

Telford & Wrekin Council

Statement of Accounts

2011/12

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Telford & Wrekin Council

Statement of Accounts

2011/12

Financial Statements

Explanatory Foreword

1. INTRODUCTION

The Statement of Accounts for 2011/12 is the second to be prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. Which continues to add a further level of complexity for readers to overcome. However, the information contained within these accounts is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

The Statement of Accounts features four main statements reporting on the Councils core activities:

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

The purpose of each is briefly described within this foreword and they are each followed by notes explaining the statements and any specific restatements required. This year a change to our accounting policy in relation to the deminimis level for accounting for assets led to a number of restatements as detailed in note 2 to the accounts.

The main statements are supplemented by the Collection Fund Account,

The Council's accounts for the year 2011/12 are set out in the remainder of the report. They consist of:-

- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance;
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services;
- ... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2012;
- ... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties;
- ... **The Notes to the Core Financial Statements** - which provide further information supporting the financial statements;
- ... **The Collection Fund** - the statutory account in which income from business rates, council tax and government grants is held temporarily, pending payment of precepting authorities;

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

2. FINANCIAL CONTEXT

2.1 Introduction

This section of the Statement of Accounts summarises the background to the Council's accounts for 2011/12. In particular it sets out

- An overview of the budget process for 2011/12
- Issues highlighted during 2011/12
- The final outturn for 2011/12
- A commentary on 2012/13

2.2 An Overview of the Budget 2011/12

The Council's 2011/12 budget was set in the context of a four year policy and planning strategy which covered the period 2011/12 to 2014/15 (in line with the Government's Comprehensive Spending Review Period). The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low-spending Local Authority, which has a comparatively low level of Council Tax for its own services (Telford & Wrekin had the lowest council tax for Unitary Services in the Midlands in 2011/12 and has the third lowest in 2012/13).

Local Authorities receive a significant proportion of their funding from Central Government through specific and formula grant. In October 2010 the Government announced its spending plans for the period 2011/12 to 2014/15 (the Comprehensive Spending Review – CSR) which highlighted real terms grant reductions in the region of 27% for Local Government. For Telford & Wrekin the reality was projected revenue funding cuts of £27m by 2014/15 with £13.6m falling in 2011/12. The grant reductions are exacerbated by the continued use of “damping” (the Government's 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 £4.3m through this process in 2011/12. Detailed grant allocations were only provided for 2 years as a major review of the local government finance system is underway, due to be implemented in April 2013, thus adding a high degree of uncertainty to projections for 2013/14 and 2014/15.

Cabinet launched its service and financial planning strategy for 2011/12 to 2013/14 in January 2011 and extensive consultation was undertaken on the proposals.

The provisional grant settlement for local authorities was announced on 13th December, later than usual. The final RSG settlement was announced on 31st January 2011 which saw an increased allocation of £0.002m for 2011/12. The final budget strategy was approved at Council in March 2011 taking account of consultation responses.

The finally agreed budget package included a net savings package of £13.2m, additional investment of £1.4m into Looked After Children and re-investment of £1.6m Adult Social Services to address increasing client numbers and the cost of care packages for the elderly.

The Council agreed to use £1.42m from balances to support the budget for 2011/12. In addition, £9.2m one off funds were used as part of the strategy due to the front-loading of the Government grant cuts in 2011/12; the Council's programme of restructure and service reviews will deliver future ongoing savings. Council Tax was frozen for Council Services (made possible by a Government grant payable for 4 years equivalent to a 2.5% increase), with the average charge (Band B) for the Council's services being £854 per year.

Following the local elections in May 2011, the new Cabinet undertook a review of the 2011/12 budget strategy. Proposals were approved at Full Council in November 2011 which resulted in £1.6m of savings being identified for 2011/12 principally related to measures to reduce the amount of debt owed by the Council through reductions to some schemes and rephrasing of others with a consequent reduction in the costs of borrowing.

The medium term planning period was one of unprecedented uncertainty – with further cuts expected to the public sector and a new funding regime coming into place in April 2013.

2.3 Issues Highlighted During 2011/12

A summary of the monitoring (comparison of budget to actual) presented to Cabinet during 2011/12 is shown in the table below.

Service	Variances - £m			
	Projected Q1	Projected Q2	Projected Q3	Actual Q4
Safeguarding	0.269	0.764	1.620	1.641
School Improvement	0.482	0.000	0.638	3.061
Family & Community Services	- 0.182	- 0.141	- 1.167	- 1.871
DSG	-	-	-	0.282
Property & ICT	0.050	0.250	0.244	0.794
Economy & Skills	-	0.020	0.031	- 0.160
Environmental Services	- 0.260	- 0.323	- 0.477	- 0.955
Housing & Planning	0.225	0.546	0.050	- 0.139
Care & Support	0.500	0.889	0.973	0.993
Customer, Leisure & Libraries	- 0.488	- 0.432	- 0.631	- 0.892
Governance	- 0.143	- 0.135	- 0.280	- 0.394
Finance	- 0.148	- 0.199	- 0.391	- 0.425
Core Services	- 0.545	- 0.545	- 0.773	- 0.370
Council Wide	0.656	0.007	- 0.082	- 8.783
Total Variance	0.416	0.701	- 1.523	- 7.218
Cwfd for 12/13 Budget Strategy				2.145
Transfers to Reserves/Balances				3.230
Final Outturn				- 1.843
Planned Use of General Fund Balances				1.420
Underspend at Year End				- 1.843
Contribution to General Fund Balances				- 0.423
Variances are shown as Over (+) / Under (-) spends before IAS 19 pension entries and impairments which are technical accounting entries required by legislation for the formal Statement of Accounts and do not alter the overall position				

A summary of the key issues highlighted during the year is shown below:
 (A "+" is an increase in expenditure or a reduction in income, a "-" is a reduction in expenditure or an increase in income)

Service Delivery Unit	Variance £m
<p><u>Safeguarding</u></p> <p>Children in Care – there were 302 children in care at the end of the year. The overspend is after taking into account the additional £1.4m invested in Looked After Children as part of the 11/12 budget strategy.</p> <p>Agency Staff – overspend arising from the use of agency staff to cover vacancies during the year; the position is net of the savings arising from the vacant posts being covered.</p>	<p>+1.062</p> <p>+0.462</p>
<p><u>School Improvement</u></p> <p>School/Premature Retirement/Redundancy Costs – overspend arising from approved schools' redundancies due to the need to reduce costs and mitigate the ongoing financial pressure on schools.</p> <p>Schools Multicultural Development Service/ Alternative Education Provision and Behavioural Partnership – saving arising from posts being held vacant pending restructure.</p> <p>School Improvement – savings arising from restructures implemented earlier than budgeted.</p> <p>Delegated Schools Budgets – underspend resulting from the change in admission policy for early year children under 5 for the maintained sector.</p> <p>Standard Fund Allocation – flexible use of standards fund grant applied in 2011/12.</p>	<p>+0.294</p> <p>-0.343</p> <p>-0.420</p> <p>-0.264</p> <p>-0.463</p>
<p><u>Family & Community Services</u></p> <p>Specialist Education – the majority of the overspend relates to stated provision, which reflects the costs of new statements and additional support hours required during the year.</p>	<p>+0.260</p>

<p>Specialist Education – the overspend is a combination of a shortfall in recoupment income as fewer pupils are placed within Telford & Wrekin schools and the cost of pupils placed outside Telford & Wrekin i.e. in other Local Authority schools.</p> <p>Nursery Provision – the effect of single point of admission to Early Years settings.</p> <p>Restructure Savings – savings arising from restructures delivered earlier than budgeted.</p> <p>Employees – reduced expenditure across a number of service delivery units due to vacancies being held pending finalisation of restructures.</p> <p>Transport – savings resulting from a number of operational efficiencies and demographic changes.</p>	<p>+0.404</p> <p>-0.261</p> <p>-0.669</p> <p>-0.901</p> <p>-0.323</p>
<p>DSG – the impact of single point of admission for Nursery age children affects both the maintained and independent sectors. The underspend against these budgets (included in Family & Community and School Improvement above) will be carried forward as unspent DSG and re-invested in the schools budget. The £282k is the net adjustment to the General Fund required to carry forward the correct amount of DSG.</p>	<p>+0.282</p>
<p><u>Property & ICT</u></p> <p>PIP Properties – shortfall in rental and service charge income due to the higher level of voids in the current economic climate.</p> <p>Catering – shortfall of income received from paid meals</p> <p>Property & Design – underachievement of fee income; the target will be reviewed in 2012/13.</p> <p>Employees – reduced expenditure arising from vacancies due to restructures.</p> <p>ICT – shortfall in income from schools and council project work relating to a change in policy on internal charging</p>	<p>+0.199</p> <p>+0.160</p> <p>+0.388</p> <p>-1.164</p> <p>+0.747</p>

ICT – capitalisation of project related capital costs to mitigate the fee income shortfall above.	-0.350
<u>Housing & Planning</u>	
Employees - reduced expenditure arising from vacancies and restructures	-0.726
Planning – shortfall in planning fees due to the downturn in the economy.	+0.199
Building Control – shortfall in fee income	+0.188
Temporary Accommodation – loss of housing benefit due to drop in demand of temporary accommodation	+0.216
Temporary Accommodation – savings in leasehold rents on temporary accommodation.	-0.161
<u>Economy & Skills</u>	
Employees – savings from vacancies and restructures	-0.382
Railfreight – cost of interim management arrangements.	+0.110
<u>Environmental Services</u>	
Concessionary Transport – net benefit arising from the change in methodology in the scheme administration.	-0.324
Highways & Transport – New ways of working project (total place) relating to up front enhancement and maintenance of road infrastructure enabling efficiencies in future years	+0.177
Winter Maintenance – costs in excess of available budget	+0.151
TWS Staff Oncosts – increased costs due to change in methodology used by Shropshire Pension Fund	+0.112
Waste Enforcement – replacement costs for refuse and recycling containers across the	+0.218

borough.	
Employees - savings from posts held vacant due to restructures	-0.802
<u>Care & Support</u>	
Purchasing budgets - the reported overspend is against a gross purchasing budget of £33.8m across all client groups, including residential care, home care, day care and adult placements. The pressure has mainly arisen from the withdrawal of funding by the PCT from clients previously receiving NHS funding due to their ongoing primary health need. These costs are now falling either on the individual or in most cases on Council budgets. This projection is over and above costs impacting and funded ongoing in previous years and reflects the full year impact of clients reassessed by the PCT in 2010/11 and those reassessed in 2011/12. The position is being kept under close review and continues to be discussed with the PCT. The overall position takes into account the use of one-off monies available in 2011/12.	+4.749
Loss of internal services income due to PCT review of CHC clients.	+0.475
NHS Funding – a mix of additional one off and ongoing funding from the Government and PCT to fund Local Authority Social Care, and having to be deployed against displaced PCT spending.	-2.108
Winter Pressures Funds – one off funds in recognition of the care pressures experienced during the winter period; given to the PCT and transferred to Local Authorities to support Social Care Services.	-0.490
Other funding available to offset the purchasing overspend including vacancies and the use of one off reserves	-2.040
<u>Customer & Leisure Services</u>	
Restructure savings – employee savings arising from restructures across the whole service area.	-0.911
Finance – employee savings arising from the	-0.318

service restructure	
Governance – employee savings arising from the service restructure	-0.101
Core Services – employee savings arising from the service restructure	-0.187
Treasury – benefits from the re-phasing of schemes from 2010/11 to 2011/12 and the impact of new investments taken early in the year, together with the impact of the 100 day budget and changes to the investment portfolio	-0.496
New Homes Bonus - Unringfenced grant	-0.741
Accelerated Non-Staff Savings – 2012/13 savings proposals delivered early in 2011/12.	-0.576

Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2011/12 accounts, as was the case last year.

2.4 Final Outturn for 2011/12

Revenue

Final net service expenditure was £127.609m (as detailed below) compared to a budget of £129.452m, an underspend of £1.843m (or -1.42%). 2011/12 was a very challenging year with Government Grant funding being cut by £13.6m and the major programme of restructuring and service reviewing continuing across all Council services to deliver the level of savings required. Given this context it is a particularly positive outturn which demonstrates the stringent financial management in place. Within the overall position one off provision has been created for the £2.145m as required as part of the 2012/13 budget strategy, the creation of an invest to save fund, a council wide capacity/training fund and a reserve to address environmental issues.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council	129.452	127.609	-1.843
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates	128.032	128.032	0.000
Contribution to (-)/from (+) balances	1.420	-0.423	-1.843

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	476,224	365,367	110,857
Trading Services	5,049	8,641	(3,592)
Pensions Adjustments under IAS 19	(19)	0	(19)
Interest Payable and Similar Charges	10,096	0	10,096
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(367)	0	(367)
Interest and Investment Income	0	2,454	(2,454)
Capital Grants and Revenue Grants Unapplied	0	(53,514)	53,514
General Grants (LSSG,LABGI,Council Tax Freeze)	0	2,509	(2,509)
Remove Depreciation & Impairments, etc from Net Operating Cost	(44,297)	0	(44,297)
Leased Assets	441	0	441
Accumulated Absences	51	0	51
Minimum Revenue Provision	6,397	0	6,397
Net Movement on Reserves	(509)	0	(509)
Total	453,066	325,457	127,609

See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balances of £3.326m and a special fund balance of £0.360m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.686m. The total for all reserves and usable revenue balances held by the authority is £53.0m. The total amount available to support future budget strategies is estimated to be £4.1m.

INSTITUTE OF ACCOUNTING STANDARDS NOTE NO 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the Pension Fund has increased by £32.3m; this has been as a result of the actuarial losses on scheme benefits and assets. Looking forward, the estimated employer contributions expected to be paid into the local Government pension scheme next year is £11.3m. The Government is currently undertaking a review of public sector pensions which will impact on future years.

Capital Accounting

Capital

The Council has amended its accounting policy in relation to the de minimis levels for both capital expenditure and to include assets on the Asset Register, this has been set to £10,000 for both. The harmonisation of these limits (as they were different previously) is recommended as best practice and was recommended by KPMG as part of last year's audit. The adoption of this revised policy has resulted in prior period adjustments in relation to the value of assets held on the asset register, the level of impairments and future levels of depreciation. Effectively all capital spend on our own assets are added to the assets register, these are then depreciated over their life, the overall result is an increase in the value of assets shown on the balance sheet and increased annual depreciation. Please see Note 2.

The Council spent £70.082m on capital projects during the year, an underspend of £14.2m against budget, as detailed in the table below.

Priority Area	2011/12 Approved Budget £m	2011/12 Expenditure £m
Adult Care & Support	1.270	0.558
Active Lifestyles – Leisure & Culture	0.738	0.640
Housing, Regeneration & Prosperity	24.958	23.318
Children & Young People	40.341	28.529
Environment & Rural Areas	10.246	10.892
Community Protection & Cohesion	1.938	1.751
Efficient, Community Focussed Council	4.778	4.394
Total	84.269	70.082

Funded by:		
Borrowing	29.582	27.915
Capital Receipts	2.683	1.617
Government Grants	50.964	38.621
Revenue	-0.296	0.403
Other External Sources	1.336	1.526
Total	84.269	70.082

The Council has ready access to borrowings from both the Money Markets and PWLB who also act as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). Out of total spend of £70.1m, £27.9m (40%) was funded through borrowing, the ongoing costs of servicing this borrowing is included within the Council's budget strategy for future years. Due to the outturn being lower than budget there is a small saving in 2012/13.

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 2011/12 the authority made payments of £9,654,429 in respect of this PFI contract with Interserve Limited. The authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

Group Accounts

The Council has no significant relationships with other bodies that would necessitate the production of Group Accounts. The Council has examined the relationship with partners including West Mercia Supplies (see note 60 to the accounts) and have concluded that group accounts do not need to be prepared.

2.5 2012/13 Commentary

The Council has a rolling financial planning process. This was updated formally by reports to the Council's Cabinet in September 2011, December 2011 and February 2012. The decisions on the medium term budget strategy at 1 March 2012 Council, reflect the outcome of extensive consultation with a wide variety of stakeholders between August 2011 and January 2012.

The Revenue Support Grant settlement for 2012/13 was announced in December 2010 as part of a two year grant settlement and was confirmed as the final settlement in January 2012. As anticipated the Council faced additional grant cuts of £5.6m in 2012/13. The settlement for 2012/13 continues the use of a damping mechanism which results in around £2m of grant that the Government calculate should come to the Council to support the needs of the area being re-distributed to other parts of the country. Projections beyond 2012/13 have a high degree of uncertainty because of the review of the Local Government Finance System underway: the local business rates retention scheme. Under the new scheme the Council will have to bear the risk of not being able to collect business rates and a higher proportion of the increased costs of council tax benefits

The projected budget gap for 2012/12 was £22m and the strategy to meet this is: a savings package delivering £17.1m to general fund budgets plus £2m other specific funding available; use of £1.390m from its level of balances and a council tax increase of 2.5%. As a result, the Council Tax for Council Services is 2012/13 (Band B) is £876 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,126).

Looking Ahead

Full Council approved the medium term financial strategy on the 1 March 2012 (available on the Council's web site). Projections beyond 2012/13 are difficult because the Council only received a 2 year grant settlement pending the major review of the Local Government Financial System and there is limited detail available to determine how this will impact the Council. However, it is clear that the financial climate ahead will still be one of uncertainty and challenge with further cuts to Local Government Finance expected.

3. FURTHER INFORMATION

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

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website. Details of all purchases made by the Council costing over £500 have been published on the Council's web site.

Chart 1

**Midlands Authorities 2011/12 Band D Council Tax for Equivalent
Unitary Services
(Excluding Police, Fire* and Parish Precepts)**

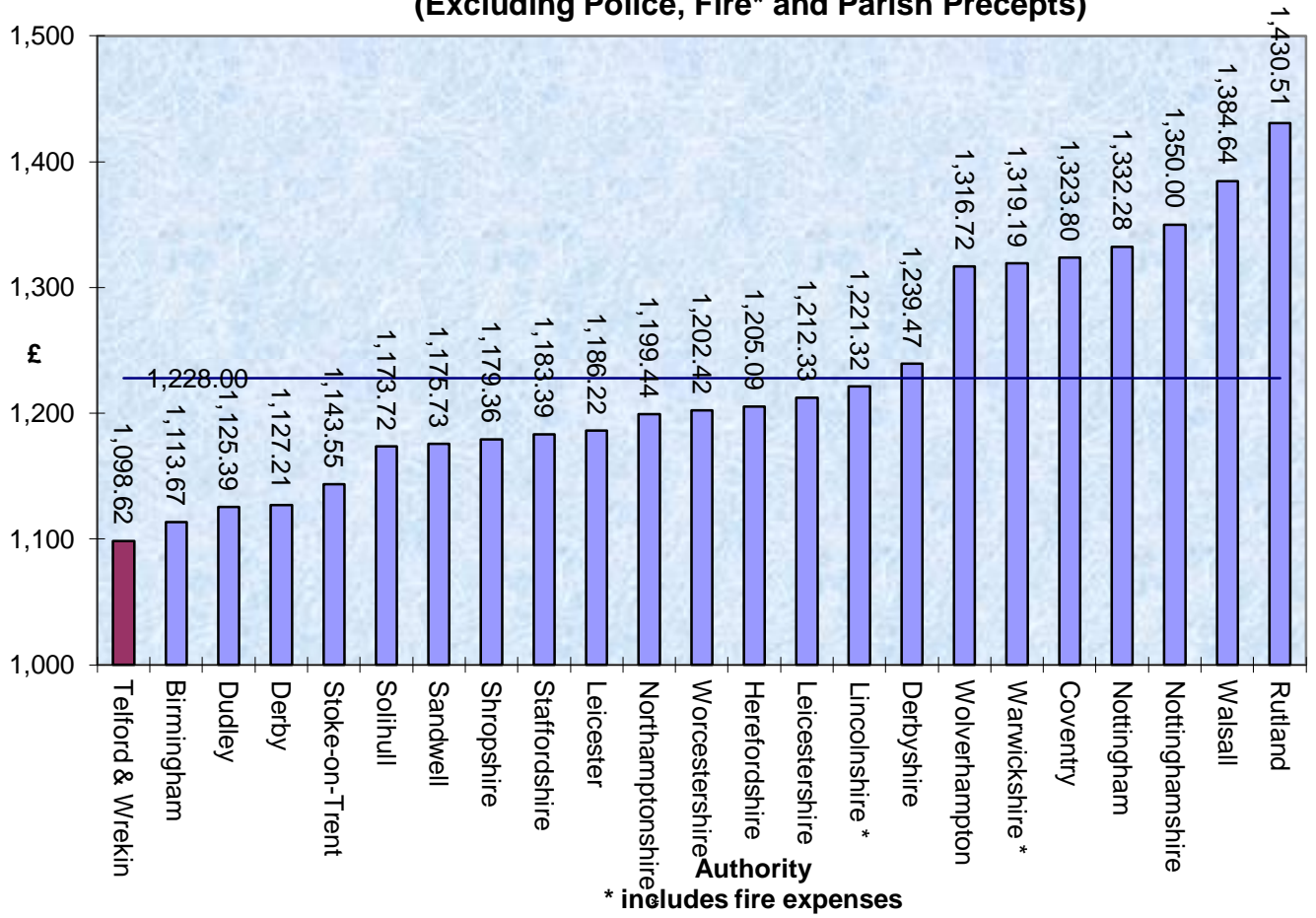


Chart 2

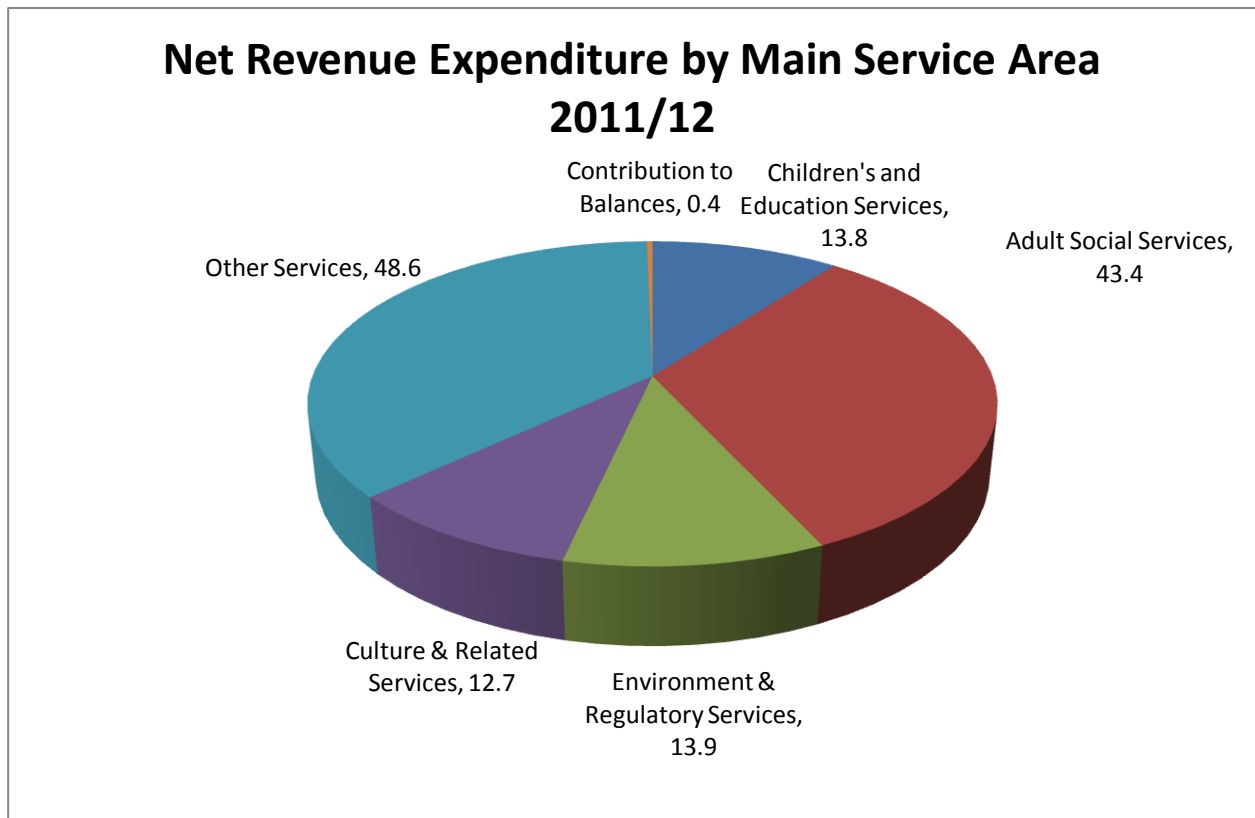


Chart 3

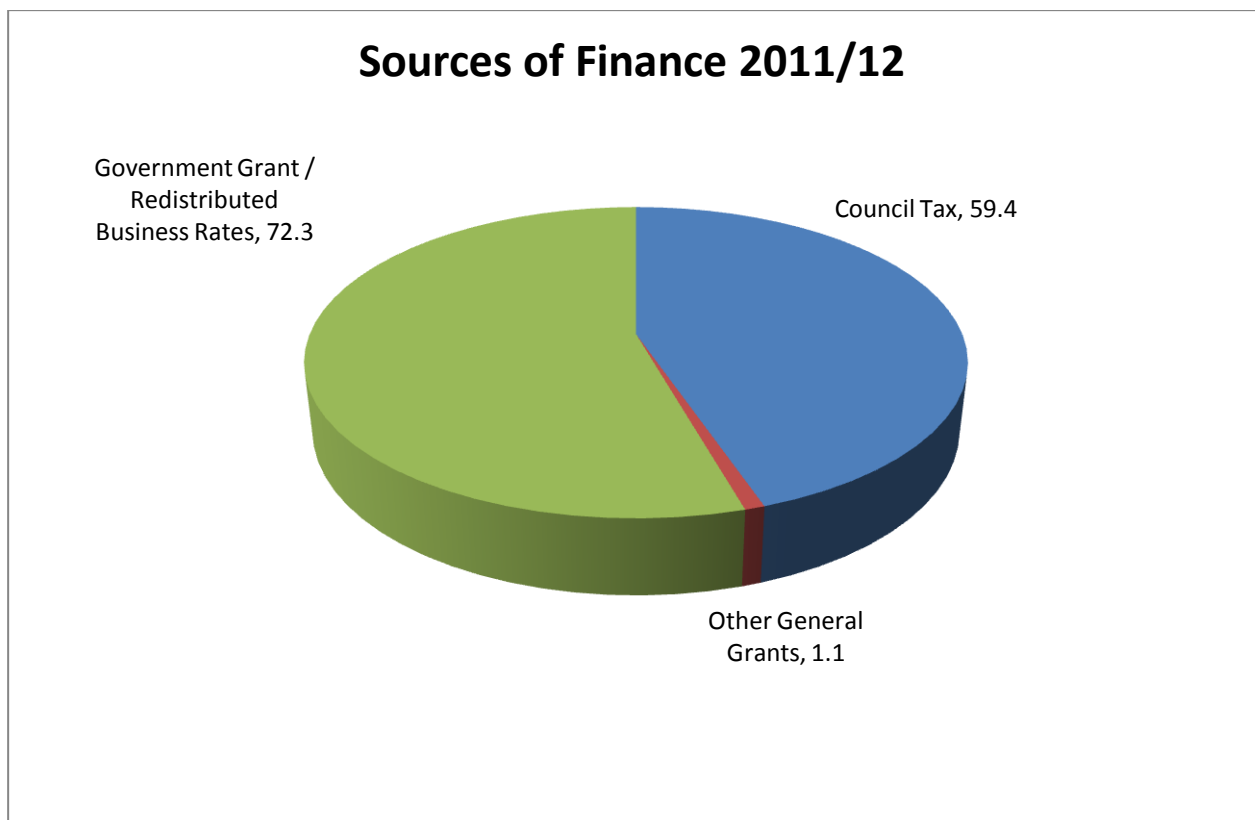


Chart 4

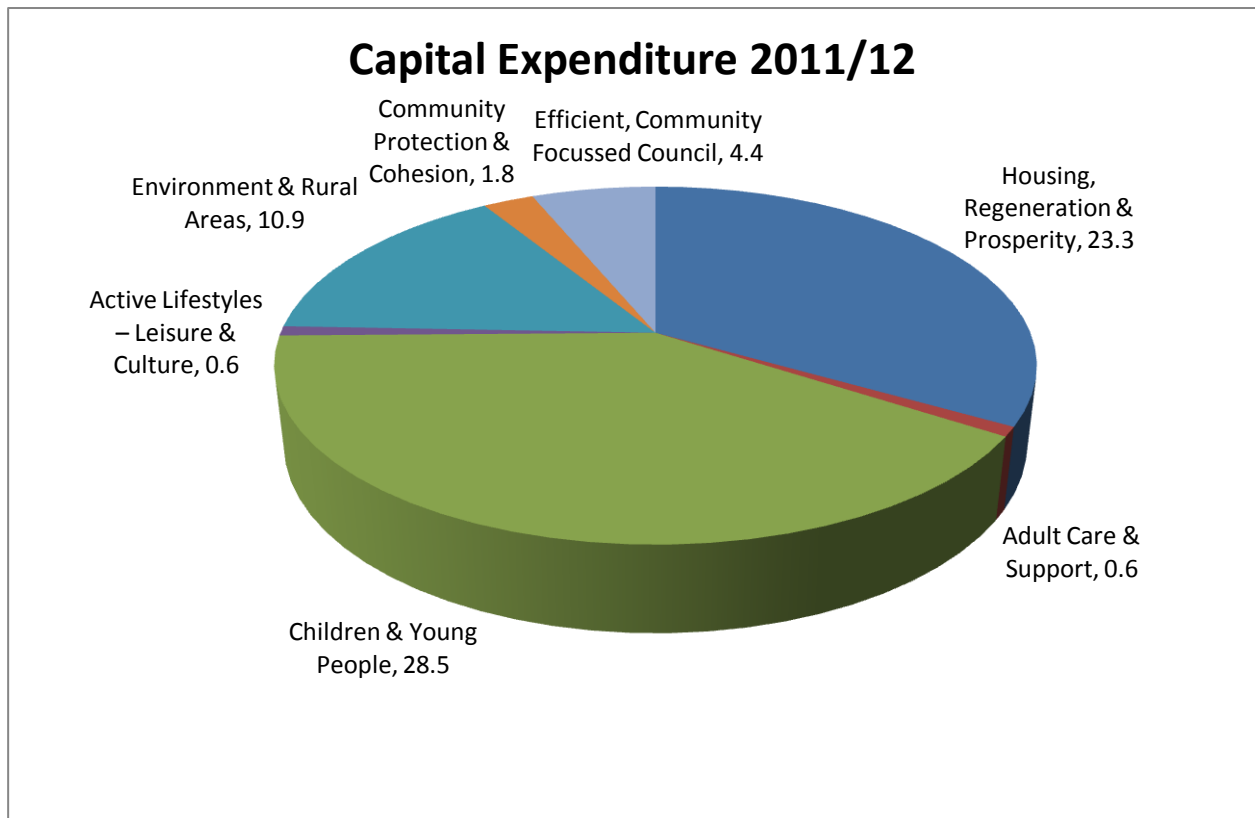
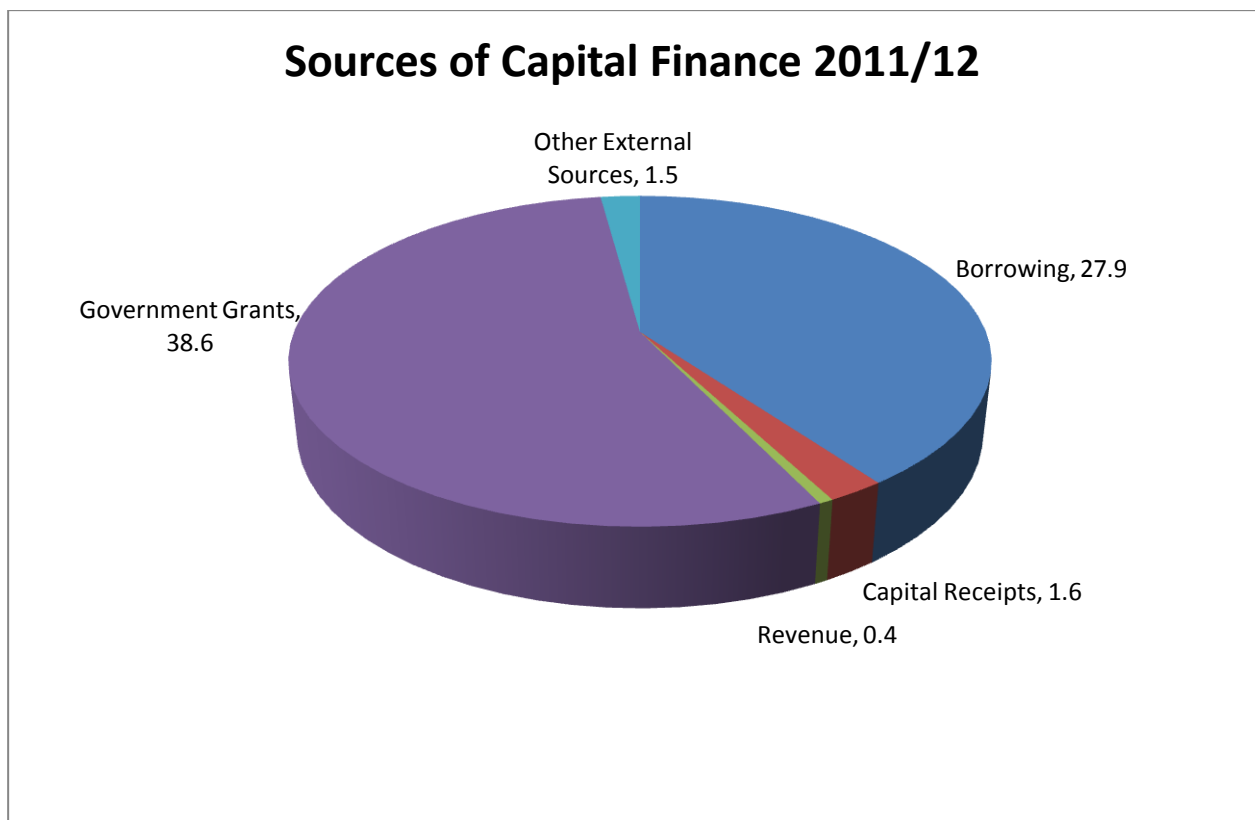


Chart 5



Statement Of Responsibilities

The Council's Responsibilities

The Council is required:

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

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 a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2012.

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.
- Sign the letter of representation for the External Auditor

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 3 to 99 complies with the requirements of the Accounts and Audit Regulations 2011 as amended.

Ken Clarke CPFA,

Assistant Director

Dated : 25 September 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Standards of Governance

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

2. Scope of Responsibility

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

2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions.

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

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

3.3 The governance framework has been in place at the Council for the year ended 31st March 2012 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2012/13 and beyond to support good governance, revised service delivery and organisational change.

4. The Governance Framework

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

- Vision 2026 – Transforming Telford & Wrekin: From New Town to Modern City, the Community Strategy, the Council's Plan which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- The Council has designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services and Scrutiny Officer;
- The Council's Information Governance Framework including a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT, Cabinet and Scrutiny;
- 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;

- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
 - Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
 - The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
 - The development of internal controls and checks within new systems and when existing systems are reviewed;
 - The Council's human resources and workforce/organisational development procedures are supported by clear recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development;
 - Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
 - Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
 - The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
 - The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and there is provision for appropriate awareness and training for officers and members;
 - The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
 - Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
 - A new financial management systems was introduced in July 2011 to provide financial management including budget monitoring, payment of suppliers and collection of income;
 - The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
 - Internal audit review controls based on risk to provide assurance and recommendations for improvement and the Audit & Assurance Manager has been measured by external Audit against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
 - Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
 - The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
 - Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
 - Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).
5. Review of Effectiveness
- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
 - b) the work of internal audit; and also
 - c) by comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 The Council's Scrutiny arrangements were reviewed and further revisions were agreed at the Annual Council meeting in May 2011. The Council's

Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed by community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and Executive.

5.4 The Internal Audit plan is informed by 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 2011/12 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 also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations. The Audit Committee has also reviewed benchmarking information on Internal Audit.

5.6 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on the state of the markets that influence/affect delivery of the strategy.

5.7 The Council's performance management framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and developed to reflect the Government's Single Data List.

5.8 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work is required to update the Constitution and management procedures and this is included in the action plan attached to this statement (Annex 1).

5.9 The Council recognises the importance of Information Governance and has taken significant steps to improve the security of its IT, paper and

handling processes to meet the compliance requirements for Data Handling in Government. This included bringing the Information Governance standard setting and compliance responsibilities into Audit & Assurance in 2010 and reorganising resources to co-ordinate information rights responses in October 2011. Information Governance has during 2011/12 reported to the Audit Committee including information on responses to information rights requests and data security breaches. We reported two data breaches to the Information Commissioner. We are awaiting direction from the ICO in respect to these instances.

5.10 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity.

5.11 The annual review by Internal Audit of the key financial systems has identified a number of areas for improvement. Reassurance has been provided by management that these improvement areas are being progressed, co-ordinated by a Steering Board.

5.12 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.

5.13 The requirements under the Accounts and Audit (England) Regulations 2011 require a review of internal audit and the External Auditors review of Internal Audit has been used to meet this requirement. The results of the review will be presented to the Audit Committee as part of the Internal Audit Annual Report.

5.14 The External Auditor's Annual Audit Letter 2010/11 included in its headlines:

- VFM conclusion – We issued an unqualified value for money ("VFM") conclusion for 2010/11 on 29 September 2011. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
- Audit opinion - We issued an unqualified opinion on your financial statements on 29 September 2011. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

5.15 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.

Richard Partington

Managing Director

Dated 27th June 2012

Councillor Kuldip Sahota

Leader

Dated: 27th June 2012

ACTION PLAN FOR 2011/12 AGS TO BE IMPLEMENTED 2012/13

No	Action	Lead Officer	Comments	Date
1.	Strategic management of continued organisational change in respect to the co-operative council and continued development and implementation of revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance). Managing Director and SMT Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies.	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/13
2.	Managing Decision making: a) Implementation of the revised officer governance arrangements; b) Clarifying officer/member roles & responsibilities including delegations c) Other constitution changes to reflect the revised organisational structures & ways of working d) Preparations for the revised external audit arrangements.	Assistant Director Law, Democracy & Public Protection and Assistant Director Finance, Audit & IG	This action develops further the implementation of previous actions in respect to the Constitution and revised external audit arrangements.	(a), (b) and (c) by 31/03/13 (d) – will need to respond to consultations on the proposed future changes during 12/13.
3.	<ul style="list-style-type: none"> • Review of our Workforce Development priorities and delivery • Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes. 	Assistant Director Customers and People	A restructure in these areas is planned for May/June 2012 with implementation Autumn 2012. Review work will then continue to reflect the needs of the organisation.	31/03/13 and on going
4.	Information governance: 1. continuation of the training and awareness programme; and the implementation of any actions arising from directions from the ICO	Assistant Director Finance, Audit & IG Director Children's Services/SMT		(On-going 31/07/12
5.	Implementation of improvements to the Financial management system	Assistant Director Finance, Audit & IG	To implement the improvements identified during the annual audit review overseen by the Steering Board	31/10/12
6.	Develop the governance arrangements for the Health & Well Being Board and transfer of Public Health	Assistant Director Social Care Specialist	Shadow Board 12/13 and prepare for transfer of Public Health April 2013 and associated governance arrangements.	31/01/13

Auditors' Report

Report to be added after audit complete

Report to be added after audit complete

Report to be added after audit complete

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 (restated)	4,159	27,747	36	3,542	35,484	(39,707)	(4,223)
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services (restated)	33,507	0	0	0	33,507	0	33,507
Other Comprehensive Income and Expenditure (restated)	0	0	0	0	0	51,584	51,584
Total Comprehensive Income and Expenditure	33,507	0	0	0	33,507	51,584	85,091
Adjustments between accounting basis & funding basis under regulations (Note 7) (restated)	(28,388)	0	(24)	(524)	(28,936)	28,936	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves (restated)	5,119	0	(24)	(524)	4,571	80,520	85,091
Transfers to/ from Earmarked Reserves (Note 8)	(6,015)	6,100	0	0	85	(85)	0
Increase/Decrease in 2010/11	(896)	6,100	(24)	(524)	4,656	80,435	85,091

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
(restated)							
Balance at 31 March 2011 carried forward (restated)	3,263	33,847	12	3,018	40,140	40,728	80,868
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	5,848	0	0	0	5,848	0	5,848
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,035)	(1,035)
Total Comprehensive Income and Expenditure	5,848	0	0	0	5,848	(1,035)	4,813
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,987)	0	(12)	15,017	7,018	(7,018)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,139)	0	(12)	15,017	12,866	(8,053)	4,813
Transfers to/from Earmarked Reserves	2,562	(2,562)	0	0	0	0	0
Increase/(Decrease) in 2011/12	423	(2,562)	(12)	15,017	12,866	(8,053)	4,813
Balance at 31 March 2012 carried forward	3,686	31,285	0	18,035	53,006	32,675	85,681

Comprehensive Income and Expenditure Account

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

	2010/11 Gross Expenditure (Restated) £'000	2010/11 Income £'000	2010/11 Net Expenditure (Restated) £'000	2011/12 Gross Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	Notes
SERVICE							
Children's and Education Services	194,278	176,158	18,120	180,391	166,551	13,840	33
Adult Social Services	68,147	29,033	39,114	72,420	29,039	43,381	
Environment & Regulatory Services	17,798	2,652	15,146	15,556	1,668	13,888	
Cultural and Related Services	20,943	11,393	9,550	24,066	11,342	12,724	
Planning & Development	12,826	6,839	5,987	17,115	22,472	(5,357)	
Highways & Transportation	17,075	8,699	8,376	17,378	11,378	6,000	
Housing Services	74,261	72,973	1,288	77,912	71,981	5,931	
Court & Probation Services	286	0	286	260	0	260	
Contribution re Former County Council Debt	2,140	0	2,140	2,123	0	2,123	
Corporate & Democratic Core	4,035	0	4,035	4,895	0	4,895	
Central Services Provided to the Public	53,283	47,357	5,926	61,166	50,936	10,230	
Exceptional Item - Pensions Gain	0	26,371	(26,371)	0	0	0	42
Non Distributed Costs	2,036	0	2,036	2,942	0	2,942	
Net Cost of Services	467,108	381,475	85,633	476,224	365,367	110,857	26
Other Operating Expenditure			5,807			6,107	9
Financing and investment income and expenditure			17,824			10,033	10
Taxation & Non Specific Grant Income			(142,771)			(132,845)	11
(Surplus) or deficit on provision of services			(33,507)			(5,848)	
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(13,704)			(25,255)	
(Surplus) or deficit on revaluation of Available for sale financial assets			0			0	
(Actuarial Gains)/Losses on Pension assets/liabilities			(37,880)			26,290	42
Other Comprehensive Income & Expenditure			(51,584)			1,035	
Total Comprehensive Income and Expenditure			(85,091)			(4,813)	

Balance Sheet

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

31 March 2010 (Restated) £'000	31 March 2011 (Restated) £'000		31 March 2012 £'000	31 March 2012 £'000	Notes
287,688	334,572	Property, Plant & Equipment	360,658		12
55,254	50,105	Investment Properties	50,379		13
0	799	Intangible Assets	2,159		49
40,033	40,033	Long Term Investments	25,033		14,45,48
397	491	Long Term Debtors	592		14
383,372	426,000	Total Long Term Assets		438,821	
		Current Assets			
340	449	Inventories	358		15
21,862	21,094	Debtors	28,978		14,16
28,811	20,000	Investments - (short term)	25,000		14,45,48
800	5,873	Assets held for sale	25,547		18
0	133	Landfill Allowances Asset Account	15		61
5,323	15,824	Cash and Cash Equivalents	3,651		17
<u>57,136</u>	<u>63,373</u>		<u>83,549</u>		
		Current Liabilities			
(71)	(1,912)	Provisions	(3,161)		20
(10,052)	(24,382)	Short term borrowing	(37,147)		14,45

31 March 2010 (Restated) £'000	31 March 2011 (Restated) £'000		31 March 2012 £'000	31 March 2012 £'000	Notes
(66,044)	(81,262)	Creditors	(69,378)		14,19
(0)	(130)	Landfill Allowances Liability Account	(16)		61
(0)	(335)	Bank overdraft	0		17
<u>(76,167)</u>	<u>(108,021)</u>		<u>(109,702)</u>		
(19,031)	(44,648)	Total Net Current Assets/(Liabilities)		(26,153)	
(113,024)	(106,523)	Less Long Term Borrowing		(110,522)	14,45
(63,830)	(62,151)	Less Long Term Creditors (PFI & Finance Leases)		(61,443)	14
(176,634)	(122,295)	Less Pensions Liability		(154,587)	42
(15,076)	(9,515)	Capital Grants Receipts in Advance		(435)	34
<u>(4,223)</u>	<u>80,868</u>	Net Assets		<u>85,681</u>	
35,484	40,140	Usable Reserves		53,006	8
(39,707)	40,728	Unusable Reserves		32,675	22
<u>(4,223)</u>	<u>80,868</u>			<u>85,681</u>	

Cash Flow Statement

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

2010/11		2011/12
£000		£000
(23,371)	Net (surplus) or deficit on the provision of services	(5,848)
(53,679)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 62)	(20,242)
66,412	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 63)	57,473
(10,638)	Net cash flows from Operating Activities (Note 23)	31,383
12,441	Investing Activities (Note 24)	(6,124)
(11,969)	Financing Activities (Note 25)	(13,421)
(10,166)	Net increase or decrease in cash and cash equivalents	11,838
5,323	Cash and cash equivalents at the beginning of the reporting period	15,489
15,489	Cash and cash equivalents at the end of the reporting period (Note 17)	3,651

Notes to the Accounts

1. Accounting Policies

a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (COP): Based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

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

c) Accruals of Expenditure & Income

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

d) Area Based Grant/Local Services Support Grant

Area Based Grant was withdrawn in 2010/11 and is shown on the Comprehensive Income and Expenditure Statement within Taxation and Non Specific Grant Income for that year and is not allocated to services. Local Services Support Grant was introduced in 2011/12 replacing ABG, but at a much lower level. The actual sum due for the year is shown in the accounts in line with the accruals concept.

e) Cash and Cash Equivalents

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

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

f) Contingent Asset

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

g) Contingent Liability

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

h) Employee Benefits

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

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

Salaries and Wages

Compensated Absences (paid annual leave and sick leave)

Pensions Benefits

Termination Benefits

Salaries and Wages

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

Compensated Absences

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

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

Pensions Benefits

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

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The Comprehensive Income & Expenditure account is adjusted by IAS 19 entries.

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 IAS 19 are disclosed by way of a note to the Core Financial Statements.

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

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2011/12 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any authority's share of the assets and liabilities under the Teachers scheme.

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

Termination Benefits

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

i) Events After the Balance Sheet Date

Where a material post balance sheet event occurs which

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

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

j) Exceptional Items and Prior Period Adjustments

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

Prior Period Adjustments relate to corrections of errors in the financial statements of prior periods, retrospective adjustments resulting from changes to accounting policy or adoption of new accounting treatments. The correct accounting treatment for prior period adjustments for a comparative financial statement is to restate the amount in error and show the impact on the accounts. The authority has prior period adjustments as a result of the change to the accounting policy in relating to accounting for fixed assets. Please see Note 2.

k) Financial Instruments

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

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

l) Government Grants and Other Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is recognised in the comprehensive income and expenditure statement unless there is an outstanding condition where it is transferred to capital grant receipts in advance until the condition is met or the grant is returned.

m) Intangible Assets

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

n) Inventories and long term contracts

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

o) Investment Properties

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

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

p) Landfill Allowances Schemes

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

q) Leases

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

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation is explained in note 37 to the Core Financial Statements.

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

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

r) Non-current Assets Held for Sale

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

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

s) Overheads

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

t) Private Finance Initiative

The council has one PFI scheme. An asset has been recognised and a long term financial lease creditor created to reflect the asset in the accounts and recognise the commitment to make future payments to the operator.

u) Property, Plant & Equipment

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

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). The Council, under de minimis, excludes assets from its register with a value below £10,000. Property, plant and equipment are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

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

Revaluations of property, plant and equipment are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Surpluses or deficits arising from revaluation are credited or debited to the revaluation reserve respectively as long as there is a sufficient balance on the reserve in respect of deficits, where

there is an insufficient balance or a clear consumption of economic benefits deficits are charged to the income and expenditure account as impairments.

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

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

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

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

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

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

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

As at 31st March 2012 there were 3 significant capital contracts in place. These total £22.0m and are detailed in the notes.

v) Depreciation

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

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

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

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

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

x) Provisions

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

y) Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in note 18 to the Core Financial Statements.

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

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

z) Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute (formerly deferred charges) represent expenditure which may properly be capitalised, but which does not create tangible fixed assets. These are written off to the Income and Expenditure account in year.

aa) Value Added Tax

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

ab) Direct Revenue Financing of Capital Expenditure

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2011/12, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

ac) Interest on surplus funds and balances

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

ad) Capital Receipts

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

ae) The Redemption of Debt

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

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

af) Estimation Techniques

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

ag) Heritage Assets

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For the Council's heritage assets no cost information is available and the cost of obtaining that value is disproportionate to the benefit.

A list of the Council's Heritage assets is included in Note 64.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

ah) Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted and Prior Period Adjustments

For 2011/12 IFRS 7 Financial Instruments: Disclosures (transfers of financial assets) has been issued that will be adopted for 2012/13. The amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets), issued October 2010, are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. However it is our view that the transfers described in the standard have not occurred within the authority.

However the Council has amended its accounting policy in relation to the deminimis levels for both capital expenditure and to include assets on the Asset Register, this has been set to £10,000 for both. The harmonisation of these limits (as they were different previously) is recommended as best practice and was recommended by KPMG as part of last year's audit. The adoption of this revised policy has resulted in prior period adjustments in relation to the value of assets held on the asset register, the level of impairments and future levels of depreciation. Effectively all capital spend on our own assets are added to the assets register, these are then depreciated over their life, which has increased annual depreciation. The amendments made to the statement of accounts are as follows (only the changed lines shown).

Movement In Reserves Statement

Main contribution to the change is lower level of impairment of assets for capital expenditure below the deminimis level for the asset register.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Balance at 31 March 2010 – Unusable Reserves	(57,557)	+17,850	(39,707)
Balance at 31 March 2010 – Total Authority Reserves	(22,073)	+17,850	(4,223)
Movement During 2010/11 – Surplus on the provision of services – General Fund Balance	23,371	+10,136	33,507
Movement During 2010/11 – Other Comprehensive Income and Expenditure – Unusable Reserves	47,799	+3,785	51,584
Total Comprehensive Income and Expenditure – Total Authority Reserves	71,170	+13,921	85,091
Adjustments between accounting basis and funding basis under regulations – General Fund Balance	(18,252)	-10,136	(28,388)
Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves	(18,800)	-10,136	(28,936)
Adjustments between accounting basis and funding basis under regulations –Unusable Reserves	18,800	+10136	28,936
Net Increase/Decrease before transfer to earmarked reserves – Unusable Reserves	66,599	+13,921	80,520
Net Increase/Decrease before transfer to earmarked reserves – Total Authority Reserves	71,170	+13,921	85,091
Increase/Decrease in 2010/11 – Unusable Reserves	66,514	+13,921	80,435
Increase/Decrease in 2010/11 – Total Authority Reserves	71,170	+13,921	85,091
Balance at 31 March 2011 carried forward – Unusable Reserves	8,957	+31,771	40,728
Balance at 31 March 2011 carried forward – Total Authority Reserves	49,097	+31,771	80,868

Comprehensive Income and Expenditure Account

Description	Original Figure	Lower Impairment	Increased Depreciation	Other	Revised Figure
	£000	£000	£000	£000	£000
Children's and Education Services – Gross Expenditure	199,521	-6,750	+1,507	0	194,278
Children's and Education Services – Net Expenditure	23,363	-6,750	+1,507	0	18,120
Environment & Regulatory Services – Gross Expenditure	18,349	-557	+6	0	17,798
Environment & Regulatory Services – Net Expenditure	15,697	-557	+6	0	15,146
Culture & Related Services – Gross Expenditure	21,189	-353	+322	-215	20,943
Culture & Related Services – Net Expenditure	9,796	-353	+322	-215	9,550
Planning & Development – Gross Expenditure	14,974	-2,148	0	0	12,826
Planning & Development – Net Expenditure	8,135	-2,148	0	0	5,987
Highways & Transportation – Gross Expenditure	17,268	-224	+31	0	17,075
Highways & Transportation – Net Expenditure	8,569	-224	+31	0	8,376
Housing Services – Gross Expenditure	75,720	-1,459	0	0	74,261
Housing Services – Net Expenditure	2,747	-1,459	0	0	1,288
Central Services Provided to the Public – Gross Expenditure	53,376	-1,068	+975	0	53,283
Central Services Provided to the Public – Net Expenditure	6,019	-1,068	+975	0	5,926
Net Cost of Services – Gross Expenditure	477,041	-12,559	+2,841	-215	467,108
Net Cost of Services – Net Expenditure	95,566	-12,559	+2,841	-215	85,633
Financing and Investment Income and Expenditure	18,027	-203	0	0	17,824
(Surplus) or deficit on provision of services	(23,371)	-12,762	+2,841	-215	(33,507)
Surplus or deficit on revaluation of Property, Plant and Equipment Assets	(9,919)	0	0	-3,785	(13,704)
Other Comprehensive Income & Expenditure	(47,799)	0	0	-3,785	(51,584)
Total Comprehensive Income and Expenditure	(71,170)	-12,762	+2,841	-4,000	(85,091)

Balance Sheet

These adjustments related to lower impairment, more capital expenditure being recognised against assets, increased depreciation and changes to closing 2009/10 balances.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Property, Plant & Equipment – 31 March 2010	271,239	+16,449	287,688
Property, Plant & Equipment – 31 March 2011	303,682	+30,890	334,572
Investment Properties – 31 March 2010	53,853	+1,401	55,254
Investment Properties – 31 March 2011	49,269	+836	50,105
Intangible Assets – 31 March 2011	754	+45	799
Total Long Term Assets – 31 March 2010	365,522	+17,850	383,372
Total Long Term Assets – 31 March 2011	394,229	+31,771	426,000
Net Assets – 31 March 2010	(22,073)	+17,850	(4,223)
Net Assets – 31 March 2011	49,097	+31,771	80,868
Unusable Reserves – 31 March 2010	(57,557)	+17,850	(39,707)
Unusable Reserves – 31 March 2011	8,957	+31,771	40,728
Total Reserves – 31 March 2010	(22,073)	+17,850	(4,223)
Total Reserves – 31 March 2011	49,097	+31,771	80,868

The following Notes were also amended to correspond with these changes

Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations

Note 10 – Financing and Investment Income and Expenditure

Note 12 – Property, Plant and Equipment

Note 13 – Investment Properties

Note 22 – Unusable Reserves (Revaluation Reserve and Capital Adjustment Account)

Note 26 – Amounts Reported for Resource Allocation Decisions

Note 28 – Market Undertaking and Industrial Units

Note 49 – Intangible Assets

3. Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for Local Government.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £2.8m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £8.0m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had reduced by £26.4m as a result of the change to use CPI as the basis for future increases in pensions rather than RPI. No comparable change was made in relation to 2011/12.
Arrears	At 31 March 2012, the Authority had a balance of sundry debtors for £33.883m. The Council has set aside a bad debts provision of 14.5% (£4.905m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.7m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	process is not yet complete and it has been necessary to include a provision against the potential costs in the 2011/12 accounts, as was the case last year.	there will be an impact on general fund balances and future Council Tax increases.

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

5. Material Items of Income and Expense

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

6. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Assistant Director on 28 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2011/12	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	23,518	0	0	(23,518)
Revaluation losses on property, plant and equipment	1,799	0	0	(1,799)
Movement in the market value of Investment Properties	434	0	0	(434)
Revenue expenditure funded from capital under statute	20,345	0	0	(20,345)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,545	0	0	(2,545)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,397)	0	0	6,397
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(55,567)	0	55,567	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(40,550)	40,550
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,605)	1,605	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,617)	0	1,617
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	367	0	0	(367)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	18,044	0	0	(18,044)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,042)	0	0	12,042
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	623	0	0	(623)
Adjustments primarily involving the Accumulated Absences Account:				

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(51)	0	0	51
Total Adjustments	(7,987)	(12)	15,017	(7,018)

2010/11 Comparative Figures	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	10,937	0	0	(10,937)
Revaluation losses on property, plant and equipment	1,356	0	0	(1,356)
Movement in the market value of Investment Properties	5,858	0	0	(5,858)
Revenue expenditure funded from capital under statute	19,299	0	0	(19,299)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,404	0	0	(3,404)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,011)	0	0	6,011
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(44,994)	0	44,994	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(45,518)	45,518
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,611)	1,611	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,635)	0	1,635

Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	464	0	0	(464)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,456)	0	0	3,456
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,003)	0	0	13,003
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(544)	0	0	544
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(87)	0	0	87
Total Adjustments	(28,388)	(24)	(524)	28,936

8. Transfers to/from Earmarked Reserves & Balances

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 carried forward	4,159	19,339	4,494	3,914	36	3,542	35,484
Movement / Use of reserves during 2010/11	(896)	4,824	335	941	(24)	(524)	4,656
Balance at 31 March 2011 carried forward	3,263	24,163	4,829	4,855	12	3,018	40,140
Movement / Use of reserves during 2011/12	423	(1,613)	1,555	(2,504)	(12)	15,017	12,866
Balance at 31 March 2012 carried forward	3,686	22,550	6,384	2,351	0	18,035	53,006

9. Other Operating Expenditure

2010/11		2011/12
£000		£000
2,923	Parish council precepts	2,927
2,884	Gains/losses on the disposal of non-current assets	3,180
5,807	Total	6,107

10. Financing and Investment Income and Expenditure

2010/11		2011/12
£000		£000
10,341	Interest payable and similar charges	10,096
8,919	Pensions interest cost and expected return on pensions assets	5,983
(2,762)	Interest receivable and similar income	(2,454)
1,323	Income and expenditure in relation to investment properties and changes in their fair value	(3,599)
3	Other investment income and expenditure	7
17,824	Total	10,033

11. Taxation and Non Specific Grant Incomes

2010/11		2011/12
£000		£000
(59,062)	Council tax income	(58,284)
(0)	Collection Fund Surplus/Deficit	(1,200)
(61,593)	Non domestic rates	(54,123)
(12,553)	Area Based Grant/Local Services Support Grant	(610)
(8,944)	Revenue Support Grant	(18,128)
(619)	Other grants and contributions	(500)
(142,771)	Total	(132,845)

12. Property , Plant and Equipment

Movements in 2011/12:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1/4/2011	280,659	13,253	41,833	100	17,807	353,652	58,032
Additions	14,955	5,587	15,578	0	11,289	47,409	806
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,873	0	0	0	0	6,873	886
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,103)	0	0	0	(74)	(11,177)	0
derecognition – disposals	(3,477)	0	0	0	0	(3,477)	0
assets reclassified (to) /from Assets Under Construction	13,909	0	0	0	(13,909)	0	0
assets reclassified (to)/from Community Assets	100	0	0	(100)	0	0	0
assets reclassified (to)/from Held for Sale	(7,852)	0	0	0	0	(7,852)	0
assets reclassified (to) /from Investment Properties	1,070	0	0	0	(598)	472	0
At 31 March 2012	295,134	18,840	57,411	0	14,515	385,900	59,724
Accumulated Depreciation and Impairment							
at 1 April 2011	12,000	4,217	2,863	0	0	19,080	1,832
depreciation charge	7,543	3,405	1,003	0	0	11,951	1,373

depreciation written out to the Revaluation Reserve	(5,752)	0	0	0	0	(5,752)	(1,716)
derecognition – disposals	(37)	0	0	0	0	(37)	0
At 31 March 2012	13,754	7,622	3,866	0	0	25,242	1,489
Net Book Value							
at 31 March 2012	281,380	11,218	53,545	0	14,515	360,658	58,235
at 31 March 2011	268,659	9,036	38,970	100	17,807	334,572	56,200
Information on Assets Held at 31/3/12							
Nature of Holding							
Owned	223,145	9,978	53,545	0	14,515	301,183	
Leased	0	1,240	0	0	0	1,240	
PFI	58,235	0	0	0	0	58,235	
Total	281,380	11,218	53,545	0	14,515	360,658	

Comparative Movements in 2010/11:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1/4/2010	256,235	8,347	29,998	100	5,400	300,080	56,982
Additions	22,262	4,966	11,835	0	16,008	55,071	427
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10,608	0	0	0	0	10,608	623
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,577)	(60)	0	0	0	(2,637)	0
derecognition – disposals	(3,553)	0	0	0	0	(3,553)	0
assets reclassified (to) /from Assets Under Construction	2,597	0	0	0	(2,597)	0	0
assets reclassified (to)/from Held for Sale	(4,913)	0	0	0	0	(4,913)	0
assets reclassified (to) /from Investment Properties	0	0	0	0	(1,004)	(1,004)	0
At 31 March 2011	280,659	13,253	41,833	100	17,807	353,652	58,032

Accumulated Depreciation and Impairment							
at 1 April 2010	9,204	1,301	1,887	0	0	12,392	959
depreciation charge	5,943	2,916	976	0	0	9,835	974
depreciation written out to the Revaluation Reserve	(3,130)	0	0	0	0	(3,130)	(101)
derecognition – disposals	(17)	0	0	0	0	(17)	0
At 31 March 2011	12,000	4,217	2,863	0	0	19,080	1,832

Depreciation

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

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

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £22.0m. Similar commitments at 31 March 2011 were £31.0m. The major commitments are:

- Abraham Darby Sports & Learning Community – £3.88m
- Phoenix School /Dawley SLC – £16.66m
- Newport Girls High School Academy Trust – £1.46m

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

12a. Fixed Asset Valuation

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2011 by qualified internal valuers 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 £10,000 are excluded from the register.

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

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

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

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

Investment Properties are valued annually and their current value is £46.097m, Other Land & Buildings are valued over a 5 year rolling programme and the value of assets valued in each of the last 5 years is shown in the table below.

Year	Value
	£000
2007/08	45,823
2008/09	48,354
2009/10	40,867
2010/11	59,882
2011/12	120,710
Total	315,636

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

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

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

12b .Information on Assets held

Fixed assets owned by the Council include the following:-

	2010/11	2011/12
	(Nos.)	(Nos.)
Operational Assets		
Hostels	3	3
Houses for Homeless	17	18
Offices	25	24
Depot and workshop	1	1
Community centres	12	14
Parks and recreation	301.2 ha	334.8 ha
Amenity Sites	3	3
Off-Street car parks	29	29
Bus Stations	4	4
Theatres	1	1
Cemeteries	3	3
Ice Rink	1	1
Leisure Centres	5	6
Swimming Pools	2	2
Changing Rooms/ Pavilions	12	12
Nursery Schools	1	1
Schools	54	53
Outdoor Activity Centre	1	1
Special Schools	4	4
Learning Communities	1	1
Child Development Centre	1	1
Joint Service Facility	1	1

	2010/11	2011/12
	(Nos.)	(Nos.)
First Point Centre	1	1
Pupil Referral Unit	1	1
Youth Centres	5	5
Libraries	8	7
Elderly Persons Homes	3	3
Toilets	11	11
Children's Centres	2	2
Group Homes	23	23
Residential Homes	6	7
Training/Day Centres	7	7
Emergency Planning Centre	1	1
Traveller Sites	2	2
Allotments	10	10
Visitor Information Centre	1	1
Land associated with assets (ex parks)	635 Ha	629 Ha
Other land holdings	127.1Ha	127.2 Ha
Caretakers bungalows	4	2
Ski Slope Centre	1	1
Play Areas	116	116
Golf Courses	73 Ha	73 Ha
School Playing Fields	12	12
Academy School	1	2
Non Operational Assets		
Smallholdings	1	1
Offices	24	24
Retail	31	32
Industrial Estates	31	31
Misc Ground Rents	39	39
Assets Held for Sale - Current	7	9
Surplus Assets	44	41
Woodlands	5	5
Assets Under Construction	10	14
Sites for Regeneration	21	20
Misc Rents	66	69

13. Investment Properties

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

	2010/11	2011/12
	£000	£000
Rental income from investment property	(8,172)	(8,577)
Direct operating expenses arising from investment property	3,637	4,544
Net Operational (gain)/loss	(4,535)	(4,033)
Net (gain)/loss on revaluation of properties	5,858	434
Total Net (gain)/loss	1,323	(3,599)

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

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

	2010/11	2011/12
	£000	£000
Balance at start of the year	55,254	50,105
Additions	1,161	2,230
Disposals	(688)	(1,050)
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	(6,626)	(434)
Transfers:		
- to/from Property, Plant and Equipment	1,004	(472)
Balance at end of the year	50,105	50,379

14. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2010/11	2011/12	2010/11	2011/12
	£000	£000	£000	£000
Investments				
Loans and receivables	40,033	25,033	20,000	25,000
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	40,033	25,033	20,000	25,000
Debtors				
Financial assets carried at contract amounts	0	0	21,094	28,978
Total Debtors	0	0	21,094	28,978
Borrowings				
Financial liabilities at amortised cost	106,523	110,522	24,382	37,147
Total borrowings	106,523	110,522	24,382	37,147
Other Liabilities				
PFI and finance lease liabilities	62,151	61,443	2,062	1,965
Other Creditors	0	0	79,200	67,413
Total Other Liabilities	62,151	61,443	81,262	69,378

Income, Expense, Gains and Losses

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	10,341	0	10,341	10,046	0	10,046
Total expense in Surplus or Deficit on the Provision of Services	10,341	0	10,341	10,046	0	10,046
Interest income	0	(2,762)	(2,762)	0	(2,454)	(2,454)
Total income in Surplus or Deficit on the Provision of Services	0	(2,762)	(2,762)	0	(2,454)	(2,454)
Net gain/(loss) for the year	10,341	(2,762)	7,579	10,046	(2,454)	7,592

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	2010/11		2011/12	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	130,905	140,665	147,670	179,988
Long-term creditors	62,151	62,151	61,423	61,423

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

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

	2010/11		2011/12	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	60,033	67,190	50,033	57,294
Long-term debtors	491	491	592	592

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest above current market rates.

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

15. Inventories

The council had inventories that totalled £0.358m at 31/3/12 and £0.449m at 31/3/11. These mainly consist of stocks at Leisure Centres, Catering Stocks and Design and Print stocks.

16. Debtors

	2010/11 £'000	2011/12 £'000
Amounts falling due in one year:		
Government Departments	1,648	5,363
General Debtors	21,743	26,032
Car Leasing to Employees	67	27
Collection Fund	2,571	2,461
	<u>26,029</u>	<u>33,883</u>
Provision for doubtful debts	(4,935)	(4,905)
Total	<u>21,094</u>	<u>28,978</u>

17. Cash and Cash Equivalents

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

2010/11 £000		2011/12 £000
179	Cash held by the Authority	189
0	Bank current accounts	435
15,645	Call Accounts	3,027
15,824	Total Cash and Cash Equivalents	3,651
(335)	Bank Account Overdrawn	0
15,489	Net Cash Position for Cash Flow Purposes	3,651

18. Assets Held for Sale

	Current	
	2010/11	2011/12
	£000	£000
Balance outstanding at start of year	800	5,873
Reclassified to/from - Property, Plant and Equipment	4,913	7,852
Revaluation gains	0	12,799
Impairment losses met from the revaluation reserve	(50)	(169)
Impairment losses met from income and expenditure	0	(224)
Assets sold	0	(597)
Acquisitions	210	13
Balance outstanding at year-end	5,873	25,547

19. Creditors

	2010/11 £'000	2011/12 £'000
Government Departments	13,634	617
Sundry Creditors	61,377	63,704
Receipts in advance	6,251	5,057
Total	81,262	69,378

20. Provisions

	2011/12 Opening £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	2011/12 Closing £000
Restructure Provision	1,912	3,151	1,902	3,161
Total	1,912	3,151	1,902	3,161
<i>2010/11</i>	<i>71</i>	<i>1,912</i>	<i>71</i>	<i>1,912</i>

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in both the 2009/10 accounts and 2010/11 accounts, this has been partly used during 2011/12 and the balance has been added to in 2011/12 to meet the costs of commitments in place at 31/03/12 and is expected to be used in 2012/13.

21. Usable Reserves

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

22. Unusable Reserves

2010/11		2011/12
£000		£000
47,201	Revaluation Reserve	71,300
116,861	Capital Adjustment Account	117,639
1,214	Financial Instruments Adjustment Account	847
3	Deferred Capital Receipts Reserve	304
(122,295)	Pensions Reserve	(154,587)
1,426	Collection Fund Adjustment Account	803
(3,682)	Accumulated Absences Account	(3,631)
40,728	Total Unusable Reserves	32,675

Revaluation Reserve

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

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

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

	2010/11 £'000	2011/12 £'000
Balance Brought Forward	34,545	47,201
Impairments and downward revaluations of assets not charged to the Surplus/Deficit on provision of services	(1,114)	(1,799)
Upwards Revaluations	14,818	27,092
Depreciation Revaluations	366	587
Disposals	(405)	(398)
Depreciation	(1,009)	(1,383)
Balance Carried Forward	47,201	71,300

Capital Adjustment Account

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

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

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

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

2010/11		2011/12
£'000		£'000
103,584	Balance Brought Forward	116,861
(17,996)	Charges for depreciation and impairment of noncurrent assets	(22,569)
	Revaluation losses on Property, Plant and Equipment	
(19,299)	Revenue Expenditure funded from Capital under Statute	(20,345)
(4,241)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(4,726)
0	Adjusting amounts written out of the Revaluation Reserve	(146)
1,635	Capital financing - Capital receipts	1,617
45,518	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	40,550
1,649	Capital grants and contributions unapplied	0
6,011	Minimum Revenue Provision	6,397
116,861	Balance Carried Forward	117,639

Financial Instruments Adjustment Account

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

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 14 years.

2010/11		2011/12
£000		£000
1,678	Balance at 1 April	1,214
(464)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(367)
1,214	Balance at 31 March	847

Pensions Reserve

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

2010/11		2011/12
£000		£000
176,634	Balance at 1 April	122,295
(37,880)	Actuarial (gains) or losses on pensions assets and liabilities	26,290
1,176	Added Years	2,083
(4,632)	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	15,961
(13,003)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,042)
122,295	Balance at 31 March	154,587

Deferred Capital Receipts Reserve

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

2010/11		2011/12
£000		£000
7	Balance at 1 April	3
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	304
(4)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
3	Balance at 31 March	304

Collection Fund Adjustment Account

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

2010/11		2011/12
£000		£000
882	Balance at 1 April	1,426
544	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(623)
1,426	Balance at 31 March	803

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. There were no transactions in 2010/11 or 2011/12 in the Unequal Pay Back Pay Account and there was a nil balance at both 1 April 2011 and 31 March 2012.

Accumulated Absences Account

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

2010/11		2011/12
£000		£000
3,769	Balance at 1 April	3,682
(3,769)	Settlement or cancellation of accrual made at the end of the preceding year	(3,682)
3,682	Amounts accrued at the end of the current year	3,631
3,682	Balance at 31 March	3,631
(87)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(51)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

2010/11		2011/12
£000		£000
(634)	Interest received	(1,646)
10,386	Interest paid	10,197

24. Cash Flow Statement – Investing Activities

2010/11		2011/12
£000		£000
71,357	Purchase of property, plant and equipment, investment property and intangible assets	52,863
11,000	Purchase of short-term and long-term investments	15,000
1	Other payments for investing activities	876
(1,638)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(527)
(19,811)	Proceeds from short-term and long-term investments	(25,000)
(48,468)	Other receipts from investing activities	(49,336)
12,441	Net cash flows from investing activities	(6,124)

25. Cash Flow Statement – Financing Activities

2010/11		2011/12
£000		£000
(52,815)	Cash receipts of short- and long-term borrowing	(94,890)
(3,595)	Other receipts from financing activities	578
(544)	Appropriation to/from Collection Fund Adjustment Account	623
44,985	Repayments of short- and long-term borrowing	78,126
0	Cash payments in relation to finance leases and PFI agreements	2,142
(11,969)	Net cash flows from financing activities	(13,421)

26. Amounts Reported for Resource Allocation Decisions

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

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

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

Service Delivery Unit Income and Expenditure

2011/12	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Care & Support	13,670	60,333	74,003	24,421	5,995	30,416	43,587
Education, Culture & Skills	90,054	21,950	112,004	4,755	107,544	112,299	(295)
Children & Family Services	4,013	2,025	6,038	957	3,547	4,504	1,534
Children's Safeguarding	4,823	16,051	20,874	1,443	280	1,723	19,151
Family & Cohesion Services	7,935	16,206	24,141	3,674	7,447	11,121	13,020
Development, Business & Housing	11,631	18,056	29,687	34,538	58	34,596	(4,909)
Economy & Skills	2,907	2,338	5,245	868	1,827	2,695	2,550
Environment & Leisure Services	4,943	35,984	40,927	14,970	198	15,168	25,759
Planning	4,786	5,705	10,491	5,594	250	5,844	4,647
Customer & People Services	9,439	11,714	21,153	11,133	2,651	13,784	7,369
Law, Democracy and Public Protection	2,704	2,955	5,659	5,187	0	5,187	472
Finance, Audit & Information Governance	6,583	89,546	96,129	16,720	65,125	81,845	14,284
Co-Operative Council	4,856	1,859	6,715	6,241	34	6,275	440
Total	168,344	284,722	453,066	130,501	194,956	325,457	127,609

Less items in above table but not shown under provision of services in statement of accounts			(21,539)			(10,674)	(10,865)
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			44,697			50,584	(5,887)
Provision of services in the statement of accounts			476,224			365,367	110,857

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

services in statement of accounts							
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			18,535			47,462	(28,927)
Provision of services in the statement of accounts			467,108			381,475	85,633

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

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

27. Acquired and Discontinued Operations

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

28. Market Undertaking and Industrial Units

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

	2010/11 £'000	2011/12 £'000
Income from Stallholders'		
Rents and charges	30	64
Expenditure	<u>(33)</u>	<u>(71)</u>
(Deficit)/Surplus taken to General Fund	<u>(3)</u>	<u>(7)</u>

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

	2010/11 £'000	2011/12 £'000
Income from rents	7,576	7,525
Other income	596	631
Net gains/(losses) on revaluation of property	(5,858)	(1,307)
Direct operating expenses	(3,637)	(4,544)
(Deficit)/Surplus taken to General Fund	(1,323)	2,305
Total Trading Accounts	(1,326)	2,298

29. Pooled Budgets

During 2011/12 the Council was involved in the following pooled budgets in conjunction with Telford & Wrekin Primary Care Trust for improving life chances of all children, young people, adults and older people with learning difficulties and their families and for Integrated Community Equipment.

Pooled Budgets where Telford & Wrekin is the host.

Learning Disability Development Fund

To improve the service for users through closer working between the National Health Service and the Council. The Council's contribution to this budget for 11/12 is £177k

	2010/11 £000	2011/12 £000
Expenditure	223	101
Income	223	177

Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services that are delivered in partnership between primary and secondary health care, Local Government services and the independent sector. The Council's contribution to this budget is £303k

	2010/11 £000	2011/12 £000
Expenditure	292	303
Income	292	303

Intermediate Care Pooled Budget

To improve intermediate care services for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £277k.

	2010/11 £000	2011/12 £000
Expenditure	321	296
Income	330	330

Joint Commissioning Scheme

To ensure an effective and integrated approach to commissioning for health and social care services, which is service user focussed and reflects local need. The Council's contribution to this budget is £173k (Adults) - £192k (Children's).

	2010/11	2011/12
	£000	£000
Expenditure	872	818
Income	1,007	896

ALD Pooled Budget

Funding Transferred to Local Authorities from PCT to help with Valuing People, Healthcare for All, World Class Commissioning. The Local Authority contribution is £7,773k.

	2010/11	2011/12
	£000	£000
Expenditure	16,358	13,017
Income	15,708	14,635

Stafford Park Pooled Budget (previously known as Revolution)

Provide a 'Young Person centred' environment with opportunities and support services that will help all service users achieve the five outcomes central to the Children Act 2004. This pooled budget has now finished.

	2010/11	2011/12
	£000	£000
Expenditure	155	0
Income	156	0

Pooled Budgets where Telford & Wrekin PCT is the host.

Integrated Community Equipment Services

To improve the service for equipment users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £76k.

	2010/11	2011/12
	£000	£000
Expenditure	59	76
Income	81	76

Substance Misuse

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

	2010/11	2011/12
	£000	£000
Expenditure	1,289	1,203
Income	1,285	1,334

30. Members' Allowances

The Authority paid the following amounts to members of the council and Co-optees during the year.

2010/11		2011/12
£000		£000
651	Allowances	621
12	Expenses	4
663	Total	625

31. Officers' Remuneration

Senior Officer Remuneration 2011/12

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2011/12	Pension contributions	Total Remuneration including pension contributions 2011/12
		£	£	£	£	£	£	£
Managing Director		137,000	27,245	0	0	27,245	4,442	31,687
Director of Adults, Community & Customer Services		0	118,223	0	0	118,223	19,249	137,472
Interim Director of Children's Services	1	94,473	62,982	0	0	62,982	10,266	73,248
Assistant Director: Finance, Audit & Information Governance		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Development, Business & Housing		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Planning Specialist		0	81,748	0	0	81,748	13,325	95,073
Assistant Director: Family & Cohesion		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Education & Skills		0	80,689	0	0	80,689	13,152	93,841
Interim Assistant Director: Children's Safeguarding	2	75,836	46,288	0	0	46,288	7,545	53,833
Assistant Director: Children's Safeguarding	3	82,304	26,926	0	0	26,926	4,384	31,310
Assistant Director: Adult & Children's Social Care Specialist		0	81,748	0	0	81,748	13,325	95,073
Assistant Director: Care & Support		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Law, Democracy & Public Protection		0	82,404	0	0	82,404	13,432	95,836
Assistant Director: Environment & Leisure Services		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Customer & People Services		0	82,304	0	0	82,304	13,416	95,720

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2011/12	Pension contributions	Total Remuneration including pension contributions 2011/12
Posts Pre Council Restructure								
Chief Executive	4	149,000	71,310	125,000	0	196,310	11,624	207,934
Interim Chief Executive	5	149,000	42,381	0	0	42,381	6,908	49,289
Assistant Chief Executive	6	91,235	69,292	0	0	69,292	11,295	80,587
Corporate Director	7	0	119,017	11,401	0	130,418	19,380	149,798
Head of Economy & Skills	8	80,689	74,616	76,681	0	151,297	12,162	163,459
			376,616	213,082	0	589,698	61,369	651,067

Notes:

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

- 1) This is an interim appointment to this post whilst external recruitment is being undertaken
- 2) This is an interim appointment to this post to cover the substantive post holder being appointed to the Interim Director of Children's Services
- 3) This represents part year costs of the substantive post holder who was appointed to the Interim Director of Children's Services post on 1st August 2011
- 4) Includes payments for returning officer duties
- 5) This was a temporary appointment to this post pending a review of the Management Structure of the Council
- 6) Assistant Chief Executive post was deleted as part of the Management re-structure of the Council
- 7) Corporate Director post deleted after 31.03.12 as part of the Management re-structure of the Council. Post holder remained in post all year.
- 8) Head of Service post deleted as part of the Management re-structure of the Council

Senior Officer Remuneration 2010/11

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive (Victor Brownlees)	<i>Note 1</i>		155,513	0	0	155,513	25,349	180,862
Corporate Director			118,971	0	0	118,971	19,380	138,351
Corporate Director			118,897	0	0	118,897	19,380	138,277
Assistant Chief Executive			107,519	0	0	107,519	17,533	125,052
Social Care Specialist		82,304	32,668	0	0	32,668	5,329	37,997
Head of Finance		82,304	32,675	0	0	32,675	5,329	38,004
Head of Customer & Leisure Services		82,304	32,693	0	0	32,693	5,329	38,022
Head of Safeguarding (Adults & Children)		80,689	31,385	0	0	31,385	5,120	36,505
Head of Family & Community Services		82,304	32,034	0	0	32,034	5,224	37,258
Head of Property & ICT		82,304	32,001	0	0	32,001	5,244	37,245
Head of School Improvement		80,869	31,392	0	0	31,392	5,120	36,512
Head of Governance		82,304	32,668	0	0	32,668	5,329	37,997
Head of Environmental Services		82,304	32,678	0	0	32,678	5,329	38,007
Head of Care & Support (Adults & Children)		82,304	32,036	0	0	32,036	5,224	37,260
Head of Housing & Planning		82,304	32,668	0	0	32,668	5,329	37,997
Head of Economy & Skills		80,689	31,410	0	0	31,410	5,120	36,530
Posts Pre Restructure								
Corporate Director	<i>Note 2</i>	113,485	51,047	30,000	0	81,047	8,324	89,371
Interim Corporate Director	<i>Note 3</i>	108,084	18,013	0	0	18,013	2,936	20,949

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
Single Status Project Director	<i>Note 4</i>	80,689	40,573	62,676	0	103,249	3,323	106,572
Head of Adult Social Care Delivery	<i>Note 5</i>	80,869	48,603	0	0	48,603	7,928	56,531
Head of Finance	<i>Note 5</i>	80,689	48,693	0	0	48,693	7,928	56,621
Head of Customer & Leisure Services	<i>Note 5</i>	80,869	48,712	0	0	48,712	7,928	56,640
Head of Safeguarding & Corporate Parenting	<i>Note 5</i>	77,451	46,651	0	0	46,651	7,610	54,261
Head of Regeneration & Housing	<i>Note 5</i>	79,073	47,639	0	0	47,639	7,769	55,408
Head of Property & Design	<i>Note 5</i>	79,073	46,943	0	0	46,943	7,769	54,712
Head of Learning & Achievement	<i>Note 5</i>	77,451	46,661	0	0	46,661	7,610	54,271
Head of Governance	<i>Note 5</i>	80,869	48,603	0	0	48,603	7,928	56,531
Head of Environmental services	<i>Note 5</i>	80,869	48,691	0	0	48,691	7,928	56,619
Head of Adult Social Care Commissioning	<i>Note 5</i>	79,073	47,642	0	0	47,642	7,769	55,411
Head of Planning & Transport	<i>Note 5</i>	80,689	48,603	0	0	48,603	7,928	56,531
Head of ICT & Procurement	<i>Note 4</i>	79,073	68,927	52,231	0	121,158	7,769	128,927
Head of Economic Development	<i>Note 5</i>	77,451	46,686	0	0	46,686	7,610	54,296
Head of Early Intervention	<i>Note 4</i>	77,451	66,264	25,000	0	91,264	7,645	98,909
Head of Community Protection	<i>Note 4</i>	80,689	73,925	61,515	0	135,440	8,768	144,208
			1,780,084	231,422	0	2,011,506	277,138	2,288,644

Notes:

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

9) Includes payments for Returning Officer duties

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

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

The following table excludes Senior Officers shown above.

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

	<u>Number of Employees 2010/11</u>	<u>Number of Employees 2011/12</u>
£50,000 - £54,999	77	66
£55,000 - £59,999	52	52
£60,000 - £64,999	27	32
£65,000 - £69,999	6	8
£70,000 - £74,999	2	5
£75,000 - £79,999	3	3
£80,000 - £84,999	2	2
£85,000 - £89,999	2	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	1
£100,000 - £104,999	2	0
£105,000 - £109,999	1	1
£190,000 - £194,999	1	0

The 2011/12 figures include 102 school based employees (103 in 2010/11). The 2011/12 figures include 24 employees (9 in 2010/11) who left under redundancy or retired during the year (including the person in the £190,000 to £194,999 band in 2010/11). Please note those bands with nil in both years have been excluded.

32. External Audit Costs

The Council's accounts have been audited by KPMG in 2010/11 and 2011/12. In 2011/12 the Council incurred the following fees relating to external audit and inspection:

	<u>2010/11 £000</u>	<u>2011/12 £000</u>
Fees payable to KPMG with regard to external audit services	270	241
Fees payable to Audit Commission in respect of statutory inspection	32	0
Fees payable to KPMG for the certification of grant claims and returns	35	35
Fees payable in respect of other services provided by the appointed auditor, for 2011/12 includes £2,000 paid to the Audit Commission in relation to the National Fraud Initiative	49	43

33. Disclosure of deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG) which is within Children & Education Services in the Income & Expenditure Account. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes

elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2011/12			110,380
Brought forward from 2010/11			358
Carry forward to 2011/12 agreed in advance			0
Agreed budgeted distribution in 2011/12	12,349	98,031	110,380
In Year Adjustments	358	0	358
Final Budget Distribution for 2011/12	12,707	98,031	110,738
Actual Central Expenditure	(12,327)		(12,327)
Actual ISB deployed to Schools		(97,767)	(97,767)
Local authority contribution for 2011/12	0	0	0
Carry Forward to 2012/13	380	264	644

34. Grant Income

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

2010/11		2011/12
£000		£000
	Credited to Taxation and Non Specific Grant Income	
8,944	Revenue Support Grant	18,128
61,593	Non Domestic Rates	54,123
12,553	Area Based Grant/Local Services Support Grant	610
619	Other grants	500
83,709	Total	73,361
	Credited to Services	
98,643	Dedicated Schools Grant	110,094
11,876	Standards Fund	1,635
60,300	Mandatory Rent Allowances Subsidy	64,736

14,122	Council Tax Benefits Subsidy	14,189
5,309	Schools Standards Grant	0
5,827	Sure Start	0
0	Pupil Premium Grant	2,311
0	Early Intervention Grant	8,013
0	Learning Disability and Health Reform Grant	6,641
18,553	Other grants	7,522
214,630	Total	215,141

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

2010/11		2011/12
£000		£000
	Capital Grants Receipts in Advance	
6,396	National Growth Point	0
474	Homes & Communities Agency	0
782	Standards Fund	0
1,045	Other grants	435
768	Primary Care Trust	0
50	Other contributions	0
9,515	Total	435

35. Related Parties

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

Central Government

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

Members

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

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

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell – his company, Peace of Mind Homecare, provided services to the Council through service contracts and received £491,479 in 2011/12.

Councillor Rae Evans – Received Ironbridge Improvement Grant in relation to a property in the Wharfage, Ironbridge.

Officers

Paul Clifford – Purchased a small plot of land at arms length from the Council for £1,000 (market value) during 2011/12.

Other Public Bodies [subject to common control by Central Government]

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

36. Capital Expenditure and Capital Financing

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

2010/11		2011/12
£'000		£'000
205,613	Opening Capital Financing Requirement	227,287
	Capital Investment	
53,266	Property, Plant & Equipment	45,968
1,161	Investment Properties	2,230
210	Assets Held for Sale	13
754	Intangible Assets	1,526
19,299	Revenue Expenditure funded from Capital under Statute	20,345
69	Leased Vehicles	692
	Sources of Finance	
(1,635)	Capital Receipts	(1,617)
79	Finance Leases	307
(45,518)	Government Grants and Other Contributions	(40,550)
(6,011)	Revenue Provision (NB: includes MRP)	(6,397)
227,287	Closing Capital Finance Requirement	249,804
21,674	Movement for Year	22,517
	Explanation of movements in the year	
4,563	Increase in underlying need to borrow (supported by Government financial assistance)	494
17,111	Increase in underlying need to borrow (unsupported by Government financial assistance)	22,023
21,674	Increase/(decrease) in Capital Financing Requirement	22,517

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

At 31-3-2012 there was 3 significant contracts in place with outstanding commitments of £22.0m, as detailed in note 12.

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

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2011/12 the Authority made payments of £9,654,429 in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

37. Leases

Finance Leases

During 2011/12 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £588,169. Finance lease rentals of £468,578 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	Next Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	391	699	86	1,176

The aggregate amount of finance charges in respect of finance leases was £51,034 for 2010/11 (£59,233 for 2010/11)

The Council operates a de minimis level of £10,000 for including assets in the asset register, therefore not all the assets acquired under finance leases are shown on the balance sheet within fixed assets. Within note 6 to the accounts the value of assets held within Vehicles, Plant and Equipment are shown.

Operating Leases

During 2011/12 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £25,111 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	Next Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	18	18	0	36

Hire Purchase Contracts

During 2011/12 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental income received from

these properties for 2011/12 amounted to £8,156,000 (£8,172,000 for 2010/11). See also note 28 Trading Accounts and note 13 in respect of the valuation of these assets as Investment Properties.

38. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Jigsaw. We have assets held of £58.2m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £62.4m as at 31st March 2012 (£63.4m as at 31st March 2011). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.3m in to the interest paid for 2011/12 (£5.4m 2010/11). Amounts due are shown in the table below:-

	2010/11				2011/12			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	1,535	750	5,300	1,805	2,073	270	5,192	1,627
2 to 5 years	7,720	2,006	20,112	7,500	5,575	4,395	19,755	8,085
6 to 10 years	7,891	5,698	22,982	12,872	6,967	6,962	22,439	13,732
11 to 15 years	8,820	6,555	19,673	17,850	9,054	6,706	18,742	19,140
16 to 20 years	10,493	6,902	14,046	24,635	13,183	4,647	12,480	26,014
21 to 25 years	11,018	3,504	4,465	24,200	9,091	1,686	2,670	18,457

39. Impairment Losses

During 2011/12, the Authority has recognised impairment losses of £12.709m in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

40. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2011/12 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band
				£'000
£0 - £20,000	5	209	214	1,830
£20,001 - £40,000	3	52	55	1,559
£40,001 - £60,000	0	20	20	1,008
£60,001 - £80,000	0	10	10	719
£80,001 - £100,000	1	4	5	449

£100,000 - £150,000	0	8	8	962
Total	9	303	312	6,527

The total cost of £6.527m includes £3.3m for redundancy and severance payments that have been agreed and charged to the authority's Comprehensive Income and Expenditure Statement in the year. The statement also includes a provision of £3.2 m which relates to the cost of redundancy and severance payments where the authority had issued notice at 31 March 2012 (for staff required to leave in 2012/13 and who are currently working notice periods) These costs include charges made by the Shropshire pension scheme in respect of early pension payments as required by scheme regulations which total £3.1m. Each agreed redundancy generates savings for the authority.

41. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Teacher's Pension Scheme is also technically a Defined Benefits Scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 the Council paid an employer's contribution of £6,546,473 (£6,375,741 in 2010/11) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quinquennial actuarial valuations, the last review being at 31st March 2011. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,546,473 (£6,375,741 in 2010/11) representing 14.1% of pensionable pay.

The Council also pays employer's contributions in relation to the Local Government Pension Scheme administered on our behalf by Shropshire Council. These are disclosed in the Note 42.

42. Defined Benefit Pension Schemes Participation in Pension Schemes

In accordance with International Reporting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 18 of the Accounting Policies, the Council participates in two formal schemes, the Local Government Pension Scheme, and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities. The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council's share of has increased by £32.3m; this has been as a result of actuarial losses on scheme benefits and assets. The estimated contributions expected to be paid into the local Government pension scheme next year is £11.297m. The contribution rate is already set for 2012/13 and 2013/14 at the same level as 2011/12, with no

increase currently anticipated after 2013/14, though that will be dependent on the next valuation which is as at 31/3/13.

In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Shropshire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change has reduced the IAS19 benefit obligations. This has resulted in a reduction in past benefit of £26.371m in relation to 2010/11 and this was been included in the Comprehensive Income & Expenditure Account as a separate line for that year, no similar change occurred for 2011/12.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/12 the cumulative amount of actuarial losses recognised in the statements is £75.648m.

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

	2010/11	2011/12
	£000	£000
Present Value of Funded Benefit Obligations	(408,225)	(445,317)
Present Value of Unfunded Benefit Obligations	(8,548)	(8,564)
Total Present Value of Benefit Obligations	(416,773)	(453,881)
Fair Value of Pension Fund Assets	294,478	299,294
Surplus/(Deficit)	(122,295)	(154,587)

Change in Benefit Obligation during year.

	2010/11	2011/12
	£000	£000
Benefit Obligation at Beginning of Year	(448,125)	(416,773)
Current Service Cost	(12,820)	(9,978)
Interest on Pension Liabilities	(25,199)	(22,796)
Member Contributions	(4,549)	(4,141)
Past Service Cost	26,166	0
Actuarial Gain or (Loss) on Liabilities	35,079	(15,894)
Curtailement Cost	(971)	(2,888)
Settlements	0	1,069
Benefits / Transfers Paid	13,646	17,520
Surplus / (Deficit) at End of Year	(416,773)	(453,881)

Change in Plan Assets during year.

	2010/11	2011/12
	£000	£000
Fair Value of Plan Assets at Beginning of Year	271,491	294,478
Expected Return on Plan Assets	16,280	16,813
Actuarial Gain or (Loss) on Assets	2,801	(10,396)
Employer Contributions	13,003	12,042
Member Contributions	4,549	4,141
Settlements	0	(264)
Benefits / Transfers Paid	(13,646)	(17,520)
Surplus / (Deficit) at End of Year	294,478	299,294

Statement of Gains and Losses

	2010/11	%	2011/12	%
	£000		£000	
Actuarial Gain/(Loss)	37,880	9.1% of liabilities	(26,290)	5.8% of liabilities
Actual Return on Plan Assets	21,957		6,416	
Experience Gains/(Losses) On Assets	2,801	1.0% of assets	(10,396)	3.5% of assets
Experience Gains/(Losses) On Liabilities	10,586	2.5% of liabilities	0	0.0% of liabilities

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

	2010/11		2011/12	
	£000	%	£000	%
Equity Investments	192,000	65.2%	158,625	53.0%
Government Bonds	33,570	11.4%	43,098	14.4%
Other Bonds	29,448	10.0%	31,127	10.4%
Property	11,190	3.8%	10,775	3.6%
Cash/Liquidity	15,018	5.1%	14,366	4.8%
Other	13,252	4.5%	41,303	13.8%
Total	294,478	100%	299,294	100.0%

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

	2010/11	2011/12
Equity Investments	7.5%	7.0%
Government Bonds	4.4%	3.1%
Other Bonds	5.1%	4.1%
Property	6.5%	6.0%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.0%

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31st March 2010 and updated for the following 24 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31.03.2013, but the full analysis won't be available until later that year. The main assumptions used in the calculations are:

	2010/11	2011/12
- rate of inflation (CPI)	2.9%	2.5%
- rate of increase in salaries	4.4%	4.0%
- rate of increase in pensions	2.9%	2.5%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	5.5%	4.9%
- longevity at 65 for current pensioners		
Male	21.9	22.0
Female	24.6	24.7

- longevity at 65 for future pensioners

Male	23.3	23.4
Female	26.1	26.2

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

Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present Value of Liabilities	(375,240)	(317,604)	(448,125)	(416,773)	(453,881)
Fair Value of Assets	252,947	198,435	271,491	294,478	299,294
Surplus/(Deficit) on scheme	(122,293)	(119,169)	(176,634)	(122,295)	(154,587)
(Gains) and Losses on Assets	9.0%	36.4%	(21.2%)	(1.0%)	3.5%
Gains and (Losses) on Liabilities	0.0%	0.0%	0.0%	2.5%	0.0%

Pensions Asset/Liability Account

	2010/11 £000	2011/12 £000
Opening Balance	(176,634)	(122,295)
Past Service Cost - Added Years	(1,176)	(2,083)
Current Service Cost	(12,820)	(9,978)
Interest Cost	(25,199)	(22,796)
Return On Assets	16,280	16,813
Payments to Pension Fund	13,003	12,042
Past Service Gain – Benefit Change	26,371	0
Actuarial Gain or (Loss)	37,880	(26,290)
Closing Balance	(122,295)	(154,587)

Pensions Reserve

	2010/11 £000	2011/12 £000
Opening Balance	176,634	122,295
Past Service Cost - Added Years	1,176	2,083
Charging Pensions Costs Payable	(13,003)	(12,042)
Reversing Out IAS 19 Items	(4,632)	15,961
Actuarial (Gain) or Loss	(37,880)	26,290
Closing Balance	122,295	154,587

43. Contingent Liabilities

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

44. Contingent Assets

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

45. Nature and Extent of Risks Arising from Financial Instruments

Fair Value of Assets & Liabilities

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

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

	Nominal/ Principal	Fair Value
	£000	£000
Financial Assets		
Fixed Term Deposits	40,000	47,261
Other	33	33
	40,033	47,294
Financial Liabilities		
Money Market Loans (LOBO's)	60,000	73,602
PWLB Loans	56,523	75,239
Temporary Loans	31,147	31,146
	147,670	179,987

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

Methodology and Assumptions

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

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

Complexities of the NPV calculation

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

Evaluation of PWLB debt

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

Inclusion of accrued interest

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

Discount rates used in NPV calculation

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

Assumptions:

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

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

Exposure to Risk

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

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

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

Credit risk

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

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

	Amount at 31 March 2012 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability £000s
	A	B	C	A * C
Deposits with banks and financial institutions	50,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	33,883	12.0	14.5	4,905
Total	83,916	4.8	5.8	4,905

The Council has not experienced any defaults with any of the above counterparty types in the last 10 years. No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council has a number of long term (greater than 1 year) investments, the majority of these are with UK banks that are within the UK Government Guarantee Scheme and pose no risk of default. The current market conditions are unprecedented and our position will be continually monitored.

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	2010/11 £'000	2011/12 £'000
Maturing in 1-2 years	6,001	11,001
Maturing in 2-5 years	13,002	13,002
Maturing in 5-10 years	4,505	3,505
Maturing in more than 10 years	83,015	83,014
	106,523	110,522

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

Market risk

Interest rate risk

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

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

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses. The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

Price risk

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

Foreign exchange risk

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

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

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

Sensitivity Analysis

At the 31st March 2012 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	Investments £000	Borrowing £000	Net Total £000	1% Movement £000
Variable	(13,027)	31,146	18,119	181.2
Fixed	(40,033)	116,523	76,490	0.0
Total	(53,060)	147,669	94,609	181.2

A 1% change in interest rates would have an impact on the budget of £181,200, this is as a result of that at 31st March 2012 we had more variable borrowing than variable investments. The

most likely next move in interest rates is upwards, although not expected before 2015, this would lead to a net increase in borrowing costs. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing.

Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding	
				2010/11 £'000	2011/12 £'000
Public Works Loan Board	1.92	-	8.875	46,523	50,522
Money Market Loans (LOBOs)	0.80	-	4.50	60,000	60,000
				106,523	110,522

An analysis of loans by maturity is:

	2010/11 £'000	2011/12 £'000
Maturing in 1-2 years	6,001	11,001
Maturing in 2-5 years	13,002	13,002
Maturing in 5-10 years	4,505	3,505
Maturing in more than 10 years	83,015	83,014
	106,523	110,522

	2010/11 £'000	2011/12 £'000
Total Long Term Borrowing	106,523	110,522
Temporary Borrowing	24,382	37,147
Total Borrowing	130,905	147,669

In total fixed and temporary borrowing increased by £16.8m, from £130.905m to £147.670m during the year. This was due to some temporary borrowing in late March, which was repaid in early April as well as funding capital expenditure.

46. Area Based Grant/Local Services Support Grant

Area Based Grant (ABG) is non ring-fenced i.e. there are no conditions on its use. This was withdrawn in 2010/11 and replaced by Local Services Support Grant (LSSG), though at a much lower level. Both grants are therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The total value of ABG received by the Council in 2010/11 was £12.553m, the value of LSSG for 2011/12 is £0.610m.

47. Income & Expenditure Account Deficit.

For 2011/12 the accounts show a surplus on the Income and Expenditure Account of £5.848m. The actual contribution to General Fund Balances was £0.423m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

Surplus on Income & Expenditure Account	£5.848m
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£0.096m
Less:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£6.030m
Changes in Reserves	-£0.509m
Actual Contribution to General Fund Balances	£0.423m

48. Investments

In total our investments have fallen by £22.6m as a result of the approved policy to run down investments rather than incur borrowing to fund capital expenditure.

The Council has a number of long term investments in external organisations, totalling £25.033m. The majority (£25.000m) relates to fixed term investments with banks. Investments are shown in the Balance Sheet at market value.

The council also has a number of short term investments totalling £25.000m. These have increased over the year as some of our longer term investments near maturity. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

Summary of Investments

Category	2010/11	2011/12
	£000	£000
Long Term Investments		
Fixed Term Deposits	40,000	25,000
Other	33	33
Total Long Term	40,033	25,033
Short Term Investments		
Fixed Term Deposits	20,000	25,000
Total Short Term	20,000	25,000
Cash & Cash Equivalent Investments	15,645	3,027
Total Investments	75,678	53,060

Fund Managers have been valued at "fair value through profit and loss", supranational bonds as an available for sale asset at fair value and all other investments are valued as "loans and receivables". See also note 14 on fair value.

49. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The Authority has replaced its Financial Management System, it is accounted for as an intangible asset.

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

	2010/11	2011/12
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	0	799
- Accumulated Amortisation	0	0
Net Carrying Amount at Start of Year	0	799
Additions		
- Purchases	799	1,526
Amortisation for the Period	0	(166)
Net Carrying Amount at Year End	799	2,159
Comprising		
- Gross Carrying Amount	799	2,325
- Accumulated Amortisation	0	(166)
Total	799	2,159

50 Usable Capital Receipts Reserve

	2010/11	2011/12
	£'000	£'000
Opening balance	36	12
Capital receipts received during year	1,611	1,605
Less		
Capital receipts used for financing during year	(1,635)	(1,617)
	<u>12</u>	<u>0</u>

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

51 Special Fund Revenue Account

	<i>2010/11 Net Expenditure £'000</i>	<i>2011/12 Gross Expenditure £'000</i>	<i>2011/12 Income £'000</i>	<i>2011/12 Net Expenditure £'000</i>
EXPENDITURE ON SERVICES				
Cemeteries	26	125	112	13
Highways – footway lighting	691	760	18	742
Total expenditure on services	717	885	130	755
INCOME				
Council Tax	(820)			(825)
(Surplus) or deficit for year	(103)			(70)
Special Fund				
Balance at beginning of the year	187			290
Surplus or (deficit) for year	103			70
Balance at end of year	290			360

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

52. School Balances

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

	<i>2010/11</i>	<i>2011/12</i>
	<i>£000</i>	<i>£000</i>
School Balances - Revenue	3,624	5,519
School Balances - Capital	1,205	865
Total School Balances	4,829	6,384

53. Soft Loan

During 2010/11 the Council extended for 36 months a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 0.50% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2011/12 and the balance at 31ST March is £451,000. This is shown as a debtor on the Balance sheet at a fair value of £404,000 and a notional £47,000 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited which covers the full £500,000.

54. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £4.592m and the principal repayment in respect of the PFI lease was £1.805m giving a total provision of £6.397m in 2011/12 (£6.011m in 2010/11).

55. Building Control Account 2011/12

<u>Expenditure</u>	Chargeable	Non- Chargeable	Total Building Control
	2011/12 £'000	2011/12 £'000	2011/12 £'000
Employee Expenses	188	132	320
Support Services	115	71	186
	303	203	506
<u>Income</u>			
Building Regulation Charges	253	202	455
	253	202	455
(Surplus)/Deficit	50	1	51
2010/11			
(Surplus)/Deficit	(25)	8	(17)

56. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2011/12 expenditure on this totalled £20.345m and grant receivable amounted to £17.931m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

57. Trust Funds

The Council acts as a Trustee for the Telford Trust, which provides the leisure facilities at Madeley Court Recreation Centre. The Trust is a separate legal entity whose full set of accounts are audited by independent auditors. In 2011/12 the accounts will be audited by Muras Baker Jones and we expect to receive an unqualified audit opinion.

THE TELFORD TRUST	2010/11 £'000	2011/12 £'000
Balance at 1st April	164	571
Income	1,070	793
Expenditure	(919)	(872)
Actuarial loss on defined benefit pension scheme	256	(128)
Balance at 31 March	571	364

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

THE COMMON GOOD FUND	2010/11 £'000	2011/12 £'000
Balance at 1st April	9	9
Income	0	0
Expenditure	0	0
Balance at 31 March	9	9

58. Insurance Reserves

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

The reserves are in existence for the following purposes:-

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

An analysis of the reserves for 2011/12 indicates the following:-

	General Fund		Education	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance b/f	1,247	1,472	1,186	875
Charges in the Year	(593)	(814)	(311)	0
Contributions	818	935	0	183
Balance c/f	1,472	1,593	875	1,058

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

	General Provision		Self Insurance	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance B/f	409	409	838	1,063
Charges In Year	(347)	(463)	(246)	(351)
Contributions	347	464	471	471
Balance c/f	409	410	1,063	1,183

For 2011/12 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims and £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, liable and slander and officials indemnity claims.

59. Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2011/12 accounts, as was the case last year.

60. West Mercia Supplies Purchasing Consortium

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

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

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

However, in the interests of transparency and accountability the unaudited 2011/12 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 22.47%. The WMS balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer for West Mercia Supplies:

Extract from WMS Balance Sheet	2011/12	Telford & Wrekin Share
	£'000	£'000
Long Term Assets		
Property, Plant & Equipment	2,898	651
Intangible Assets	2	0
Long Term Debtors	1,398	314
Current Assets		
Inventories	2,842	639
Short Term Debtors	14,500	3,259
Cash and Cash Equivalents	1,943	437
Current Liabilities		
Short Term Creditors	-14,759	-3,317

Extract from WMS Balance Sheet	2011/12	Telford & Wrekin Share
	£'000	£'000
Long Term Liabilities		
Long Term Creditors	-1,398	-315
Other Long Term Liabilities	-4,447	-999
Total Assets Less Liabilities	2,979	669
Financed By		
Usable Reserves	-2,979	-669
Unusable Reserves	0	0
	-2,979	-669
Turnover	66,932	15,042

Note: WMS, with the exception of the energy division, was sold in April 2012. The WMS name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four member authorities. The energy division will continue in operational existence under the trading name of "West Mercia Energy" for the foreseeable future.

61. Landfill Allowances Trading Scheme (LATS)

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

There are 374 tonnes allowances carrying forward from 2010/11 to 2011/12 and the value of allowances allocated and used for the year were valued at £0.50.

The values used for 2011/12 have been affected by the market for allowances which has been very low. We have decided that allowances are valued at £0.50 per tonne. For 2011/12 this authority was allocated an allowance of 29,113 tonnes (valued at £0.015m) and used 32,740 tonnes (valued at £0.016m) of the allowance. This resulted in 3,253 tonnes (valued at £0.002m) of shortfall in allowances requiring purchase in 2012/13.

The impact on the income and expenditure account is as follows. Environmental Services has additional expenditure of £18,713 and additional income of £14,557, a net cost of £4,156.

The impact on the balance sheet is as follows;

Liability to DEFRA for Landfill Usage

	2010/11	2011/12
	£'000	£'000
Balance Brought Forward	0	(130)
Adjustment to previous year usage	0	(1)
Write out actual usage for previous year	0	131
Estimated usage for year	(130)	(16)
Balance Carried Forward	(130)	(16)

Landfill Allowances Asset Account

	2010/11 £'000	2011/12 £'000
Balance Brought Forward	0	133
Adjustment to pricing of Brought Forward Balance	0	(1)
Less Confirmed usage for previous year	0	(131)
Allowance for Year	<u>133</u>	<u>14</u>
Balance Carried Forward	<u>133</u>	<u>15</u>

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

2010/11 £000		2011/12 £000
(22,391)	Impairment and depreciation of property, plant and equipment and intangible assets	(23,518)
(45)	(Increase)/decrease in interest creditors	101
(9,246)	(Increase)/decrease in creditors	9,857
(6,606)	Increase/(decrease)in interest/dividend debtors	808
(225)	Increase/(decrease)in debtors	5,410
109	Increase/(decrease)in inventories	(91)
16,459	Pension Liability	(6,002)
(1,841)	Contribution (to)/from provisions	(1,249)
(4,224)	Carrying amount of non current assets sold	(5,124)
(5,858)	Movement in Investment Property Values	(434)
(19,811)	Carrying Amount of short and long term investments sold	0
(53,679)	Total	(20,242)

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

2010/11 £000		2011/12 £000
44,994	Capital grants credited to surplus or deficit on the provision of services	55,567
19,811	Proceeds from sale of short and long term investments	0
1,607	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,906
66,412	Total	57,473

64. Heritage Assets

The council has identified a number of Heritage Assets, as listed below. These are held for the appreciation of the history of the local area. The council has no cost records for the assets and due to their nature they cannot be cost effectively valued. The assets are therefore not recognised in the balance sheet.

Asset	Location
Anstice Backwalls & Ice House	Ironbridge
Bridge Structure, Former Castle	Little Dawley
Canal & 2 Railway Bridges	Coalport
Canal & Lock Gates	Hadley
Canal Basin	Granville Park
Canal Blist Hill to Sutton Hill	Madeley
Captain Webb Memorial	Dawley
Crossing Gates, Station Platform, Sidings	Ironbridge
Furnaces	Granville Park
Incline	Ironbridge
Incline Plane	Coalbrookdale
Incline Plane	Madeley
Ladywood Brickworks	Ironbridge
Loam Hole Dingle	Jiggers Bank
Lydbrook Sandstone Outcrop	Jiggers Bank
Mining Landscape	Shortwood, Wellington
Monument	Lilleshall
Newport Canal	Newport
Norman Chapel	Town Park
Overhead Bridge, Footbridge at Low Level	Madeley
Pumping Engine House Including Reservoir Weirs	Ironbridge
Railway Bridge	Newport
Railway Bridge (Wings)	West of Newport
Shafts Compressor House	Granville Park
Slag Block Wall	Ironbridge
Station Yard	Coalport
Stirchley Chimney	Stirchley
Stirchley Railway Station	Stirchley
Stirchley Tunnels	Stirchley
Track Beds/Railway Lines	Ironbridge
Ventilation Shaft	Ironbridge
Wappenshall Canal Basin	Wappenshall
Wide waters, Canal Basin	Little Dawley

65. Post Balance Sheet Event

Abraham Darby Academy was completed after the balance sheet date and subsequently became an academy school.

Collection Fund Account

	2010/11 £'000	2011/12 £'000	<i>Notes</i>
Income			
Income from Council Tax	58,320	58,749	1
Transfers from the Council's General Fund			
– Council Tax Benefits	14,262	14,485	
– Transitional Relief	(1)	(1)	
– Discounts for prompt payment	0	0	
Income collectable from business ratepayers	61,420	61,870	2
Contributions			
- Towards previous year's Collection Fund deficit	0	0	
- Adjustment of previous years' community charges	0	0	
	<u>134,001</u>	<u>135,103</u>	
Expenditure			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	71,803	73,756	3
Business Rates			
– Payment to national pool	61,202	61,653	
– Costs of collection	217	217	
Bad and Doubtful Debts/Appeals			
– Write Offs	88	126	
– Provisions	24	117	
Contributions			
- Towards previous year's estimated Collection Fund surplus	0	0	
- Adjustment of previous years' community charges	0	0	
	<u>133,334</u>	<u>135,869</u>	
Movement on fund balance (Increase)/Decrease	(667)	766	

Notes To Collection Fund Accounts

1. Council Tax Base for 2011/12

2010/11 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
14,595	Band A	25,853	(3,879)	21,974	14,638
12,369	Band B	18,035	(2,043)	15,992	12,438
7,874	Band C	9,964	(1,009)	8,955	7,960
7,119	Band D	7,491	(317)	7,174	7,174
4,915	Band E	4,313	(263)	4,050	4,950
2,645	Band F	1,975	(109)	1,866	2,695
1,533	Band G	982	(58)	924	1,540
65	Band H	48	(11)	37	73
51,115	TOTAL	68,661	(7,689)	60,972	51,468
(511)	Adjustments for growth and losses				(513)
50,604	Taxbase for year				50,955
£1,418.92	Average Council Tax for year				£1,418.60
2010/11 £'000					2011/12 £'000
71,803	Gross Yield				72,285
(14,261)	Less Benefits and Transitional Relief				(14,484)
778	Add increase in debit net of exemptions and relief's				948
58,320					58,749

2. Income Collectable from Business Rate Payers

	2010/11 £'000	2011/12 £'000	2011/12 £'000
Effective non-domestic rateable value for year	160,575	159,383	
Uniform Business Rate for year	41.4p	43.3p	
Gross Yield for year	66,478		69,013
Less Reductions & Transitional Rate Relief	(5,058)		(7,143)
	61,420		61,870

The rateable value was £ 167,209,888 at 31.3.2012

3. Precepts on the Fund

	2010/11 £'000	2011/12 £'000
Telford & Wrekin Council	55,595	57,180
West Mercia Police Authority	9,044	9,292
Shropshire & Wrekin Fire Authority	4,241	4,357
Parish Councils	2,923	2,927
	71,803	73,756

4. Allocation of Fund Balance

	2010/11 £'000	2011/12 £'000
Telford & Wrekin Council	(1,422)	(800)
West Mercia Police Authority	(221)	(124)
Shropshire & Wrekin Fire Authority	(104)	(58)
	(1,747)	(982)

Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory Board
ABG	Area Based Grant
Balances	See Reserves and Balances
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 st March for Local Authorities
Best Value Performance Indicators (BVPI's)	A set of national performance indicators used to measure performance
Budget	The financial statement reflecting the Council's policies over a period of time i.e. what the Council is going to spend to provide services.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Receipts	The proceeds from the disposal of land or buildings, or other assets. These can be used to finance new capital expenditure.
Capping	The Government has the power to tell Councils to set a lower budget requirement if it thinks the year on year increase is excessive
CIPFA CIPFA/SOLACE	The Chartered Institute of Public Finance and Accountancy CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of Public Finance and Accountancy, have worked with SOLACE - the Society of Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management.
Collection Fund	A separate statutory fund maintained by the Council, as billing authority, which records council tax and non-domestic rates collected, together with payments to precepting authorities (Police, Fire, Parishes), the national pool of non domestic rates and the Council's own General Fund.
Comprehensive Income & Expenditure Account (CI&E)	Summarised income and expenditure during the year by service area
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end
Revenue Expenditure funded from Capital under Statute (formerly	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of

Deferred Charges)	stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Depreciation	The accounting term used to describe the write off of the reduction in value of a fixed asset due to wear and tear, passing of time
Dedicated Schools Grant (DSG)	Specific ring-fenced grant allocated by the Department for Education for the funding of schools
Discounts	The benefit obtained from re-scheduling debt
International Accounting Standard 19 (IAS19)	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Local Area Agreement (LAA)	A Government initiative through which local authorities and partners deliver national outcomes in a way that reflects local priorities
Local Services Support Grant (LSSG)	Local Services Support Grant is a general grant that is not allocated to the cost of services but is shown with other grants such as RSG.
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Outturn	Actual Expenditure within a particular year
Pension Fund	An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early
Private Finance Initiative (PFI)	A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

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