follows

Salaries and Wages

Compensated Absences (paid annual leave and sick leave)

Pensions Benefits

Termination Benefits

Salaries and Wages

The amount of salary or wage earned by an employee will be recognised in the financial year to which it relates.

Compensated Absences

The expected cost of short-term compensated absences should be recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

In relation to annual leave and time off in lieu an estimation of the value of any untaken annual leave and the time off in lieu position at the end of the financial year will be undertaken and an appropriate amount included in the accounts. Sick leave is non accumulating is accounted for when absences occur.

Pensions Benefits

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 International Accounting Standard No 19 – *Employee Benefits* (IAS 19) 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 2010/11 COP. 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.

Termination Benefits

Any termination benefits awarded during the financial year will be included in the Comprehensive Income and Expenditure Statement in that year, where that has not been paid at the balance sheet date, a provision will be created in the accounts for that year.

i) Events After the Balance Sheet Date

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.

j) Exceptional Items and Prior Period Adjustments

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company, and which need to be disclosed separately by virtue of their size or incidence if the financial statements are to give a true and fair view.

Prior Period Adjustments relate to corrections of errors in the financial statements of prior periods, retrospective adjustments resulting from changes to accounting policy or adoption of new accounting treatments. The correct accounting treatment for prior period adjustments for a comparative financial statement is to restate the amount in error and show the impact on the accounts.

k) Financial Instruments

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.

Loans are shown in the accounts at amortised cost. Within the notes to the accounts the fair value of both loans and investments are shown.

l) Government Grants and Other 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 recognised in the comprehensive income and expenditure statement unless there is an outstanding condition where it is transferred to capital grant receipts in advance until the condition is met or the grant is returned.

m) Intangible Assets

An intangible asset is an *identifiable* non-monetary asset without physical substance. It must be *controlled* by the authority as a result of past events, and *future economic benefits* must be expected to flow from the intangible asset to the authority. Usually within local authorities this relates to in house developed software.

n) Inventories and long term contracts

Stocks are valued in accordance with ISA 2 at current value with an allowance made for obsolescent and slow-moving items. Any long term contracts in existence at 31 March are apportioned to the year in relation to when the work was carried out rather than the year in which the contract was completed.

o) Investment Properties

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

p) Landfill Allowances Schemes

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which applies only to WDAs in England and commenced operation on 1 April 2005. The scheme allocates tradable landfill allowances to each WDA in England. Landfill allowances are measured in the accounts at the lower of cost and net realisable value.

q) Leases

The Council accounts for leases as Finance Leases when substantially all the risks and rewards relating to the ownership of the leased asset are transferred 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 37 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.

r) Non-current Assets Held for Sale

Assets will be classified as being held for sale if the following conditions are met

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer is initiated
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

s) Overheads

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.

t) Private Finance Initiative

The council has one PFI scheme. 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.

u) Property, Plant & Equipment

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on property, plant and equipment 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 property, plant and equipment, which is charged direct to service revenue accounts.

Property, plant and equipment 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. Property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on the Balance Sheet.

The original recognition of these property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Property, plant and equipment 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 2011 there were 5 significant contract in place. These total £31.0m and are detailed in the notes.

v) Depreciation

Depreciation is provided for on all property, plant and equipment 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.

w) Charges to Revenue in respect of Property, Plant and Equipment

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all property, plant and equipment 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.

x) Provisions

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

y) 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 18 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 property, plant and equipment and;
- * the capital adjustment account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other financing transactions.

z) 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.

aa) Value Added Tax

Local Authorities pay VAT on purchases and charge VAT on supplies of goods and services, usually the amount of VAT paid on purchases is greater than that received for goods and services, the difference is reclaimed. The figures included in the statement of accounts exclude VAT except in infrequent circumstances where it is not reclaimable.

ab) 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.

ac) 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.

ad) 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.

ae) 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.

af) 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.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 *Heritage Assets*. The Council is required to disclose the impact of any change in standards not yet implemented. The Council would have no heritage assets under the accounting standard and therefore has no impact on the statement of accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.6m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £37.5m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had reduced by £26.4m as a result of the change to use CPI as the basis for future increases in pensions rather than RPI.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £26.029m. The Council has set aside a bad debts provision of 19.0% (£4.935m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.3m to be set aside as an allowance.
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 1 st April 2007, however the process is not yet complete and it has been necessary to	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	include a provision against the potential costs in the 2010/11 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 4 years: £12.1m for Council Services and £3.1m for Schools. The 4% is based on average settlements made by other unitaries and was the % used for the 2010/11 budget process.	future Council Tax increases.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are set out in the notes.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 20 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	20,870	0	0	(20,870)
Revaluation losses on property, plant and equipment	1,356	0	0	(1,356)
Movement in the market value of Investment Properties	6,061	0	0	(6,061)
Revenue expenditure funded from capital under statute	19,299	0	0	(19,299)

Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,404	0	0	(3,404)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,011)	0	0	6,011
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(44,994)	0	44,994	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(45,518)	45,518
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,611)	1,611	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,635)	0	1,635
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	464	0	0	(464)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,456)	0	0	3,456
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,003)	0	0	13,003
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory	(544)	0	0	544

requirements				
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(87)	0	0	87
Total Adjustments	(18,252)	(24)	(524)	18,800

2009/10 Comparative Figures	General Fund Balance			Movements in Unusable Reserves
	£000			£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	20,925	0	0	(20,925)
Revaluation losses on property, plant and equipment	4,205	0	0	(4,205)
Movement in the market value of Investment Properties	3,892	0	0	(3,892)
Revenue expenditure funded from capital under statute	9,183	0	0	(9,183)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	233	0	0	(233)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(5,359)	0	0	5,359
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(16,940)	0	16,940	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(17,730)	17,730
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,626)	1,626	0	0
Use of the Capital Receipts Reserve to	0	(2,953)	0	2,953

finance new capital expenditure				
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	406	0	0	(406)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	19,717	0	0	(19,717)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,179)	0	0	13,179
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(367)	0	0	367
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	479	0	0	(479)
Total Adjustments	21,569	(1,327)	(790)	(19,452)

8. Transfers to/from Earmarked Reserves & Balances

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	7,041	18,587	3,340	3,415	1,363	4,332	38,078
Movement / Use of reserves during 2009/10	(2,882)	752	1,154	499	(1,327)	(790)	(2,594)
Balance at 31 March 2010 carried forward	4,159	19,339	4,494	3,914	36	3,542	35,484
Movement / Use of reserves during 2010/11	(896)	4,824	335	941	(24)	(524)	4,656
Balance at 31 March 2011 carried forward	3,263	24,163	4,829	4,855	12	3,018	40,140

9. Other Operating Expenditure

2009/10		2010/11
£000		£000
2,889	Parish council precepts	2,923
(2,720)	Gains/losses on the disposal of non-current assets	2,884
169	Total	5,807

10. Financing and Investment Income and Expenditure

2009/10		2010/11
£000		£000
10,396	Interest payable and similar charges	10,341
10,396	Pensions interest cost and expected return on pensions assets	8,919
(3,493)	Interest receivable and similar income	(2,762)
33	Income and expenditure in relation to investment properties and changes in their fair value	1,526
29	Other investment income and expenditure	3
17,361	Total	18,027

11. Taxation and Non Specific Grant Incomes

2009/10		2010/11
£000		£000
(57,427)	Council tax income	(59,062)
(100)	Collection Fund Surplus/Deficit	(0)
(54,773)	Non domestic rates	(61,593)
(10,063)	Area Based Grant	(12,553)
(12,642)	Revenue Support Grant	(8,944)
(0)	Other grants and contributions	(619)
(135,005)	Total	(142,771)

12. Property , Plant and Equipment

Movements on Balances

Movements in 2010/11:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1/4/2010	247,054	3,062	29,825	100	3,552	283,593	56,947
Additions	21,942	4,958	11,424	0	15,809	54,133	425
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,823	0	0	0	0	6,823	623
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,529)	(1,006)	(662)	0	0	(15,197)	(407)
derecognition – disposals	(3,553)	0	0	0	0	(3,553)	0
assets reclassified (to) /from Assets Under Construction	2,548	0	0	0	(2,548)	0	0
assets reclassified (to)/from Held for Sale	(4,913)	0	0	0	0	(4,913)	0
assets reclassified (to) /from Investment Properties	0	0	0	0	(1,004)	(1,004)	0
At 31 March 2011	256,372	7,014	40,587	100	15,809	319,882	57,588
Accumulated Depreciation and Impairment							
at 1 April 2010	9,174	1,292	1,888	0	0	12,354	959
depreciation charge	4,455	1,566	970	0	0	6,991	973
depreciation written out to the Revaluation Reserve	(3,128)	0	0	0	0	(3,128)	(101)

derecognition – disposals	(17)	0	0	0	0	(17)	0
At 31 March 2011	10,484	2,858	2,858	0	0	16,200	1,831
Net Book Value							
at 31 March 2011	245,888	4,156	37,729	100	15,809	303,682	55,757
at 31 March 2010	237,879	1,770	27,938	100	3,552	271,239	55,988
Information on Assets Held at 31/3/11							
Nature of Holding							
Owned	190,131	3,428	37,729	100	15,809	247,197	
Leased	0	728	0	0	0	728	
PFI	55,757	0	0	0	0	55,757	
Total	245,888	4,156	37,729	100	15,809	303,682	

Comparative Movements in 2009/10:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1/4/2009	244,185	2,449	20,364	100	0	992	268,090	53,433
Additions	16,526	4,183	9,737	0	0	3,552	33,998	119
Donations	0	0	0	0	0	0	0	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,247	0	0	0	0	0	4,247	3,395
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,524)	(3,552)	(275)	0	0	0	(21,351)	0
derecognition – disposals	(106)	0	0	0	0	0	(106)	0
assets reclassified (to) /from Assets Under Construction	550	0	0	0	0	(550)	0	0
assets reclassified (to)/from Held for Sale	(825)	0	0	0	0	0	(825)	0
assets reclassified (to) /from Investment Properties	0	0	0	0	0	(442)	(442)	0
At 31 March 2010	247,053	3,080	29,826	100	0	3,552	283,611	56,947
Accumulated Depreciation and Impairment								

at 1 April 2009	20,754	894	1,355	0	0	0	23,003	2,537
depreciation charge	4,347	416	663	0	0	0	5,426	959
depreciation written out to the Revaluation Reserve	(15,881)	0	(130)	0	0	0	(16,011)	(2,537)
derecognition – disposals	(46)	0	0	0	0	0	(46)	0
At 31 March 2010	9,174	1,310	1,888	0	0	0	12,372	959

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – 30–60 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £31.0m. Similar commitments at 31 March 2010 were £7.9m. The major commitments are:

- Abraham Darby Sports & Learning Community – £18.62m
- Wellington Civic Centre – £5.14m
- Madeley Academy – £2.47m
- Dawley Ground Remediation – £2.43m
- Southwater Enabling and External Works – £2.34m

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

12a. Fixed Asset Valuation

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2010 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 £46.097m, 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
2006/07	40,331
2007/08	45,823
2008/09	48,354
2009/10	40,867
2010/11	59,882
Total	235,257

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.

12b .Information on Assets held

Fixed assets owned by the Council include the following:-

	2009/10	2010/11
	(Nos.)	(Nos.)
Operational Assets		
Hostels	3	3
Houses for Homeless	17	17
Offices	26	25
Depot and workshop	1	1
Community centres	12	12
Business Development Centre	1	0
Parks and recreation	315.2ha	301.2 ha
Amenity Sites	3	3
Off-Street car parks	28	29
Bus Stations	4	4
Theatres	1	1
Cemeteries	3	3
Ice Rink	1	1
Leisure Centres	4	5
Swimming Pools	2	2
Changing Rooms/ Pavilions	12	12
Nursery Schools	1	1
Schools	54	54
Outdoor Activity Centre	1	1
Special Schools	4	4
Learning Communities	1	1
Child Development Centre	1	1

	2009/10	2010/11
	(Nos.)	(Nos.)
Joint Service Facility	1	1
First Point Centre	1	1
Pupil Referral Unit	1	1
Youth Centres	5	5
Libraries	8	8
Elderly Persons Homes	3	3
Toilets	11	11
Children's Centres	2	2
Group Homes	23	23
Residential Homes	2	6
Training/Day Centres	7	7
Emergency Planning Centre	1	1
Traveller Sites	2	2
Allotments	10	10
Visitor Information Centre	1	1
Land associated with assets (ex parks)	619Ha	635Ha
Other land holdings	128.7Ha	127.1Ha
Caretakers bungalows	4	4
Ski Slope Centre	1	1
Play Areas	113	116
Golf Courses	73ha	73ha
School Playing Fields	12	12
Academy School	0	1
Non Operational Assets		
Smallholdings	1	1
Offices	24	24
Retail	30	31
Industrial Estates	29	31
Misc Ground Rents	47	39
Assets Held for Sale - Current	1	7
Surplus Assets	50	44
Woodlands	5	5
Assets Under Construction	2	10
Sites for Regeneration	16	21
Misc Rents	50	66

13. **Investment Properties**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/10	2010/11
	£000	£000
Rental income from investment property	(9,699)	(8,172)
Direct operating expenses arising from investment property	5,840	3,637
Net (gain)/loss on revaluation of properties	3,892	6,061
Net (gain)/loss	33	1,526

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10	2010/11
	£000	£000
Balance at start of the year	54,447	53,853
Additions	2,856	1,161
Disposals	0	(688)
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	(3,892)	(6,061)
Transfers:		
- to/from Property, Plant and Equipment	442	1,004
Balance at end of the year	53,853	49,269

14. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term			Current	
	2009/10	2010/11		2009/10	2010/11
	£000	£000		£000	£000
Investments					
Loans and receivables	40,033	40,033		9,000	20,000
Financial assets at fair value through profit and loss	0	0		19,811	0
Total investments	40,033	40,033		28,811	20,000
Debtors					
Financial assets carried at contract amounts	0	0		21,862	21,094
Total Debtors	0	0		21,862	21,094
Borrowings					
Financial liabilities at amortised cost	113,024	106,523		10,052	24,382
Total borrowings	113,024	106,523		10,052	24,382
Other Liabilities					
PFI and finance lease liabilities	63,830	62,151		1,995	2,062
Other Creditors	0	0		64,049	79,200
Total Other Liabilities	63,830	62,151		66,044	81,262

Income, Expense, Gains and Losses

	2009/10			2010/11		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	10,396	0	10,396	10,341	0	10,341
Total expense in Surplus or Deficit on the Provision of Services	10,396	0	10,396	10,341	0	10,341
Interest income	0	(3,493)	(3,493)	0	(2,762)	(2,762)
Total income in Surplus or Deficit on the Provision of Services	0	(3,493)	(3,493)	0	(2,762)	(2,762)
Net gain/(loss) for the year	10,396	(3,493)	6,903	10,341	(2,762)	7,579

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates are based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2009/10			2010/11	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Financial liabilities	123,076	133,559		130,905	140,665
Long-term creditors	63,830	63,830		62,151	62,151

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic

conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	2009/10			2010/11	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Loans and receivables	73,844	80,595		60,033	67,190
Long-term debtors	397	397		491	491

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

15. Inventories

The council had inventories that totalled £0.449m at 31/3/11 and £0.340m at 31/3/10. These mainly consist of stocks at Leisure Centres, Catering Stocks and Design and Print stocks.

16. Debtors

	2009/10 £'000	2010/11 £'000
Amounts falling due in one year:		
Government Departments	5,548	1,648
General Debtors	18,696	21,743
Car Leasing to Employees	83	67
Collection Fund	2,134	2,571
	<u>26,461</u>	<u>26,029</u>
Provision for doubtful debts	(4,599)	(4,935)
Total	<u>21,862</u>	<u>21,094</u>

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2009/10 £000		2010/11 £000
214	Cash held by the Authority	179
109	Bank current accounts	0
5,000	Call Accounts	15,645
5,323	Total Cash and Cash Equivalents	15,824
0	Bank Account Overdrawn	(335)
5,323	Net Cash Position for Cash Flow Purposes	15,489

18. Assets Held for Sale

	Current	
	2009/10	2010/11
	£000	£000
Balance outstanding at start of year	72	800
Reclassified from - Property, Plant and Equipment	825	4,913
Revaluation gains	90	0
Impairment losses met from the revaluation reserve	(25)	(50)
Assets sold	(162)	0
Acquisitions	0	210
Balance outstanding at year-end	800	5,873

19. Creditors

	2009/10 £'000	2010/11 £'000
Government Departments	2,191	13,634
Sundry Creditors	54,726	61,377
Receipts in advance	9,127	6,251
Total	66,044	81,262

20. Provisions

	2010/11 Opening £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	2010/11 Closing £000
Restructure Provision	71	1,912	71	1,912
Total	71	1,912	71	1,912
2009/10	878	0	807	71

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in the 2009/10 accounts, this has been partly used during 2010/11 and the balance is expected to be used in 2011/12.

21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

22. Unusable Reserves

2009/10		2010/11
£000		£000
34,545	Revaluation Reserve	43,501
0	Available for Sale Financial Instruments Reserve	0
85,734	Capital Adjustment Account	88,790
1,678	Financial Instruments Adjustment Account	1,214
7	Deferred Capital Receipts Reserve	3
(176,634)	Pensions Reserve	(122,295)
882	Collection Fund Adjustment Account	1,426
(3,769)	Accumulated Absences Account	(3,682)
(57,557)	Total Unusable Reserves	8,957

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2009/10 £'000	2010/11 £'000
Balance Brought Forward	18,772	34,545
Impairments and downward revaluations of assets not charged to the Surplus/Deficit on provision of services	(4,278)	(1,114)
Upwards Revaluations	8,609	11,033
Depreciation Revaluations	12,340	366
Disposals	(162)	(405)
Depreciation	(736)	(924)
Balance Carried Forward	34,545	43,501

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/10		2010/11
£000		£000
167	Balance at 1 April	0
(167)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
0	Balance at 31 March	0

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009/10	2010/11
	£'000	£'000
Balance Brought Forward	94,107	85,734
Charges for depreciation and impairment of noncurrent assets	(25,468)	(28,217)
Revaluation losses on Property, Plant and Equipment		
Revenue Expenditure funded from Capital under Statute	(9,183)	(19,299)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(106)	(4,241)
Adjusting amounts written out of the Revaluation Reserve		
Capital financing		
- Capital receipts	3,167	1,635
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	17,858	45,518
Capital grants and contributions unapplied	0	1,649
Minimum Revenue Provision	5,359	6,011
Balance Carried Forward	85,734	88,790

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the **Authority's case**, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 20X2 will be charged to the General Fund over the next 14 years.

2009/10		2010/11
£000		£000
2,084	Balance at 1 April	1,678
23	Premiums/Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(429)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(464)
1,678	Balance at 31 March	1,214

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes **employer's contributions to pension funds** or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10		2010/11
£000		£000
119,169	Balance at 1 April	176,634
50,927	Actuarial gains or losses on pensions assets and liabilities	(37,880)
1,435	Added Years	1,176
18,282	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,632)
(13,179)	Employer's pensions contributions and direct payments to pensioners payable in the year	(13,003)
176,634	Balance at 31 March	122,295

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10		2010/11
£000		£000
19	Balance at 1 April	7
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(12)	Transfer to the Capital Receipts Reserve upon receipt of cash	(4)
7	Balance at 31 March	3

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£000		£000
515	Balance at 1 April	882
367	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	544
882	Balance at 31 March	1,426

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. There were no transactions in 2009/10 or 2010/11 in the Unequal Pay Back Pay Account and there was a nil balance at both 1 April 2009 and 31 March 2011.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		2010/11
£000		£000
3,290	Balance at 1 April	3,769
(3,290)	Settlement or cancellation of accrual made at the end of the preceding year	(3,769)
3,769	Amounts accrued at the end of the current year	3,682
3,769	Balance at 31 March	3,682
479	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(87)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

2009/10		2010/11
£000		£000
(4,017)	Interest received	(634)
10,441	Interest paid	10,386

24. Cash Flow Statement – Investing Activities

2009/10		2010/11
£000		£000
45,638	Purchase of property, plant and equipment, investment property and intangible assets	71,357
0	Purchase of short-term and long-term investments	11,000
3	Other payments for investing activities	1
(1,507)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,638)
(74,060)	Proceeds from short-term and long-term investments	(19,811)
(25,846)	Other receipts from investing activities	(48,468)
(55,772)	Net cash flows from investing activities	12,441

25. Cash Flow Statement – Financing Activities

2009/10		2010/11
£000		£000
(198,947)	Cash receipts of short- and long-term borrowing	(52,815)
5,771	Other receipts from financing activities	(3,595)
(367)	Appropriation to/from Collection Fund Adjustment Account	(544)
264,994	Repayments of short- and long-term borrowing	44,985
71,451	Net cash flows from financing activities	(11,969)

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Service Delivery Units. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's principal [directorates] recorded in the budget reports for the year is as follows:

Service Delivery Unit Income and Expenditure

2010/11	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Safeguarding (Adults & Children)	6,987	15,089	22,076	530	2,329	2,859	19,217
School Improvement	93,792	41,281	135,073	6,594	125,818	132,412	2,661
Family & Community Services	13,772	13,628	27,400	3,846	10,339	14,185	13,215
Property & ICT	11,837	20,782	32,619	36,250	37	36,287	(3,668)
Economy & Skills	1,319	2,267	3,586	596	674	1,270	2,316
Environmental Services	5,622	34,589	40,211	11,626	1,524	13,150	27,061
Housing & Planning	4,825	7,619	12,444	6,846	336	7,182	5,262
Care & Support (Adults & Children)	12,812	58,908	71,720	6,651	26,754	33,405	38,315
Customer Services, Leisure & Libraries	9,763	11,672	21,435	10,976	2,537	13,513	7,922
Governance	2,883	3,038	5,921	5,394	48	5,442	479
Finance	4,132	81,097	85,229	11,155	74,930	86,085	(856)
Core Services and Council Wide Items	11,500	15,588	27,088	10,530	1,454	11,984	15,104
Total	179,244	305,558	484,802	110,994	246,780	357,774	127,028
Less items in above table but not shown under provision of services in statement of			(36,229)			(23,761)	(12,468)

accounts							
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			28,468			47,462	(18,994)
Provision of services in the statement of accounts			477,041			381,475	95,566

Due to the restructure of the Council during 2010/11 no comparable information is available for 2009/10.

Items within "Less items in above table but not shown under provision of services in statement of accounts" General grants including Area Based Grant reported on service lines during year but shown as general grants in the accounts, trading services not shown within provision of services in accounts, interest received shown separately in statements, IAS 19 adjustments not reported to Management Team, reserves and adjustments for support service recharges.

Items within "Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts" include items not reported to Management Team but shown in the statement of accounts under provision of services such as, impairment of assets, revenue expenditure financed from capital under statute, PFI adjustments, accumulated absences and revenue grants.

27. Acquired and Discontinued Operations

Where operations have been acquired or discontinued in the year, paragraph 3.4.4.1(1) of the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations. No operations were acquired or discontinued during the period.

28. 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	2010/11 £'000
Income from Stallholders'		
Rents and charges	7	30
Expenditure	(36)	(33)
(Deficit)/Surplus taken to General Fund	<u>(29)</u>	<u>(3)</u>

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

	2009/10 £'000	2010/11 £'000
Income from rents	8,843	7,576
Other income	856	596
Net gains/(losses) on revaluation of property	(4,554)	(5,881)
Direct operating expenses	(5,178)	(3,817)
(Deficit)/Surplus taken to General Fund	(33)	(1,526)
 Total Trading Accounts	 (62)	 (1,529)

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	4,013	(8)
Building Cleaning	3,121	85
Total	7,134	77

29. Pooled Budgets

During 2010/11 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 for 10/11 is £157k

	2009/10 £000	2010/11 £000
Expenditure	198	223
Income	238	223

Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services that 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 £000	2010/11 £000
Expenditure	292	292
Income	292	292

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 £000	2010/11 £000
Expenditure	325	321
Income	323	330

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 £182k (Adults) - £245 (Childrens).

	2009/10 £000	2010/11 £000
Expenditure	995	872
Income	1064	1007

ALD Pooled Budget

Funding Transferred to Local Authorities from PCT to help with Valuing People, Healthcare for All, World Class Commissioning. The Local Authority contribution is £9,192k.

	2009/10 £000	2010/11 £000
Expenditure	6,499	16,358
Income	8,401	15,708

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 £114k.

	2009/10 £000	2010/11 £000
Expenditure	168	155
Income	159	156

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 £000	2010/11 £000
Expenditure	59	59
Income	81	81

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 £0.**

	2009/10	2010/11
	£000	£000
Expenditure	1,280	1,289
Income	1,271	1,285

30. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

2009/10		2010/11
£000		£000
664	Allowances	651
12	Expenses	12
676	Total	663

31. Officers' Remuneration

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 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive (Victor Brownlees)	<i>Note 1</i>		155,513	0	0	155,513	25,349	180,862
Corporate Director			118,971	0	0	118,971	19,380	138,351
Corporate Director			118,897	0	0	118,897	19,380	138,277
Assistant Chief Executive			107,519	0	0	107,519	17,533	125,052
Social Care Specialist		82,304	32,668	0	0	32,668	5,329	37,997
Head of Finance		82,304	32,675	0	0	32,675	5,329	38,004
Head of Customer & Leisure Services		82,304	32,693	0	0	32,693	5,329	38,022
Head of Safeguarding (Adults & Children)		80,689	31,385	0	0	31,385	5,120	36,505
Head of Family & Community Services		82,304	32,034	0	0	32,034	5,224	37,258
Head of Property & ICT		82,304	32,001	0	0	32,001	5,244	37,245
Head of School Improvement		80,869	31,392	0	0	31,392	5,120	36,512
Head of Governance		82,304	32,668	0	0	32,668	5,329	37,997
Head of Environmental Services		82,304	32,678	0	0	32,678	5,329	38,007
Head of Care & Support (Adults & Children)		82,304	32,036	0	0	32,036	5,224	37,260
Head of Housing & Planning		82,304	32,668	0	0	32,668	5,329	37,997
Head of Economy & Skills		80,689	31,410	0	0	31,410	5,120	36,530
<u>Posts Pre Restructure</u>								
Corporate Director	<i>Note 2</i>	113,485	51,047	30,000	0	81,047	8,324	89,371
Interim Corporate Director	<i>Note 3</i>	108,084	18,013	0	0	18,013	2,936	20,949
Single Status Project Director	<i>Note 4</i>	80,689	40,573	62,676	0	103,249	3,323	106,572

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 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
Head of Adult Social Care Delivery	Note 5	80,869	48,603	0	0	48,603	7,928	56,531
Head of Finance	Note 5	80,689	48,693	0	0	48,693	7,928	56,621
Head of Customer & Leisure Services	Note 5	80,869	48,712	0	0	48,712	7,928	56,640
Head of Safeguarding & Corporate Parenting	Note 5	77,451	46,651	0	0	46,651	7,610	54,261
Head of Regeneration & Housing	Note 5	79,073	47,639	0	0	47,639	7,769	55,408
Head of Property & Design	Note 5	79,073	46,943	0	0	46,943	7,769	54,712
Head of Learning & Achievement	Note 5	77,451	46,661	0	0	46,661	7,610	54,271
Head of Governance	Note 5	80,869	48,603	0	0	48,603	7,928	56,531
Head of Environmental services	Note 5	80,869	48,691	0	0	48,691	7,928	56,619
Head of Adult Social Care Commissioning	Note 5	79,073	47,642	0	0	47,642	7,769	55,411
Head of Planning & Transport	Note 5	80,689	48,603	0	0	48,603	7,928	56,531
Head of ICT & Procurement	Note 4	79,073	68,927	52,231	0	121,158	7,769	128,927
Head of Economic Development	Note 5	77,451	46,686	0	0	46,686	7,610	54,296
Head of Early Intervention	Note 4	77,451	66,264	25,000	0	91,264	7,645	98,909
Head of Community Protection	Note 4	80,689	73,925	61,515	0	135,440	8,768	144,208
			1,780,084	231,422	0	2,011,506	277,138	2,288,644

Notes:

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

1) Includes payments for Returning Officer duties

2) This Director left the Council on 12 September 2010. This post was held vacant pending the council restructure.

- 3) This post was an interim post pending the Council re-structure and the post holder left on 31 May 2010.
- 4) Head of Service post for part year until council restructure took place.
- 5) Head of service post deleted as part of Council restructure.

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 6</i>	149,000	99,855		547	100,402	15,277	115,679
Interim Chief Executive	<i>Note 6</i>	128,786	30,327		151	30,478	4,640	35,118
Corporate Director	<i>Note 7</i>	110,786	11,019		133	11,152	1,686	12,838
Corporate Director	<i>Note 8</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
Interim Corporate Director	<i>Note 10</i>	108,084	72,052		604	72,656	11,025	83,681
Assistant Chief Executive	<i>Note 11</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 12</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 13</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		77,451	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
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

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 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	Note 9	80,689	62,746		755	63,501	9,591	73,092
			1,913,462	0	15,540	1,929,002	293,056	2,222,058

Notes:

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

6) 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.

7) Corporate Director in post part year.

8) Interim Corporate Director.

9) 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.

10) This Head of Service was in post part year and moved into the Interim Corporate Director post. This post was then deleted as part of the Council re-structure.

11) This Head of Service was in post part year and moved into the Corporate Director post.

12) Head of Service in post part year; post deleted as part of the Council re-structure.

13) Head of Service in posts part year until the Council re-structure took place.

The following table excludes Senior Officers shown above.

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

	<u>Number of Employees 2009/10</u>	<u>Number of Employees 2010/11</u>
£50,000 - £54,999	74	77
£55,000 - £59,999	40	52
£60,000 - £64,999	18	27
£65,000 - £69,999	8	6
£70,000 - £74,999	3	2
£75,000 - £79,999	1	3
£80,000 - £84,999	3	2
£85,000 - £89,999	0	2
£90,000 - £94,999	1	0
£95,000 - £99,999	1	0
£100,000 - £104,999	2	2
£105,000 - £109,999	0	1
£115,000 - £119,999	0	0
£140,000 - £149,999	1	0
£190,000 - £194,999	0	1

The 2010/11 figures include 103 school based employees (94 in 2009/10). The 2010/11 figures include 9 employees (7 in 2009/10) who became redundant or retired during the year (including the person in the £190,000 to £194,999 band). Please note those bands with nil in both years have been excluded.

32. External Audit Costs

The Council's accounts have been audited by KPMG in 2009/10 and 2010/11. In 2010/11 the Council incurred the following fees relating to external audit and inspection:

	<u>2009/10 £000</u>	<u>2010/11 £000</u>
Fees payable to KPMG with regard to external audit services	255	270
Fees payable to Audit Commission in respect of statutory inspection	17	32
Fees payable to KPMG for the certification of grant claims and returns	76	35
Fees payable in respect of other services provided by the appointed auditor, for 2010/11 includes £2,000 paid to the Audit Commission in relation to the National Fraud Initiative	2	49

33. 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 2010/11 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2010/11			99,001
Brought forward from 2009/10			0
Carry forward to 2010/11 agreed in advance			0
Agreed budgeted distribution in 2010/11	11,560	87,441	99,001
Actual Central Expenditure	(11,202)		(11,202)
Actual ISB deployed to Schools		(87,441)	(87,441)
Local authority contribution for 2010/11	0	0	0
Carry Forward to 2011/12	358	0	358

34. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2009/10		2010/11
£000		£000
	Credited to Taxation and Non Specific Grant Income	
12,642	Revenue Support Grant	8,944
54,773	Non Domestic Rates	61,593
10,063	Area Based Grant	12,553
0	Other grants	619
77,478	Total	83,709
	Credited to Services	
96,111	Dedicated Schools Grant	98,643
11,804	Standards Fund	11,876
56,286	Mandatory Rent Allowances Subsidy	60,300
13,321	Council Tax Benefits Subsidy	14,122
5,257	Schools Standards Grant	5,309
6,209	Sure Start	5,827
16,224	Other grants	18,553
205,212	Total	214,630

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2009/10		2010/11
£000		£000
	Capital Grants Receipts in Advance	
5,282	National Growth Point	6,396
4,629	Homes & Communities Agency	474
1,847	Standards Fund	782
894	Other grants	1,045
2,424	Primary Care Trust	768
0	Other contributions	50
15,076	Total	9,515

35. Related Parties

The Authority 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 Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 30. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

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

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 £534,340 in 2010/11.

Officers

No interests were disclosed.

Other Public Bodies [subject to common control by central government]

The Authority has a pooled budget arrangement with Shropshire Primary Care Trust. Transactions and balances outstanding are detailed in Note 29.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10	2010/11
	£'000	£'000
Opening Capital Financing Requirement	186,708	205,613
Capital Investment		
Property, Plant & Equipment	33,249	53,266
Investment Properties	2,856	1,161
Assets Held for Sale	0	210
Intangible Assets	0	754
Revenue Expenditure funded from Capital under Statute	9,183	19,299
Leased Vehicles	338	69
Sources of Finance		
Capital Receipts	(3,167)	(1,635)
Finance Leases	(337)	79
Government Grants and Other Contributions	(17,858)	(45,518)
Revenue Provision (NB: includes MRP)	(5,359)	(6,011)
Closing Capital Finance Requirement	205,613	227,287
Movement for Year	18,905	21,674
Explanation of movements in the year		
Increase in underlying need to borrow (supported by Government financial assistance)	6,368	4,563
Increase in underlying need to borrow (unsupported by Government financial assistance)	12,537	17,111
Increase/(decrease) in Capital Financing Requirement	18,905	21,674

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

At 31-3-2011 there was 5 significant contracts in place with outstanding commitments of £31.0m, as detailed in note 12.

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 2010/11 the Authority made payments of £9,637,961 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.

37. Leases

Finance Leases

During 2010/11 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £241,675. Finance lease rentals of £392,481 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	Over 5	Total
	£'000	years	years	
		£'000	£'000	£'000
Outstanding Obligations	324.579	658.419	24.287	1,007.285

The aggregate amount of finance charges in respect of finance leases was £59,233 for 2010/11 (£63,773 for 2009/10)

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 2010/11 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £61,237 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	Next Year	2 to 5	Over 5	Total
	£'000	years	years	
		£'000	£'000	£'000
Outstanding Obligations	25.085	36.413	0	61.498

Hire Purchase Contracts

During 2010/11 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 rental income received from these properties for 2010/11 amounted to £8,172,000 (£8,843,000 for 2009/10). See also note 28 Trading Accounts and note 13 in respect of the valuation of these assets as Investment Properties.

38. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Jigsaw. We have assets held of £55.8m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £63.4m as at 31st March 2011 (£64.9m as at 31st March 2010). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.4m in to the interest paid for 2010/11 (£5.5m 2009/10). Amounts due are shown in the table below:-

	2009/10				2010/11			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	1,905	325	5,401	1,760	1,535	750	5,300	1,805
2 to 5 years	7,709	1,779	20,551	7,178	7,720	2,006	20,112	7,500
6 to 10 years	8,370	4,888	23,540	12,004	7,891	5,698	22,982	12,872
11 to 15 years	8,117	6,883	20,500	16,673	8,820	6,555	19,673	17,850
16 to 20 years	9,630	7,342	15,403	23,466	10,493	6,902	14,046	24,635
21 to 25 years	13,652	4,522	6,584	29,540	11,018	3,504	4,465	24,200

39. Impairment Losses

During 2010/11, the Authority has recognised impairment losses of £21,258 in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

40. Termination Benefits

The Authority is currently under going a comprehensive restructure and as a result 59 employees (18 in 2009/10) had their contracts terminated, incurring costs of £2.268m (£1.082m in 2009/10). These terminations will produce savings to the Council well in excess of these figures in the coming years. Included within this are sums paid to directors and heads of service as disclosed in Note 35.

41. Pensions Schemes Accounted for as Defined Contribution Schemes

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under IAS 19 and has resulted in transactions impacting on the Income and Expenditure Account as above. There are also further explanations and disclosures within Note 42 to the Core Financial Statements.

The Teacher's Pension Scheme is also technically a Defined Benefits Scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for

calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Council paid an employer's contribution of £6,375,741 (£6,796,603 in 2009/10) 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 2011. 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 IAS 19, Accounting for pension costs are £6,375,741 (£6,796,603 in 2009/10) 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 Note 42.

42. Defined Benefit Pension Schemes Participation in Pension Schemes

In accordance with International Reporting Standard No 19 – *Employee Benefits* (IAS 19) 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 reduced by £54.4m; this has been as a result of changes to scheme benefits and improved asset values. The estimated contributions expected to be paid into the local government pension scheme next year is £13.003m.

In his budget statement on 22 June 2010, 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 are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change has reduced the IAS19 benefit obligations. This has resulted in a reduction in past benefit of £26.371m and this has been included in the Comprehensive Income & Expenditure Account as a separate line.

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

	2009/10 £000	2010/11 £000
Present Value of Funded Benefit Obligations	(437,985)	(408,225)
Present Value of Unfunded Benefit Obligations	(10,140)	(8,548)
Total Present Value of Benefit Obligations	(448,125)	(416,773)
Fair Value of Pension Fund Assets	271,491	294,478
Surplus/(Deficit)	(176,634)	(122,295)

Change in Benefit Obligation during year.

	2009/10 £000	2010/11 £000
Benefit Obligation at Beginning of Year	(317,604)	(448,125)
Current Service Cost	(7,886)	(12,820)
Interest on Pension Liabilities	(22,487)	(25,199)
Member Contributions	(4,647)	(4,549)
Past Service Cost	(361)	26,166
Actuarial Gain or (Loss) on Liabilities	(108,364)	35,079
Curtailment Cost	(1,074)	(971)
Benefits / Transfers Paid	14,298	13,646
Surplus / (Deficit) at End of Year	<u>(448,125)</u>	<u>(416,773)</u>

Change in Plan Assets during year.

	2009/10 £000	2010/11 £000
Fair Value of Plan Assets at Beginning of Year	198,435	271,491
Expected Return on Plan Assets	12,091	16,280
Actuarial Gain or (Loss) on Assets	57,437	2,801
Employer Contributions	13,179	13,003
Member Contributions	4,647	4,549
Benefits / Transfers Paid	(14,298)	(13,646)
Surplus / (Deficit) at End of Year	<u>271,491</u>	<u>294,478</u>

Statement of Gains and Losses

	2009/10 £000	%	2010/11 £000	%
Actuarial Gain/(Loss)	(50,927)	11.4% of liabilities	37,880	9.1% of liabilities
Actual Return on Plan Assets	69,528		21,957	
Experience Gains/(Losses) On Assets	(57,437)	21.2% of assets	2,801	0.7% of assets
Experience Gains/(Losses) On Liabilities	0	0.0% of liabilities	10,586	2.5% of liabilities

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

	2009/10		2010/11	
	£000	%	£000	%
Equity Investments	171,311	63.1%	192,000	65.2%
Government Bonds	35,565	13.1%	33,570	11.4%
Other Bonds	29,050	10.7%	29,448	10.0%
Property	11,674	4.3%	11,190	3.8%
Cash/Liquidity	12,217	4.5%	15,018	5.1%
Other	11,674	4.3%	13,252	4.5%
Total	271,491	100%	294,478	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	2010/11
Equity Investments	7.5%	7.5%
Government Bonds	4.5%	4.4%
Other Bonds	5.2%	5.1%
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 2010 and updated for the following 12 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at **31.03.2013, but the full analysis won't** be available until later that year. The main assumptions used in the calculations are:

	2009/10	2010/11
- rate of inflation (RPI)	3.3%	3.4%
- rate of inflation (CPI)	2.8%	2.9%
- rate of increase in salaries	5.05%	4.4%
- rate of increase in pensions	3.3%	2.9%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	5.6%	5.5%
- longevity at 65 for current pensioners		
Male	21.2	21.9
Female	24.1	24.6
- longevity at 65 for future pensioners		
Male	22.2	23.3
Female	25.0	26.1

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

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present Value of Liabilities	(337,648)	(375,240)	(317,604)	(448,125)	(416,773)
Fair Value of Assets	262,125	252,947	198,435	271,491	294,478
Surplus/(Deficit) on scheme	(75,523)	(122,293)	(119,169)	(176,634)	(122,295)
Gains and Losses on Assets	(0.6)%	9.0%	36.4%	(21.2%)	(0.7%)
Gains and Losses on Liabilities	0.0%	0.0%	0.0%	0.0%	2.5%

Pensions Asset/Liability Account

	2009/10 £000	2010/11 £000
Opening Balance	(119,169)	(176,634)
Past Service Cost - Added Years	(1,435)	(1,176)
Current Service Cost	(7,886)	(12,820)
Interest Cost	(22,487)	(25,199)
Return On Assets	12,091	16,280
Payments to Pension Fund	13,179	13,003
Past Service Gain – Benefit Change	0	26,371
Actuarial Gain or (Loss)	(50,927)	37,880
Closing Balance	(176,634)	(122,295)

Pensions Reserve

	2009/10 £000	2010/11 £000
Opening Balance	119,169	176,634
Past Service Cost - Added Years	1,435	1,176
Charging Pensions Costs Payable	(13,179)	(13,003)
Reversing Out IAS 19 Items	18,282	(4,632)
Actuarial (Gain) or Loss	50,927	(37,880)
Closing Balance	176,634	122,295

43. Contingent Liabilities

At 31 March 2011, the Authority had no material contingent liabilities:

44. Contingent Assets

At 31 March 2011, the Authority had no material contingent assets.

45. Nature and Extent of Risks Arising from Financial Instruments

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	60,000	67,157
Other	33	33
	60,033	67,190

Financial Liabilities		
Money Market Loans (LOBO's)	60,052	57,840
PWLB Loans	63,023	74,995
Temporary Loans	7,830	7,830
	130,905	140,665

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 A+, 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 2011 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2010 %	Estimated maximum exposure to default and uncollectability £000s
	A	B	C	A * C
Deposits with banks and financial institutions	60,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	26,029	12.0	19.0	4,935
Total	86,062	3.5	5.7	4,935

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	2010/11 £'000
Maturing in 1-2 years	15,001	6,001
Maturing in 2-5 years	15,002	13,002
Maturing in 5-10 years	5	4,505
Maturing in more than 10 years	83,016	83,015
	113,024	106,523

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.

Sensitivity Analysis

At the 31st March 2011 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	(35,645)	12,881	(22,764)	227.6
Fixed	(40,033)	118,024	77,991	0.0
Total	(75,678)	130,905	55,227	227.6

A 1% change in interest rates would have an impact on the budget of £127,600, this is as a result of that at 31st March 2011 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.

Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)	Total Outstanding	
		2009/10 £'000	2010/11 £'000
Public Works Loan Board	2.58 - 8.875	53,024	46,523
Money Market Loans (LOBOs)	0.80 - 4.50	60,000	60,000
		113,024	106,523

An analysis of loans by maturity is:

	2009/10 £'000	2010/11 £'000
Maturing in 1-2 years	15,001	6,001
Maturing in 2-5 years	15,002	13,002
Maturing in 5-10 years	5	4,505
Maturing in more than 10 years	83,016	83,015
	113,024	106,523

	2010/11 £'000	2009/10 £'000
Total Long Term Borrowing	113,024	106,523
Temporary Borrowing	10,052	24,382
Total Borrowing	123,076	130,905

In total fixed and temporary borrowing increased by £8m, from £123.076m to £130.905m during the year. This was entirely due to some temporary borrowing in late March, which was repaid in early April.

46. 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 2010/11 was £12.553m.

47. Income & Expenditure Account Deficit.

For 2010/11 the accounts show a surplus on the Income and Expenditure Account of £23.263m. The actual use of General Fund Balances was £0.896m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

Surplus on Income & Expenditure Account	£23.371m
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£0.323m
Less:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£19.014m
Changes in Reserves	£5.576m
Actual Use of General Fund Balances	£0.896m

48. Investments

In total our investments have increased by £1.8m as a result of positive cashflow in late March.

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 £20.000m. These have reduced over the year as the number of fund managers was reduced to zero. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

The element of our investments that are managed by fund managers is as follows;

	2009/10	2010/11
	£000	£000
Investec Asset Management	19,811	0
Total	19,811	0

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	2009/10	2010/11
	£000	£000
Long Term Investments		
Fixed Term Deposits	40,000	40,000
Other	33	33
Total Long Term	40,033	40,033
Short Term Investments		
Fixed Term Deposits	9,000	20,000
Fund Managers	19,811	0
Total Short Term	28,811	20,000
Cash & Cash Equivalent Investments	5,000	15,645
Total Investments	73,844	75,678

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.

49. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses.

The carrying amount of intangible assets is amortised on a straight-line basis. The Authority is **in the process of replacing its Financial Management System, with the system still** being under development at 31st March 2011, it is accounted for as an intangible asset under construction and has therefore not be depreciated in 2010/11.

The movement on Intangible Asset balances during the year is as follows

	2009/10	2010/11
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	0	0
- Accumulated Amortisation	0	0
Net Carrying Amount at Start of Year	0	0
Additions		
- Purchases	0	754
Amortisation for the Period	0	0
Net Carrying Amount at Year End	0	754
Comprising		
- Gross Carrying Amount	0	754
- Accumulated Amortisation	0	0
Total	0	754

50 Usable Capital Receipts Reserve

	2009/10	2010/11
	£'000	£'000
Opening balance	1,363	36
Capital receipts received during year	1,626	1,611
Less		
Capital receipts used for financing during year	(2,953)	(1,635)
	36	12

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.

51 Special Fund Revenue Account

	2009/10 Net Expenditure £'000	2010/11 Gross Expenditure £'000	2010/11 Income £'000	2010/11 Net Expenditure £'000
EXPENDITURE ON SERVICES				
Cemeteries	105	148	122	26
Highways – footway lighting	723	721	30	691
Total expenditure on services	828	869	152	717
INCOME				
Council Tax	(815)			(820)
(Surplus) or deficit for year	13			(103)
Special Fund				
Balance at beginning of the year	200			187
Surplus or (deficit) for year	(13)			103
Balance at end of year	187			290

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.

52. 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:-

	2009/10	2010/11
	£000	£000
School Balances - Revenue	3,103	3,624
School Balances - Capital	1,391	1205
Total School Balances	4,494	4,829

53. Soft Loan

During the year the Council extended for 36 months a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 0.50% 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 £416,000 and a notional £84,000 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 full £500,000.

54. 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 £4.251m and the principal repayment in respect of the PFI lease was £1.760m giving a total provision of £6.011m in 2010/11 (£5.359m in 2009/10).

55. Building Control Account 2010/11

<u>Expenditure</u>	Chargeable	Non-Chargeable	Total Building Control
	2010/11 £'000	2010/11 £'000	2010/11 £'000
Employee Expenses	236	147	383
Support Services	93	62	155
	329	209	538
<u>Income</u>			
Building Regulation Charges	354	201	555
	354	201	555
(Surplus)/Deficit	(25)	8	(17)
2009/10	38	238	276
(Surplus)/Deficit			

56. 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 2010/11 expenditure on this totalled £19.299m and grant receivable amounted to £0.698m. 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.

57. 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 2010/11 the accounts will be audited by Muras Baker Jones and we expect to receive an unqualified audit opinion.

THE TELFORD TRUST	2009/10 £'000	2010/11 £'000
Balance at 1st April	466.169	163.516
Income	1,085.678	1,070.124
Expenditure	(1,119.331)	(918.906)
Actuarial loss on defined benefit pension scheme	(269.000)	256.000
Balance at 31 March	163.516	570.734

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

THE COMMON GOOD FUND	2009/10 £'000	2010/11 £'000
Balance at 1st April	8.600	8.600
Income	0	0
Expenditure	0	0
Balance at 31 March	8.600	8.600

58. 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 2010/11 indicates the following:-

	General Fund		Education	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Balance b/f	1,025.879	1,246.612	1,33,724	1,186.724
Charges in the Year	(412.192)	(593.293)	(150.000)	(311.308)
Contributions	632.925	818.348	0	0
Balance c/f	1,246.612	1,471.667	1,186.724	875.416

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

	General Provision		Self Insurance	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Balance B/f	571.662	408.661	454,217	837.951
Charges In Year	(324.936)	(346.521)	(87,256)	(246.772)
Contributions	161.935	347.358	470,990	470.990
Balance c/f	408.661	409.498	837.951	1,062.169

For 2010/11 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.

59. 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 2010/11 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 4 years: £12.4m for Council Services and £3.1m for Schools. The 4% is based on average settlements made by other unitaries and was the % used for the 2010/11 budget process.

60. 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.

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WMS is a Joint Venture. Under International Accounting Standards Group Accounts should be prepared unless it is considered not to be material.

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 2010/11 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 21.3%. The WMS balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer for West Mercia Supplies:

Extract from WMS Balance Sheet	2010/11	T&W Share
	£'000	£'000
Long Term Assets		
Property, Plant & Equipment	3,539	754
Intangible Assets	1	0
Long Term Debtors	1,733	369
Current Assets		
Inventories	3,182	678
Short Term Debtors	10,514	2,239
Cash and Cash Equivalents	403	86
Current Liabilities		
Short Term Creditors	-10,174	-2,167

Extract from WMS Balance Sheet	2010/11	T&W Share
	£'000	£'000

Long Term Liabilities

Long Term Creditors	-1,733	-369
Other Long Term Liabilities	-3,704	-789

Total Assets Less Liabilities

3,761	801
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Financed By

Usable Reserves	-3,923	-836
Unusable Reserves	162	35

-3,761	-801
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Turnover	49,921	10,633
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61. Landfill Allowances Trading Scheme (LATS)

The Landfill Allowances Trading Scheme was introduced in 2005/06 by the Department for Environment Food and Rural Affairs (DEFRA). Each Local Authority is given a landfill allowance for each year and either has to buy additional allowances if they exceed their limit or can sell any surplus allowances or carry forward for use in later years.

There are no allowances carrying forward from 2009/10 to 2010/11 and the value of allowances allocated and used for the year were valued at nil.

The values used for 2010/11 have been affected by the market for allowances which has been very low. We have decided that allowances are valued at £3.99 per tonne.

For 2010/11 this authority was allocated an allowance of 33,281 tonnes (valued at £0.133m) and used 32,647 tonnes (valued at £0.130m) of the allowance. This resulted in 634 tonnes (valued at £0.003m) of surplus allowances carrying forward to 2011/12.

The impact on the income and expenditure account is as follows. Environmental Services has additional expenditure of £130,261 and additional income of £132,791, a net income of £2,530 and this has reduced the overall deficit.

The impact on the balance sheet is as follows;

Liability to DEFRA for Landfill Usage

	2009/10 £'000	2010/11 £'000
Balance Brought Forward	0	0
Adjustment to previous year usage	0	0
Write out actual usage for previous year	0	0
Estimated usage for year	0	(130.261)
Balance Carried Forward	0	(130.261)

Landfill Allowances Asset Account

	2009/10 £'000	2010/11 £'000
Balance Brought Forward	0	0
Adjustment to pricing of Brought Forward Balance	0	0
Less Confirmed usage for previous year	0	0
Allowance for Year	0	132.791
Balance Carried Forward	0	132.791

62. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

2009/10 £000		2010/11 £000
(30,689)	Impairment and depreciation of property, plant and equipment and intangible assets	(28,249)
45	(Increase)/decrease in interest creditors	(45)
(7,142)	(Increase)/decrease in creditors	(9,246)
(5,002)	Increase/(decrease)in interest/dividend debtors	(6,606)
(7,786)	Increase/(decrease)in debtors	(225)
(103)	Increase/(decrease)in inventories	109
(6,538)	Pension Liability	16,459
807	Contribution (to)/from provisions	(1,841)
(106)	Carrying amount of non current assets sold	(4,224)
(74,060)	Carrying Amount of short and long term investments sold	(19,811)
(130,574)	Total	(53,679)

63. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2009/10 £000		2010/11 £000
16,940	Capital grants credited to surplus or deficit on the provision of services	44,994
74,060	Proceeds from sale of short and long term investments	19,811
1,614	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,607
92,614	Total	66,412

Collection Fund Account

	2009/10 £'000	2010/11 £'000	Notes
Income			
Income from Council Tax	57,168	58,320	1
Transfers from the Council's General Fund			
– Council Tax Benefits	13,472	14,262	
– Transitional Relief	0	(1)	
– Discounts for prompt payment	0	0	
Income collectable from business ratepayers	60,095	61,420	2
Contributions			
– Towards previous year's Collection Fund deficit	0	0	
– Adjustment of previous years' community charges	1	0	
	130,736	134,001	
Expenditure			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	69,899	71,803	3
Business Rates			
– Payment to national pool	59,877	61,202	
– Costs of collection	217	217	
Bad and Doubtful Debts/Appeals			
– Write Offs	199	88	
– Provisions	(10)	24	
Contributions			
– Towards previous year's estimated Collection Fund surplus	100	0	
– Adjustment of previous years' community charges	0	0	
	130,282	133,334	
Movement on fund balance (Increase)/Decrease	(454)	(667)	

Notes To Collection Fund Accounts

1. Council Tax Base for 2010/11

	Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings	2009/10 Equivalent Band D Dwellings
Band A	25,716	(3,807)	21,909	14,595	14,600
Band B	17,907	(2,004)	15,903	12,369	12,251
Band C	9,828	(970)	8,858	7,874	7,787
Band D	7,412	(293)	7,119	7,119	7,079
Band E	4,269	(248)	4,021	4,915	4,841
Band F	1,938	(107)	1,831	2,645	2,603
Band G	978	(58)	920	1,533	1,528
Band H	48	(16)	32	65	64
TOTAL	68,096	(7,503)	60,593	51,115	50,753
Adjustments for growth and losses				(511)	(508)
Taxbase for year				50,604	50,245
Average Council Tax for year				£1,418.92	£1,351.64
				2010/11 £'000	2009/10 £'000
Gross Yield				71,803	69,876
Less Benefits and Transitional Relief				(14,261)	(13,472)
Add increase in debit net of exemptions and reliefs				778	764
				58,320	57,168

2. Income Collectable from Business Rate Payers

	2010/11 £'000	2010/11 £'000	2009/10 £'000
Effective non-domestic rateable value for year	160,575		142,348
Uniform Business Rate for year	41.4p		48.5p
Gross Yield for year		66,478	69,039
Less Reductions & Transitional Rate Relief		(5,058)	(8,944)
		61,420	60,095

The rateable value was £ 166,093,766 at 31.3.2011

3. Precepts on the Fund

	2010/11 £'000	2009/10 £'000
Telford & Wrekin Council	55,595	54,172
West Mercia Police Authority	9,044	8,738
Shropshire & Wrekin Fire Authority	4,241	4,100
Parish Councils	2,923	2,889
	71,803	69,899

4. Allocation of Fund Balance

	2010/11 £'000	2009/10 £'000
Telford & Wrekin Council	(1,422)	(881)
West Mercia Police Authority	(221)	(136)
Shropshire & Wrekin Fire Authority	(104)	(64)
	(1,747)	(1,081)

Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory 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.
Comprehensive Income & Expenditure Account (CI&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
International Accounting Standard 19 (IAS19)	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
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
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.