

**Telford & Wrekin Council**

**Statement of Accounts**

**2008/09**

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**Telford & Wrekin Council**

**Statement of Accounts**

**2008/09**

## **Financial Statements**

### **Explanatory Foreword**

#### **1. INTRODUCTION**

The Council's accounts for the year 2008/09 are set out in the remainder of the report. They consist of:-

- ... **The Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services;
- ... **The Statement of Movement on General Fund Balance** – which brings together recognised movements in and out of the General Fund Balance for the year in line with proper practice;
- ... **The Statement of Total Recognised Gains and Losses** - this statement brings together all the gains and losses of the council for the year;
- ... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2009;
- ... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties;
- ... **The Notes to the Core Financial Statements** – which provide further information supporting the financial statements;
- ... **The Collection Fund** - the statutory account in which income from business rates, council tax and government grants is held temporarily, pending payment of precepting authorities;

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

#### **2. FINANCIAL CONTEXT**

##### **2.1 Introduction**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2008/09. In particular it sets out

- An overview of the budget process for 2008/09
- Issues highlighted during 2008/09
- The final outturn for 2008/09
- A commentary on 2009/10
- A commentary on the Economic Climate

## **2.2 An Overview of the Budget 2008/09**

The Council's 2008/09 budget was set in the context of a three year policy and planning strategy which covered the period 2008/09 to 2010/11. The budget is the financial expression of the Council's corporate and service priorities and plans compared with funding allocations. The Council is a relatively low-spending, high performing Local Authority which has a comparatively low level of Council Tax for its own services and the lowest for Unitary Services in the Midlands for both 2008/09 and 2009/10.

In December 2007 the Government announced the provisional 3 year settlement for 2008/09, 2009/10 and 2010/11. Capital allocations and Area Based Grant were also announced for the 3 year period. The Government's method of allocating resources between local authorities includes a mechanism designed to even out year-on-year volatility in the level of grant received by individual authorities – protecting grant losers and “damping” the effect of grant gains - Telford & Wrekin lost over £7.2m through this process in 2008/09.

Initial consideration of the Council's 2008/09 financial position took place at the Cabinet meeting in July 2007 and was followed by a high level strategy for consultation agreed at Cabinet in October 2007. Following the confirmation of the provisional Revenue Support Grant Settlement (RSG) in December 2007, detailed proposals were agreed for further consultation over the January 2008 and early February period. Overall the RSG settlement was generally favourable for Telford & Wrekin, reflecting well on the Council's lobbying for extra resources.

The final RSG settlement was announced in January 2008 and had reduced by £0.217m from the provisional settlement and a final budget strategy was approved at Council in March 2008 taking account of consultation responses.

The revenue cost of a package to fund service pressures and developments was entirely met from efficiency savings and provided additional investment including: an additional £1.07m ongoing revenue in Adult Social Care to provide care packages for vulnerable clients; £1m capital per annum for Housing provision; £1.5m capital to support the £8m land stability scheme in the Gorge; £0.500m p.a. to improve play areas and playgrounds across the borough; £2.2m p.a. to continue the roads, footpaths and street lighting improvement programme.

The Council agreed to use £1.23m from its balances to support the budget for 2008/09 and the Council Tax increase was an average of 4.3% for Council Services, with the average charge (Band B) for the Council's services being £818 per year.

The Council consulted extensively on the budget proposals for 2008/09 which included discussions with: special interest groups, the Education Community, the Health Service Community, the Voluntary Sector, Parish Councils, Partners, the general public, the Business Community as well as the Internal Value for Money Scrutiny Committee and in general feedback was supportive for the Council's approach towards the budget.

The Medium term planning projections for the council showed potentially a much tighter financial position for 2009/10 and a need to keep some flexibility to accommodate unknowns, such as the impact of the Single Status settlement. A mixture of efficiency savings and some service changes, phased in by the use of balances, were required to keep Council Tax increases in low single figures.

## 2.3 Issues Highlighted During 2008/09

A summary of the monitoring presented to Cabinet during 2008/09 is shown in the table below.

Portfolio	Forecast Over/(under) Spends (before FRS17)				Final £m		
	Qtr 1 £m	Qtr 2 £m	Qtr 3 £m	Qtr 4 £m	Service	Council Wide *	Total
Children & Young People	0.000	0.128	0.174	0.275	0.003	0.000	0.003
Environment & Regeneration	0.361	0.465	0.485	0.455	-0.054	0.352	0.298
Adult & Consumer Care	0.000	0.000	0.000	0.000	-0.095	0.004	-0.091
Resources	0.117	0.129	0.175	0.201	-0.150	0.567	0.417
Community Services	-0.001	0.047	0.010	0.008	0.071	0.055	0.126
Chief Exec/Policy	-0.015	0.008	0.025	0.017	0.004	0.014	0.018
Council Wide items	-0.962	-1.409	-1.210	-1.242	0.000	-1.139	-1.139
Total Variation	-0.500	-0.632	-0.341	-0.286	-0.221	-0.147	-0.368
<b>Other Year End Adjustments:</b>							
Planned Use of General Balances							0.230
Transfer to Service Balances/Reserves							0.222
Actual Use of General Balances							0.084
* At year end Council Wide Balances are treated corporately and service balances are carried forward							

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

The above table highlights the growing service pressures identified during the year, particularly on the Children & Families budget within Children & Young People, though this was offset by switching funding from other budgets at year end. Effective management action following regular monitoring resulted in a very positive outturn position for the Council overall.

During the year there were a number of issues that arose and a summary of these are covered below:

### Service Items

#### Children & Young People

Overall the Portfolio ended the year very close to budget with **a small service overspend of £2,684**. Costs relating to Children & Families and Specialist Education were the key pressures reported throughout the year. As planned, the Portfolio used grant monies to support the overall position – providing an overall benefit of £1.030m. Optimising the use of grant funding is also part of the 2009/10 budget strategy which will be kept under review.

At year end the overspend in relation to Looked After Children was £0.476m which was a combination of the use of agency staff covering for vacant social worker posts and the types of placement required. If the trend continues this will be a key area of concern for 2009/10. Additional Specialist Education support required, resulted in an overspend of £0.949m at year end.

## **Environment and Regeneration**

Environment & Regeneration ended the year with a **service underspend of £54,410**. There were a number of pressures experienced during 2008/09 including: increased street lighting energy costs and reduced property investment portfolio rental income. These were more than offset by savings elsewhere across the Portfolio, such as the benefits from increased recycling.

## **Adult & Consumer Care**

Adult & Consumer Care ended the year with a **service underspend of £94,645**. The key pressure experienced during the year was the cost of care packages for Adults with Learning Disabilities and Mental Health clients - with a year end overspend of £0.215m and £0.303m respectively. These were met from other savings both within those services and across the rest of the Portfolio.

## **Resources**

Resources ended the year with producing a **service underspend of £149,875**.

## **Community Services**

The year end position showed a **service overspend of £70,853** which was met from controllable service balances brought forward from 2007/08. Two main pressures identified were: the increased cost of gas and electricity across Leisure Centres, The Place and Libraries; and a shortfall of income across various leisure sites, attributable to the recession.

## **Council Wide Items**

### Street Lighting

Additional costs were incurred during the year due to changes in the Council's street lighting inventory, calculated by Central Networks which gave rise to an overspend of £0.163m at year end.

### Insurance

Corporate savings of £0.431m were achieved following the 2008/09 renewals process.

### Treasury

A benefit of £2.289m from favourable cash flow together with investment opportunities taken at favourable interest rates and debt rescheduling activities was realised during the year.

### Housing & Council Tax Benefit

The final net overspend at year end for Housing & Council Tax benefits is £0.291m which is a combination of increased use of bed and breakfast accommodation for homelessness cases (£0.477m lost subsidy), plus other benefits subsidy variations but offset by overpayment recovery.

### Land Charges

A shortfall in fee income of £0.137m was reported at year end due to a reduction in the number of searches, exacerbated by the economic climate.

### 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 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2008/09 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 2 years: £4.3m for services outside Education/DSO funding; £3.1m for Education/DSO services. The 4% is based on average settlements made by other unitaries and was the percentage used for the 2008/09 budget process.

### Provision for Re-structure Costs

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2008/09. This reduced the number of Portfolio Departments from 5 to 4 and will generate around £1m ongoing efficiency savings. A provision to meet the one-off severance costs associated with this re-structure was made in the 2008/09 accounts.

## **2.4 Final Outturn for 2008/09**

### **Revenue**

Final net service expenditure was £116.693m (as detailed below before transfers to reserves) compared to a budget of £117.061m, an underspend of £0.368m (or -0.31%).

Description	Budget £m	Outturn £m	Variation £m
Actual Spend Per Outturn (net of LABGI)	117.061	116.693	(0.368)
Funded by Council Tax, Revenue Support Grant and Non Domestic Rates	116.831	116.831	0.000
Transfers to Reserves and Service Balances			0.222
Budget Contribution from Balances			0.230
Total Movement in General Balances for year			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	455.027	300.268	154.759
Trading Services	9.234	9.348	(0.114)
Pensions Adjustments under FRS17	(1.618)	0.000	(1.618)
Interest Payable and Similar Charges	7.308	0.000	7.308
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	0.000	0.390	(0.390)
Interest and Investment Income	0.000	8.511	(8.511)
Government Grants (including LABGI & ABG)	0.000	9.612	(9.612)
Remove Depreciation & Impairments, etc from Net Operating Cost	(34.643)	0.000	(34.643)
Minimum Revenue Provision	3.056	0.000	3.056
Net Movement on Reserves	6.458	0.000	6.458
<b>Total</b>	<b>444.822</b>	<b>328.129</b>	<b>116.693</b>

Included within the income shown above are government grants totalling £197.651m, which when added to the government support through Non Domestic Rates and Revenue Support Grant (£64.045m) give a total level of government support of £261.696m. See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balance of £6.843m and a special fund balance of £0.200m (see Note 23 to the Core Financial Statements), giving a consolidated balance of £7.043m. The total for all reserves and revenue balances held by the authority is £33.77m which leaves the Council in a robust financial position to approach the next budget cycle.

### **Treasury Management**

At the 31<sup>st</sup> March 2009 Investments stood at £142.9m which was an increase of £12m from the previous year. The strategy during the year was to take advantage of the higher interest rates and lock into a number of new investments at very favourable rates in advance of other investments maturing in the early part of 2009/10.

The level of borrowing at 31<sup>st</sup> March 2009 was £189.1m which was an increase of £18m from the previous year and was mainly to fund the capital expenditure during the year (£22m of capital expenditure was funded from borrowing).

The current strategy is to manage overall debt and investment levels down to reduce interest rate exposure in the uncertain period and this is already being implemented as opportunities arise.

The borrowing strategy was to take a pragmatic approach to the use of PWLB borrowing, spreading interest rate risk and take advantage of rate movements where appropriate. During the year the opportunity was taken to restructure the loans portfolio which generated discounts of £2.289m. From 1<sup>st</sup> April 2007 the accounting rules changed so that these discounts have to be spread over 10 years, resulting in a benefit of £0.229m to the revenue account in 2008/09.

The investment strategy for 2008/09 was to gain maximum benefit at minimum risk whilst achieving the best possible rate of return.

### **Financial Reporting Standard No 17 – Retirement Benefits**

The objectives of FRS17 are to ensure that:

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

The deficit on the pensions account has reduced during 2008/09 to £119.169m mainly due to actuarial gains, which was also aided by increased employer contributions. These latter increases will continue over the next 2 years; the next actuarial valuation is due in March 2010 and will provide an updated position for 2011/12.

### **Capital Accounting**

#### **Capital**

The Council spent £62.600m on capital projects during the year as detailed in the table below.

Description	Approved Estimate £m	Outturn £m	Variation £m
Adult & Consumer Care	4.990	4.001	-0.989
Children & Young People	18.636	16.870	-1.766
Environment & Regeneration	47.775	38.051	-9.724
Community Services	2.833	1.960	-0.873
Resources / Council Wide	3.392	1.718	-1.674
<b>Total</b>	<b>77.626</b>	<b>62.600</b>	<b>-15.026</b>
Financed by			
Borrowing		22.101	
Capital Receipts		15.318	
Government Grants		24.032	
Revenue		0.372	
Other External Sources		0.777	
<b>Total funding</b>		<b>62.600</b>	

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 2008/09 the authority made payments of £9,245,770 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.

## **2.5 2009/10 Commentary**

The Council has a rolling three-year financial planning process. This was updated formally by reports to the Council's Cabinet in October, December and February. The decisions on the medium term budget strategy at 5<sup>th</sup> March 2009 Council, reflect the outcome of extensive consultation with a wide variety of stakeholders during the Autumn/Winter.

The provisional Revenue Support Grant settlement for 2009/10 was announced in December 2007, as part of a 3 year settlement. Figures were finalised in January 2009 and there was no change for the Council. As experienced in 2008/09 the Council again lost funding through the "damping" mechanism, with over £6m being diverted to other Local Authorities through this process in 2009/10 alone.

Nevertheless, the 2009/10 RSG settlement overall was positive for Telford and Wrekin. There is uncertainty around the 2011/12 grant settlement, the final year of the current three year planning period, as this won't be known until December 2010 when the Government announce the next 3 years settlement figures.

The finally agreed budget package included a savings package of £3.8m, Use of £0.950m general balances and a council tax increase of 2.5%.

Notable investments include:

- Adult & Consumer Care – elderly persons' services £1.2m additional revenue (addressing increasing client numbers and cost of care packages)
- Roads, Footpaths & Lighting - £2.2m p.a. capital investment for improvements
- Children & Families - £0.250m revenue re-invested to improve the service
- Borough Towns Initiative - £5.5m in 2009/10 rising to over £20m by 2010/11 but dependent on generation of matching capital receipts.
- Parks & Play Areas - £0.500m rolling programme of investment in local parks and the Town Park to enhance facilities across the borough
- South Telford Estates - £2m investment in Brookside and Sutton Hill local centres

The Council agreed to use £0.950m from its level of balances to support the budget for 2009/10. As a result, the Council Tax increased by around 2.5% for the Council's services, taking the average charge (Band B) to £838 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,078). This represents a weekly increase of just under 40p before parish and town councils and the police and fire precepts are added.

## Looking Ahead

The Council faces a period of unprecedented economic uncertainty which is already having an impact on local people and businesses. The 2009/10 budget strategy included funding for a range of Credit Crunch initiatives aimed to support the local community, and an additional £1m contingency. The strategy for council tax increases is a maximum 2.5% p.a. for the 3 year planning period.

### 2.6 The Economic Climate

There are significant uncertainties facing the Council from a combination of the global financial instability, the continuing UK recession and changing inflation levels. The Council has considered the impacts of this unprecedented economic climate and has responded in a range of ways through the final accounts process and the medium term financial strategy:

- **Treasury Investment Returns** – despite the volatility in markets, a considerable benefit was achieved in 2008/09 from active treasury management. Projected returns are already falling for 2009/10 and a decision was made as part of the budget strategy to use some of this benefit to create an additional £1m contingency against future uncertainties.
- **Treasury** – the Collapse of the Icelandic Banks – the Council did not have investments in Icelandic Banks in October 2008 when they collapsed. However, given the exceptional period of financial instability we have been experiencing, a review of treasury arrangements, in line with CIPFA and Audit Commission guidance, is underway which will further strengthen processes.
- **Value of Assets** – a comprehensive review of the Council's assets has been undertaken as part of the final accounts process to ensure that their value is reflected accurately on the balance sheet.
- **Service Impacts** – rising demands on key services, such as homelessness, housing benefits and social services are likely to be evident in 2009/10 together with negative impacts on income generated. The position will be closely monitored during the year.
- **Capital programme** – receipts from asset disposals are likely to be impacted and a review of the capital programme has been taking place to ensure that spend matches the available resources.
- **Credit Crunch Initiatives** - £0.700m investment was approved as part of the 2009/10 budget strategy to provide a range of support measures for the Community, including the establishment of an Advice Centre in Telford Library. Further, the Council introduced a policy of quicker payment of Supplier invoices in February 2008.
- **Reserves and Balances** – a risk review of the level of reserves and balances was undertaken as part of the 2009/10 Service & Financial Planning process to ensure adequate balances are retained to meet potential unforeseen expenditure. The Council had £34m reserves and balances at 31<sup>st</sup> March 2009. The risk review will be repeated as part of the 2010/11 budget process.
- **Value for Money / Efficiencies** – the Council has a staff re-structuring programme which so far has generated £1m ongoing savings. Value for Money and delivering efficiencies will continue to be a key focus in 2009/10.

#### 4. FURTHER INFORMATION

Further information is contained in the Council's Annual Budget document, 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.

Chart 1

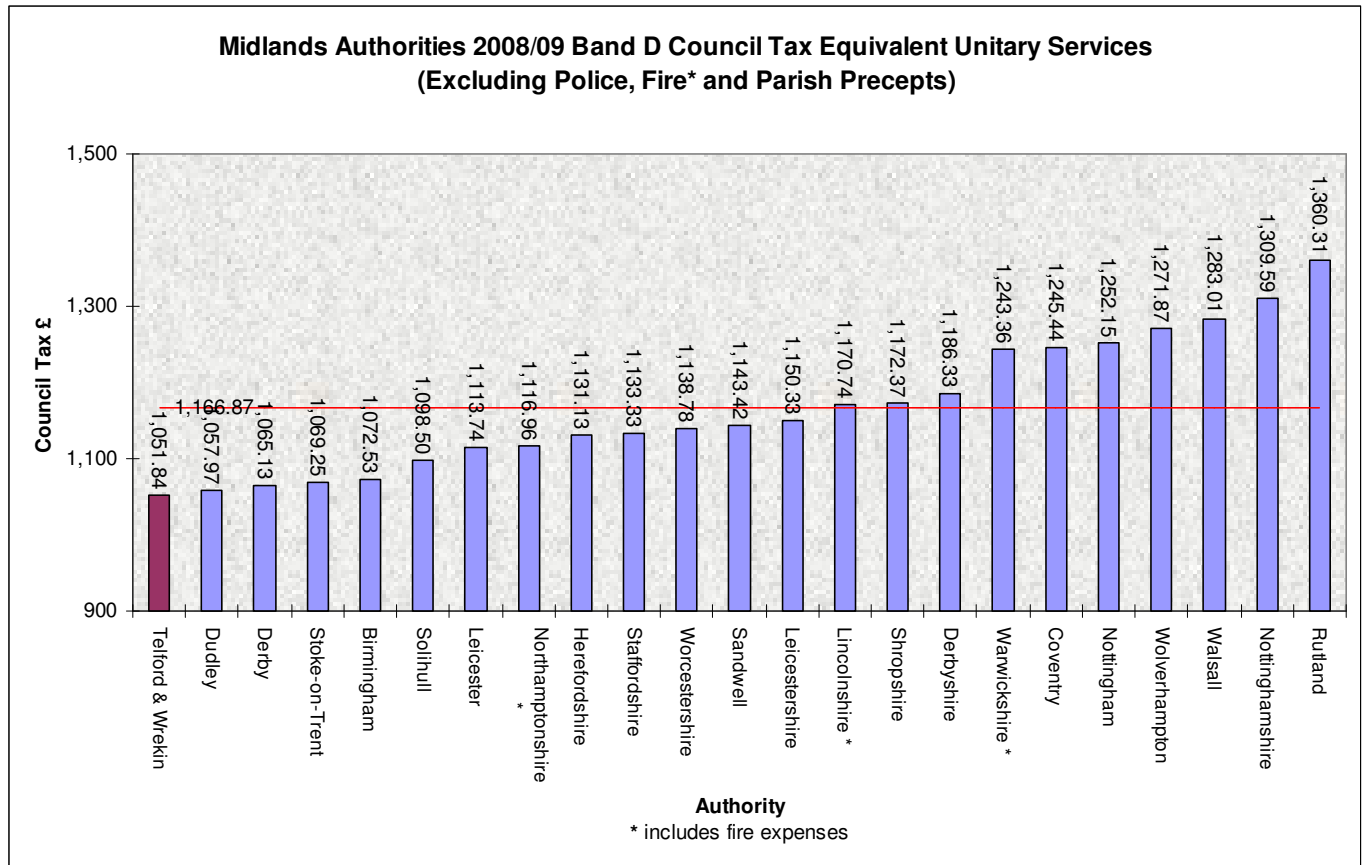


Chart 2

Net Revenue Expenditure by Main Service Area 2008/09  
£m

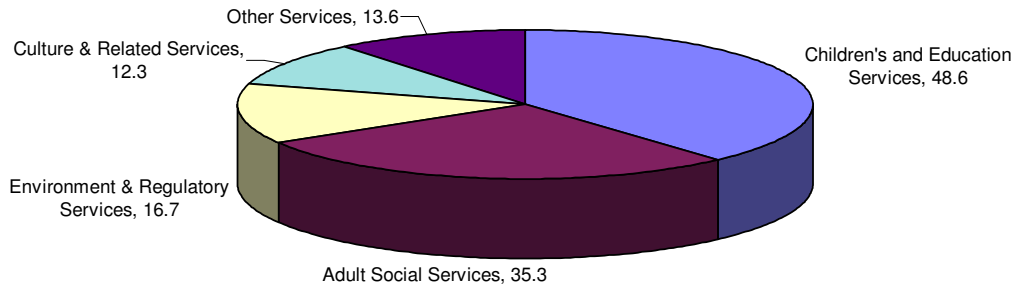


Chart 3

Sources of Finance 2008/09  
£m

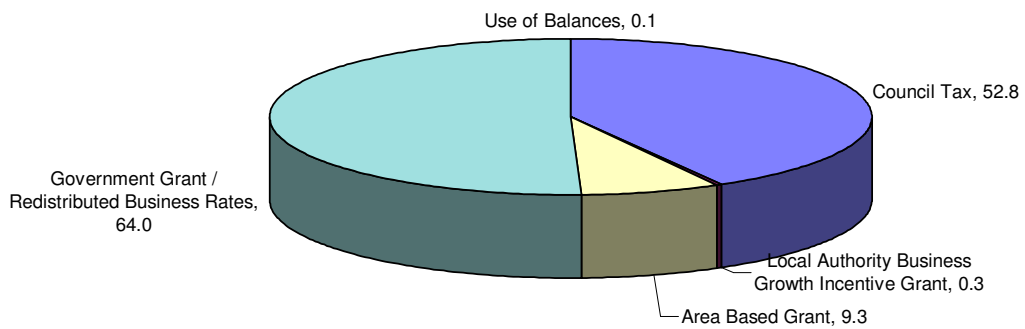


Chart 4

**Capital Expenditure 2008/09  
(£m)**

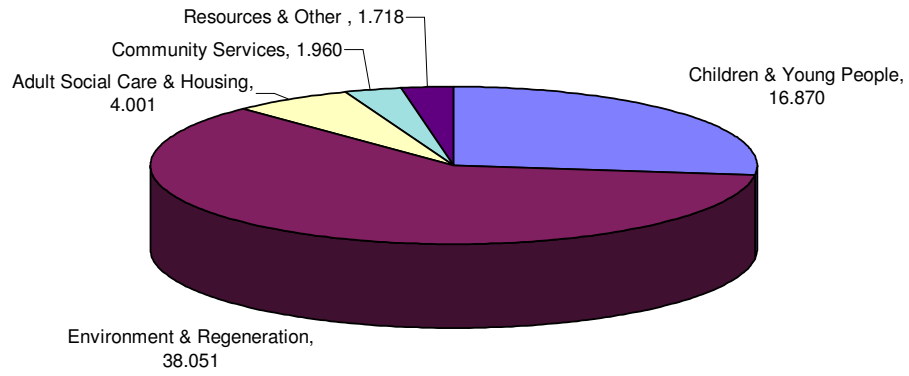
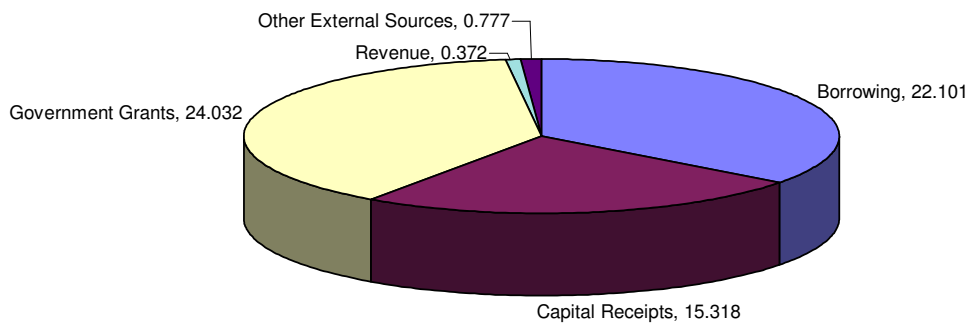


Chart 5

**Sources of Capital funding 2008/09 (£m)**



# Statement Of Responsibilities

## *The Council's Responsibilities*

### **The Council is required:**

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director : Resources (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 31<sup>st</sup> March 2009.

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

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

### **The Chief Finance Officer has also:**

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

## **CERTIFICATE OF THE CHIEF FINANCE OFFICER**

I hereby certify that the Statement of Accounts on pages 2 to 64 complies with the requirements of the Accounts and Audit Regulations 2003.

Paul Clifford CPFA,

Interim Corporate Director : Resources

**Dated : 25<sup>th</sup> June 2009**

## **APPROVED BY COUNCIL**

The Statement of Accounts was approved at a meeting of the Council on 25<sup>th</sup> June 2009

Councillor Ian Fletcher  
**Speaker of the Council**  
**Dated : 25<sup>th</sup> June 2009**

# ANNUAL GOVERNANCE STATEMENT 2008/09

## 1. Standards of Governance

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

## 2. Scope of Responsibility

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

- 2.2 To this end the Council has approved and adopted a local code of corporate governance which was updated during 2006 and again in May 2008 to ensure that it is consistent with the principles of the CIPFA/SOLACE (see glossary) Framework Delivering Good Governance in Local Government. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management 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. 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, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

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

- 3.2 The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the annual report and statement of accounts.

## 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 all outline the Council's ambitions and priorities based on stakeholder feedback and these inform the business planning process and business and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- The Council's Information Governance Framework including data and information security policies and procedures;
- The Performance management framework and data quality systems. These provide regular monitoring reports to Directors, Cabinet and Scrutiny. There is also a Member Performance Champion who challenges Cabinet members and reports back to all Cabinet members;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts

- upon proposed changes to legislation;
  - The democratic decision making and accountability processes contained within the Constitution;
  - The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
  - The development of internal controls and checks within new systems and when existing systems are reviewed;
  - The Council's People Strategy (HR) supported by rigorous recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development in line with Investors in People;
  - Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
  - 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 Resources is responsible for Corporate Governance and Risk Management and the key officer is the Corporate Director Resources. 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;
  - Comprehensive budget strategy and robust budget monitoring process provides sound financial management and regular reporting of financial management information;
  - Internal audit review controls based on risk to provide assurance and recommendations for improvement;
  - Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
  - The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
  - Projects are managed within the PRINCE 2 methodology, as appropriate, which includes risk identification and management. Projects use the Corporate Risk Management methodology as appropriate for the management and reporting of their risks.
- 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 review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance, financial and risk management information reports from senior management. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives and the management of risks linked to their objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 During 2008/09 the Council's Scrutiny function was reviewed and new changes implemented from 1<sup>st</sup> January 2009. The Scrutiny function is overseen by the Scrutiny Leadership Board led by a member of the opposition. The Council's Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed from community consultation, direct feedback to members

- from within the community and the results of review and inspection (both external and internal).
- 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 2008/09 the Internal Audit team achieved 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the systems of internal control.
- 5.5 Internal Audit report on a quarterly basis and annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Heads of Service to attend to provide assurance on the implementation of recommendations. The Audit Committee has also reviewed the benchmarking process and information of Internal Audit.
- 5.6 The Audit Committee reviewed their effectiveness during January 2009 and has agreed to undertake further work prior to agreeing to appoint a co-optee.
- 5.7 The External Auditor (KPMG) during 2008 revisited the Corporate Performance Assessment (CPA) Use of Resources for the Council based on again more challenging criteria. The Use of Resources judgement includes sections on financial reporting, management and standing, internal control and value for money. The Council maintained an overall score of 3. The Council scored the top score of 4 for 4 of the sub sections (an improvement from 2007/08) – asset management, risk management, internal control and ethics and conduct. The Internal Control sub-section improved its score from 3 to top score of 4. Overall Internal Control therefore retained its top score of 4. These combined and improved results indicate continued and improved sound governance arrangements and systems of internal control.
- 5.8 The Council's performance management framework has well established systems and procedures which drive continuous improvement in performance. The External Auditor has reviewed the Data Quality arrangements and concluded that they were good and continuing to improve.
- 5.9 This Use of Resources assessment and other external assessments contributed to the Council being judged as 3 stars by the Comprehensive Performance Assessment process in March 2009.
- 5.10 The Council reviewed the Constitution in 2008/09. However further work is required to update the Constitution and this is included in the action Plan (Annex 1). This work involves reviewing the roles and responsibilities of members and officers within the Constitution.
- 5.11 In addition to reviewing the Code of Governance (see paragraph 2.2), during the year the Council has continued to review and put into place improved policies, management processes and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. However there are still areas where improvements can be made and actions to address.
- 5.12 The Council takes Information Governance seriously and has taken significant steps to improve the security of its IT, Paper and Handling Processes to meet the compliance requirements for Data Handling in Government. Through the Council's enhanced internal controls, there have been no data losses or reportable breaches of privacy during 2008/09. 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. Planned 2009 infrastructure upgrades will further improve security and data handling as well as, establish a culture of security through continued IGS training and awareness programmes.
- 5.13 The Council has also reviewed its information security arrangements against ISO27001 and has drawn an action plan to address the key issues during 2009/10. The implementation of this action plan is referenced in Annex 1.

- 5.14 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. Appropriate corporate actions are included in the action plan attached to this statement (Annex 1).
- An unqualified opinion was given from the audit of the final accounts 2007/08.
  - In the Use of Resources review 2008 (for the period 2007/08) undertaken by KPMG the Council maintained a score of 3 (top score 4 – see paragraph 5.7).
- 5.15 All Directors and Heads of Service have signed two assurance statements (half year and year end) confirming that governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.16 The system of internal audit has not changed and the Audit Committee agreed at its meeting in January 2009 to undertake an internal review of the effectiveness of the system of internal audit. The action plan from the previous review has been reviewed and updated. The outstanding improvement actions are included in the action plan to this statement.
- 5.17 In addition to the CPA assessment, the Council has again received a very positive Annual Audit & Inspection letter from the Audit Commission which included that:
- The Council has progressed in delivering the Council's ambitious plans for the regeneration of the borough, and improvement in most priority services although the Council's overall CPA rating this year has reduced from 4 stars to 3 stars.
  - In the corporate assessment under the new 'harder test' undertaken at the beginning of 2008 the Council scored 4 the highest possible rating.
  - In the Direction of Travel assessment in December 2008 the Council was assessed as 'improving well'. With the exception of children's services where the score reduced to adequate, all other services are now judged to be either good or excellent and overall performance continues to improve albeit at a slower rate than most other councils.
  - The Council continues to work well with partners to regenerate the borough and strengthen the local economy.
- 5.18 The Council's Children's Services were subject to their annual performance assessment in late 2008. Ofsted reported in January 2009 that "the Council's capacity to improve its services for children and young people is good, as is its management of these services."
- 5.19 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.
- 5.20 The Audit Committee will continue to monitor the action plan during the year.

Victor Brownlees

Interim Chief Executive  
**Dated**

Councillor Andrew Eade

Leader  
**Dated**

Annex 1  
**ACTION PLAN FOR 2008/09 ANNUAL GOVERNANCE STATEMENT**  
**(for implementation 2009/10)**

No.	ACTION	Resp.	Comments	Date
1.	Corporate Business Continuity plan – a) review; and b) test.	CD ACC and Head of P&P	<p>Corporate Business Continuity Management Strategy approved Jan 2009. Priority 1 Services identified and awaiting final approval from Corporate Directors and Cabinet.</p> <p>Revised Corporate Continuity Plan and Service Area Recovery Plan Template under development – delayed as awaiting approval of Priority 1 Services.</p> <p>Training and Exercising to be undertaken once final approval achieved</p> <p>Working closely with ICT Infrastructure Project to ensure it supports the corporate &amp; service continuity plans</p>	<p>30/09/09</p> <p>30/09/09</p> <p>30/09/09</p> <p>30/09/09</p>
2.	Revised ICT business continuity plan to be produced during 2008/09	Head of ICT	<p>The proposed infrastructure design incorporates a live data centre environment and a backup data centre environment for both corporate and education servers. These facilities are currently being developed and tested with a planned migration between June 2009 and March 2010.</p> <p>The Business Continuity Plan will be revised in line with these time scales and in accordance with the review of the Corporate Business Continuity plan, which has identified priority one applications.</p>	30/09/09
3.	Ensure that ICT infrastructure project supports the corporate & service continuity plans	Head of ICT	<p>Following the review of the designs produced by the supplier it was felt that the proposed designs would not meet the requirements of the Council and all work was stopped with the supplier. Designs were brought in house and commercial negotiations re-opened with the supplier to agree a way forward under the existing contract. This was completed in December 2009.</p> <p>In –house designs have been completed and the majority of the hardware has been supplied.</p> <p>A test environment will be built during April and May with Live migration of in scope applications planned between June 2009 and March 2010.</p> <p>All new server requirements will be incorporated into the new infrastructure during this period.</p>	30/09/09
4.	Catering - Implement the outstanding areas from the internal audit review and on-going system/processes update.	Head of BSF, Resources & Regeneration	<p>An assessment is currently being made as to the benefits of implementing a cashless system as part of the catering and cleaning service review. Assuming that this review confirms that the benefits are significant then we will seek savings from within the catering annual revenue budget to offset the cost. This has the added advantage of building in ongoing sustainability. Furthermore we have also bid for funding to support the project from the DCSF. We should hear within the next month if we have been successful with this bid. In the meantime we will continue to use the system procured from PCS ensuring that a contingency plan is in place in case the system should fail. Subject to the above a business case has been prepared in line with procedures for ICT procurement and a team is ready to procure an alternative system.</p>	Decision on way forward by 31/05/09 and implementation by Sept 09

No.	ACTION	Resp.	Comments	Date
5.	Develop and agree a corporate procedure for the appointment, induction and control of consultants.	Head of HR	CD's have approved a policy on the Use of Consultants together with agency staff and new contract arrangements re provision of agency staff is in place with training in progress for May/June 2009 launch. Communication of this policy and guidance on the use of consultants is still required.	30/09/09
6.	Undertake review of the effectiveness of the system of internal audit for 2008/09 and then 2009/10.	Audit & Risk Manager	Agreed approach with Audit Committee 27 <sup>th</sup> January 2009 based on draft guidance. To be completed for Audit Committee 16/06/09  2009/10 review to include a repeat of the Audit Committee Effectiveness Survey	16/06/09  31/05/10
7.	Review operation and effectiveness of the revised Scrutiny arrangements	Head of Finance & Audit	New arrangements effective from 01/01/09 and work programme has been agreed and is being delivered.  Review of effectiveness will be undertaken during 2009/10	30/05/10
8.	Implement outstanding actions from the Ethics Survey action plan.	Head of Legal Services	Consider refresher training in Human Rights or briefing through the bulletin or breakfast interactive.	30/09/09
9.	Complete review of the Constitution	Head of Legal Services & Head of HR	Constitution needs to reviewed and updated in respect to updating the roles and responsibilities of members and officers.	30/09/09
10.	Undertake a repeat of the Ethics survey.	Audit & Risk Manager	Undertake survey.  Analyse results, compare to previous survey and identify any improvements/ actions required.	31/12/09  31/03/10
11.	Undertake skills matrix work with the Audit Committee.	Audit & Risk Manager	Skills matrix to be agreed and completed.  Skills matrix results analysed and Committee to decide if they need/want to appoint a co-optee	30/06/09  31/07/09
12.	Audit Committee to present an Annual Report 08/09 to Council.	Chair of the Audit Committee	Support will be provided by CD: Resources and the Audit & Risk Manager	30/09/09
13.	To implement the actions from the self assessment against ISO27001.	Heads of ICT & Information Governance	To implement the key actions (level 1) To implement other actions (level 2,3 & 4)	31/07/09 31/03/10

# Auditors' Report

To be added before publication of accounts



# Statement Of Accounting Policies

## 1. General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including the Application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Statements (FRSs) to Local Authorities in Great Britain, approved by the Accounting Standards Board.

## 2. Concepts

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

## 3. Reserves

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

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

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

## 4. Provisions

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

## 5. Fixed Assets

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). The Council, under de minimis, excludes assets from its register with a value below £50,000. Fixed assets are classified into the groupings required by the 2008 Code of Practice on Local Authority Accounting and valued on the following bases:

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

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

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

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

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

Where the Council has entered into PFI contracts the accounting treatment accords with proper practice as determined by the SORP. This means the adoption of *Application Note F to Financial Reporting Standard 5: Reporting the substance of transactions (FRS 5)*, and also reference to *Treasury Taskforce Technical Note Number 1 (revised): How to account for PFI transactions*.

The balance of risks and rewards in relation to this transaction are borne by the PFI operator. Therefore, the assets to be provided under the PFI contract will not be included as fixed assets in the Council's Balance Sheet. The Council will revisit this accounting treatment periodically and if there are significant changes in the contract or in the risk profile of the transaction.

Unitary payments are paid to the operator, and PFI credits are received from the government as a specific annual grant. The Council has approved a budget strategy which makes provision for its commitments.

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

At 31-3-2009 there were 2 significant contracts in place. Railfreight £1.6m and Malinslee PCT Building £1.6m.

## **6. Depreciation**

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

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

## **7. Charges to Revenue in respect of Fixed Assets**

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

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

## **8. Deferred Charges**

Deferred charges represent expenditure which may properly be capitalised, but which does not create tangible fixed assets. These are written off to the Income and Expenditure account in year.

## **9. Government Grants and Contributions**

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

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

## **10. Direct Revenue Financing of Capital Expenditure**

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2008/09, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

## **11. Interest on surplus funds and balances**

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

## **12. Capital Receipts**

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

## **13. The Redemption of Debt**

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

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

## **14. Leases**

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

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

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

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

## **15. Debtors and Creditors**

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

## **16. Stocks**

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

## **17. Costs of Support Services**

The revenue accounts for the various services include charges for the related support services, which are based on a mixture of service level agreements and agreed bases for charging. These are agreed annually and are based on agreed criteria. Support Services are fully allocated in line with CIPFA recommended practice.

## **18. Pensions**

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

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

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

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

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

In accordance with Financial Reporting Standard No 17 – *Retirement Benefits* (FRS17) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2008 SORP. There was a change to the 2008 SORP that required different valuation methods for assets and investments. When applied to the Council's share of the Pension Fund retrospectively, this

resulted in no material changes being required for prior years. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any authority's share of the assets and liabilities under the Teachers scheme.

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

## **19. Investments**

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

## **20. Estimation Techniques**

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

## **21. Post Balance Sheet Events**

Where a material post balance sheet event occurs which

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

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

## Income and Expenditure Account

	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000	Notes
<b>SERVICE</b>					
Children's and Education Services	191,007	142,400	48,607	31,956	1
Adult Social Services	60,586	25,263	35,323	31,479	
Environment & Regulatory Services	19,534	2,832	16,702	17,073	2
Cultural and Related Services	20,369	8,114	12,255	9,941	
Planning & Development	18,518	7,787	10,731	6,174	
Highways & Transportation	26,638	16,095	10,543	8,136	
Housing Services	59,588	56,215	3,373	2,997	
Court & Probation Services	352	5	347	240	
Contribution re Former County Council Debt	2,475	0	2,475	2,646	
Corporate & Democratic Core	4,300	0	4,300	4,431	
Central Services Provided to the Public	50,618	41,557	9,061	8,381	
Non Distributed Costs	1,042	0	1,042	3,666	
<b>Net Cost of Services</b>	<b>455,027</b>	<b>300,268</b>	<b>154,759</b>	<b>127,120</b>	
Loss/(Gain) on disposal of fixed assets			(492)	(1,356)	
Precepts of Parish Councils			2,809	2,696	
Surplus of Trading Undertakings			(114)	(1,664)	3
Interest Payable and Similar Charges			7,308	7,532	
Gains and Losses on the repurchase or early settlement of borrowing			(2,289)	(2,407)	
Interest and Investment Income			(8,511)	(6,738)	
Pensions Interest Cost and Expected Return on Assets			7,020	1,823	
<b>Net Operating Expenditure</b>			<b>160,490</b>	<b>127,006</b>	
Demands/Precepts on Collection Fund			(55,595)	(53,025)	
Area Based Grant			(9,343)	0	4
Local Authority Business Growth Incentive Grant			(269)	(1,270)	
Revenue Support Grant			(7,826)	(8,123)	
Non Domestic Rates			(56,219)	(48,405)	
<b>(Surplus) or deficit for year</b>			<b>31,238</b>	<b>16,183</b>	5

## Statement of Movement on General Fund Balance

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
(Surplus) or Deficit for the year on the Income and Expenditure Account	31,238	16,183
Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	(31,154)	(16,135)
Movement in General Fund Balance	84	48
Balance at beginning of year	(7,127)	(7,175)
Balance at end of year	(7,043)	(7,127)

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

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
<b>Amounts included in Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance</b>		
Depreciation and Impairment of Fixed Assets	(54,371)	(29,991)
Government Grants Deferred Amortisation	18,774	17,030
Write downs of deferred charges to be financed from capital resources	(1,628)	(1,600)
(Loss)/Gain on disposal of fixed assets	3,074	1,356
Differences between amounts debited/credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on early repayment of debt	1,899	2,245
Net charges made for retirement benefits in accordance with FRS 17	(19,362)	(15,837)
	<b>(51,614)</b>	<b>(26,797)</b>
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on General Fund Balance</b>		
Minimum Revenue Provision	3,056	3,248
Employers Contributions to Pension Fund	10,724	9,344
	<b>13,780</b>	<b>12,592</b>
<b>Transfers to or from the General Fund Balance required to be taken into account</b>		
Net transfer to or from earmarked reserves	6,680	(1,930)
	<b>6,680</b>	<b>(1,930)</b>
<b>Net additional amount required to be credited or debited to the General Fund balance for the year</b>	<b>(31,154)</b>	<b>(16,135)</b>

## Statement of Total Recognised Gains and Losses

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

	<b>2008/09</b> <b>£'000</b>	<b>2007/08</b> <b>£'000</b>
(Surplus)/loss for the year on the income and expenditure account	31,238	16,183
(Surplus)/Loss arising on the revaluation of fixed assets	1,342	(36,074)
(Surplus)/Loss arising on the collection fund	(122)	(183)
(Surplus)/Deficit arising on the revaluation of available for sale financial assets	(125)	(55)
Other Adjustments	113	2,991
Actuarial (gains)/losses on pension fund assets and liabilities	(11,762)	40,277
<b>Total recognised (gains)/losses for the year</b>	<b>20,684</b>	<b>23,139</b>

## Balance Sheet

	<b>31 March 2009 £'000</b>	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>	<b>Notes</b>
Net Fixed Assets				6,7,8
Operational Assets				
Infrastructure	19,009		5,580	
Community Assets	100		100	
Operational Assets – Land & Buildings	169,703		170,358	
Vehicles, Plant, Furniture and Equipment	1,433		759	
Non-Operational - Assets under Construction	992		4,583	
Non-Operational - Investment Properties	57,350		70,975	
		248,587	252,355	
Long Term Investments		45,033	4,387	9,10
Long Term Debtors				
Mortgages	31		35	
Other	632	663	369	
			404	
<b>Total Long Term Assets</b>		<b>294,283</b>	<b>257,146</b>	
Current Assets				
Stocks and work in progress	443		395	
Debtors	28,231		22,955	16
Landfill Allowances Asset Account	0		0	2
Investments - (short term)	97,871		126,654	9,10
Cash and Bank	2,001		202	
		128,546	150,206	
Current Liabilities				
Provisions	(878)		(120)	17
Temporary borrowing	(64,099)		(5,572)	11
Liability to DEFRA for Landfill Usage	(0)		(0)	2
Creditors	(66,908)		(52,324)	18
Bank overdraft	(20)		(686)	
		(131,905)	(58,702)	
<b>Total Net Current Assets/(Liabilities)</b>		<b>(3,359)</b>	<b>91,504</b>	
Less Long Term Borrowing		(125,024)	(165,350)	10,11
Less Pensions Liability		(119,169)	(122,293)	14
Government Grants Deferred		(11,949)	(5,541)	
<b>Total Assets Less Liabilities</b>		<b>34,782</b>	<b>55,466</b>	
Represented by:				
Capital Adjustment Account		94,490	117,040	19
Revaluation Reserve		22,062	28,709	20
Financial Instruments Adjustment Account		2,084	185	
Available For Sale Financial Assets Reserve		167	42	
Deferred Capital Receipts		19	916	
Pensions Reserve		(119,169)	(122,293)	15
Reserves		21,585	15,020	21
Useable Capital Receipts		1,363	3,683	22
Revenue Balances				
General Fund	6,843		6,984	
General Fund – Landfill Allowances	0		0	2
Special Fund	200		143	23
Controllable Service Balance	1,284		1,015	
Schools Balances	3,340		3,630	24
Council Tax Collection Fund	514	12,181	392	
		<b>34,782</b>	<b>55,466</b>	

# Cashflow Statement

	2008/09 £'000	2008/09 £'000	2007/08 £'000	Notes
<b>Revenue activities</b>				
<u>Cash Outflows</u>				
Cash paid to and on behalf of employees	162,140		150,175	
County/Parish Precepts	15,045		14,329	
Payment to NDR Pool	60,237		58,265	
Other operating cash payments	156,195		158,179	
Housing Benefit paid out	47,475		43,162	
		441,092	424,110	
<u>Cash Inflows</u>				
Rents (after rebates)	(53)		(79)	
Council Tax Income	(57,283)		(54,510)	
Non-Domestic rate receipts	(61,366)		(54,620)	
Payment from NDR Pool	(56,219)		(48,405)	
Revenue Support Grant	(7,826)		(8,123)	25
Dedicated Schools Grant	(94,710)		(93,936)	1
DWP Grants for Benefits	(61,090)		(53,240)	25
Other government grants	(43,466)		(43,723)	25
Cash received for goods and services	(21,482)		(20,189)	
Other operating cash receipts	(62,413)		(59,732)	
		(465,908)	(436,557)	
<b>Net cash (inflow)/outflow from revenue activities</b>		<b>(24,816)</b>	<b>(12,447)</b>	26
<b>Servicing of finance</b>				
<u>Cash Outflows</u>				
Interest paid	9,532		9,915	
Interest element of finance lease rental payments	76		95	
		9,608	10,010	
<u>Cash Inflows</u>				
Interest received		(2,318)	(2,021)	
<b>Net cash outflow from servicing of finance</b>		<b>7,290</b>	<b>7,989</b>	
<b>Capital Activities</b>				
<u>Cash Outflows</u>				
Purchase of fixed assets	71,802		47,597	
Other Capital cash payments	1,427		7,999	
		73,229	55,596	
<u>Cash Inflows</u>				
Sale of fixed assets	(23,330)		(21,817)	
Capital grants received	(27,647)		(25,795)	25
Other capital cash receipts	(827)		(5,254)	
		(51,804)	(52,866)	
<b>Net cash (inflow)/outflow from Capital Activities</b>		<b>21,425</b>	<b>2,730</b>	
<b>Net cash (inflow)/outflow before financing</b>		<b>3,899</b>	<b>(1,728)</b>	27
<b>Management of Liquid Resources</b>				
Net Increase/(Decrease) in Short Term Deposits	8,675		12,400	28
Net Increase/(Decrease) in Other Liquid Resources	3,115		(23,038)	
		<b>11,790</b>	<b>(10,638)</b>	
<b>Financing</b>				
<u>Cash Outflows</u>				
Repayments of amounts borrowed	232,125		308,141	
Capital element of finance lease rental payments	419		384	
		232,544	308,525	
<u>Cash Inflows</u>				
New loans raised	(30,000)		(67,000)	
New finance Leases	(372)		(0)	
New short term loans	(220,326)		(229,460)	
		(250,698)	(296,460)	
<b>Net cash outflow/(inflow) from financing</b>		<b>(18,154)</b>	<b>12,065</b>	29
<b>(Increase)/decrease in cash and cash equivalents</b>		<b>(2,465)</b>	<b>(301)</b>	30

## Notes to the Core Financial Statements

### 1. Disclosure of deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG). 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 2008/09 are as follows:

<b>Schools Budget Funded By Dedicated Schools Grant</b>	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2008/09			<b>94,710</b>
Brought forward from 2007/08			159
Carry forward to 2009/10 agreed in advance			0
Agreed budgeted distribution in 2008/09	11,280	83,589	94,869
Actual Central Expenditure	(11,227)		(11,227)
Actual ISB deployed to Schools		(83,612)	(83,612)
Local authority contribution for 2008/09	0	0	0
<b>Carry Forward to 2009/10</b>	<b>53</b>	<b>(23)</b>	<b>30</b>

## 2. 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. The scheme ended at 31<sup>st</sup> March 2009.

For 2007/08 the Council included in its accounts estimated usage of 39,741 tonnes and a balance carried forward of 41,989 tonnes. The final figure notified to the Council by DEFRA was usage of 40,324 tonnes and a balance carried forward of 41,406 tonnes. These have been adjusted in the 2008/09 accounts.

The values used for 2008/09 have been affected by the market for allowances which has been very low. As the scheme has now finished and we were unable to sell any of our allowances during 2008/09, allowances are valued at £0 per tonne.

For 2008/09 this authority was allocated an allowance of 44,631 tonnes (50,616 in 2007/08) (valued at £0) and used 35,151 tonnes (valued at £0) of the allowance. This resulted in 50,866 tonnes (valued at £0) of surplus allowances. As the scheme finished at 31/3/2009 no allowances could carry forward.

There is no impact on the income and expenditure account for 2008/09.

The impact on the balance sheet is as follows;

### **Liability to DEFRA for Landfill Usage**

	<b>2008/09</b>	<b>2007/08</b>
Balance Brought Forward	0	<i>(696,078)</i>
Adjustment to previous year usage	0	<i>(32,508)</i>
Write out actual usage for previous year	0	<i>728,586</i>
Estimated usage for year	0	<i>(0)</i>
	<hr/>	<hr/>
Balance Carried Forward	0	<i>(0)</i>

### **Landfill Allowances Asset Account**

	<b>2008/09</b>	<b>2007/08</b>
Balance Brought Forward	0	<i>1,288,015</i>
Adjustment to pricing of Brought Forward Balance	0	<i>(559,429)</i>
Less Confirmed usage for previous year	0	<i>(728,586)</i>
Allowance for Year	0	<i>0</i>
	<hr/>	<hr/>
Balance Carried Forward	0	<i>0</i>

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

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

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Income from Stallholders' Rents and charges	13	10
Expenditure	(42)	(39)
(Deficit)/Surplus taken to General Fund	<b>(29)</b>	<b>(29)</b>

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

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Income from rents	8,648	8,507
Other income	687	735
Expenditure	(9,192)	(7,549)
(Deficit)/Surplus taken to General Fund	<b>143</b>	<b>1,693</b>
Total Trading Accounts	<b>114</b>	<b>1,664</b>

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

<b>Trading Unit</b>	<b>Turnover £'000</b>	<b>Surplus / (Deficit) £'000</b>
Commercial Catering	4,321	(39)
Building Cleaning	3,088	(28)
Total	<b>7,409</b>	<b>(67)</b>

### 4. **Area Based Grant**

Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant in 2008/09. Previously, LAA grant was treated as Service Income and therefore reduced the overall Net Cost of Services in the Income and Expenditure Account. However, ABG is different as it is non ring-fenced i.e. there are no conditions on its use. It is therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The impact of this is that the Net Cost of Services for 2008/09 will appear higher than 2007/08 purely due to the introduction of this new grant. The total value of ABG received by the Council in 2008/09 was £9.343m.

## 5. Income & Expenditure Account Deficit.

For 2008/09 the accounts show a deficit on the Income and Expenditure Account of £31.238m. The actual use of General Fund Balances was £0.084m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which are detailed in the Statement of Movements on General Fund Balances and summarised below:

Deficit on Income & Expenditure Account	£31.238m
Less:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	- £51.614m
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£13.780m
Changes in Reserves	£6.680m
Actual Use of General Fund Balances	£0.084m

## 6. Fixed Assets

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

	Assets Under Construction	Infrastructure	Operational Assets		Non Operational Assets		Total
		Infra-structure	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Investment Properties	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value as at 31 March 2008	4,583	6,475	187,107	1,361	100	70,975	270,601
Additions	1,552	22,592	39,552	2,506	0	5,599	71,801
Revaluations & Impairments	(5,143)	(8,703)	(28,737)	(1,557)	0	(17,615)	(61,755)
Disposals	0	0	(10,000)	0	0	(1,609)	(11,609)
<b>Gross book value as at 31 March 2009</b>	<b>992</b>	<b>20,364</b>	<b>187,922</b>	<b>2,310</b>	<b>100</b>	<b>57,350</b>	<b>269,038</b>
Depreciation at 31 March 2008	0	895	16,749	602	0	0	18,246
Charge for Year	0	460	2,940	275	0	0	3,675
Disposals	0	0	(1,470)	0	0	0	(1,470)
<b>Total Depreciation</b>	<b>0</b>	<b>1,355</b>	<b>18,219</b>	<b>877</b>	<b>0</b>	<b>0</b>	<b>20,451</b>
<b>Net Book Value at 31 March 2009</b>	<b>992</b>	<b>19,009</b>	<b>169,703</b>	<b>1,433</b>	<b>100</b>	<b>57,350</b>	<b>248,587</b>
<i>Net Book Value at 31 March 2008</i>	<b>4,583</b>	<b>5,580</b>	<b>170,358</b>	<b>759</b>	<b>100</b>	<b>70,975</b>	<b>252,355</b>

## 7. **Fixed Asset Valuation**

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 31st March 2008 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.

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

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

## 8. **Information on Assets held**

Fixed assets owned by the Council include the following:-

### **Operational Assets**

	<b>31-3-09 (Nos.)</b>	<b>31-3-08 (Nos.)</b>
Hostels	4	4
Houses for Homeless	17	17
Offices	25	25
Depot and workshop	1	1
Community centres	13	13
Peoples' Centre	0	0
Business Dev't Centre	1	1
Parks and recreation	310.7 ha	217 Ha
Amenity Sites	3	3
Off-Street car parks	28	28
Bus Stations	4	4
Theatres	1	1
Cemeteries	3	3
Ice Rink	1	1
Leisure Centres	4	4
Swimming Pools	2	2
Changing Rooms/ Pavilions	12	13
Nursery Schools	1	1
Schools	53	57
Outdoor Activity Centre	1	1
Special Schools	4	4
Learning Communities	1	1
Joint Service Facility	1	1
First Point Centre	1	1
Pupil Referral Unit	3	3
Youth Centres	6	7
Libraries	8	8
Elderly Persons Homes	3	3
Toilets	11	12
Children's Centres	2	2
Children's Homes	1	2
Group Homes	23	23
Residential Homes	2	2
Training/Day Centres	7	7
Emergency Planning Cen	1	1
Traveller Sites	2	2
Allotments	10	11
Visitor Info Centre	1	1
Land associated with assets (ex parks)	596.5Ha	617 Ha
Other land holdings	111.8Ha	80 Ha
Caretakers bungalows	4	4
Ski Slope Centre	1	1
Play Areas	115	115
Golf Courses	73ha	73ha
School Playing Fields	12	13
<b>Non Operational Assets</b>		
Smallholdings	1	1
Offices	23	19
Retail	30	30
Industrial Estates	29	28
Misc Ground Rents	47	46
Sites For Disposal	48	48
Woodlands	4	5
Assets Under Construction	2	2
Sites for Regeneration	4	1
Misc Rents	50	50

## 9. Investments

In total our investments have increased by £12m. Investments are categorised as Long or Short term dependent on the type and maturity date. Supranational Bonds moved into temporary investments during 2008/09.

The Council has a number of long term investments in external organisations, totalling £45,033,333. The majority (£45.000m) relates to fixed term investments with banks. Long term investments have increased over the year due the conversion of some callable deposits into fixed term investments at advantageous rates. Investments are shown in the Balance Sheet at market value.

The council also has a number of short term investments totalling £97,871,142. These have reduced over the year as some callable deposits were converted into fixed term investments. The element of our investments that are managed by 3 fund managers is as follows;

	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
	£000	£000
Investec Asset Management	19,594	18,232
Invesco Asset Management	19,610	18,551
Morley	19,193	18,271
<b>Total</b>	<b>58,397</b>	<b>55,054</b>

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

### Summary of Investments

Category	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
	£000	£000
<b>Long Term Investments</b>		
Supranational Bonds	0	4,303
Fixed Term Deposits	45,000	0
Other	33	84
<b>Total Long Term</b>	<b>45,033</b>	<b>4,387</b>
<b>Short Term Investments</b>		
Supranational Bonds	4,199	0
Callable Deposits	20,000	50,000
Fixed Term Deposits	15,275	21,600
Fund Managers	58,397	55,054
<b>Total Short Term</b>	<b>97,871</b>	<b>126,654</b>
<b>Total Investments</b>	<b>142,904</b>	<b>131,041</b>

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

## 10. Fair Value of Assets & Liabilities

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

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

	<b>Nominal/ Principal</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>
<b>Financial Assets</b>		
Callable Deposits	30,000	34,562
Fixed Term Deposits	39,000	43,099
Cash	1,275	1,275
Flippable Range Accrual	10,000	10,066
Supranationals	4,199	4,199
Fund Managers	58,397	58,397
Other	33	33
	142,904	151,631
<b>Financial Liabilities</b>		
Money Market Loans (LOBO's)	55,000	55,414
Money Market Loans (Fixed Term)	64,098	64,129
PWLB Loans	70,024	79,079
	189,122	198,622

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

### Methodology and Assumptions

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

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

#### *Complexities of the NPV calculation*

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

### *Evaluation of PWLB debt*

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

### *Inclusion of accrued interest*

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

### *Discount rates used in NPV calculation*

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

### **Assumptions:**

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

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

### **Exposure to Risk**

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

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

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

### **Credit risk**

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

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

	<b>Amount at 31 March 2009 £000s</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2009 %</b>	<b>Estimated maximum exposure to default and uncollectability £000s</b>
	A	B	C	A * C
Deposits with banks and financial institutions	80,275	0.00	0.00	0.00
Bonds	4,199	0.00	0.00	0.00
Fund Managers	58,397	0.00	0.00	0.00
Other	33	0.00	0.00	0.00
<b>Total</b>	<b>142,904</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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. At 31<sup>st</sup> March the Council had £5m invested with Irish Banks whose credit rating had fallen below the Council's lending criteria after the investments were placed, this was potentially at risk, both the investments matured during May and the £5m was repaid to the Council. Although the Council had investments with Icelandic banks during 2008/09 these had matured before the Icelandic banking crisis happened. 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:

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Maturing in 1-2 years	10,001	326
Maturing in 2-5 years	20,002	2
Maturing in 5-10 years	4	4
Maturing in more than 10 years	95,017	165,018
	<b>125,024</b>	<b>165,350</b>

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 STRGL.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

### Price risk

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

### Foreign exchange risk

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

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

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

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

Fund Manager	Capital Gain (Loss) £000	Interest Gain £000	Total Gain (Loss) £000
Investec	351	1,076	1,427
Invesco	90	1,007	1,097
Morley	(35)	956	921
Total	406	3,039	3,445

## 11. Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding at 31 March	
				2009 £'000	2008 £'000
Public Works Loan Board	2.69	-	8.875	70,024	110,024
Money Market Loans (LOBOs)	3.98	-	4.50	55,000	55,000
Morgan Grenfell		-		0	326
				<b>125,024</b>	<b>165,350</b>

An analysis of loans by maturity is:

	2008/09 £'000	2007/08 £'000
Maturing in 1-2 years	10,001	326
Maturing in 2-5 years	20,002	2
Maturing in 5-10 years	4	4
Maturing in more than 10 years	95,017	165,018
	<b>125,024</b>	<b>165,350</b>

The Morgan Grenfell loan relates to a deferred purchase agreement in respect of Hortonwood and the refurbishment of the former Depot into workshops and runs until 2009/10.

In 2008/09 a number of long term loans when rates were advantageous and these were replaced by shorter term PWLB loans at low interest rates and money markets loans at variable interest rates to take advantage of the fall in interest rates. The PWLB loans that were repaid generated discounts of £2.289m and a benefit of £0.229m for 2008/09.

	2008/09 £'000	2007/08 £'000
Total Long Term Borrowing	125,024	165,350
Temporary Borrowing	64,099	5,572
Total Borrowing	<b>189,123</b>	<b>170,922</b>

In total fixed and temporary borrowing increased by £18m, from £170.922m to £189.123m during the year.

See also note 10 on fair value.

## 12. Pension Costs

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

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

In 2008/09 the Council paid an employer's contribution of £6,741,097 (£6,776,650 in 2007/08) 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 31<sup>st</sup> March 2005. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with FRS 17, Accounting for pension costs are £6,741,097 (£7,077,834 in 2007/08) 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 County Council. These are disclosed in the Notes 13 - 15.

## 13. Pensions Accounting

In accordance with Financial Reporting Standard No 17 – *Retirement Benefits* (FRS17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 18 of the Accounting Policies, the Council participates in two formal schemes, the Local Government Pension Scheme, and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities. The Local Government Pension Scheme is administered by Shropshire County 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 decreased by £3.1m; this has been as a result of actuarial gains.

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

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Present Value of Funded Benefit Obligations	(309,106)	(365,275)
Present Value of Unfunded Benefit Obligations	(8,498)	(9,965)
Total Present Value of Benefit Obligations	(317,604)	(375,240)
Fair Value of Pension Fund Assets	198,435	252,947
Surplus/(Deficit)	(119,169)	(122,293)

Change in Benefit Obligation during year.

	<b>2008/09</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
Benefit Obligation at Beginning of Year	(375,240)	(337,648)
Current Service Cost	(12,150)	(11,187)
Interest on Pension Liabilities	(22,993)	(18,368)
Member Contributions	(4,512)	(3,980)
Past Service Cost	(86)	(2,825)
Actuarial Gain or (Loss) on Liabilities	84,199	(11,389)
Curtailement Cost	(106)	(2)
Benefits / Transfers Paid	13,284	10,159
Surplus / (Deficit) at End of Year	<u>(317,604)</u>	<u>(375,240)</u>

Change in Plan Assets during year.

	<b>2008/09</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
Fair Value of Plan Assets at Beginning of Year	252,947	262,125
Expected Return on Plan Assets	15,973	16,545
Actuarial Gain or (Loss) on Assets	(72,437)	(28,888)
Employer Contributions	10,724	9,344
Member Contributions	4,512	3,980
Benefits / Transfers Paid	(13,284)	(10,159)
Surplus / (Deficit) at End of Year	<u>198,435</u>	<u>252,947</u>

Statement of Gains and Losses

	<b>2008/09</b> <b>£000</b>	<b>%</b>	<b>2007/08</b> <b>£000</b>	<b>%</b>
Actuarial Gain/(Loss)	(12,012)	<i>3.8% of liabilities</i>	(40,277)	<i>10.7% of liabilities</i>
Actual Return on Plan Assets	56,214		(6,244)	
Experience Gains/(Losses) On Assets	(72,187)	<i>36.4% of assets</i>	(28,860)	<i>11.4% of assets</i>
Experience Gains/(Losses) On Liabilities	0	<i>0.0% of liabilities</i>	5,956	<i>1.6% of liabilities</i>

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

	<b>2008/09</b>		<b>2007/08</b>	
	£000	%	£000	%
Equity Investments	120,450	60.7%	164,921	65.2%
Government Bonds	28,972	14.6%	34,401	13.6%
Other Bonds	23,018	11.6%	30,354	12.0%
Property	11,708	5.9%	12,141	4.8%
Cash/Liquidity	4,762	2.4%	4,806	1.9%
Other	9,525	4.8%	6,324	2.5%
Total	198,435	100%	252,947	100%

Expected rate of return on assets:

	<b>2008/09</b>	<b>2007/08</b>
Equity Investments	7.5%	7.5%
Government Bonds	4.0%	4.6%
Other Bonds	6.0%	6.1%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	5.3%
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 31<sup>st</sup> March 2007 and updated for the following 24 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31.03.2010. The main assumptions used in the calculations are:

	<b>2008/09</b>	<b>2007/08</b>
- rate of inflation	3.3%	3.6%
- rate of increase in salaries	5.05%	5.4%
- rate of increase in pensions	3.3%	3.6%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	7.1%	6.1%
- longevity at 65 for current pensioners		
Male	21.2	21.1
Female	24.0	24.0
- longevity at 65 for future pensioners		
Male	22.2	22.2
Female	25.0	25.0

Changes to the pension scheme permit employees retiring on or after 6<sup>th</sup> 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

	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present Value of Liabilities	(317,604)	(375,240)	(337,648)	(331,871)	(285,240)
Fair Value of Assets	198,435	252,947	262,125	246,250	194,247
Surplus/(Deficit) on scheme	(119,169)	(122,293)	(75,523)	(85,621)	(90,993)
Gains and Losses on Assets	36.4%	9.0%	(0.6)%	13.9%	2.4%
Gains and Losses on Liabilities	0.0%	0.0%	0.0%	0.0%	3.5%

#### 14. Pensions Asset/Liability Account

	£'000		£'000
		Opening Balance	122,293
Return on Assets	15,973	Past Service Cost - Added Years	192
Payments to Pension fund	10,724	Current Service Cost	12,150
Actuarial Gains	11,762	Interest Cost	22,993
Balance carried forward	119,169		
	<u>157,628</u>		<u>157,628</u>

#### 15. Pensions Reserve

	£'000		£'000
Opening Balance	122,293		
Added Years	192	Charging Pensions Cost Payable	10,724
Reversing Out FRS 17 items	19,170	Actuarial Gains	11,762
		Balance Carried Forward	119,169
	<u>141,655</u>		<u>141,655</u>

#### 16. Debtors

	31 March 2009 £'000	31 March 2008 £'000
Amounts falling due in one year:		
Government Departments	6,189	5,885
General Debtors	23,492	17,905
Car Leasing to Employees	94	114
Collection Fund	4,253	4,976
	<u>34,028</u>	<u>28,880</u>
Provision for doubtful debts	(5,797)	(5,925)
<b>Total</b>	<b><u>28,231</u></b>	<b><u>22,955</u></b>

#### 17. Provisions

	1 April 2008 £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	31 March 2009 £000
Restructure Costs	0	878	0	878
Other Provisions	120	0	120	0
<b>Total</b>	<b><u>120</u></b>	<b><u>878</u></b>	<b><u>120</u></b>	<b><u>878</u></b>
<i>2007/08</i>	<i>115</i>	<i>6</i>	<i>1</i>	<i>120</i>

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2008/09. This reduced the number of Portfolios from 5 to 4 and will generate around £1m ongoing efficiencies. A provision to meet the one off costs associated with the re-structure was made in the 2008/09 accounts.

## 18. Creditors

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>
Government Departments	15,273	7,379
Sundry Creditors	46,584	42,632
Receipts in advance	5,051	2,313
<b>Total</b>	<b>66,908</b>	<b>52,324</b>

## 19. Capital Adjustment Account

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Balance Brought Forward	117,040	124,077
Restatement and impairment of assets at 31 March	(48,091)	(24,802)
Disposal of fixed assets at book value	(6,512)	(5,960)
Capital receipts set aside	0	696
Government Grants Deferred Written Off	18,774	17,030
Capital financing - Capital receipts	15,318	7,596
MRP (less depreciation provision)	(411)	3
Less		
Write down of deferred charges	(1,628)	(1,600)
<b>Balance Carried Forward</b>	<b>94,490</b>	<b>117,040</b>

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

## 20. Revaluation Reserve

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Balance Brought Forward	28,709	0
Impairments	(17,898)	0
Revaluations	16,556	36,074
Disposals	(5,097)	(7,365)
Depreciation	(208)	0
<b>Balance Carried Forward</b>	<b>22,062</b>	<b>28,709</b>

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

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

## 21. Reserves

<b>Reserve</b>	<b>Purpose</b>	<b>1 April 2008</b>	<b>Transfers /Receipts in year</b>	<b>Payments in year</b>	<b>31 March 2009</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Theft & Vandalism Fund	Self Insurance Fund - schools	343	93	15	421
Schools Stop Loss Reserve	Stop loss Insurance - self insurance to cover fire policy excesses on school buildings	938	400	1	1,337
Building Schools for the Future	Funding for up front costs associated with the Government's programme for replacing and refurbishing primary and secondary schools.	654	0	503	151
Building Schools for the Future	Funding contribution towards the BSF programme	0	2,905	0	2,905
Hadley PFI Sinking Fund	Fund is required to meet future commitments re unitary charge payments. The reserve is being built up to address future shortfalls as PFI credits will be received at a fixed rate, whilst our expenditure will increase in line with profiling and indexing.	2,491	8,962	9,358	2,095
CRA Sinking Fund	Intended to support future R&M costs on investment property	418	79	96	401
Property Investment Fund	Condition Liability Fund for PIP properties	495	118	183	430
Community Services Development Reserve	Reserve to fund invest to save schemes, development initiatives and general contingency for the Portfolio	368	17	379	6
S117 Provision	Provision for future liability as per S117 of the Mental Health Act	251	0	0	251
Personalisation Reserve	To assist with the implementation of the Social Care Personalisation Agenda	0	300	0	300
Supporting People	Balance of grant funding committed in the medium term financial strategy.	0	950	70	880
Purchasing Consortium dividend balance	West Mercia Suppliers trading organisation surplus dividend; committed to the medium term financial strategy	0	300	0	300
LABGI Grant Reserve	Local Authority Business Growth Incentive Grant committed to support the budget strategy	590	679	269	1,000

<b>Reserve</b>	<b>Purpose</b>	<b>1 April 2008 £'000</b>	<b>Transfers /Receipts in year £'000</b>	<b>Payments in year £'000</b>	<b>31 March 2009 £'000</b>
LPSA Grant Reserve	Performance reward grant committed towards LAA targets and to support the medium term financial strategy	542	979	542	979
ICT Technical Strategy Investment Fund	Reserve for development of the ICT contract agreement and the move to PC leasing	280	116	8	388
Connexions Reserve	Deferred income and reserve distribution from the former partnership	337	405	453	289
Insurance Stop Loss Reserve	Self Insurance Reserve (non education) as part of overall insurance strategy to keep premiums down	567	105	100	572
Self Insurance Fund	Fund to meet increased costs following the change in excess at the last insurance tender renewal process.	0	462	8	454
Actuarial Strain Reserve	Reserve created to help manage the impact of capitalised contributions to the pension fund following early retirements which are repaid by services from ongoing savings.	613	162	174	601
Capital Financing Reserve	Funds set aside cost of future capital programme.	137	564	0	701
Contingency /Invest to Save Reserve	Reserve created to meet unexpected items of expenditure on council wide priorities	1,200	0	200	1,000
Capacity Building	To recognise capacity issues within the organisation	211	200	0	411
Insurance Claims	Required to offset future claims as they arise	352	1	0	353
Future Kerbside Collection	To meet the costs of statutory obligations imposed by the Environment Agency in relation to Landfill	271	0	63	208
Planning Fees Holding Account	Trading equalisation account	0	292	0	292
Bad Debts Reserve	To meet unexpected bad debts	629	0	0	629
New Technology Reserve	Corporate reserve set aside to fund redevelopment of ICT systems.	418	0	0	418
Others under £250k		2,915	2,285	1,387	3,813
<b>TOTAL</b>		<b>15,020</b>	<b>20,374</b>	<b>13,809</b>	<b>21,585</b>
<i>2007/08</i>		<i>18,118</i>	<b>14,245</b>	<b>17,343</b>	<i>15,020</i>

## 22. Useable Capital Receipts Reserve

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Opening balance	3,683	0
Capital receipts received during year	12,998	11,976
Less		
Capital receipts set aside	0	(697)
Capital receipts used for financing during year	(15,318)	(7,596)
	<b>1,363</b>	<b>3,683</b>

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

## 23 Special Fund Revenue Account

	<b>2008/09 Gross Expenditure £'000</b>	<b>2008/09 Income £'000</b>	<b>2008/09 Net Expenditure £'000</b>	<b>2007/08 Net Expenditure £'000</b>
<b>EXPENDITURE ON SERVICES</b>				
Cemeteries	144	85	59	66
Highways – footway lighting	720	29	691	553
<b>Total expenditure on services</b>	<b>864</b>	<b>114</b>	<b>750</b>	<b>619</b>
<b>INCOME</b>				
Council Tax			(807)	(670)
<b>(Surplus) or deficit for year</b>			<b>(57)</b>	<b>(51)</b>
<b>Special Fund</b>				
Balance at beginning of the year			143	92
Surplus or (deficit) for year			57	51
Balance at end of year			<b>200</b>	<b>143</b>

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

## 24. School Balances

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

	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008
	£000	£000
School Balances - Revenue	2,303	2,564
School Balances - Capital	1,037	1,066
<b>Total School Balances</b>	<b>3,340</b>	<b>3,630</b>

## 25. Analysis of Government Grants

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
<b>Revenue Support Grant / NDR</b>	(7,826)	(8,123)
<b>DWP Grants for Housing and Council Tax Benefits</b>	(61,090)	(53,240)
<b>Dedicated Schools Grant</b>	(94,710)	(93,936)
<b>Other Revenue Grants</b>		
NNDR Cost of Collection Allowance	(4)	0
School Standards Grant	(16,272)	(13,927)
School Development Grant	(1,795)	0
Learning and Skills Council	(2,526)	0
Area Based Grant	(9,343)	0
Other	(13,526)	(29,796)
<b>Total Other Revenue Grants</b>	<b>(43,466)</b>	<b>(43,723)</b>
<b>Total Revenue Grants</b>	<b>(207,092)</b>	<b>(199,022)</b>
<b>Capital Grants</b>		
Improvement Grants	(698)	(494)
European Regional Development Fund	(5,329)	(1,928)
New Deal for Schools Standards Fund	(5,360)	(8,433)
Growth Points - DCLG	(2,610)	0
Department for Communities and Local Government - Various	(1,781)	(4,776)
PFI Credits	(5,858)	(5,858)
Other Capital Grants	(6,011)	(4,305)
<b>Total Capital Grants</b>	<b>(27,647)</b>	<b>(25,794)</b>

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

	2008/09 £'000	2007/08 £'000
Surplus/(Deficit) on income & expenditure	84	48
Surplus/(Deficit) on collection fund	(149)	(223)
<b>Net Surplus/(Deficit)</b>	<b>(65)</b>	<b>(175)</b>
<b>Interest</b>	<b>(7,290)</b>	<b>(7,989)</b>
<b>Non Cash Transactions</b>		
MRP in excess of depreciation	619	(3)
Contribution to other Provisions, Reserves etc.	(7,939)	7,438
Contributions to capital	0	0
Payments made directly from Provisions, Reserves etc	(881)	(596)
<b>Items on an accruals basis</b>		
(Decrease)/increase in Stocks and Work in Progress	48	37
(Decrease)/increase in Debtors	5,276	1,825
Decrease/(increase) in Creditors	(14,584)	(12,984)
<b>Net Cashflow from Revenues Activities</b>	<b>(24,816)</b>	<b>(12,447)</b>

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

	31 March 2008 £'000	Cash Flows £'000	Other Changes £'000	31 March 2009 £'000
Cash and Cash Equivalents (note 30)	(493)	2,465	0	1,972
Debt Outstanding (note 29)	(172,005)	(18,154)	0	(190,159)
Liquid Resources (note 28)	117,614	11,790	0	129,404
	<b>(54,884)</b>	<b>(3,899)</b>	<b>0</b>	<b>(58,783)</b>
			<b>£'000</b>	<b>£'000</b>
Increase/(Decrease) in Cash and Equivalents in the Period (note 30)			2,465	
Cash from Borrowing (note 29)			(18,154)	
Change in Value of Liquid Resources Other than Cash Purchases			0	
Cash from Sale of Liquid Resources (note 28)			11,790	
<b>Increase/(Decrease) in Net Debt</b>				<b>(3,899)</b>
<b>Net Funds at 31 March 2008</b>				<b>(54,887)</b>
<b>Net Funds at 31 March 2009</b>				<b>(58,786)</b>

## 28. Liquid Resources

The Council considers Liquid Resources to be:

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

## 29. Analysis of Changes in Financing

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>	<b>Movement £'000</b>
Long Term Borrowing:			
– Public Works Loans Board	(70,024)	(110,025)	40,001
– Finance Company	(326)	(631)	305
– Money Market	(55,000)	(55,000)	0
Money Market (Short Term)	(63,772)	(5,266)	(58,506)
Finance Leases	(1,037)	(1,083)	46
	<b>(190,159)</b>	<b>(172,005)</b>	<b>(18,154)</b>

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

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>	<b>Movement £'000</b>
Cash at Bank	214	202	(12)
Bank Overdraft	1,767	(686)	(2,453)
	<b>1,981</b>	<b>(484)</b>	<b>(2,465)</b>

## 31. Publicity

Local Authorities have a variety of statutory powers, which enable them to produce and circulate publicity. Expenditure on publicity amounted to £1.131m in 2008/09.

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Recruitment Advertising	845	711
Other Advertising	224	263
Other Publicity	62	73
Total	<b>1,131</b>	<b>1,047</b>

## 32. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Under this power the Council maintained street lighting on behalf of parish councils. Income from these services amounted to £137,062 and the related expenditure was £137,062 (*£118,014 in 2007/08*).

## 33. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3,056,141 in 2008/09 (*£3,247,665 in 2007/08*).

### 34. Employee Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000 were:

	<u>Number of Employees 2008/09</u>	<u>Number of Employees 2007/08</u>
£50,000 - £59,999	97	68
£60,000 - £69,999	16	18
£70,000 - £79,999	12	17
£80,000 - £89,999	13	9
£90,000 - £99,999	1	3
£100,000 - £109,999	3	2
£110,000 - £119,999	2	1
£120,000 - £129,999	1	0
£160,000 - £169,999	1	1
£210,000 - £219,999	1	0

The 2008/09 figures include 76 school based employees (58 in 2007/08). The 2008/09 figures include 5 employees (none in 2007/08) who were made redundant or retired during the year. Please note those bands with nil in both years have been excluded.

### 35. Members Allowances

Total allowances paid to members during 2008/09 amounted to £640,251 (*£583,922 in 2007/08*)

### 36. Building Control Account 2008/09

	<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total Building Control</b>
	<b>2008/09 £'000</b>	<b>2008/09 £'000</b>	<b>2008/09 £'000</b>
<b><u>Expenditure</u></b>			
Employee Expenses	300	157	457
Supplies & Services	6	0	6
Support Services	113	65	178
	419	222	641
<b><u>Income</u></b>			
Building Regulation Charges	405	0	405
Misc. Income	0	0	0
	405	0	405
<b>(Surplus)/Deficit</b>	<b>14</b>	<b>222</b>	<b>236</b>
<b>2007/08 (Surplus)/Deficit</b>	<b>0</b>	<b>196</b>	<b>196</b>

### **37. Transactions with Related Parties**

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

#### **Central Government**

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

#### **Members and Officers**

During the year transactions with related parties arose as follows:

**Councillor Stephen Burrell** – his company, Peace of Mind Homecare, provided services to the Council through service contracts and received £549,317 in 2008/09.

**Councillor Joy Francis** – receives government grant for 3 to 4 year olds for 2 nurseries that she runs. This grant is administered by the Council. For 2008/09 the total grant was £126,837.

**Officer Dave Hanley** – A Director of Fairshare Credit Union who receive an annual grant from the Council which amounted to £61,326 in 2008/09.

### **38. Pooled Budgets**

During 2008/09 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

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	157	151
Income	209	202

Delayed Discharges Pooled Budget

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	284	282
Income	284	282

Intermediate Care Pooled Budget

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	312	305
Income	312	305

#### Joint Commissioning Scheme

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	763	672
Income	813	748

#### Revolution Pooled Budget

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	130	112
Income	150	153

#### **Pooled Budgets where Telford & Wrekin PCT is the host.**

#### Integrated Community Equipment Services

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	79	78
Income	79	78

#### Substance Misuse

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Expenditure	1,197	1,231
Income	1,254	1,256

### **39. Audit Costs**

The Council's accounts have been audited by KPMG in 2007/08 and 2008/09. In 2008/09 the Council incurred the following fees relating to external audit and inspection:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Audit Commission/KPMG with regard to external audit services	223	180
Fees payable to the Audit Commission/KPMG in respect of statutory inspection	127	6
Fees payable to the Audit Commission/KPMG for the certification of grant claims and returns	55	60
Fees payable in respect of other services provided by the appointed auditor	2	12

### **40. Deferred Charges**

Deferred charges are created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2008/09 expenditure on deferred charges totalled £1,627,988 and grant receivable came to £698,000. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

#### 41. Summary of Capital Expenditure and Sources of Finance

	2008/09	2007/08
	£'000	£'000
Opening Capital Financing Requirement	101,064	90,538
Capital Investment		
Operational Assets	56,656	39,494
Non Operational Assets	4,316	2,720
Deferred Charges	1,628	1,600
Leased Vehicles	113	931
Sources of Finance		
Capital Receipts	(15,454)	(8,400)
Government Grants and Other Contributions	(25,181)	(22,571)
Revenue Provision (NB: includes MRP)	(3,056)	(3,248)
Closing Capital Finance Requirement	120,086	101,064
Movement for Year	19,022	10,526
Explanation of movements in the year		
Increase in underlying need to borrow (supported by Government financial assistance)	5,615	5,570
Increase in underlying need to borrow (unsupported by Government financial assistance)	13,407	4,956
Increase/(decrease) in Capital Financing Requirement	19,022	10,526

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

At 31-3-2009 there were 2 significant contracts in place. Railfreight £1.6m and Malinslee PCT Building £1.6m.

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.

Where the Council has entered into PFI contracts the accounting treatment accords with proper practice as determined by the Accounting Standards Board. This means the adoption of *Application Note F to Financial Reporting Standard 5: Reporting the substance of transactions (FRS 5)*, and also reference to *Treasury Taskforce Technical Note Number 1 (revised): How to account for PFI transactions*.

The balance of risks and rewards in relation to this transaction are borne by the PFI operator. Therefore, the assets to be provided under the PFI contract will not be included as fixed assets in the Council's Balance Sheet. The Council will revisit this accounting treatment periodically and if there are significant changes in the contract or in the risk profile of the transaction.

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 2008/09 the authority made payments of £9,245,770 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.

For 2007/08 the Council has commenced the recognition of the asset on the balance sheet. A Long Term Debtor was created during 2006/07, that balance had increased to £324,896 as at 31.03.2009 and this will gradually build up towards the value of the assets at the end of the 28 year contract.

## 42. Obligations under Leases and Hire Purchase Agreements

### Finance Leases

During 2008/09 the value of assets acquired under finance lease arrangements amounted to £372,535. Finance lease rentals of £519,530 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	<b>Next Year £</b>	<b>2 to 5 years £</b>	<b>Over 5 years £</b>	<b>Total £</b>
Outstanding Obligations	273,721	742,502	40,794	1,057,017

The aggregate amount of finance charges in respect of finance leases was £70,991 for 2008/09 (£95,212 for 2007/08)

### Operating Leases

During 2008/09 the value of assets acquired under operating leases amounted to £56,472. Operating lease rentals of £231,907 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	<b>Next Year £</b>	<b>2 to 5 years £</b>	<b>Over 5 years £</b>	<b>Total £</b>
Outstanding Obligations	168,773	158,454	0	327,227

### Hire Purchase Contracts

During 2008/09 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. These are rented out at commercial rates. The rent income received from these properties for 2008/09 amounted to £8,648,000 (£8,507,000 for 2007/08). See also note 3 Trading Accounts.

## 43. 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 2008/09 the accounts will be audited by Muras Baker Jones and we expect to receive an unqualified audit opinion. The 2007/08 figures have been re-stated to take account of an adjustment made by the auditors in the final Telford Trust accounts.

### **THE TELFORD TRUST**

	<b>2008/09 £</b>	<b>2007/08 £</b>
Balance at 1st April	559,892	637,567
Income	980,668	952,929
Expenditure	(1,038,268)	(952,604)
Actuarial loss on defined benefit pension scheme	(31,000)	(78,000)
Balance at 31 March	<b>471,292</b>	<b>559,892</b>

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

<b>THE COMMON GOOD FUND</b>	<b>2008/09</b> £	<b>2007/08</b> £
Balance at 1st April	8,600	8,600
Income	0	0
Expenditure	0	0
Balance at 31 March	<b>8,600</b>	<b>8,600</b>

#### **44. Insurance Reserves**

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

The provisions 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 provisions for 2008/09 indicates the following:-

	<b>General Fund</b>		<b>Education</b>	
	<b>2008/09</b> £	<b>2007/08</b> £	<b>2008/09</b> £	<b>2007/08</b> £
Balance b/f	567,380	646,771	937,667	903,353
Charges in the Year	(108,828)	(181,309)	(943)	(440,603)
Contributions	567,327	101,918	400,000	474,917
<b>Balance c/f</b>	<b>1,025,879</b>	<b>567,380</b>	<b>1,336,724</b>	<b>937,667</b>

The charges relate to additional premium costs and excesses and the contributions to interest. There are three general fund insurance provisions as follows:

	<b>General Provision</b>		<b>Self</b>
	<b>2008/09</b> £	<b>2007/08</b> £	<b>Insurance</b> 2008/09 £
Balance B/f	567,380	646,771	0
Charges In Year	(100,895)	(181,309)	(7,933)
Contributions	105,177	101,918	462,150
<b>Balance c/f</b>	<b>571,662</b>	<b>567,380</b>	<b>454,217</b>

For 2008/09 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.

#### **45. 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<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2008/09 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 2 years: £4.3m for services outside Education/DSO funding; £3.1m for Education/DSO services. The 4% is based on

average settlements made by other unitaries and was the increased % used for the 2008/09 budget process.

## **46. 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 County Council.

Once again Telford & Wrekin Council has undertaken a review of the accounting treatment that should be applied to WMS within this Council, this involved working through the group accounts questions in the chart contained on page 272 of the Guidance Notes relating to The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP). As a result it was concluded that:

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

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

The chart referred to above on page 272 of the SORP guidance notes refers to further guidance, on page 266, concerning accounting for bodies in which a Council has an interest but which are not entities, this reads as follows:

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

Having regard for the above and also for the requirements of FRS9 (Associates and Joint Ventures) the overall conclusion is that WMS should be accounted for as a Joint Arrangement that is Not an Entity (JANE). However, having referred to the concept of materiality, which the SORP guidance notes, on page 25, defines as:

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

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

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

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

However, in the interests of transparency and accountability the unaudited 2008/09 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 20.34%. The WMS balance sheet has been provided by Worcestershire County Council, in their capacity as Section 151 Officer for West Mercia Supplies:

<b>Extract of WMS 2008/09 Balance Sheet</b>	<b>£000</b>	<b>Telford &amp; Wrekin's Share of WMS 2008/09 Balance Sheet £000</b>
<b>Fixed Assets (Net of Depreciation)</b>		
Warehouse	2,500	508
Vehicles and Equipment	252	51
<b>Current Assets</b>		
Stock	2,630	535
Debtors	5,791	1,178
Cash	1,719	350
<b>Current Liabilities</b>		
Creditors	(4,402)	(895)
Liability Related to Defined Benefit Scheme	(2,707)	(551)
<b>Total Assets less Liabilities</b>	<b>5,783</b>	<b>1,176</b>
<b>Financed By</b>		
General Fund	(5,736)	(1,167)
Capital Assets Financed from Revenue	(75)	(15)
Capital Financing Account	(2,679)	(545)
Pensions Reserve	2,707	551
	<b>(5,783)</b>	<b>(1,176)</b>
<b>Turnover</b>	<b>37,162</b>	<b>7,558</b>

## Collection Fund Account

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>	<i>Notes</i>
<b>Income</b>			
Income from Council Tax	56,580	54,004	1
Transfers from the Council's General Fund			
– Council Tax Benefits	11,594	10,774	
– Transitional Relief	(2)	(2)	
Income collectable from business ratepayers	60,896	57,155	2
	<b>129,068</b>	<b>121,931</b>	
<b>Expenditure</b>			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	67,831	64,659	3
Business Rates			
– Payment to national pool	60,043	56,738	
– Costs of collection	220	223	
Bad and Doubtful Debts/Appeals			
– Write Offs	561	302	
– Provisions	264	(214)	
	<b>128,919</b>	<b>121,708</b>	
<b>Movement on fund balance (Increase)/Decrease</b>	<b>(149)</b>	<b>(223)</b>	

## Notes To Collection Fund Accounts

### 1. Council Tax Base for 2008/09

	Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings	2007/08 Equivalent Band D Dwellings
Band A	25,593	(3,457)	22,136	14,747	14,663
Band B	17,602	(1,919)	15,683	12,198	12,101
Band C	9,652	(919)	8,733	7,762	7,737
Band D	7,319	(262)	7,057	7,057	7,000
Band E	4,181	(255)	3,926	4,798	4,767
Band F	1,893	(100)	1,793	2,590	2,622
Band G	937	(52)	885	1,475	1,455
Band H	45	(13)	32	64	64
<b>TOTAL</b>	<b>67,222</b>	<b>(6,977)</b>	<b>60,245</b>	<b>50,691</b>	<b>50,409</b>
Adjustments for growth and losses				(507)	(504)
Taxbase for year				50,184	49,905
Average Council Tax for year				£1,351.64	£1,295.63
				<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
Gross Yield				67,831	64,658
Less Benefits and Transitional Relief				(11,592)	(10,772)
Add increase in debit net of exemptions and relief's				341	118
				<b>56,580</b>	<b>54,004</b>

### 2. Income Collectable from Business Rate Payers

	2008/09 £'000	2008/09 £'000	2007/08 £'000
Effective non-domestic rateable value for year	142,515		143,745
Uniform Business Rate for year	46.2p		44.4p
Gross Yield for year		65,842	63,823
Less Reductions & Transitional Rate Relief		(4,946)	(6,668)
		<b>60,896</b>	<b>57,155</b>

The rateable value was £ 146,778,296 at 31.3.2009

### 3. Precepts on the Fund

	2008/09 £'000	2007/08 £'000
Telford & Wrekin Council	52,786	50,329
West Mercia Police Authority	8,303	7,869
Shropshire & Wrekin Fire Authority	3,934	3,765
Parish Councils	2,808	2,696
	<b>67,831</b>	<b>64,659</b>

### 4. Allocation of Fund Balance

	2008/09 £'000	2007/08 £'000
Telford & Wrekin Council	(514)	392
West Mercia Police Authority	(77)	58
Shropshire & Wrekin Fire Authority	(36)	28
	<b>(627)</b>	<b>478</b>

## Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance & Accountancy and comply with the Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS) approved by the Accounting Standards Board
ABG	Area Based Grant
Balances	See Reserves and Balances
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 <sup>st</sup> 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 Performance Assessment (CPA)	The Government's assessment of Local Authority performance, carried out by the Audit Commission. Authorities are rated 1 Star (minimum) to 4 Star (maximum rating)
Income & Expenditure Account (I&E)	Summarised income and expenditure during the year by service area
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end

Deferred Charges	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 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 Children, Schools & Families for the funding of schools
Discounts	The benefit obtained from re-scheduling debt
Financial Reporting Standard 17	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Landfill Allowance Trading Scheme (LATS)	Launched in 2005, a Government scheme which allocates tradable landfill allowances to waste disposal authorities, aimed at reducing the amount of biodegradable waste sent to landfill sites.
Leases	A method of funding expenditure by payment over a defined period of time. An <b>operating lease</b> is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. <b>Finance leases</b> 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
Outturn	Actual Expenditure within a particular year
Pension Fund	An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early
Private Finance Initiative (PFI)	A central government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain
Public Works Loans Board (PWLB)	A government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

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