Public Document Pack

Shropshire Council

Date: Friday, 22 October 2021

Time: 2.00 pm

Venue: Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Contact: Michelle Dulson, Committee Officer
Tel: 01743 257719
Email: michelle.dulson@shropshire.gov.uk

AUDIT COMMITTEE

TO FOLLOW REPORT (S)

5 Second line assurance: Final Approval - Statement of Accounts 2020/21 (Pages 1 - 242)

The report of the Executive Director of Resources (Section 151 Officer) is attached.
Contact: James Walton 01743 258915

6 Third line assurance: External Audit: Annual Audit Findings Report 2020/21 (Pages 243 - 286)

The report of the Engagement Lead is to follow.
Contact: Grant Patterson (0121) 232 5296

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Committee and Date	Item
Audit Committee	
22nd October 2021	Public

STATEMENT OF ACCOUNTS 2020/21

Responsible Officer James Walton

e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Synopsis

1.1 This covering report and attached Annual Statement of Accounts, present to Audit Committee members the audited outturn position for the financial year 2020/21 and details any amendments made to the Draft Statement of Accounts during the audit process.

2 Executive Summary

2.1 A copy of the 2020/21 Statement of Accounts is attached at Appendix 1. The Council's external auditors, Grant Thornton, have audited the accounts during August through to October 2021. The audit of the accounts is substantially complete, and the Auditor has indicated that an unqualified audit opinion will be issued on the accounts, subject to the successful completion of the outstanding matters.

2.2 Grant Thornton have produced an Audit Findings Report detailing their opinion on the accounts. The Draft Audit Findings Report is attached to this report as item 6 of the agenda; however, it should be noted that it is the draft report, and the final audit opinion will only be issued once the audit work is complete. Any further amendments required to the Statement of Accounts and the Audit Findings Report will be tabled at this meeting.

3. Recommendations

It is recommended that Members:

A. Consider and approve the 2020/21 Statement of Accounts and that the Chairman of the Audit Committee signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).

B. Agree that the Executive Director of Resources (Section 151 Officer) be authorised to make any adjustments to the Statement of Accounts prior to publication on the Council's website.

C. Agree that the Executive Director of Resources (Section 151 Officer) and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1 Details of the potential risks affecting the balances and financial health of the authority are considered within the Statement of Accounts.

5. Financial Implications

5.1 This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances held.

6. Climate Change Appraisal

6.1 The revised draft Statement of Accounts' report and recommendations have no direct effect on climate change.

7. Background

7.1 The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts after, rather than before, the findings of the audit are known. The formal date for approval and publication of the accounts for financial year 2020/21 is 30th September 2021 has amended by the Accounts and Audit Regulations due to the impact of the COVID-19 pandemic.

7.2 On 16th September 2021 this Committee considered a report from the Council's Section 151 Officer setting out the details of the unaudited Statement of Accounts for financial year 2020/21. The Committee agreed to set up an emergency meeting on 22nd October 2021 to review the audited Statement of Accounts.

7.3 The Accounts and Audit Regulations 2015 also require that the Statement of Accounts is accompanied by the Council's Annual Governance Statement which details the processes and procedures in place to enable the council to carry out its functions effectively. The Annual Governance Statement was approved by the Audit Committee on 30 July 2021 and is attached at Appendix 2.

8. External Audit Opinion

8.1 Grant Thornton are expected to provide an unqualified audit opinion on the Statement of Accounts and therefore will report as follows.

"In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

8.2 Grant Thornton have produced Draft Audit Findings Report on the 2020/21 Statement of Accounts, and this is attached at item 6 of the agenda.

9. Changes from the Draft Statement of Accounts Certified by the Director of Resources (Section 151 Officer) on 31st July 2021

9.1 There have been no material changes identified to date during the audit, however, there has been one amendment to the core financial statements and a number of other amendments made to the disclosures.

The main changes are summarised in Table 1 below with further details of the amendments provided in Section 9.3. There have been a number of other minor changes to incorporate additional narrative information and correct typing errors.

Table 1 - Amendments to Statement of Accounts

Amendment Reference	Amendment Made
A	Amendment to Balance Sheet in relation to the classification of a grant
B	Amendment to Accounting Policy 1.6 Non-Current Assets – Property, Plant and Equipment
C	Amendments to Critical Judgements in Applying Accounting Policies
D	Amendment to Long Term Unquoted Equity Investment
E	Amendments to Financial Instruments Note
F	Amendment to Nature and Extent of Risks Arising From Financial Instruments Note
G	Amendment to Creditors Note
H	Amendment to Grant Income Note
I	Amendment to Group Accounts Introduction
J	Amendment to Group Comprehensive Income and Expenditure Statement
K	Amendment to Group Balance Sheet in relation to the classification of a grant
L	Amendment to Note G1.4 of Group Accounts
M	Notes G12 and G13 of Group Accounts

9.2 Audit amendments made within the Pension Fund Accounts have now been reflected within the Pension Fund section of the Statement of Accounts. These were changes to disclosures and presentational adjustments with no amendments required to the prime financial statements.

9.3 The below amendments have been made to the Statement of Accounts.

Amendment A – Amendment to Balance Sheet in relation to the classification of a grant

Reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

Amendment B – Amendment to Accounting Policy 1.6 Non-Current Assets – Property, Plant and Equipment

Additional information included in relation to the de-minimus levels for asset valuation

Amendment C – Amendments to Critical Judgements in Applying Accounting Policies

The note has been updated for the following items:

- Further details included on the assessment of Schools assets
- Further details included on the treatment of covid-19 grants where the Council is deemed to be acting as an agent
- Clarification of the treatment of transactions relating to the Marches LEP in the Council's accounts

Amendment D – Amendment to Long Term Unquoted Equity Investment

Update to the narrative included within the Long Term Unquoted Equity Investment note.

Amendment E – Amendments to Financial Instruments Note

The Financial Instruments Note has been amended for the following items:

- The value of debtors classed as Financial Assets has been amended to remove items which are not Financial Assets
- The value of creditors has been increased to include the reclassification of the government grant from Grants Receipts in Advance to Short Term Creditors
- Additional details included in relation to the fair value of the PFI liability

Amendment F – Amendment to Nature and Extent of Risks Arising From Financial Instruments Note

The note has been amended for the following items:

- Inclusion of additional details in relation to credit losses
- Inclusion of additional details in relation to the LOBO loans

Amendment G – Amendment to Creditors Note

The value of Central Government creditors has been amended to reflect the reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

Amendment H – Amendment to Grant Income Note

The value of Grants Receipts in Advance (Revenue) has been amended to reflect the reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

Amendment I – Amendment to Group Accounts Introduction

Introduction updated to include further details in relation to the Jersey Property Unit Trust.

Amendment J - Correction to Group Comprehensive Income and Expenditure Statement

The 2018/19 figures had been included in the 2019/20 prior year comparators in error, therefore the 2019/20 figures have been updated.

Amendment K – Amendment to Group Balance Sheet in relation to the classification of a grant

Reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

Amendment L - Note G1.4 of Group Accounts

Additional information included to clarify the treatment of property, plant and equipment.

Amendment M - Notes G12 and G13 of Group Accounts

Inclusion of additional notes in relation to Cash and Cash Equivalents and Pension Liability.

10. Letter of Representation

10.1 The Council is required to produce a letter of representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received.

10.2 For Shropshire Council, this letter is produced in consultation with the external auditor, signed by the Executive Director of Resources (Section 151 Officer) and the Chairman of the Audit Committee and issued prior to the publication.

11. Conclusions

11.1 The audit of the 2020/21 Statement of Accounts is substantially complete and officers have worked effectively with the Council's external auditors to provide information to support the calculations and assumptions that underpin the Statements.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Draft Annual Statement of Accounts 2020/21 - Audit Committee 16th September 2021 CIPFA's Code of Practice (Code) on Local Authority Accounting CIPFA/SOLACE guidance on the Annual Governance Statement
Cabinet Member (Portfolio Holder) Councillor Gwilym Butler
Local Member
Appendices Appendix 1: Audited Statement of Accounts for financial year 2020/21 Appendix 2: Annual Governance Statement 2020/21

Draft Statement of Accounts

2020-2021

Shropshire Council

Annual Statement of Accounts 2020/21

The Statement of Accounts is the formal financial report on the Council's activities as required by the Accounts and Audit Regulations 2015, and other statutory provisions.

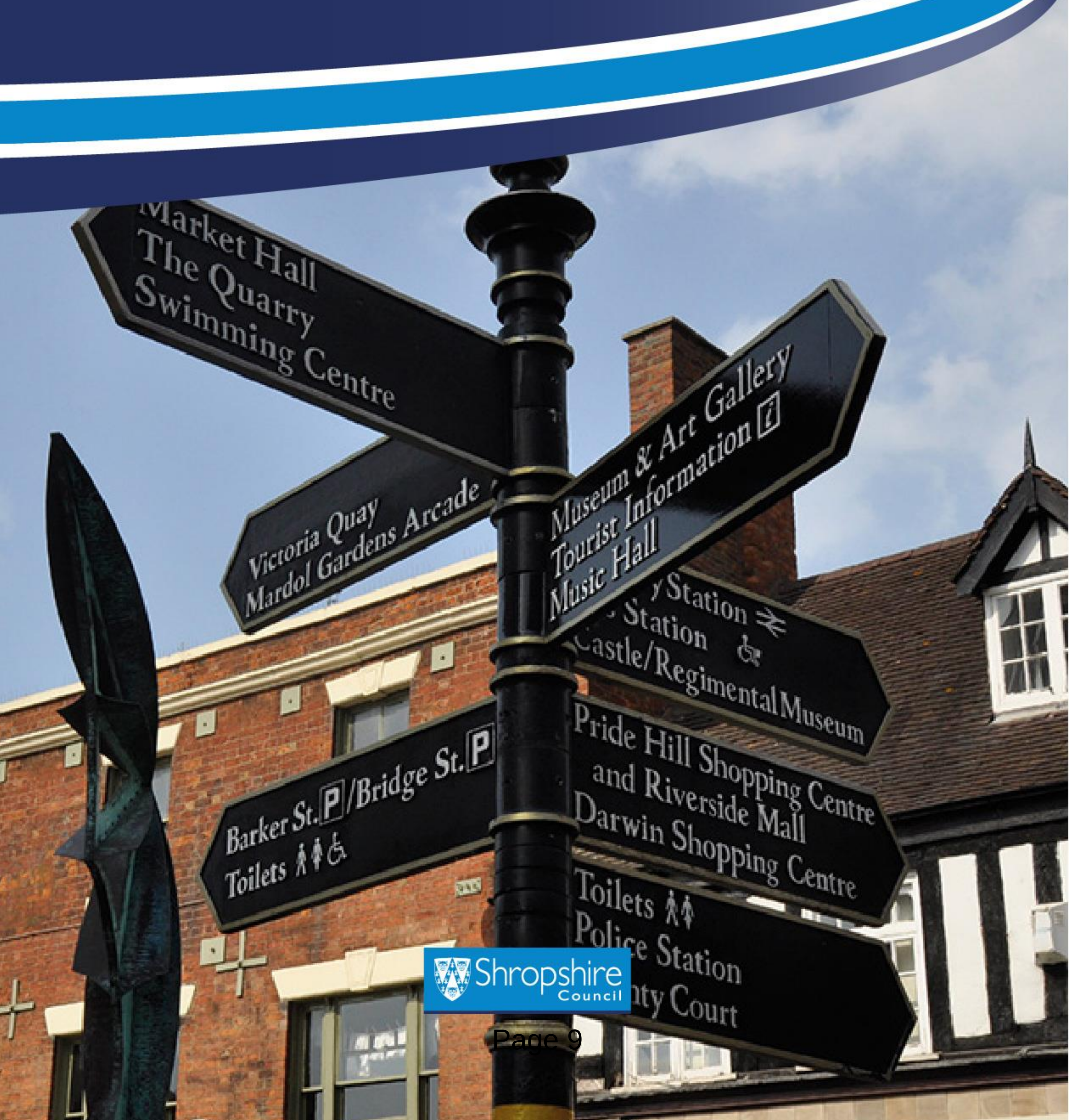
The statement includes:

Further information about the Council's Accounts can be obtained from the Finance Department.

For details please contact James Walton on (01743) 258915.

James Walton
Executive Director of Resources

Section 1
Narrative Report



Shropshire Council

The Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (the Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

The section on accounting policies describes the basis on which the financial information within the statements is prepared. The accounts have been prepared to give a true and fair view of the financial position of the Council and with the underlying assumption of the going concern concept. Information is included within the statements having regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

This statement of accounts comprises various sections and statements, which are briefly explained below:

- **A Narrative Report** – this provides an effective guide to the most significant matters reported in the accounts, including an explanation of the Council's financial position and details the performance of the Council during the financial year.

- **The Statement of Responsibilities** – this details the responsibilities of the Council and the Chief Financial Officer concerning the Council's financial affairs and the actual Statement of Accounts.

- **The Audit Opinion and Certificate** – this is provided by the external auditor following the completion of the annual audit.

- **The Core Financial Statements,** comprising:

    - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.

    - **The Movement in Reserves Statement –** this shows the movement in the year on the different reserves held by the Council which is analysed into 'usable reserves' and other reserves.

- **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2021. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.

- **The Cash Flow Statement** – this consolidated statement summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.

- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements and include the Council's accounting policies.

- **Group Accounts** – group financial statements are required in order to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the Council is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.

- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.

- **The Collection Fund –** This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

- **The Pension Fund Accounts and Disclosure Notes** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council's own finances. The accounts summarise the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2020/21 and assets and liabilities as at 31 March 2021.

A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

Financial Report

Revenue Outturn for 2020/21

The revenue budget for 2020/21 was agreed by Council in February 2020. During the course of the year, budgets can move between service areas in line with the Council's approval process, however the Net Budget remains the same, to reflect the funding that the Council receives. Revenue budgets are monitored and reported regularly to Cabinet in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising.

Narrative Report

The final outturn position for each Service Area is shown in the table below which compares actual net expenditure with the approved budget. Further details of the outturn position for each directorate is shown in the Revenue Outturn report which is presented to Cabinet and Council in June and July respectively.

	Final Budget £000	Actual Outturn £000	Controllable Over/ (Under) £000
Service Expenditure			
Adult Services	118,610	116,739	(1,871)
Children's Services	53,030	55,726	2,696
Finance, Governance & Assurance	2,629	2,304	(325)
Legal & Democratic Services	457	615	158
Place	59,904	62,208	2,304
Strategic Management Board	4	373	369
Workforce & Transformation	(231)	224	455
Corporate	(8,881)	(13,322)	(4,441)
Net Budget	**225,522**	**224,867**	**(655)**
Funded By:			
Revenue Support Grant	(6,219)	(6,219)	
Top Up grant	(10,031)	(10,031)	
Business Rates	(41,689)	(41,689)	
Collection Fund Surplus	(3,649)	(3,649)	
Council Tax	(163,934)	(163,934)	
Total Funding	**(225,522)**	**(225,522)**	

Budget monitoring reports during the course of the year have shown the following position:

Year End Projected Over/(Under)spend	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Adult Services	(1,538)	(1,736)	(1,338)	(1,871)
Children's Services	8,538	6,652	7,276	2,696
Finance, Governance & Assurance	448	1,625	718	(325)
Legal & Democratic Services	26	60	46	158
Place	8,594	5,121	3,279	2,304
Strategic Management Board	(115)	(123)	349	369
Workforce & Transformation	2,852	1,076	1,060	455
Corporate	(16,880)	(9,904)	(10,552)	(4,441)
TOTAL	**1,925**	**2,771**	**838**	**(655)**

The Council was a projecting a significant overspend at quarter 1 and then again at quarter 2 this was reduced at quarter 3 and by quarter 4 an underspend was delivered.

Throughout the year the Council experienced significant increases in the cost of Looked After Children as more and more children required support. This not only impacted on the financial position of Childrens Services but also Legal services where caseloads correspondingly increased. Additionally, increases in the costs of homelessness resulted in a shortfall in Housing Subsidy creating pressure on Council budgets during the year.

In the latter half of the year the availability of Covid-19 funding from government, coupled with greater certainty over its application, meant that some of these pressures could be offset and the overall pressures on Council budgets reduced. By the end of 2020/21 the identifiable costs of the Covid-19 pandemic had been fully covered by the various sources of Government funding provided.

The financial impact of Covid-19 in 2020/21, including grants administered by schools and grants passported to third parties, totalled £174.780m.

Covid-19 Funding 2020/21	£000
Unringfenced MHCLG grant to support direct Local Authority expenditure and loss of income	22,023
Income from Coronavirus Job Retention Scheme (for furlough costs) plus	3,635
Funding for eligible Sales Fees & Charges losses	1,188
Other specific funding streams deployed against specific activity or passported directly to third parties (including schools funds)	147,934
TOTAL	174,780

A total of £26.8m of direct adverse cost impact occurred within Council budgets and was funded as shown below.

Covid-19 Cost impact on Council Budgets 2020/21	£000	£000
Adult Social Care	3,720	
Children's Social Care	2,910	
Homelessness	1,415	
Furlough and other staff costs	1,368	
Leisure Services	848	
PPE	558	
Communications and ICT Services	427	
Lockdown Compliance and Reopening Costs (including Reopening of High Streets)	325	
Delivery of Food Parcels and Essential Supplies, and Grants to Community Groups	276	
Public Health	222	
Legal Services (Child Care)	84	
Transport	80	
Learning and Skills	60	
Waste Management	60	
Finance	30	
Contribution to WMCA Covid-19 Hub	20	
Outdoor Partnerships (Rights of Way)	17	

Arts Grants	13	
Risk Management and Insurance	1	
Additional Expenditure Incurred (including staff time and furlough)		12,434
Loss of Income		10,419
Unachieved savings		3,993
Total Cost impact of Covid-19 2020/21		**26,846**
Funded by		
Unringfenced MHCLG Grant		22,023
Compensation for Loss of Sales, Fees & Charges Income		3,635
Coronavirus Job Retention Scheme		1,188
Total Funding applied 2020/21		**26,846**

A total of £147.934m in other specific funding streams was deployed against specific activity or passported directly to third parties. Where the Council was required to distribute the grants according to specific criteria, and was therefore acting as an agent, the transactions have been excluded from the income and expenditure in the Comprehensive Income and Expenditure statement and a debtor or creditor included on the Balance Sheet for any outstanding balances. Details of these grants are shown in note 39.

Other Covid-19 Funding Applied or Passported during 2020/21	**£000**	
Small Business Support Grant/Retail Hospitality & Leisure Grant/Local Authority Discretionary Grant	85,983	
Local Restrictions Support Grants / Closed Business Grants / Additional Restrictions Grant / Christmas Support Payment	44,937	
Infection Control Fund	8,590	
Covid-19 Hardship Fund	1,540	
Rapid Testing Fund	1,120	
Covid-19 Winter Grant Scheme	783	
Test and Trace Support Grant	766	
Workforce Capacity Fund	697	
Contain Outbreak Management Fund	611	
Community Testing Grant	360	
Sport England National Leisure Recovery Fund	349	
Reopening High Streets Safely Fund	288	
Home to School Transport Grant	241	
Supported Bus Services	229	
Self Isolation Grant (Test and Trace Support Payments)	188	
Emergency Assistance Grant	157	
Compliance and Enforcement Grant	145	
Coronavirus Job Retention Scheme (School budgets)	94	
Travel Demand Management Grant	75	
Active Travel Grant	32	
Eat Out to Help Out	4	
Total Funds administered by the Council		**147,189**
Covid-19 Catch Up Premium	504	

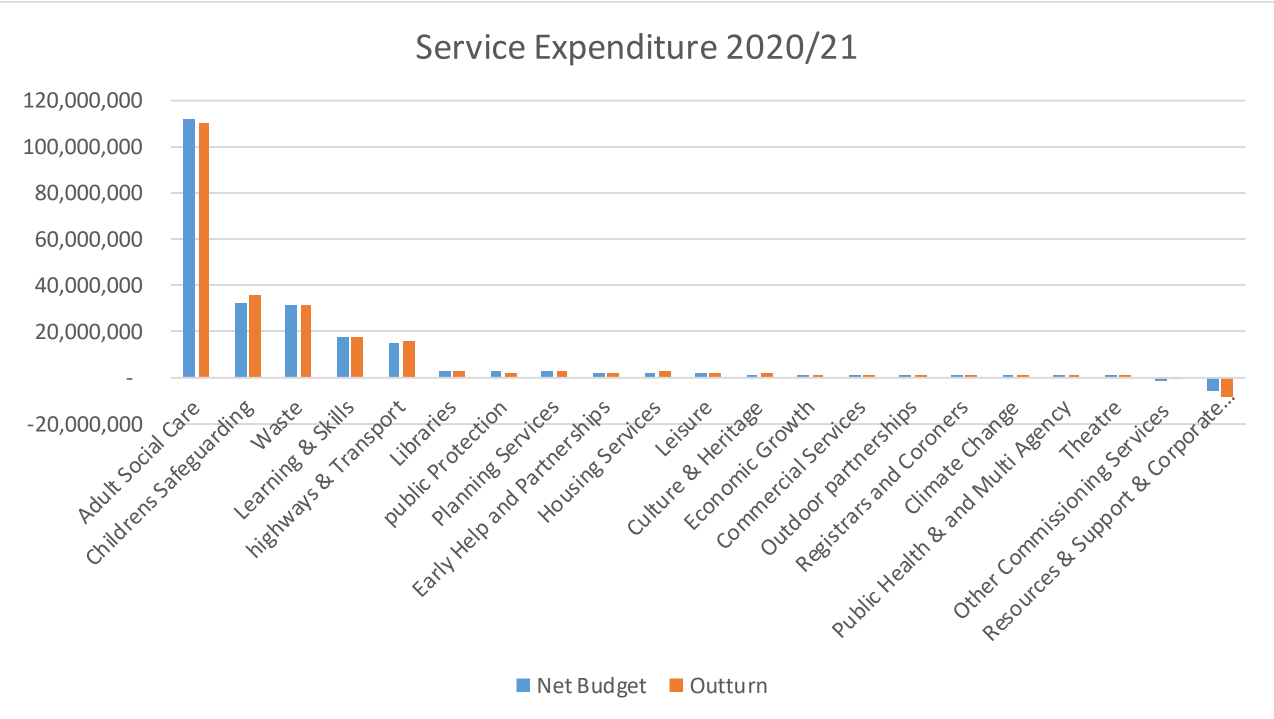
Coronavirus (Covid-19) Schools Fund	241	
Total Funds administered by Schools		**745**
Total		**147,934**

The overall controllable underspend at the end of 2020/21 of £0.655m against service area's budgets represents 0.11% of the gross budget of £575.462m.

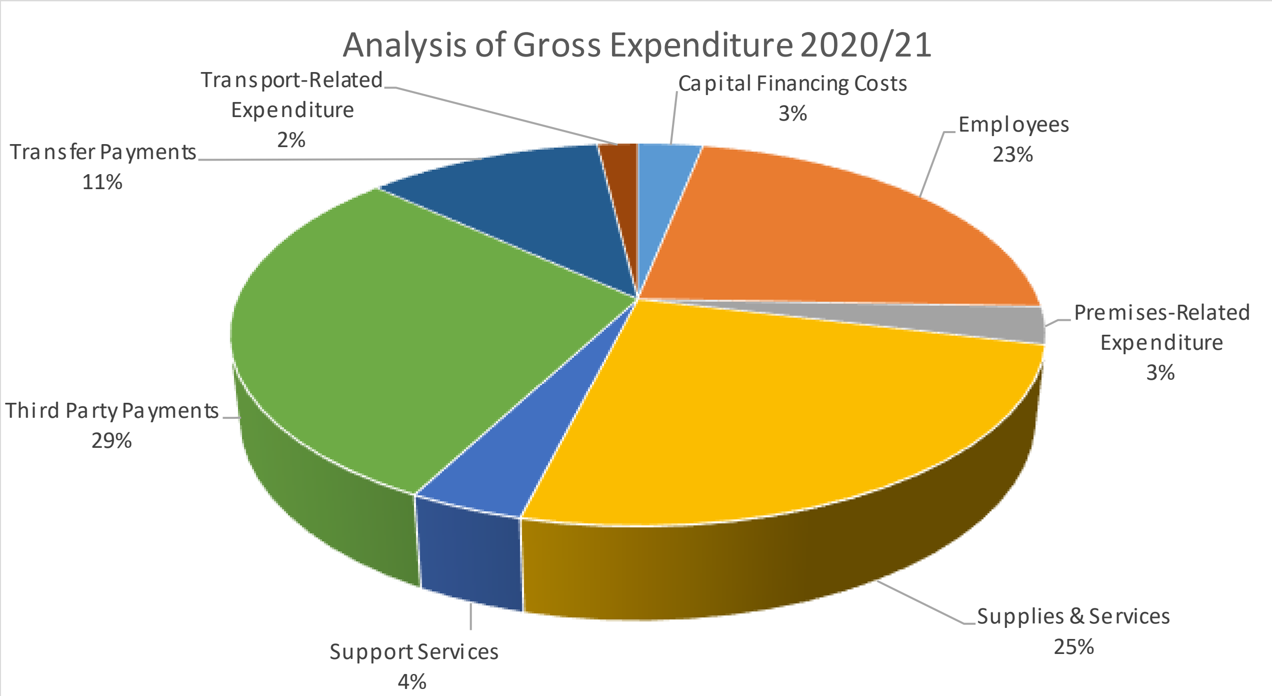
In addition, School balances held under a scheme of delegation, including invested sums, have increased by £4.104m from the previous year. (This includes the impact of removing the Dedicated Schools Grant deficit which has now been moved to an unusable reserve.) Schools' balances have to be ring-fenced for use by schools, and schools have the right to spend those balances at their discretion. One school converted to an academy during the year.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 6 and 7 to the Accounts.

The chart below demonstrates which services the Council has spent its net budget on. It should be noted that this excludes any expenditure on schools which is funded separately through the Dedicated Schools Grant.



The gross expenditure for the Council, including expenditure for schools was £872.355m and this was spent on the following types of expenditure:



Capital Outturn for 2020/21

The Capital Budget is monitored throughout the year to identify any pressures and re-profile budgets based on revised expenditure projections. The budget changes as a result of slippage from the previous financial years capital programme, new capital allocations received or reductions in existing allocations and re-profiling of capital allocations between financial years.

The table below provides a summary of the revised capital budget and expenditure for 2020/21 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Capital Outturn report presented to Cabinet and Full Council.

Service Area	Revised Budget 2020/21 £000	Actual Spend 2020/21 £000	Variance 2020/21 £000
General Fund			
Place	52,012	53,864	1,852
Adult Services	2,601	2,447	(154)
Children's Services	7,176	4,430	(2,746)
Workforce & Transformation	645	451	(194)
Total General Fund	**62,434**	**61,192**	**(1,242)**
Housing Revenue Account	6,133	4,547	(1,586)
Total Capital Programme	**68,567**	**65,739**	**(2,828)**

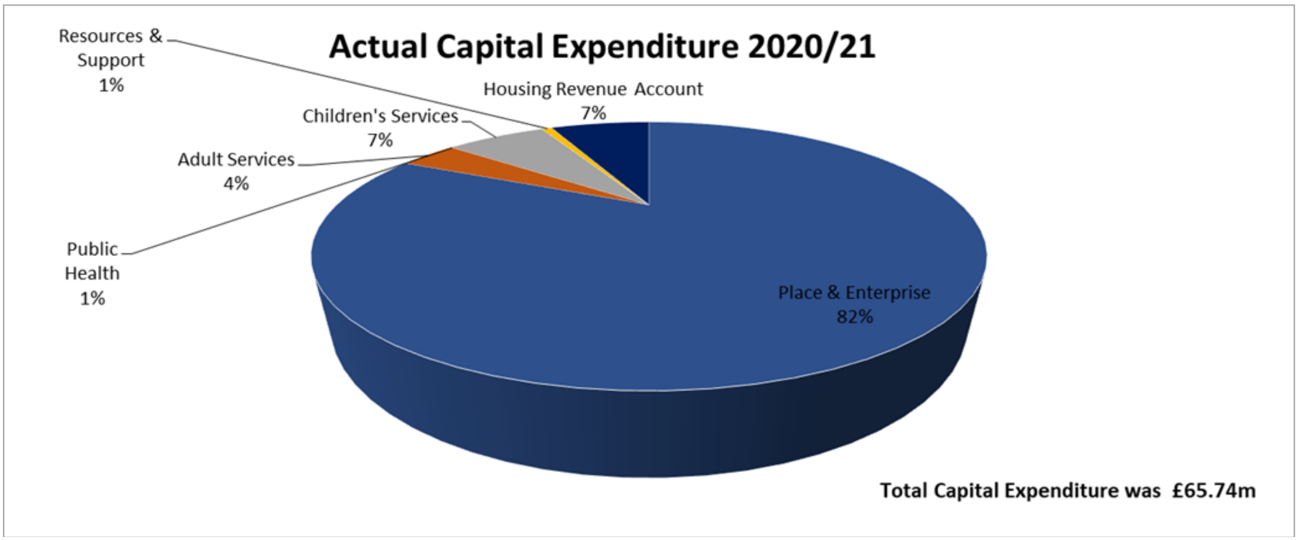
The table below provides a summary of the capital financing for the actual capital expenditure for 2020/21.

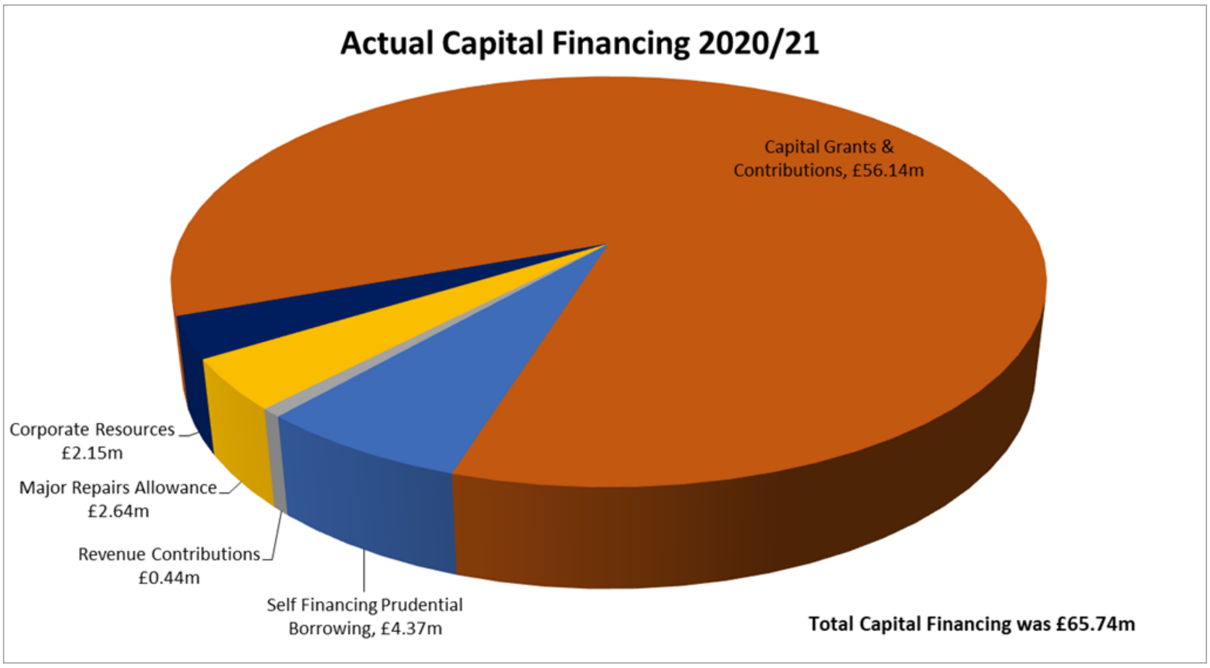
Financing	2020/21 £000
Capital Grants & Contributions	56,142

Revenue Contributions	443
Major Repairs Allowance	2,638
Self Financing Prudential Borrowing	4,369
Corporate Resources (Prudential Borrowing/Capital Receipts)	2,147
	65,739

The areas of most significant expenditure for schemes undertaken in 2020/21 are as follows:

	Expenditure 2020/21 £000
Place	
Highways and Transport	27,902
North West Relief Road	3,343
Broadband	1,412
Economic Development	10,138
Corporate Landlord	5,584
Adult Services	
Disabled Facilities Grants	1,401
Supported Living	993
Resources & Support	
Digital Transformation Project	451
Children's Services	
Schools Condition Schemes	1,380
Devolved Formula Capital	494
School Future Place Planning	1,916
Housing Revenue Account	
Housing Major Repairs Programme	3,018
House Repurchases	1,323
New Build Programme - Phase 4-6	206





Reserves

The general fund balance has increased by £0.580m in 2020/21 to a total of £14.091m. This is due to the underspend within the revenue account during 2020/21 . This balance lies below the risk assessed level of balances calculated for 2020/21.

Earmarked reserves have increased by £26.123m during 2020/21, which includes an increase in schools delegated balances of £4.104m. Total earmarked reserves are held at £93.658m including school balances of £5.995m.

The most significant earmarked reserve held is the COVID Government Funding Reserve at £23.093m. This holds funds related to Covid-19 and in particular the S.31 Business Rates Additional Reliefs funding of £22.074m. Another significant reserve is the Financial Strategy Reserve at £20.599m. This is held in accordance with the financial strategy where the Council will be using one off funding to close the funding gap. It is intended that this balance will be used to fund the funding gap arising in the 2021/22 and to fund some of the gap arising in 2022/23 after which this fund will be exhausted.

Assets

For 2020/21 all General Fund Valuations were undertaken by External Valuations, where previously the majority had been undertaken by the internal Estates Department. The external Valuers adopted a different valuation approach to that the Council's Valuers took previously, adopting differing assumptions in the valuation approach. This resulted in significant swings in valuations when compared to previous valuations. As this is just a change in accounting estimates, no prior period adjustment is required and to ensure all assets are valued on a consistent basis, additional asset valuations were commissioned.

During 2020/21, facilities at one school was written out of the Council balance sheet because of the school transferring to Academy School status and the transfer of the buildings and hardstanding areas to the Diocese was completed, prior to the school transferring to Academy School status. In accordance with the Council's accounting policies, these are now valued at nil value in the Council's balance sheet and as a result of the transfers assets of £3.85m were written out of the balance sheet, accounted for as a loss on disposal.

Borrowing

The Council undertakes long-term borrowing, for periods in excess of one year, in order to finance capital spending. The Council satisfies its borrowing requirement for this purpose by securing external loans. However, the Council is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Council has available for investment.

Due to the slippage within the capital programme, there has been no additional borrowing required for current schemes.

Cashflow

Cashflow forecasts are prepared for the current and future financial years and are monitored on a daily basis. The cashflow forecast is regularly updated to take account of future changes so the cash position of the Council can be managed appropriately. We are satisfied that cashflow levels are sustainable in the short to medium term based on the information we currently have. This is the case despite the increase in costs and reduction in income levels taken over the period of the pandemic.

Local Government Pension Scheme

The Council accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This means that:

- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

As at 1 April 2020, the Council's net pensions liability amounted to £495.7m. In comparison, the deficit amounts to £531.9m at 31 March 2021 due to minor changes in financial assumptions impacting on the asset and liability figures. Statutory requirements for funding the deficit means the financial position of the Council remains healthy, as the deficit will be met by increased contributions over the remaining working life of employees.

2020/21 represented the first year of the 3 year actuarial valuation of the pension fund which covers the period 2020/21 – 2022/23. The Council again decided to make an early payment of the Local Government Pension Scheme deficit lump sum required for the period of 2020/21 to 2022/23. This early payment was made in 2020/21 in order to deliver a revenue saving as a result of lower interest costs from repaying the deficit.

Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 45, and the change to the pension liability in 2020/21 is analysed in note 42 to the accounts.

Shropshire County Pension Fund continued to work with eight other Funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £48.9 billion of assets (£23.0 billion as at March 2021), on behalf of 900,000 LGPS members and 2,500 employers. LGPS Central Ltd is jointly owned on an equal share basis by eight Pension Funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central will manage a wide range of asset classes, employing a mix of internal and external investment management. The company is a private company limited by shares and was incorporated on 13 October 2016.

Performance in 2020/21

The Council adopted its new Corporate Plan in December 2018 for the period 2019/20 to 2021/22. The Plan sets out high-level outcomes and a range of medium-term outcomes and objectives for the coming 12 to 24 months. The medium-term outcomes and objectives are the basis for the Council's Strategic Action Plans which are thematic and cross cutting.

The Council's corporate performance management framework is structured around the high-level outcomes listed below and incorporates the measures and project delivery milestones from the strategic action plans.

- **A Healthy Environment**
- **A Good Place to do Business**
- **Sustainable Place and Communities**
- **More People with a Suitable Home**
- **Embrace our Rurality**
- **Care for those in Need at any Age**
- **Your Council**

The delivery of the outcomes for Shropshire is monitored on a quarterly basis. It is presented using a performance portal, which enables a drill down into the measure. The information is reported to Cabinet with the report identifying specific measures by exception. The full information for each measure is published on the performance portal when the report is presented to Cabinet and this provides Overview and Scrutiny the opportunity to identify any measures which stand out that they would like to understand in greater detail. They can request additional information and receive it to inform whether they would want to add it to their work programme.

It should be noted that this year's performance has been affected by the impact of the COVID-19 pandemic, which has impacted on "business as usual" provision, and saw a redirection of resources to emergency response and provision of essential services only, for a significant proportion of the year.

A Healthy Environment

Cultural and leisure activities provided by Shropshire Council were severely impacted by the COVID 19 pandemic. With restrictions and closures of facilities the visitor numbers are significantly lower than in preceding years. On a positive note more people have visited outdoor recreation sites where restrictions were less limited. Take-up of e-resources from the library service has seen an increased take-up.

Shropshire Council is committed to achieve carbon neutral status by 2030. Shropshire Council's estate of solar panel arrays generated 818,177 kwh of electricity during the year. This produced a carbon saving of 189 tonnes of CO_2 emissions. Shropshire Council's Community Tree Scheme saw 10,000 trees on offer to residents of Shropshire snapped up in just 24 hours.

A positive impact of lockdown periods due to the pandemic has been the reduction in the number of road accidents. Subsequently the rate of people killed or seriously injured has also reduced. The long-term impact of COVID 19 on commuting patterns may affect future accident profiles.

Residential waste collections were maintained throughout the year. The tonnage of waste collected from the kerbside increased with the biggest factor being the increase in people at home, (working or furloughed). Household Recycling Centres were closed during the first lockdown but have since reopened. Recycling, reuse and composting rates have held up well during the year and remain above target.

A Good Place to do Business

Historically, employment rates in Shropshire have been higher than national or regional averages. This is still the case, but levels of employment have fallen in 2020 as a result of the Covid-19 pandemic and unemployment has risen. The number claiming Universal Credit has more than doubled since the onset of the pandemic and remains at an unprecedentedly high level. The claimant count (the main measure of people claiming benefits because they are unemployed) also doubled between March 2020 and June 2020, although rates have since started to decline. More than 50,000 Shropshire residents have been furloughed at some point since the scheme began, and while numbers have fallen significantly since the third national lockdown ended, there were still 9,800 on the scheme as of 31st May 2021. Levels of self-employment have also fallen, despite 45,300 Government Self-employment Income Support Scheme (SEISS) grants being awarded since Spring 2020.

Businesses in Shropshire continue to be impacted by Covid-19 – many have had to close for extended periods of time or change how they trade, and others continue to run at reduced capacity. A series of grants and other finance options have been made available by the Government, with grants schemes being administered by the Council according to their eligibility criteria. The Council has also implemented social distancing measures in many of

Shropshire's key towns to support businesses and to protect the public, which has involved the work of Highways and Regulatory Services, amongst others. The long-term impact on the business economy remains to be seen but the Council is doing all it can to support businesses back to recovery. A 15-year programme to invest £50 million in new and existing business parks has been approved by Council, and work is underway to refresh the Economic Growth Strategy, which will underpin economic recovery initiatives.

The second phase of the Tern Valley business park in Market Drayton welcomed new businesses to the site during the year. Phase two of the park comprises a mixture of small office and workshop space for start-up and expanding businesses, with units ranging from 1,000 to 6,000 square feet. Developed in partnership by Shropshire Council and construction partner Redstart. All 24 units from the second phase purchased within a few weeks of launch.

Sustainable Places and Communities

Volunteering provides social benefits to both volunteers and the communities they support. Shropshire has a strong volunteer sector, which provided invaluable support to vulnerable communities throughout the pandemic. However, due to lockdown restriction the number of volunteer hours supporting Council services such as archives, museums and outdoor recreation were reduced in comparison to previous years.

Adult Social Care teams worked tirelessly throughout the year in response to the demand on services. The service improved the rate of discharge from hospital to home and reduced the waiting times for those patients who required support from social care. The rate of permanent admissions of adults for age groups 18 – 64 and 65+ into residential or nursing homes are both lower than the profile. This may in part be due to the COVID 19 situation and remains to be seen what the impact will be on future demand for residential and nursing care facilities. The service also confirms that it assesses the needs of each person to ensure that the right service is provided at the right time ensuring that residential and nursing care is provided at the most appropriate time.

More People with a Suitable Home

The Council's housing development company, Cornovii Developments Limited, started construction on its Frith development at Crowmoor. Houses at the site are now available with Ellesmere and St Martins developments now in the planning stages. Cornovii was formed to address unmet housing needs within the county.

The new Housing Strategy for Shropshire 2020 – 2025 was adopted during the year. This strategy aims to address barriers that present residents from being able to access a suitable home. With the aspiration of Right Home Right Place the first applications for community led initiatives have submitted plans for affordable home developments at Prees, Whittington and Weston Rhyn.

Embrace our Rurality

The Covid-19 pandemic has highlighted the need for an effective and reliable digital infrastructure with hugely increased numbers of people working from home and using technology to keep in touch with colleagues, partners, clients and suppliers. 98.2% of Shropshire premises can now access superfast broadband. In addition, the Government's UK Gigabit Voucher Scheme can help rural communities to get access to a gigabit-capable broadband connection.

Plans to develop the next Local Transport Plan for Shropshire are progressing. This will include enhancing links to economic growth and the local plan review for each area but also incorporate Shropshire Council's aspirations to tackle carbon emissions and climate change.

Care for those in Need at any Age

Special Educational Needs and/or Disabilities (SEND) services provided in Shropshire by the Council and Clinical Commissioning Group were inspected in Jan 2020. They were required to develop a joint Written Statement of Action to address areas of weakness. This was submitted to Ofsted in September 2020. Joint working groups are now working through the project plans to deliver improved services, greater accountability across all partners and increased scrutiny of performance.

The Council's Children's Services has seen an increased demand for support across its services. The complexity of cases for Children's Social Care has increased as is evidenced by the number Children who are Looked After by the Council which continued to increase throughout the year. Pressures on the court system, due to the pandemic, has delayed some children leaving care.

During the pandemic, carers have faced added pressures. To help address this Shropshire Council has been working with and commissioning extra support for carers. Services include; a range of free online support for carers, including an email course, virtual cuppa's, 1 to 1 chat's, lockdown weekly planners, digital support and peer support.

Your Council

The number of staff employed by the Council has increased by 56 staff over the course of the year. The increase in headcount is due to continued recruitment drives to recruit Social Workers and also a recruitment drive to recruit START workers within out Adult Services area. In addition to the recruitment campaigns two leisure centres transferred into the authority from April 2020.

Approximately 1600 colleagues continue to work from home with staff also re-deployed to some areas to support the delivery of the vaccination programme and respond to the demands of the pandemic. As services have gradually returned to their substantive delivery the number of staff on furlough has been reducing over the period.

It should be noted that whilst the COVID-19 pandemic has had a significant impact on service provision, the ability to continue to deliver essential services in a different and more efficient way has provided the Council with the opportunity to consider how services will be delivered by the Council in the future.

Current and Future Prospects

The Council produced a Medium Term Financial Strategy for the period 2021/22 – 2025/26, and whilst the plan had managed to identify a balanced budget for 2021/22 through the use of one off grant balances and reserves, the future financial plan does not yet deliver a balanced and sustainable budget for the long-term future.

The COVID-19 pandemic will continue to impact the delivery of the 2021/22 budget. To date the Government has provided sufficient funding to help support local authorities to fund all costs and income losses arising as a result of Covid-19. It is expected that this support will continue and some funding allocations have been announced for 2021/22.

The impact of the COVID-19 pandemic has also meant that the introduction of 75% business rates retention alongside the fair funding review has been further delayed back to the 2023/24 financial year. The uncertainty over the detail of these proposals makes it extremely difficult for the Council to formulate any long term plans to deliver a sustainable budget and future for the Council.

Next year we will be investing over £150 million of capital funding into local projects. The capital programme remains priority led, reflecting the need for growth in the Shropshire economy, investment in infrastructure and roads, and significant funding to deliver superfast broadband across much of Shropshire in the coming years.

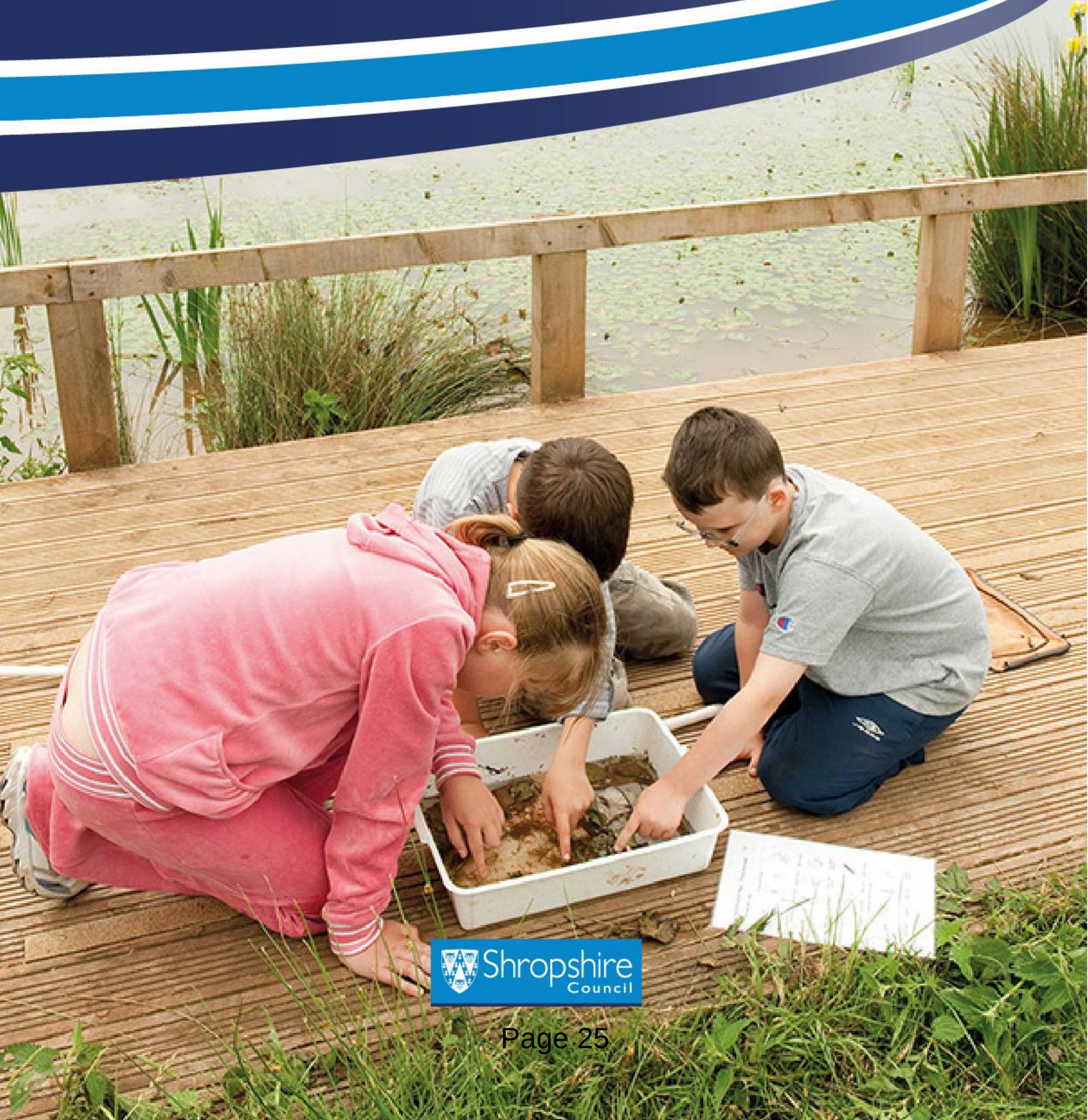
The bottom line is, of course, that we have a statutory duty to set a legal budget. This is becoming increasingly difficult as each year progresses. The emergency event of COVID-19 has demonstrated the need to hold sufficient balances in reserve to assist with balancing the books should these be required, however the delivery of continual savings on the budget is becoming more and more difficult. The authority needs to understand the longer term financial funding position from the Government as soon as possible so that it can make sustainable decisions that will deliver a long term financial plan for the authority.

Brexit

The UK formally left the EU on 31 January 2020 and entered a period of transition which ended on 31 December 2020. To date the Council has received £0.315m in Government funding in order to prepare for Brexit. So far the Council has spent £0.096m, £0.219m remains available for use in 2021/22.

Section 2

Statement of Responsibilities



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 Council, that officer is the Director of Finance, Governance & Assurance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approved by Council

The Council's Statement of Accounts for 2020/21 was formally approved at a meeting of the Audit Committee on 22 October 2021

Brian Williams
Chair of the Audit Committee
22 October 2021

Responsibilities of Executive Director of Resources

The Executive Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Executive Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Executive Director of Resources has also:

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

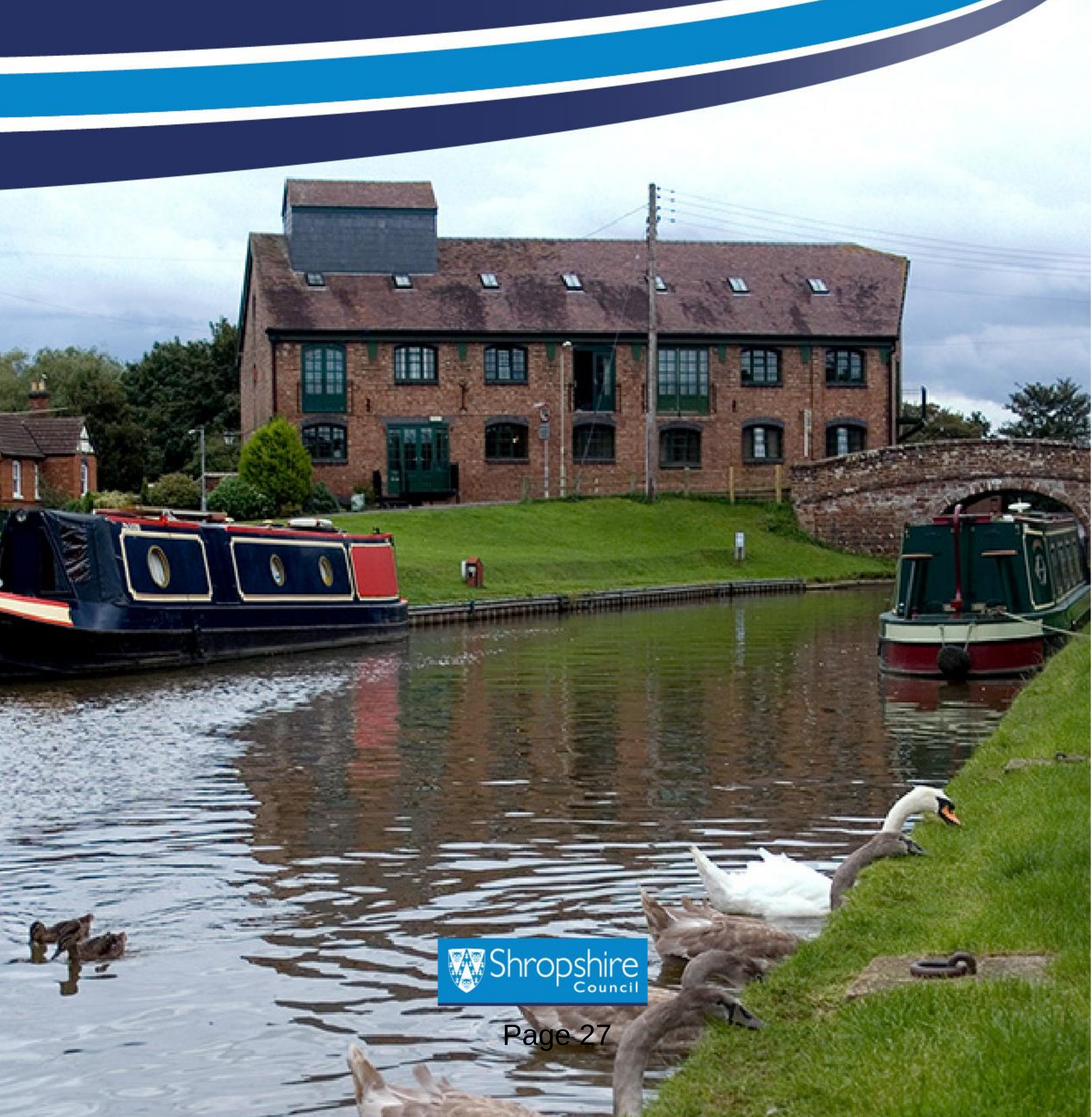
Certificate of the Executive Director of Resources

I hereby certify that the Statement of Accounts present a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2021.

James Walton
Executive Director of Resources
22 October 2021

Section 3

Audit Opinion and Certificate



Shropshire Council

Audit Opinion and Certificate

DRAFT Independent auditor's report to the members of Shropshire Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Shropshire Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Statement, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Adjustments between the Group Accounts and Authority Accounts in the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include Notes to the Core Financial Statements, Notes to the Housing Revenue Account, Notes to the Collection Fund and Notes to Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resource's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director of Resource's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director of Resource with respect to going concern are described in the 'Responsibilities of the Authority, Executive Director of Resource and Those Charged with Governance for the financial statements' section of this report.

Other information

The Executive Director of Resource is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Resource and Those Charged with Governance for the financial statements
As explained in the Statement of Responsibilities set out on page 16, the Authority 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 Executive Director of Resource. The Executive Director of Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resource determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Resource is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, Local Government Act 1972, Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, and data protection.
- We enquired of senior officers and the Audit Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, Internal Audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
  - large and unusual manual journals and those manual journals with a direct impact on the financial performance of the Council; and
  - potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Council's land and buildings (including council dwellings) and net pensions liability.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual manual items and significant journals at the end of the financial year which impacted on the Council's financial performance;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings (including council dwellings) valuations and expenditure accruals, and;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Shropshire Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.
- our consideration of objections brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this work does not have a material effect on the financial statements.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

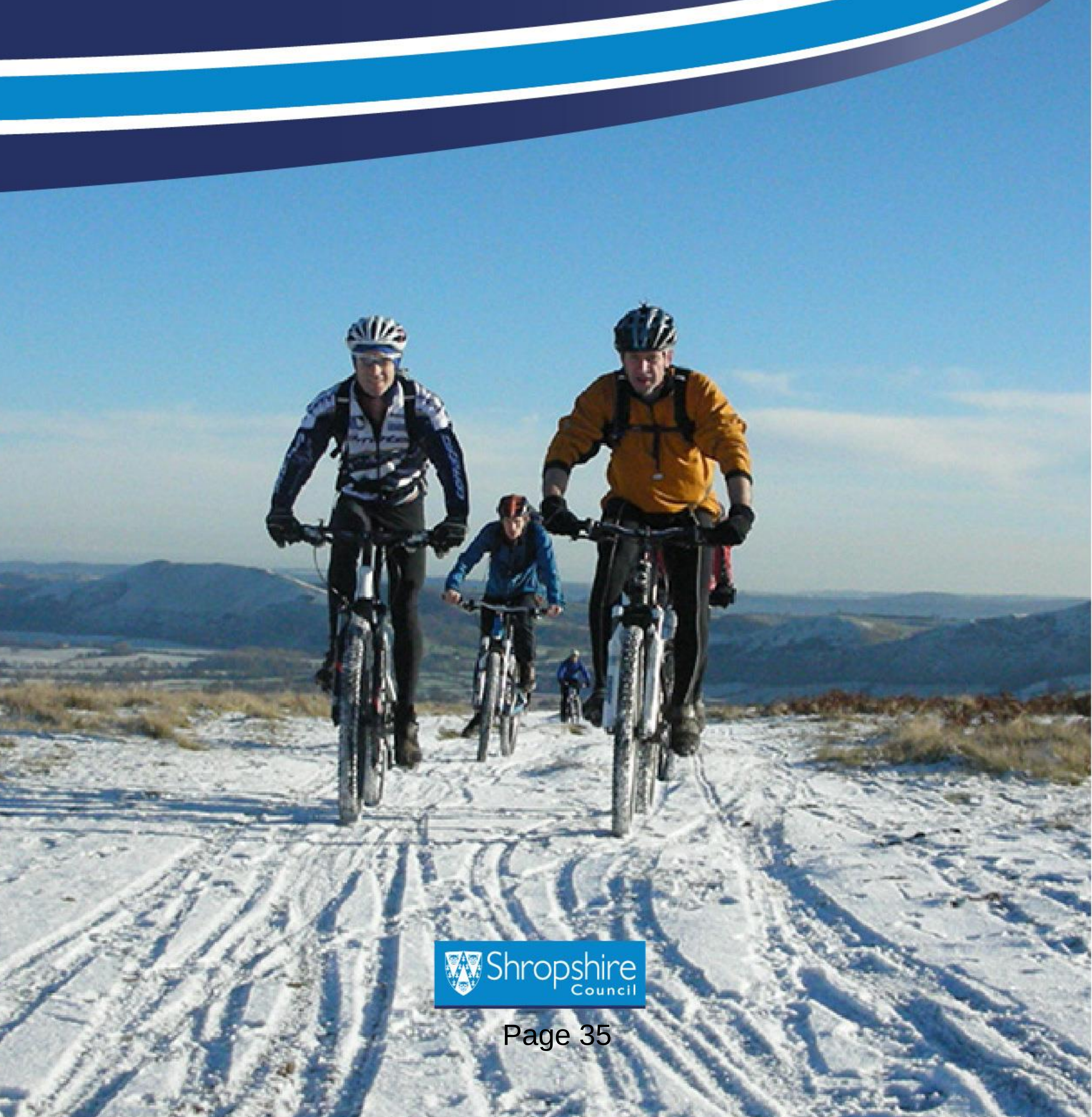
Grant Patterson
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

XX 2021

Section 4

Core Financial Statements



Comprehensive Income and Expenditure Statement

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 statutory regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20				2020/21		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 6, 7, 8 and 9)			
177,619	(64,931)	112,688	Adult Social Care	191,718	(72,664)	119,054
10,380	(18,366)	(7,986)	Local Authority Housing	8,521	(18,419)	(9,898)
196,766	(127,946)	68,820	Children's Services	191,506	(121,393)	70,113
56,965	(54,188)	2,777	Finance, Governance and Assurance	55,490	(51,412)	4,078
1,703	(1,027)	676	Legal and Democratic Services	660	(119)	541
156,708	(45,499)	111,209	Place	155,637	(39,288)	116,349
0	0	0	Strategic Management Board	0	0	0
5,743	(61)	5,682	Workforce and Transformation	3,414	(486)	2,928
14,654	(10,121)	4,533	Corporate	38,197	(37,412)	785
620,538	**(322,139)**	**298,399**	**Net Cost of Services**	**645,143**	**(341,193)**	**303,950**
		27,542	Other Operating Expenditure (Note 12)			15,624
		39,556	Financing and Investment Income and Expenditure (Note 13)			43,629
		(292,441)	Taxation and Non Specific Grant Income (Note 14)			(319,838)
		73,056	**(Surplus) or Deficit on Provision of Services**			**43,365**
		(92,765)	(Surplus) or Deficit on Revaluation of Non-Current Assets			136,187
		0	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			281
		(28,057)	Remeasurement of the Net Defined Benefit Liability			22,416
		(120,822)	**Other Comprehensive Income and Expenditure**			**158,884**
		(47,766)	**Total Comprehensive Income and Expenditure**			**202,249**

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is 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.

2019/20	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020	**13,510**	**67,993**	**81,503**	**10,140**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**
Transfer of Dedicated Schools grant deficit	0	2,247	2,247	0	0	0	2,247	(2,247)	0
Revised Opening Balance	**13,510**	**70,241**	**83,751**	**10,140**	**4,492**	**41,985**	**140,368**	**260,868**	**401,236**
Movement in reserves during 2020/21									
Surplus or (deficit) on the provision of services	(50,746)	0	**(50,746)**	7,381	0	0	**(43,365)**	0	**(43,365)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	(158,884)	**(158,884)**
Total Comprehensive Income and Expenditure	**(50,746)**	**0**	**(50,746)**	**7,381**	**0**	**0**	**(43,365)**	**(158,884)**	**(202,249)**
Adjustments between accounting basis & funding basis under regulations (Note 10)	74,674	0	**74,674**	(6,110)	1,458	3,102	**73,124**	(73,124)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**23,928**	**0**	**23,928**	**1,271**	**1,458**	**3,102**	**29,759**	**(232,008)**	**(202,249)**
Transfers to/(from) Earmarked Reserves (Note 11)	(23,348)	23,418	**70**	(70)	0	0	**0**	0	**0**
Increase/(Decrease) in 2020/21	**580**	**23,418**	**23,998**	**1,201**	**1,458**	**3,102**	**29,759**	**(232,008)**	**(202,249)**
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**28,860**	**198,987**

Movement In Reserves Statement

2019/20	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019	**15,536**	**71,726**	**87,262**	**9,814**	**4,240**	**34,398**	**135,714**	**217,756**	**353,470**
<u>**Movement in reserves during 2019/20**</u>									
Surplus or (deficit) on the provision of services	(78,772)	0	**(78,772)**	5,716	0	0	**(73,056)**	0	**(73,056)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	120,822	**120,822**
Total Comprehensive Income and Expenditure	**(78,772)**	**0**	**(78,772)**	**5,716**	**0**	**0**	**(73,056)**	**120,822**	**47,766**
Adjustments between accounting basis & funding basis under regulations (Note 10)	73,083	0	**73,083**	(5,459)	252	7,587	**75,463**	(75,463)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(5,689)**	**0**	**(5,689)**	**257**	**252**	**7,587**	**2,407**	**45,359**	**47,766**
Transfers to/(from) Earmarked Reserves (Note 11)	3,663	(3,733)	**(70)**	70	0	0	**0**	0	**0**
Increase/(Decrease) in 2019/20	**(2,026)**	**(3,733)**	**(5,759)**	**327**	**252**	**7,587**	**2,407**	**45,359**	**47,766**
Balance at 31 March 2020	**13,510**	**67,993**	**81,503**	**10,141**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, 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'.

2019/20 £000		2020/21 £000	£000
1,138,479	Property, Plant & Equipment (Note 15)	980,046	
2,260	Heritage Assets	2,193	
47,652	Investment Property (Note 16)	59,261	
7,376	Intangible Assets	6,393	
585	Assets Held for Sale	599	
1,196,352	**Total Non Current Assets**		**1,048,492**
20,206	Long Term Investment (Note 21)	400	
19,857	Long Term Debtors (Note 21)	22,628	
1,236,415	**Total Long Term Assets**		**1,071,520**
	Current Assets		
740	Current Held for Sale Investment Properties (Note 16)	250	
3,102	Assets Held for Sale	767	
64,500	Short Term Investments (Note 21)	70,000	
572	Inventories	697	
67,373	Short Term Debtors (Notes 21, 23 & 24)	99,834	
93,007	Cash & Cash Equivalents (Notes 21 & 25)	78,438	
229,294	**Total Current Assets**		**249,986**
1,465,709	**Total Assets**		**1,321,506**
	Current Liabilities		
(14,644)	Bank Overdraft (Notes 21 & 25)	(14,902)	
(6,013)	Short Term Borrowing (Note 21)	(13,893)	
(106,991)	Short Term Creditors (Notes 21 & 26)	(126,217)	
(3,576)	Provisions (Note 27)	(3,912)	
(10,446)	Grants Receipts in Advance - Revenue (Note 39)	(15,443)	
(4,893)	Grants Receipts in Advance - Capital (Note 39)	(11,773)	
(146,563)	**Total Current Liabilities**		**(186,140)**
1,319,146	**Total Assets Less Current Liabilities**		**1,135,366**
	Long Term Liabilities		
(649)	Long Term Creditors (Note 21)	(637)	
(303,568)	Long Term Borrowing (Note 21)	(291,568)	
(106,914)	Other Long Term Liabilities (Note 20)	(103,618)	
(495,700)	Pensions Liability (Note 42)	(531,883)	
(11,079)	Provisions (Note 27)	(8,673)	
(917,910)	**Total Long Term Liabilities**		**(936,379)**
401,236	**Net Assets**		**198,987**
	Financed by:		
138,121	Usable Reserves (Note 28)	170,127	
263,115	Unusable Reserves (Note 29)	28,860	
401,236	**Total Reserves**		**198,987**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2019/20 £000	Revenue Activities	2020/21 £000	2020/21 £000
73,056	Net (surplus) or deficit on the provision of services	43,365	
(152,807)	Adjust net surplus or deficit on the provision of services for non cash movements	(120,052)	
55,113	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	70,353	
(24,638)	**Net cash flows from Operating Activities (Note 30)**		**(6,334)**
(5,390)	Investing Activities (Note 31)	(9,073)	
8,720	Financing Activities (Note 32)	30,234	
(21,308)	**Net (increase) or decrease in cash and cash equivalents**		**14,827**
57,055	Cash and cash equivalents at the beginning of the reporting period		78,362
78,363	**Cash and cash equivalents at the end of the reporting period (Note 25)**		**63,535**

Section 5

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on the assumption that the Council will continue to operate for the foreseeable future. This assumption is made because the Council carries out functions essential to the local community and are themselves revenue-raising bodies. If the Council were in financial difficulty alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

1.2 Accruals of Expenditure and Income

Revenue transactions are recorded on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

Cash is defined for the purpose of this statement, as cash in hand and deposits with financial institutions repayable on demand without penalty on notice. Cash equivalents are short term, highly liquid investments, normally with a maturity of 90 days or less, that are readily convertible to known amounts of cash.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5. Non-Current Assets - Intangible

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the Council (e.g. computer software licences).

Intangible assets are recognised based on cost and are amortised over the economic life of the intangible asset to reflect the pattern of consumption of benefits. Only intangible assets included in the capital programme are capitalised. Each intangible asset is assessed in terms of economic life, usually between five and seven years.

1.6. Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

Recognition

The cost of an item of property, plant and equipment shall only be recognised (and hence capitalised) as an asset on the balance sheet if, and only if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the entity, and
- The cost of the item can be measured reliably.

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority; and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and are charged to revenue.

Initial Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost and capitalised on an accruals basis. Accruals are made for capital works with a value of £75,000 or more undertaken but not paid for by the end of the financial year.

Measurement after recognition

Property, plant and equipment assets are subsequently valued at current value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

Category	Valuation Method (Current Value definition)
Operational	
Council Dwellings	Existing Use Value – Social Housing (EUV-SH)
Land & Buildings	Existing Use Value (EUV) – determined as the amount that would be paid for the asset in its existing use. Depreciated Replacement Cost (DRC) – for specialist properties where there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold.
Vehicles, Plant & Equipment	Depreciated Historic Cost (HC) - as a proxy for current value where they are of short life or low value.
Infrastructure	Depreciated Historic Cost (HC)
Community Assets	Depreciated Historic Cost (HC)
Non-operational	
Surplus Assets	Market Value (MV) fair value measurement estimated at highest and best use from a market participant's perspective.
Assets Under Construction	Historic Cost (HC)

Assets included in the Balance Sheet at current value are subject to a full revaluation with sufficient regularity to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In the intervening years the valuations are subject to an annual desktop review to update the valuation to the balance sheet date. Where the valuation is calculated to be below £50,000 the valuation is recorded as de-minimus in the balance sheet.

When new material assets are acquired/constructed or assets substantially enhanced or there is a change in use of the asset; the asset will be valued in the financial year in which the asset becomes operational. Where there is a change in use of the asset, the impact of this will be considered to determine if a revaluation is required.

The Housing Revenue Account Council Dwellings are subject a full valuation every five years and to an annual desktop review to update the valuation to the balance sheet date; undertaken by the Valuation Office Agency.

When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment, see 1.9), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in the Surplus or Deficit on the Provision of Services.

<u>Componentisation</u>
Where components of an asset are significant in value in relation to the total value of the asset and they have substantially different economic lives, they are recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1 April 2010. Significant assets for this purpose are properties with a capital value of £2.5m or over, where depreciation is £100,000 per annum or over, or any component that represents 25% of the total capital value.

<u>Derecognition</u>
The carrying amount of an item of property, plant and equipment shall be derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an asset shall be the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset shall be included in the Surplus or Deficit on the Provision of Services when the item is derecognised.

If the asset derecognised was carried at a revalued amount, an additional entry is required; the balance on the Revaluation Reserve in respect of the asset derecognised is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance in the Movement in Reserves Statement.

Where a component of an asset is replaced or restored, the carrying amount of the old component is derecognised, based on the cost of the new component indexed back to the last valuation date, as a proxy for the deemed carrying amount of the replaced part. Where the new expenditure is deemed to also enhance the component of the original asset e.g. energy efficiency schemes the carrying amount of the old component is derecognised at a lower value, reflecting it is not a like for like replacement and a further enhancement has been made to the assset.

1.7. Investment Properties

An investment property is a property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

Investment properties shall be initially measured at cost and thereafter at fair value, which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value (MV).

Investment properties held at fair value are not depreciated. The fair value of investment properties shall reflect market conditions at the Balance Sheet date; this means the periodic (5-yearly) revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at Balance Sheet date. As such Investment Properties are subject to an annual review to ensure their valuation reflects fair value at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

1.8. Non-Current Assets Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. The following criteria have to be met before an asset can be classified as held for sale under this section of the Code:

- The asset must be available for immediate sale in its present condition.
- The sale must be highly probable; with an active programme to dispose of the asset.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to complete within one year of the date of classification.

Assets Held for Sale are valued at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date, and are not subject to depreciation. Investment Properties that are to be disposed of are not reclassified as an Asset Held for Sale and remain as Investment Properties until disposed of, reclassified to short terms investment properties where they are expected to be disposed of within a year of the balance sheet date.

1.9. Impairment

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; or
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

An impairment loss on a revalued asset is recognised in the Revaluation Reserve (to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset) and thereafter in the Surplus or Deficit on the Provision of Services.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.10. Depreciation

Land and buildings are separate assets and are accounted for separately, even when they are acquired together. Depreciation applies to all property, plant and equipment, whether held at historical cost or revalued amount, with the exception of:

- Investment properties carried at fair value;
- Assets Held for Sale; and
- Land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, i.e. quarries and landfill sites).

An asset is not depreciated until it is available for use and depreciation ceases at the earlier of: the date the asset is classified as held for sale and the date the asset is derecognised.

The finite useful life of an asset is determined at the time of acquisition or revaluation. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated using the straight-line method. For Council Dwellings the depreciation charge is calculated on a componentised depreciation basis, using the Planned Programme Approach. The depreciation charge is calculated based on the stock data at 1st April, using the stock data of the major components at that date, from the housing condition data. The components are depreciated on a straightline basis over their useful life (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.

On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.

1.11. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses used on assets used by the service in excess of any balance on the Revaluation Reserve for the asset.
- Amortisation of intangible assets attributable to the service.

Depreciation, amortisation, impairments, revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund or Housing Revenue Account. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The only exception is depreciation charges for HRA dwellings and other properties, which are real charges to the HRA.

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 1.15 (The Redemption of Debt). Depreciation, amortisation and revaluation/impairment losses are therefore replaced by revenue provision transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Interest payable is reported within Net Operating cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 1.10 (Depreciation), is charged directly to service revenue accounts.

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 on the Movement in Reserves Statement.

1.12. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to the Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure shall be accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and shown as a reconciling item in the Movement in Reserves Statement.

1.13. Heritage Assets

Tangible Heritage Assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture. Intangible heritage assets are intangible assets with cultural, environmental, or historical significance.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment. However, due to the unique nature of Heritage Assets, some of the measurement rules are relaxed in relation to the categories of Heritage Assets held as detailed below. This is due to the lack of valuation information and the disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

- **Outdoor Statues/Monuments/Historic Building Remains**

The Council has a small number of assets relating to Outdoor Statues/ Monuments/ Historic Building Remains. These assets are reported on the balance sheet, but valuation of these assets is not practical due to the unique nature and lack of comparable market values. These assets are held on the balance sheet at depreciated historic cost, where this is available. Where historic cost information is not available due to the age of the asset, the assets are held at nil value.

The Council's Historical Environment Team, including the Shropshire Archaeology Service manage the Council's historic environment and archaeological sites. The Council does not consider that reliable cost or valuation information can be obtained for the assets held under the Historic Environment and Archaeology Service and the majority would fall into the de-minimus category. This is because of the unique nature of the assets held and lack of comparable market values. It is also recognised that the cost of obtaining this information outweighs any benefits. Consequently, the Council does not recognise these assets on the balance sheet, other than those included under Statues/Monuments/Historic Building Remains.

- **Museum and Archives artefacts**

<u>Museum Service</u>

The Shropshire Museum Service runs a countywide service which collects, documents, preserves, exhibits and interprets the material remains of Shropshire's natural and human history for public benefit. The service operates six museums and a museum resource centre.

Principal collections held by the Museum Service include:

- Agricultural
- Archaeology (including Prehistory, Roman, Medieval, Post-Medieval and Foreign)
- Archives
- Biology
- Costume & Textiles
- Decorative & Applied Arts

- Ethnography
- Fine Art
- Geological
- Numismatics
- Social History

The acquisition priorities vary between the principal collections based on existing gaps in the collection and the capabilities and resources available to the service to adequately store, conserve and display collections.

The Museum Service exercises due diligence and makes every effort not to acquire, whether by purchase, gift, bequest or exchange, any object or specimen unless the governing body can acquire a valid title to the item.

By definition, the Museum Service has a long-term purpose and should possess permanent collections in relation to its stated objectives. As a consequence there is a strong presumption against the disposal of any items in the museum's collection. In the event of the Museum Service closing the collections would be offered to other museum authorities and neither the collections nor individual items within them would be sold to generate income.

Complete holdings are not valued, as items are generally unique and full valuation would be extremely expensive; however, some significant items have a market valuation at purchase or insurance valuation. As a consequence only those items for which the Museum Service holds an existing valuation (above a de-minimus threshold of £5,000) are recognised in the balance sheet. These principally consist of fine art paintings and items of decorative art. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Any new acquisitions will be recognised at purchase price valuation. Assets are not subject to a revaluation cycle, with revaluations only undertaken where required by the Museum Service.

<u>Archives</u>

The Shropshire archives and local studies service preserves and make accessible documents, books, maps, photographs, plans and drawings relating to Shropshire past and present. Not all material is owned by the Council, with a significant proportion on deposit from record owners. No reliable cost or valuation information is held for holdings, with items generally unique and valuation would be considered to be extremely expensive. Consequently the Council does not recognise these assets on the balance sheet.

Shropshire Archives has an Acquisition and Disposal policy. Shropshire Archives will acquire material for the study of all aspects of Shropshire past and present. Material will be acquired by transfer, gift, purchase or deposit. Shropshire Archives will only acquire material if the responsible officer is satisfied that the vendor, donor or depositor has a valid title to the material and will not acquire material if it cannot provide adequate storage or professional care for it. There is a strong presumption against the disposal by sale of any material in Shropshire Archives ownership. If materials are to be sold they should first be offered to other appropriate public collecting institutions. All monies received by Shropshire Archives from the sale of material shall be used for the benefit of the Service's collections.

Heritage Assets – Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

1.14. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure, used to finance expenditure under the new flexibilities around the use of Capital Receipts for transformational revenue purposes over the 4 year period 2019/20 to 2022/23 or are used to repay debt. At the balance sheet date, the Council may opt to set aside capital receipts in-hand within the Capital Adjustment Account to reduce the Capital Financing Requirement and the Minimum Revenue Provision (MRP) charge for the following financial year.

1.15. The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the statutory "Minimum Revenue Provision" (MRP) requirements. For supported borrowing MRP is calculated based on a 45 year annuity basis and utilises Adjustment A (the variance between the credit ceiling and the Capital Financing Requirement (CFR) as at 1st April 2004) to reduce the supported borrowing CFR for MRP purposes. For unsupported borrowing MRP is calculated based on an annuity basis over the expected life of the asset for which the borrowing was undertaken. These amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

For HRA debt there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

For assets under on-balance sheet PFI contracts and finance leases, the annual principal payment amount in the PFI or finance lease model is used as the MRP payment amount, with no additional charges above those within the contract.

Where the Council has made capital loans to third parties financed from the Council's balances, the annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge.

1.16. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) the lease transfers ownership of the asset to the lessee by the end of the lease term;

2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;

3) the lease term is for the major part of the economic life of the asset;

4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Should a yes response be given to two or more of the above questions, then consideration is given to treating the lease as a finance lease.

The Council as Lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Council's Revenue Account balance.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land and buildings are assessed as to whether they are operating or finance leases.

The Council as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the council's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.17. Government Grants and Contributions

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. If there are outstanding conditions on the grant income the income is held on the Balance Sheet as a Government debtor/creditor. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and New Homes Bonus) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

Capital Grants

Grants and contributions relating to capital expenditure shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Council has not satisfied.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

Community Infrastructure Levy

The Council has elected to charge Community Infrastructure Levy (CIL) with effect from 1 January 2012. The levy applies to planning applications for the following types of development:

- The formation of one or more new dwellings, (including holiday lets), either through conversion or new build, regardless of size (unless it is ‘affordable housing’); or
- The establishment of new residential floor space (including extensions and replacements) of 100sqm or above.

The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects. This will largely be capital expenditure and includes roads and other transport schemes, flood defences, schools and other education facilities, medical facilities, sporting and recreation facilities and open spaces. Five percent of CIL charges will be used to meet the administrative costs of operating the levy.

CIL is received without outstanding conditions; it is therefore recognised in the Comprehensive Income and Expenditure Statement in accordance with the Council CIL instalment policy, following commencement date of the chargeable development in accordance with the accounting policy for government grants and contributions set out above.

The only exception for this is CIL monies received on developments where the CIL Liability Notice has been issued after 25th April 2013. On these receipts 15% of gross receipt or 25% in areas with a statutory Neighbourhood Plan in place; is treated as the Neighbourhood Fund element. The Neighbourhood Fund is the portion of CIL provided directly to Town and Parish Councils to be used for the provision, improvement, replacement, operation or maintenance of infrastructure or anything else which is concerned with addressing the demands that development places on an area.

1.18. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at Fair Value through Profit of Loss
The Council holds financial assets in the form of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, adjusted for accrued interest receivable at the year end. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial Statements, instead Note 21 to the Core Financial Statements provides details about these soft loans.

Financial Assets Measured at Fair Value through Profit of Loss
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.19. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means the amount presented in the Balance Sheet is the outstanding principal repayable, adjusted for accrued interest payable at the year end. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

1.21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by the transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefits is not required, the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but any material liabilities will be disclosed in a separate note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if it is probable that there will be an inflow of economic benefits or service potential and the sum is material to the accounts.

1.22. Inventories

Inventories and stock are valued at the lower of cost price or net realisable value.

1.23. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2020/21. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

1.24. Group Accounts

The Council has financial relationships with a number of entities and partnerships and, therefore, is required to prepare Group Accounts, in addition to its main financial statements. All of the financial relationships within the scope of Group Accounts have been assessed.

The Council has accounted for Group Accounts in accordance with IFRS 3 - Business Combination, IFRS10 – Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS12 – Disclosure of Interest in Other Entities, IAS 27 - Separate Financial Statements, IAS28 - Investments in Associates and Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting. Subsidiaries and joint ventures have been consolidated within the Council's accounts on a cost basis or market value for property, plant and equipment. Accounting policies have been aligned between the Council and the companies consolidated in the Group.

1.25. Value Added Tax (VAT)

Only irrecoverable VAT is included in revenue and capital expenditure. All VAT receivable is excluded from income.

1.26. Employee Benefits

The Council accounts for employee benefits in accordance with the requirements of IAS 19 – Employee Benefits. This covers short-term employee benefits such as salaries, annual leave and flexi leave, termination benefits and post-employment benefits such as pension costs.

In accounting for annual leave the Council has categorised the staff into teachers and other staff. Teaching staff have been accounted for on the basis that working during term time entitles them to paid leave during the holidays e.g. working the Spring Term entitles them to paid Easter holidays. An accrual has been calculated based on the untaken holiday entitlement relating to the Spring Term. An accrual has been calculated for other staff based on the amount of untaken leave as at 31 March.

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. The cost of these are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure statement.

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pensions Scheme, administered by NHS Pensions;
- The Local Government Pensions Scheme, administered by Shropshire Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the Teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the two schemes in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)
- The assets of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.28. Foreign Currency Transactions

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transaction, by applying the spot exchange rate at the date of the transaction.

1.29. Private Finance Initiative (PFI) Schemes

PFI contracts are agreements to receive services, where the PFI contractor has responsibility for making available the assets needed to provide the services. The Council pays the contractor a payment, which is called a unitary charge, for the services delivered under the contract.

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. Further details of these PFI projects are set out later in the document. The Council is deemed to control the services provided under these two PFI schemes, and as ownership of property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the QICS scheme, the liability was written down by an initial capital contribution of £2.5m. At the commencement of the Waste contract the Council made various existing waste infrastructure assets available to the contractor. Under the Waste scheme, not all property, plant and equipment scheduled to be provided in the initial years of the contract has been provided and as a result part of the payments made to the scheme operator have been accounted for as a prepayment, with a corresponding entry also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge as a percentage (based on the Internal Rate of Return of the scheme) of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** – proportion of amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. On recognising the prepayment for lifecycle replacement costs a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account. Where works are carried out earlier than planned they are recognised as additions to Property, Plant and Equipment balanced by a temporary increase in the finance lease liability. When the programmed payment takes place the liability is written down.

1.30. Accounting for Council Tax and Non Domestic Rates

The Council Tax income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Shropshire Council as the billing authority and to the preceptors. This gives rises to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts and prepayments.

In relation to Non-Domestic Rates, Shropshire Council collects income due as an agency arrangement. As with council tax, the cash collected belongs proportionately to Shropshire Council as the billing authority, and to Central Government and Shropshire & Wrekin Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts, appeals and prepayments.

1.31. Accounting for Local Authority Maintained Schools

All Local Authority Maintained Schools in the Council area are considered to be entities controlled by the Council. In order to simplify the consolidation process and avoid consolidating in Group Accounts a considerable number of separate, relatively small entities; the Council's single entity financial statements include all the transactions of Local Authority Maintained Schools i.e. income, expenditure, assets, liabilities, reserves and cash flows of the schools.

The Council has the following types of maintained schools under its control:

- Community

- Voluntary Aided
- Voluntary Controlled
- Foundation

The Council recognises on balance sheet the non-current assets of schools where the Council legally owns the assets or where the school is in the legal ownership of a non religious body, on the basis that they are the assets of the school and need to be consolidated in to the Council's accounts.

Community schools are owned by the Council and therefore recognised on the balance sheet.

The majority of Voluntary Aided and Voluntary Controlled schools in the Council area are owned by the respective Diocese. There is currently no legal arrangement in place for the School/Council to use the Diocese owned schools. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998. On this basis the school assets are used under "mere" licences and the assets are not recognised on the Council's balance sheet. The only exception to this is there are a small number of schools/part of schools that should have transferred to Diocese under Education Legislation; but the legal transfer has not been completed. These are still recognised in the Council balance sheet with an additional note disclosing that they are due to transfer.

Foundation schools owned by the Diocese are not recognised on the Council balance sheet as the position is the same as Voluntary Aided and Voluntary Controlled. Where ownership lies with the school or the school's Governing Body the School is recognised on the Council's Balance Sheet. There are a small number of schools who have recently changed their status to Foundation as part of local area Education Trusts. As yet no legal transfers have taken place of school land and buildings. On the assumption that these trusts will constitute the Governing Bodies of these schools, the schools are to remain on-balance sheet. This will be reviewed when the legal transfers are agreed in case the position is different.

Academy schools are not maintained schools controlled by the Council and as such are not accounted for in the Council's Accounts. Schools in Council ownership (Community Schools) which become Academies are provided to the Academy on a 125 year peppercorn lease. When schools transfer to Academy status the assets are written out of the balance sheet as at the date that the asset transfers. Additional notes are included in the accounts disclosing details of any schools where approval by the Department for Education to transfer the School to Academy has been granted, but the school has not transferred by the balance sheet date.

1.32. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.33. Unquoted Equity Investments

The Council held a majority share of the units in a Jersey Property Unit Trust. The minority share was held by wholly owned subsidiary of the Council - SSC NO.1 LTD a company registered in England and Wales. The asset was held on the Balance Sheet at fair value through profit and loss and valued annually. The Council and SSC NO.1 LTD were the beneficial owners of the property, through the trust, the nature of the trust is such that the Council has overall control of the trust through reserved matters. The trustees, who have to be resident in Jersey, make all day to day decisions affecting the trust in the best interests of the unit holders. The trust deeds set out that income and expenditure accrues to the unitholders as it arises and it is presented as such within these financial statements.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

- Amendments to IFRS 3 Business Combinations – Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform Phase 2

These changes are not expected to have a material impact on the Council's accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council 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 regarding future levels of funding for local government. The Council has undertaken the rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.

- The Council takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. One such judgement has been taken around Local Authority Maintained schools and particularly Voluntary Aided, Voluntary Controlled and Foundation schools that are not owned by the Council. The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council makes an assessment on whether it is probable that economic benefits or service potential associated with the asset will flow to the authority. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then they are not included on the Council's Balance Sheet.

  The Council has completed an assessment of the different types of schools it controls within the Shropshire Council area to determine how these should be accounted for. The accounting treatment is detailed in the accounting policies (see 1.31).

- The Council has taken a judgement on the control of the Jersey Property Unit Trusts and has determined that through the Council's power as a unit holder the Council has the rights to variable returns and has the ability to affect those returns. The Council has therefore accounted for the Council's share in the Jersey Property Unit Trust as an investment.

- During 2020/21 the Council received a number of grants relating to the covid-19 pandemic. The Council has made a judgement as to whether it is acting as an agent for the Government in relation to the distribution of these grants or as the principal based on the criteria of each grant. Where the Council are deemed to be acting as an agent transactions are not reflected in the Council's accounts with the exception of a debtor, creditor and net cash position on the Balance Sheet. Details of the covid-19 grants where the Council has deemed it is acting as an agent are included in Note 39.

- The Council is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. The Council acts as accountable body for the LEP and therefore receives grant income on behalf of the LEP and processes expenditure in line with the grant schemes. The Council has concluded that the role of accountable body is to be deemed as an agent as the decisions in relation to the allocation of the funding is made by the LEP, and therefore only the net grant held and corresponding creditor is included within the Council's accounts. Further details are provided at Note 45.

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 Council 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.

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2021:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation is carried out a minimum of every 5 years. A desktop valuation review is carried out to update all valuations annually to the Balance Sheet date.	There is a risk of material adjustment in the year when the property is revalued. A 1% increase in property valuations would result in a £2.050m increase in the valuation of Council dwellings and a £3.809m increase in the value of other land and buildings.
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.
Investment Properties	Valued on a fair value basis reflecting market conditions at the balance sheet date and thus annual valuation reviews are required. This ensures the carrying amount reflects fair value at the Balance Sheet date.	A 1% movement in Investment Property valuations would result in a £0.595m movement in the valuation of Investment Properties.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
NDR Appeals Provision	The provision set aside for Non Domestic Rate appeals is estimated based on the number of outstanding appeals as per the Valuation Office and then the percentage rateable value change of successful appeals is applied. An estimate is then calculated for unlodged appeals on the new rating list.	There is a risk that successful appeals will be significantly more than the estimate leading to an increased demand on the NDR collection fund in the year.
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 Council with expert advice about the assumptions to be applied. Further information on the assumptions and sensitivity is detailed in note 42.	The effects on the net pension 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 £23.192m.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured or based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 21.	The authority uses the discounted cash flow model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates within the accruals processed for debtors and creditors are: • Debtors 22% • Creditors 17%	The expense or the income could be either higher or lower than expected. A 10% increase in the estimates for debtors would result in an additional debtor of £0.140m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.218m.
Debt Impairment	The balance of outstanding debtors, including Council Tax and Business Rates debtors, is assessed annually and a bad debt provision calculated to estimate the potential liability from non collection of the outstanding debts. The ongoing impact of COVID-19 has created uncertainly around future collection rates. The	There is a risk that if collection rates were to deteriorate then the allowance for the impairment of bad debts would need to increase.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	estimated impact of this has been included in the calculation however the long-term impact of this is currently unknown.	

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 22 October 2021. Events taking place after this date are not reflected in the financial statement or notes.

At balance sheet date, Department of Education approval had been granted to two schools to convert to Academy status. One of which has converted to Academy School status in early 2021/22 financial year, this school was in part Council freehold ownership and a lease to the Academy school on a 125 year peppercorn rent has been completed as part of the transfer. The value of the school and associated facilities in the 2020/21 accounts is £3.85m. The remaining school is in Diocese ownership and is not an asset included in the Council balance sheet. This is considered as a non-adjusting event after the reporting date.

6. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20						2020/21				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
109,080	333	109,413	3,275	112,688	Adult Services	117,726	(2,582)	115,144	3,910	119,054
0	(3,098)	(3,098)	(4,888)	(7,986)	Local Authority Housing	0	(4,180)	(4,180)	(5,718)	(9,898)
57,167	(2,312)	54,855	13,965	68,820	Children's Services	56,905	(2,107)	54,798	15,315	70,113
2,326	241	2,567	210	2,777	Finance, Governance & Assurance	2,527	1,335	3,862	216	4,078
392	29	421	255	676	Legal and Democratic Services	646	(145)	501	40	541
64,481	(7,605)	56,876	54,333	111,209	Place	63,495	(4,921)	58,574	57,775	116,349
(107)	107	(0)	0	(0)	Strategic Management Board	373	(373)	0	0	0
607	4,625	5,232	450	5,682	Workforce and Transformation	379	1,661	2,040	888	2,928
(18,456)	20,620	2,164	2,369	4,533	Corporate	(17,293)	22,108	4,815	(4,030)	785

2019/20						2020/21				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
215,490	**12,940**	**228,430**	**69,969**	**298,399**	**Net Cost of Services**	**224,758**	**10,796**	**235,554**	**68,396**	**303,950**
0	(222,998)	(222,998)	(2,345)	(225,343)	Other Income and Expenditure	0	(260,753)	(260,753)	168	(260,585)
215,490	**(210,058)**	**5,432**	**67,624**	**73,056**	**Surplus or Deficit**	**224,758**	**(249,957)**	**(25,199)**	**68,564**	**43,365**
		97,076			Opening General Fund and HRA Balance			91,644		
					Transfer of Dedicated Schools Grant Deficit			2,247		
					Revised Opening General Fund and HRA Balance			93,891		
		(5,432)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			25,199		
		91,644			**Closing General Fund and HRA Balance at 31 March***			**119,090**		

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/21												
Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Capital items reported at Directorate level (note 1) £000	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies/revenue impairment reported at Directorate level (note 2) £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Adult Services	0	(2,005)	(1,025)	0	(276)	(739)	1,463	(2,582)	1,745	2,004	161	3,910
Local Authority Housing	0	0	0	0	0	0	(4,180)	(4,180)	(5,718)	0	0	(5,718)
Children's Services	0	(2,694)	(2,491)	(194)	438	336	2,498	(2,107)	14,044	2,694	(1,423)	15,315
Finance, Governance & Assurance	0	(227)	0	6	178	210	1,168	1,335	(11)	227	0	216
Legal & Democratic Services	0	(38)	0	0	(107)	0	0	(145)	2	38	0	40
Place	0	(1,723)	5,335	(12,675)	(2,299)	485	5,956	(4,921)	55,924	1,724	127	57,775
Strategic Management Board	0	0	0	0	(379)	0	6	(373)	0	0	0	0
Workforce & Transformation	0	(178)	810	(13)	910	0	132	1,661	710	178	0	888
Corporate	0	7,618	(25,541)	(8,946)	(132)	(7)	49,116	22,108	(4,359)	646	(317)	(4,030)
Net Cost of Services	**0**	**753**	**(22,912)**	**(21,822)**	**(1,667)**	**285**	**56,159**	**10,796**	**62,337**	**7,511**	**(1,452)**	**68,396**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(753)	(252)	21,822	1,667	(285)	(282,952)	(260,753)	(35,828)	12,020	23,976	168
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**(0)**	**(23,164)**	**0**	**0**	**0**	**(226,793)**	**(249,957)**	**26,509**	**19,531**	**22,524**	**68,564**

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2019/20 Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Capital items reported at Directorate level (note 1) £000	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies reported at Directorate level (note 2) £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Adult Services	0	(1,803)	2,731	0	(502)	(142)	49	333	1,456	1,803	16	3,275
Local Authority Housing	0	0	0	0	0	0	(3,098)	(3,098)	(4,888)	0	0	(4,888)
Children's Services	0	(2,728)	266	(152)	458	(373)	217	(2,312)	10,836	2,728	401	13,965
Finance, Governance & Assurance	0	(209)	0	0	279	171	0	241	0	210	0	210
Legal & Democratic Services	0	(26)	121	0	(66)	0	0	29	229	26	0	255
Place	0	(1,596)	6,607	(11,941)	(1,660)	715	270	(7,605)	52,727	1,596	10	54,333
Strategic Management Board	0	0	0	0	107	0	0	107	0	0	0	0
Workforce & Transformation	0	(197)	3,115	0	1,707	0	0	4,625	253	197	0	450
Corporate	0	7,271	(9,374)	(8,882)	224	34	31,347	20,620	(4,298)	6,986	(319)	2,369
Net Cost of Services	**0**	**712**	**3,466**	**(20,975)**	**547**	**405**	**28,785**	**12,940**	**56,315**	**13,546**	**108**	**69,969**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(712)	744	20,975	(547)	(405)	(243,053)	(222,998)	(14,225)	12,277	(397)	(2,345)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**4,210**	**0**	**0**	**0**	**(214,268)**	**(210,058)**	**42,090**	**25,823**	**(289)**	**67,624**

Note 1) For resource management purposes, the authority includes depreciation, pension charges in relation to IAS19 debits and credits in its directorate reporting, however this needs to be removed as it is not included in the net expenditure chargeable to the general fund and HRA balances.

Note 2) The authority includes income and expenditure in relation to investment properties, interest payable and receivable, levies and trading accounts within the Directorates however this is reported in the financial statements below the cost of services line and therefore the above table shows these items being reallocated. The income and expenditure for Corporate Landlord and Passenger Transport is also adjusted within the amendments for trading/internal recharges.

Note 3) Corporate Funding and Housing Revenue Account are not reported to management as part of the Service Area reporting therefore these items have been included as adjustments in the above table.

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
   - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
   - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
   - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
   - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
   - For Financing and investment income and expenditure – the net interest in the defined benefit liability is charged to the CIES.

Other Differences

3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
   - For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
   - The transfer of any deficit arising on the Dedicated Schools Grant to the Dedicated Schools grant adjustment account
   - The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted

accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2020/21 £000	2019/20 £000
Expenditure		
Employee benefits expenses	187,329	196,150
Other service expenses	421,957	395,127
Support service recharges	32,906	32,314
Depreciation, amortisation, impairment	78,028	68,574
Interest payments	26,179	25,916
Precepts and levies	9,072	8,339
Payments to Housing Capital Receipts Pool	560	584
(Gain)/Loss on the disposal of assets	5,992	18,532
Total Expenditure	**762,023**	**745,536**
Income		
Fees, charges and other service income	(156,368)	(165,491)
Interest and investment income	(1,450)	(2,129)
Income from council tax, non-domestic rates	(204,513)	(216,514)
Government grants and contributions	(356,327)	(288,346)
Total Income	**(718,658)**	**(672,480)**
Surplus or Deficit on the Provision of Services	**43,365**	**73,056**

9. REVENUE CONTRACTS WITH CUSTOMERS

The Council's income from revenue contracts with customers is analysed by Service Area as follows:

Fees, charges and other service income	2020/21 £000	2019/20 £000
Adult Services	(48,620)	(42,698)
Local Authority Housing	(18,442)	(18,389)
Children's Services	(8,493)	(12,722)
Finance, Governance and Assurance	(8,882)	(8,669)
Legal and Democratic Services	(4,473)	(4,960)
Place	(44,378)	(59,116)
Strategic Management Board	(913)	(1,034)
Workforce and Transformation	(19,549)	(17,337)
Corporate	(2,618)	(566)
Total Income	**(156,368)**	**(165,491)**

10. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs	19,531	0	0	0	0	(19,531)
Financial instruments	(317)	0	0	0	0	317
Council tax and NDR	23,730	0	0	0	0	(23,730)
Holiday pay	698	0	0	0	0	(698)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	42,782	(4,001)	4,096	0	8,679	(51,556)
Dedicated Schools grant	(1,588)	0	0	0	0	1,588
Total Adjustments to Revenue Resources	**84,836**	**(4,001)**	**4,096**	**0**	**8,679**	**(93,610)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(2,340)	(1,782)	0	4,907	0	(785)
Administrative costs of non-current asset disposals	12	34	0	(46)	0	0
Payments to the government housing receipts pool	560	0	0	(560)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(8,312)	0	0	0	0	8,312
Capital expenditure financed from revenue balances	(82)	(361)	0	0	0	443
Total Adjustments between Revenue and Capital Resources	**(10,162)**	**(2,109)**	**0**	**4,301**	**0**	**7,970**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(5,869)	0	5,869

2020/21	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(2,638)	0	0	2,638
Application of capital grants to finance capital expenditure	0	0	0	0	(5,577)	5,577
Cash payments in relation to deferred capital receipts	0	0	0	1,568	0	(1,568)
Total Adjustments to Capital Resources	**0**	**0**	**(2,638)**	**(4,301)**	**(5,577)**	**12,516**
Total Adjustments	**74,674**	**(6,110)**	**1,458**	**0**	**3,102**	**(73,124)**

2019/20 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs	25,822	0	0	0	0	(25,822)
Financial instruments	(319)	0	0	0	0	319
Council tax and NDR	(412)	0	0	0	0	412
Holiday pay	441	0	0	0	0	(441)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	59,610	(1,139)	3,953	0	14,227	(76,651)
Total Adjustments to Revenue Resources	**85,142**	**(1,139)**	**3,953**	**0**	**14,227**	**(102,183)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(2,465)	(2,633)	0	5,765	0	(667)
Administrative costs of non-current asset disposals	36	51	0	(87)	0	0
Payments to the government housing receipts pool	584	0	0	(584)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(6,990)	0	0	0	0	6,990
Capital expenditure financed from revenue balances	(3,224)	(1,738)	0	0	0	4,962

2019/20 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Total Adjustments between Revenue and Capital Resources	**(12,059)**	**(4,320)**	**0**	**5,094**	**0**	**11,285**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(5,135)	0	5,135
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,701)	0	0	3,701
Application of capital grants to finance capital expenditure	0	0	0	0	(6,640)	6,640
Cash payments in relation to deferred capital receipts	0	0	0	41	0	(41)
Total Adjustments to Capital Resources	**0**	**0**	**(3,701)**	**(5,094)**	**(6,640)**	**15,435**
Total Adjustments	**73,083**	**(5,459)**	**252**	**0**	**7,587**	**(75,463)**

11. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance at 31 March 2019 £000	Transfers Out 2019/2020 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfer of DSG Deficit to Unusable Reserve £000	Restated Opening Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 20 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	17,408	(4,363)	3,081	16,126	0	16,126	(3,152)	4,531	17,505
Insurance Reserves	3,942	(278)	100	3,764	0	3,764	(377)	352	3,739
Reserves of trading and business units	478	(536)	58	0	0	0	(197)	197	0
Reserves retained for service departmental use	43,471	(22,080)	22,518	43,909	0	43,909	(23,838)	44,299	64,370
School Balances	6,427	(6,078)	3,845	4,194	2,247	6,442	(5,418)	7,021	8,045
Total	**71,726**	**(33,335)**	**29,602**	**67,993**	**2,247**	**70,241**	**(32,982)**	**56,400**	**93,659**

RESERVES

Sums set aside for major schemes, such as capital developments, or to fund major reorganisations – includes redundancy reserve, and specific reserves to fund capital and major projects including service transformation within the Council.

Insurance Reserves – includes fire liability and motor insurance reserves to fund the Council's future self insurance liabilities.

Reserves of trading and business units – includes any balance carried forward in relation to Shire Services to help smooth trading profits and losses over future years.

Reserves retained for service departmental use – includes a number of specific earmarked reserves for known service expenditure in future years. Significant balances include the Covid Government Funding Reserve, Financial Strategy reserve, a savings management for highways reserve, a severe weather reserve and a reserve including unringfenced revenue grants that have not been spent.

School Balances – includes unspent balances of budgets delegated to individual schools.

A breakdown of all specific earmarked reserve balances is shown in the 2020/21 Revenue Outturn report.

12. OTHER OPERATING EXPENDITURE

	2020/21 £000	2019/20 £000
Parish Council Precepts	8,940	8,211
Levies	132	128
Payments to the Government Housing Capital Receipts Pool	560	584
(Gains)/losses on the disposal of non-current assets*	5,454	18,279
(Gains)/losses on change in valuation of non-current assets	538	340
	15,624	**27,542**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21 £000	2019/20 £000
Interest payable and similar charges	26,179	25,916
Pensions interest cost and expected return on pensions assets	11,267	11,565
Interest receivable and similar income	(1,450)	(2,128)
Income and expenditure in relation to investment properties and changes in their fair value	(1,328)	2,625
Revenue Impairment Losses	1,099	461
(Surpluses)/deficits on Trading Activities	7,862	1,117
	43,629	**39,556**

14. TAXATION AND NON SPECIFIC GRANT INCOMES

	2020/21 £000	2019/20 £000
Council tax income	(172,667)	(165,000)
Non domestic rates	(31,846)	(51,514)
Non ringfenced government grants	(66,559)	(38,002)
Capital grants and contributions	(48,766)	(37,925)
	(319,838)	**(292,441)**

15. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2020/21.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2020	**200,025**	**555,040**	**22,299**	**543,270**	**2,961**	**2,725**	**12,863**	**1,339,183**	**143,605**
Additions	4,496	1,373	1,131	29,991	0	0	7,345	**44,336**	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(151,072)	0	0	0	(120)	0	**(151,248)**	(21,261)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,447	(32,747)	0	0	0	(353)	0	**(31,653)**	9
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	**(5,898)**	0
Derecognition – other	(132)	(966)	(1,727)	(1,575)	(481)	0	0	**(4,881)**	(1,448)
Assets reclassified (to)/from Held for Sale	13	0	0	0	0	0	0	**13**	0
Other movements in cost or valuation	(99)	14,274	0	1,109	0	0	(5,474)	**9,810**	0
At 31 March 2021	**204,772**	**380,926**	**21,703**	**572,795**	**2,480**	**2,252**	**14,734**	**1,199,662**	**121,821**
At 1 April 2020	**0**	**0**	**(8,999)**	**(189,693)**	**(1,006)**	**(1,006)**	**0**	**(200,704)**	**(6,686)**
Deprecation charge for 2020/21	(4,048)	(17,315)	(3,073)	(19,291)	(113)	(54)	0	**(43,894)**	(6,877)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Depreciation written out to the Revaluation Reserve	137	14,917	0	0	0	7	0	**15,061**	4,663
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,911	2,387	0	0	0	47	0	**6,345**	90
Impairment losses/(reversals) recognised in the Revaluation Reserve	(127)	(154)	0	0	0	0	0	**(281)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,426	0	0	0	0	0	**1,426**	0
Derecognition – disposals	0	0	0	0	0	0	0	**0**	0
Derecognition – other	0	11	1,509	1,575	481	0	0	**3,576**	1,231
Other movements in depreciation and impairment	127	(1,272)	0	0	0	0	0	**(1,145)**	0
At 31 March 2021	**0**	**0**	**(10,563)**	**(207,409)**	**(638)**	**(1,006)**	**0**	**(219,616)**	**(7,579)**
NBV at 31 March 2021	**204,772**	**380,926**	**11,140**	**365,386**	**1,842**	**1,246**	**14,734**	**980,046**	**114,242**
NBV at 31 March 2020	**200,025**	**555,040**	**13,300**	**353,577**	**1,955**	**1,719**	**12,863**	**1,138,479**	**136,919**

The comparative movements in 2019/20 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2019	**196,767**	**526,312**	**19,883**	**525,492**	**3,578**	**2,115**	**7,525**	**1,281,672**	**137,179**
Additions	5,808	4,913	3,940	17,425	0	0	8,354	**40,440**	2,303
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10	48,862	0	0	0	(186)	0	**48,686**	4,801
Revaluation increases/(decreases)	(630)	(4,015)	0	0	0	177	0	**(4,468)**	433

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
recognised in the Surplus/Deficit on the Provision of Services									
Derecognition – disposals	(2,020)	(17,805)	(61)	0	0	0	0	**(19,886)**	0
Derecognition – other	(142)	(1,951)	(1,463)	0	(617)	(80)	0	**(4,253)**	(1,111)
Assets reclassified (to)/from Held for Sale	(500)	(947)	0	0	0	(595)	0	**(2,042)**	0
Other movements in cost or valuation	732	(329)	0	353	0	1,294	(3,016)	**(966)**	0
At 31 March 2020	200,025	555,040	22,299	543,270	2,961	2,725	12,863	**1,339,183**	143,605
Depreciation and Impairments									
At 1 April 2019	**(136)**	**(30,243)**	**(6,803)**	**(172,770)**	**(1,448)**	**(1,018)**	**0**	**(212,418)**	**(9,650)**
Depreciation charge for 2019/20	(3,908)	(16,303)	(3,164)	(16,923)	(174)	(51)	0	**(40,523)**	(6,416)
Depreciation written out to the Revaluation Reserve	252	43,808	0	0	0	18	0	**44,078**	8,617
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,780	1,122	0	0	0	45	0	**4,947**	228
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	0
Derecognition – disposals	0	1,446	24	0	0	0	0	**1,470**	0
Derecognition – other	12	90	944	0	616	80	0	**1,742**	535
Other movements in depreciation and impairment	0	80	0	0	0	(80)	0	**0**	0
At 31 March 2020	**0**	**0**	**(8,999)**	**(189,693)**	**(1,006)**	**(1,006)**	**0**	**(200,704)**	**(6,686)**
NBV at 31 March 2020	**200,025**	**555,040**	**13,300**	**353,577**	**1,955**	**1,719**	**12,863**	**1,138,479**	**136,919**
NBV at 31 March 2019	**196,631**	**496,069**	**13,080**	**352,722**	**2,130**	**1,097**	**7,525**	**1,069,254**	**127,529**

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of 5 primary schools for which plans are being finalised with the Diocese or for which instructions have been issued, but full ownership has not yet transferred to the Diocese. This detailed work is necessary because in many circumstances the schools are now physically different and it is necessary to ensure that the transfers relate purely to the school function and no other uses which may now be on site. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the Council's balance sheet on completion of the legal transfer. The total net book value for these schools still included as at the balance sheet date is £8.80m.

In addition there are a number of primary schools where a small part of the site is required to transfer from the Council to the Diocese, these are mainly as a result of extensions to schools which have been built across land still in Shropshire Council ownership (e.g. former playing field land). Work is ongoing to legally transfer these further sections and they are not included in the Council's balance sheet.

Academy Schools

In 2020/21 one further school became Academy status. This school was in part ownership of the Council, with the remaining part required to be transferred to the Diocese, following a school amalgamation. Where the School land and premises are in the freehold ownership of the Council, these are now leased by the Council to the Academy school on a 125 year peppercorn rent. Where they relate to Schools that should have transferred to the Diocese, this transfer is completed prior to Academy conversion. On this basis the schools are now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2020/21 for the school transferring was £3.85m.

At balance sheet date, Department of Education approval had been granted to two schools to convert to Academy status. One of which has converted to Academy School status in early 2021/22 financial year, this school was in part Council freehold ownership and a lease to the Academy school on a 125 year peppercorn rent has been completed as part of the transfer. The value of the school and associated facilities in the 2020/21 accounts is £3.85m. This is considered as a non-adjusting event after the reporting date.

Depreciation

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

- Council Dwelling – componentised depreciation basis, using the Planned Programme Approach. The components are depreciated on a straightline basis over their useful life (10-0 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.

- Other Land and Buildings – average 10 to 60 years range.
- Vehicles, Plant, Furniture & Equipment – average 5 years.
- Infrastructure – 5 to 40 years.

Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment or to provide grant funding to other bodies for a capital purpose in 2020/21 and future years budgeted to cost £38.091m. Similar commitments at 31 March 2020 were £20.817m. The major commitments were:

- School Future Place Planning Programme - £9.281m.
- Highways & Transport schemes - £21.143m.
- Rural Broadband - £2.614m
- Business Park Regeneration - £4.145m

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years but are subject to an annual desktop review. All valuations are undertaken by External Valuers for the General Fund and HRA assets. 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. Vehicles, plant, furniture and equipment are held on historic cost basis.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

The significant assumptions applied in estimating the current values are:

- For all assets valued on a DRC or EUV basis an apportionment of each valuation has been made between land and buildings. The apportionment is provided only for the financial purposes, but this does not necessarily reflect how each asset would be treated in the open market.
- Valuation is based on the continuation of the existing uses for all of those properties that are owner occupied by Shropshire Council. Assumed that the properties are all occupied and/or operated in accordance with a valid planning permission. Valuers have not carried out any enquiries into highways or other statutory matters and have assumed there is nothing that would affect value.
- In accordance with instructions from Shropshire Council, Valuers have not undertaken any Building Surveys, test of services or site investigations and have prepared valuations on the basis that all properties (sites and buildings) are:

  - Free of any matters (including deleterious materials or contamination) that could otherwise affect value;
  - None of the properties are prone to flooding or other infrequent or regularly occurring natural events that could affect value;
  - All necessary mains services are connected to the properties.
- All valuations undertaken are reported on a gross basis before deduction of purchaser's costs, including stamp duty at prevailing rates. No allowance has been made for any expenses of realisation, nor taxation (including VAT) which might arise in the event of a disposal, and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.
- All of the assets are held on an unencumbered freehold basis with the Title being good and marketable, based on the Report on Title provided.
- Where relevant, Valuers have carried out informal enquiries only of statutory undertakers. This information has been obtained from verbal discussions or the internet, and is provided without liability on behalf of the statutory bodies.
- Opinion of the remaining lives of property assets has been provided. This may not necessarily be the useful life of the asset to Shropshire Council. Estimates of the properties remaining lives are based upon information provided together with Valuers understanding of any recent capital expenditure which has been incurred in replacing or refurbishing individual buildings and the use of the buildings (if any) at the date of valuation. All buildings are assumed to have a maximum life expectancy from new of 60 years.

Valuations of Non-Current Assets carried at Current Value

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment. The valuations are commissioned from External Valuers. The basis of valuation is set out in the Statement of Accounting Policies. All values are stated on a net present value basis.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	0	11,140	0	11,140
Valued at Fair Value as at: 31-Mar-21	204,772	380,926	0	1,246	586,944
Total Cost or Valuation	**204,772**	**380,926**	**11,140**	**1,246**	**598,084**

All assets were subject to a Full or Desktop Valuations as at 31/03/21 to ensure the carrying amount reflected Current Value as at the balance sheet date.

In order to perform this exercise the other land and building category was split into the sub-categories with the relevant values detailed in the table below:

	2020/21 £000	2019/20 £000
Schools, Children's Services and other Education Facilities	71,369	124,392
Culture & Heritage Buildings	44,880	80,495
Leisure & Recreation	42,978	63,509
Highways & Car Parks	25,784	69,233
Social Care	35,071	43,236
Administrative Offices	16,977	21,994
Waste Management Site	96,573	112,102
Business / Commercial Sites (including Markets)	28,328	17,565
Housing Services (including Gypsy Sites)	9,678	11,563
Smallholdings	8,234	9,125
Other	1,054	1,826
Total	**380,926**	**555,040**

16. 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.

	2020/21 £000	2019/20 £000
Rental income & service charges from investment property	(1,815)	(1,316)
Direct operating expenses arising from investment property	315	350
Net (gain)/loss	**(1,500)**	**(966)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council 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:

	Long term		Current	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Balance at start of the year	47,652	50,884	740	3,822
Additions:				
- Purchases	6,698	1,975	0	0
- Construction	1,308	0	0	0
- Subsequent expenditure	116	24	0	0
Disposals	(116)	(25)	0	(3,822)
Net gains/(losses) from fair value adjustments	318	(2,456)	(490)	(1,135)

	Long term 2020/21 £000	Long term 2019/20 £000	Current 2020/21 £000	Current 2019/20 £000
Transfers:				
- (To)/from Property, Plant and Equipment	3,285	(875)	0	0
- (To)/from Current/Long term	0	(1,875)	0	1,875
Balance at end of the year	**59,261**	**47,652**	**250**	**740**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

2020/21 Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Residential (market rental) properties	0	3,883	0	3,883
Land	0	37,977	0	37,977
Commercial units	0	17,651	0	17,651
Total	**0**	**59,511**		**59,511**

2019/20 comparatives Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Residential (market rental) properties	0	5,621	0	5,621
Land	0	33,502	0	33,502
Commercial units	0	9,269	0	9,269
Total	**0**	**48,392**	**0**	**48,392**

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The market approach and the income approach have been used as the valuation techniques to measure the fair value of Investment Properties.

The fair value of properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The Income approach has been used mainly in relation to Investment Properties leased on a commercial basis. The income approach is calculated by means of the discounted cash flow method, where the expected cash flows from the properties are discounted to establish the present value of the net income stream. This approach is based on the authorities lease data and data on the local rental market.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's Investment Properties, the valuations have been on the basis of the highest and best use of the asset. In a small number of instances this differs to their current use, mainly where sites would have a higher value if use for residential development, and it is expected planning permission for these sites would be granted based on existing planning policy. The authority is actively working to bring these sites forward for development, but this process can take a number of years.

Valuation Process for Investment Properties

The fair value of the authority's investment properties are subject to revaluations in accordance with the authority's policy on revaluing non-current assets, commissioned to External Valuers. As the fair value must reflect market conditions at the balance sheet date, annual revaluations are necessary unless the authority can demonstrate that the carrying value is not materially different from the fair value at that date.

17. LONG TERM UNQUOTED EQUITY INVESTMENT

The Council held the following unquoted equity investments:

	2020/21 £000	2019/20 £000
Balance at start of the year	19,806	40,520
Purchases		
Shrewsbury Retail Unit Trusts	3,482	2,856
Disposals		
Shrewsbury Retail Unit Trusts	0	(64)
Revaluation		
Shrewsbury Retail Unit Trusts	(8,577)	(23,506)
Transfer of investment 31/01/2021	(14,711)	0
Balance at 31 March	**0**	**19,806**

All of the units in the trusts were previously owned by Standard Life Aberdeen and were sold to the Council on the 24th January 2018. The trust is a registered trust in Jersey and is regulated by the Jersey financial services authority and is also approved by the UK Government as a "Baker trust" for tax purposes.

In order to comply with the rules of the trust a percentage of the units were held by the Council directly and the remaining units were held by SSC NO.1 LTD, a wholly owned subsidiary of the Council. The units previously held by SSC No.1 LTD were surrendered to the Council on 30th January 2021.

On 31st January 2021 the shopping centres were transferred to be held directly by the Council. As a result of this the value that was previously accounted for as an unquoted equity investment is now accounted for within the Council's Balance Sheet under the specific headings i.e. debtors, creditors and property, plant and equipment.

The wholly owned subsidiary SSC NO.1 LTD is a company incorporated in England and Wales and was incorporated on the 19th January 2018. It has been consolidated in the group accounts. Its issued share capital at the 31st March 2020 was £1 and holds £0.020m in cash.

18. CAPITAL EXPENDITURE AND 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 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21 £000	2019/20 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	**480,053**	**474,213**
Capital investment		
Property, Plant and Equipment	44,340	40,440
Investment Properties	8,122	1,999
Long Term Investment	721	2,792
Intangible Assets	449	2,841
Revenue Expenditure Funded from Capital under Statute	14,424	18,561
Capital Loans	3,250	750
Sources of finance		
Capital receipts	(5,869)	(5,135)
Capital grants and other contributions	(56,543)	(40,756)
Direct Revenue Financing (Including MRA)	(3,081)	(8,662)
Minimum Revenue Provision	(8,312)	(6,990)
Closing Capital Financing Requirement (including PFI & Finance Lease)	**477,554**	**480,053**
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	293,638	293,721
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	85,130	84,805
Closing Capital Financing Requirement – PFI & Finance Lease	98,786	101,527
	477,554	**480,053**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(4,925)	(2,441)

	2020/21 £000	2019/20 £000
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	5,167	9,947
Assets acquired under finance leases		0
Assets acquired under PFI contracts	(2,741)	(1,666)
Increase/(decrease) in Capital Financing Requirement	**(2,499)**	**5,840**

19. PRIVATE FINANCE INITIATIVE SCHEMES

The Council has two Private Finance Initiative (PFI) schemes: The Quality in Community Services (QICS) PFI, signed on 21 May 2005, and the Waste Services PFI contract, signed on 29 September 2007.

a. The Quality in Community Services PFI Project

On 21 May 2005 the Council entered into a 30 year contract with Integrated Care Solutions (ICS) to supply and maintain six buildings:

- Three Resource Centres
- A Nursing Home
- A Joint Service Centre
- An Intermediate Care Hub

The contract was a Private Finance Initiative under the Capital Finance Regulations. The Council was awarded a PFI credit of £20.400m.

b. The Waste Services PFI Project

On 29 September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007. On 20 October 2008 Shrewsbury & Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40.800m of PFI credits which are paid as an annual PFI grant.

There are two separable elements to the contract: a collection and recycling element and a waste treatment services element.

The collection and recycling element comprises the kerbside collections of recycling and waste, the operation of the Integrated Waste Management Facilities (comprising the household recycling centres and transfer stations) and waste treatment and disposal other than the operation of the Energy Recovery Facility. The contract is an output based contract but proposed waste infrastructure that will be used to deliver services under this element of the contract includes upgrades of the existing Craven Arms and Whitchurch recycling facilities, the development of Integrated Waste Management Facilities to service the Oswestry and Bridgnorth areas and the development of an In Vessel Composting Facility.

Two broad groups of assets are being provided under the Waste Services PFI contract:

- Vehicles and waste receptacles used to deliver the day to day waste service.
- Assets to be constructed under the contract to deliver improved recycling and diversion performance.

The value of assets held and liabilities resulting from the QICS and Waste PFI contract and an analysis of the movements are shown below:

	QICS PFI		Waste PFI	
	Year Ended 31/03/21 £000	Year Ended 31/03/20 £000	Year Ended 31/03/21 £000	Year Ended 31/03/20 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	19,297	16,581	108,650	101,549
- Depreciation in Period	0	(353)	(16)	(3,909)
- Additions	0	0	0	57
- Revaluation/Impairment	(3,125)	3,069	(18,127)	11,011
- Derecognition	0	0	0	(57)
Balance Carried Forward	16,172	19,297	90,507	108,650
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	8,971	9,398
- Depreciation in Period	0	0	(2,108)	(2,154)
- Additions	0	0	916	2,246
- Derecognition	0	0	(217)	(519)
Balance Carried Forward	0	0	7,563	8,971
Prepayments				
Balance Brought Forward	0	0	9,744	9,212
- Planned Capital Expenditure	0	0	369	531
Balance Carried Forward	0	0	10,113	9,744
Finance Lease Liability				
Balance Brought Forward	(11,737)	(12,046)	(99,534)	(100,360)
- Additions	0	0	0	0
- Early Lifecycle	0	0	(916)	(200)
- Repayment of Principal	339	309	2,949	1,026
Balance Carried Forward	(11,398)	(11,737)	(97,501)	(99,534)

Details of Payments due to be made under PFI contracts

Year	Service Charges * £000	Principal £000	Interest # £000	Total Unitary Charge Payment £000
Amounts Falling Due Within One Year	22,908	5,281	10,835	39,025
Amounts Falling Due Within 2 – 5 Years	102,256	18,581	41,325	162,161
Amounts Falling Due Within 6 – 10 Years	136,551	26,898	50,590	214,038
Amounts Falling Due Within 11 – 15 Years	170,776	34,134	35,588	240,498
Amounts Falling Due Within 16 – 20 Years	96,817	29,779	20,400	146,996
Amounts Falling Due Within 21 – 25 Years	0	0	0	0

* comprised of operating costs and lifecycle costs
\# comprised of finance lease interest and contingent rental

20. LEASES

Authority as a Lessee

<u>Finance Leases</u>

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. The Council pays an annual unitary charge (in monthly instalments) to the contractor for the assets and services provided under each PFI contract. This annual unitary charge is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

The assets acquired under these leases are carried as Buildings and Vehicles, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2021 £000	31 March 2020 £000
Buildings	106,679	127,947
Vehicles, Plant and Equipment (PFI)	7,563	8,972
Total	**114,242**	**136,919**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2021 £000	31 March 2020 £000
Finance lease liabilities (NPV of minimum lease payments)	114,673	117,045
Finance costs payable in future years	158,738	170,557
Minimum lease payments	**273,410**	**287,602**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Not later than one year	16,116	16,465	5,281	4,356
Later than one year and not later than five years	59,906	60,930	18,581	18,793
Later than five years	197,388	210,207	90,811	93,896
Total	**273,410**	**287,602**	**114,673**	**117,045**

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £108.899m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 19 Private Finance Initiative Schemes.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(371)	(4,910)	(5,281)
Lease liability (due after 1 year)	(11,027)	(92,591)	(103,618)
Total	**(11,398)**	**(97,501)**	**(108,899)**

Operating Leases

The Council has acquired vehicles and equipment by entering into operating leases, with typical lease lengths of three to seven years. The Council also has a number of land and buildings that are held under operating leases.

The minimum lease payments due for the following financial year under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2021 £000	31 March 2020 £000
Expiring not later than one year	80	329
Expiring later than one year and not later than five years	325	115
Expiring later than five years	402	445
Total	**807**	**889**

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2021 £000	31 March 2020 £000
Lease payments	874	1,149
Sub Lease receivable	0	0
Total	**874**	**1,149**

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for a variety of purposes, including:

- For the provision of community services.
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- For income generation as Investment Properties.

The minimum lease payments due under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2021 £000	31 March 2020 £000
Expiring not later than one year	743	1,034
Expiring later than one year and not later than five years	962	501
Expiring later than five years	1,565	941
Total	**3,270**	**2,476**

21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000
Fair value through profit or loss										
Long Term Equity Instruments	0	19,806	0	0	0	0	0	0	0	19,806
Amortised cost										
Investment	400	400	22,628	19,857	70,000	64,500	49,441	37,177	142,469	121,934
Cash and Cash Equivalents	0	0	0	0	78,289	92,560	0	0	78,289	92,560
Total financial assets	**400**	**20,206**	**22,628**	**19,857**	**148,289**	**157,060**	**49,441**	**37,177**	**220,758**	**234,300**
Non-financial assets	0	0	0	0	0	0	50,393	30,196	50,393	30,196
Total	**400**	**20,206**	**22,628**	**19,857**	**148,289**	**157,060**	**99,834**	**67,373**	**271,151**	**264,496**

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000
Amortised cost										
Principal	(291,568)	(303,568)	(637)	(649)	(12,026)	(4,026)	(108,147)	(81,583)	(412,378)	(389,826)
Loans accrued interest	0	0	0	0	(1,867)	(1,987)	0	0	(1,867)	(1,987)
Bank Overdraft	0	0	0	0	0	0	(14,902)	(14,644)	(14,902)	(14,644)
PFI and Finance lease liabilities	(103,618)	(106,914)	0	0	0	0	(5,281)	(4,356)	(108,899)	(111,270)
Total Financial Liabilities	**(395,186)**	**(410,482)**	**(637)**	**(649)**	**(13,893)**	**(6,013)**	**(128,330)**	**(100,583)**	**(538,046)**	**(517,727)**
Non financial liabilities	0	0	0	0		0	(12,789)	(21,052)	(12,789)	(21,052)
Total	**(395,186)**	**(410,482)**	**(637)**	**(649)**	**(13,893)**	**(6,013)**	**(141,119)**	**(121,635)**	**(550,835)**	**(538,779)**

The debtors figure included in the balance sheet includes payments in advance from individuals and organisations and transactions relating to Council Tax and Business Rates which are not considered to be financial instruments, therefore these prepayments have been excluded above. Similarly the creditors figure also includes transactions relating to Council Tax and Business Rates and receipts in advance which are not a financial instrument, therefore these have been excluded above. A reconciliation of the Financial Instrument figures to the Balance Sheet is provided below:

	31-Mar-21 £000	31-Mar-20 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	49,441	37,177
Debtors that are not financial instruments	50,393	30,196
Total Debtors as per Balance Sheet	**99,834**	**67,373**
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(113,428)	(85,939)
Creditors that are not financial instruments	(12,789)	(21,052)
Total Creditors as per Balance Sheet	**(126,217)**	**(106,991)**

Soft Loans

Small Business Loans
Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT Ltd to be used to provide small business loans. As at the balance sheet date a total of £0.750m has been loaned to MRRT Ltd.

Valuation Assumptions
The interest rate at which the fair value of this soft loan has been made is based on the PWLB rate at point at which the loan payment is made to MRRT Ltd plus 0.5% for the Council's transactional costs.

Other Soft Loans
Following a review in this area it has been identified that interest free loans with a nominal value of £2.092m are advanced to clients receiving residential/nursing care, who following assessment, are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £0.297m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

The deferred charges loans are part of the Charging Residential Accommodation Guide (CRAG) assessment and the adaptation loans are part of Disabled Facilities Grant legislation, which means they are part of national agreements. These loans are not part of the Councils internal policies and therefore are not classified as soft loans.

Income, Expense, Gains and Losses

	2020/21		2019/20	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	(8,577)	0	(23,506)	0
Financial assets measured at amortised cost	0	0	0	0
Investments in equity instruments designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through profit or loss	0	0	0	0
Financial liabilities measured at fair value through profit or loss	0	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0

	2020/21		2019/20	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Total net gains/losses	**(8,577)**	**0**	**(23,506)**	**0**
Interest revenue:				
Financial assets measured at amortised cost	(1,450)	0	(2,129)	0
Other financial assets measured at fair value through other comprehensive income			0	0
Total interest revenue	**(1,450)**	**0**	**(2,129)**	**0**
Interest expense				
Interest Expense	26,179	0	25,916	0

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets held by the Council are carried in the Balance Sheets at amortised cost. The fair values calculated are as follows.

Financial Liabilities	31 March 2021 Carrying amount £000	Fair value £000	31 March 2020 Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	303,568	421,941	307,568	405,490
- PFI and finance lease liabilities	108,899	203,186	111,271	224,610

The fair value of borrowings is higher than the carrying amount because the Council'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 arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2021 Carrying amount £000	Fair value £000	31 March 2020 Carrying amount £000	Fair value £000
Financial assets held at amortised cost				
Loans and receivables:				
Cash	32,800	32,800	35,500	35,514
Fixed Term Deposits	115,000	115,173	104,500	104,979
Money Market Funds	0	0	17,060	17,071
Short term investments	0	0	0	0
Long term debtors	22,628	22,628	19,857	19,857
Long term investments	400	400	20,206	20,206

The fair value of the assets is higher than the carrying amount because the Council'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 2021) 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.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31-Mar-21			
	Quoted prices in active markets for identical assets(Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£000	£000	£000	£000
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	421,941	0	421,941
PFI and finance lease liabilities	0	203,186	0	203,186
Total	**0**	**625,127**	**0**	**625,127**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	147,973	0	147,973
Total	**0**	**147,973**	**750**	**148,723**

	31-Mar-20 Comparative Year			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£000	£000	£000	£000
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	405,490	0	405,490
PFI and finance lease liabilities	0	224,610	0	224,610
Total	**0**	**630,100**	**0**	**630,100**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	157,564	0	157,564
Total	**0**	**157,564**	**750**	**158,314**

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at 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.

Financial Assets	Financial Liabilities
No early repayment or impairment is recognised	No early repayment is recognised
Estimated ranges of interest rates at 31 March 2021 of -0.01% to 0.15% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2021 of 0.79% to 2.19% for loans payable, based on new lending rates for equivalent loans at that date
The fair value of trade and other receivables is taken to be the invoiced or billed amount	The fair value of PFI and finance lease liabilities is calculated using an estimated range of interest rates at 31 March 2021 of 0.59% to 0.72% based on premature repayment rates

22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;
- By approving annually in advance prudential and treasury indicators for the following three years;
- By approving an investment strategy for the forthcoming year.

To avoid the Council suffering loss as a result of its treasury management activities a number of risk management procedures have been put in place.

These procedures are based on the concept that firstly security of principal is paramount, secondly that there is a need to maintain liquidity and finally earning a rate of return commensurate with the first two concepts.

Credit Risk Exposure

Credit and counterparty risk is the failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness.

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the

Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Council's creditworthiness policy which is approved as part of the Annual Investment Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from, the list are approved by the Section 151 Officer.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £20.000m.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default, adjusted to reflect current market conditions.

	Amount deposited at 31 March 2021 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and uncollectability at 31 March 2021 %	Estimated maximum exposure at 31 March 2021 £000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AAA	0	0.00	0.00	0.00	0
AA	13,900	0.02	0.00	0.00	0
A	60,900	0.05	0.09	0.00	0
BBB	0	0.14	0.00	0.00	0
Other Local Authorities	73,000	0.00	0.00	0.00	0
Debtors (Customers)	30,796	Local Experience	Local Experience	Local Experience	Local Experience

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally allows its customers 30 days credit. Of the £30.796m outstanding from customers £19.847m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2020/21 £000	2019/20 £000
Less than 3 months overdue	4,997	4,584
3 to 6 months overdue	4,278	2,262
6 months to 1 year overdue	2,084	2,679
More than 1 year overdue	8,487	7,576
	19,847	**17,101**

Loss allowances on trade receivables are calculated using historical experience of default and knowledge of any current and future events which could impact on collection. Trade receivables have been assessed on an individual service basis with some items grouped based on their age and type.

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for access to longer term funds, 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. The Council's strategy therefore is to ensure that no more than 15% of loans mature in any one financial year.

In addition, all of the Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities.

The maturity analysis of financial liabilities is as follows:

Age of Debt	2020/21 £000	2019/20 £000
Less than 1 year	12,000	4,000
Between 1 and 2 years	0	12,000
Between 2 and 5 years	6,600	6,600
Between 5 and 10 years	28,487	28,487
More than ten years	256,481	256,481
	303,568	**307,568**

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council minimises this risk by seeking expert advice on forecasts on interest rates from its Treasury Management consultants, and agreeing with them the strategy for the forthcoming year for the investment and debt portfolios. Movement of actual interest rates against these expectations is monitored continuously with advice from our treasury advisor.

The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. Interest rate exposure limits and other prudential limits are set through this Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure.

As at 31 March 2021 the Council's total outstanding debt (excluding accrued interest) amounted to £303.594m of which none of these loans were at stepped interest rates. Out of this balance £254.368m relates to fixed rate Public Works Loan Board (PWLB) loans, £32.200m relates to Lenders Option Borrower Option (LOBO) market loans, £17.000m relates to Market Loans and £0.026m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. The interest rates range between 3.83% and 4.27%. Of the total amount, £16.500m has an annual call date, £5.700m has a 2 yearly call date and £10.000m has a 5 yearly call date. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable. To date the call option has not been exercised.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2021, £17.800m was held in a Call Account.

Price Risk
The Council, excluding the pension fund, does not invest in equity shares or bonds, therefore is not exposed to losses arising from movements in share/bond prices.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is zero.

23. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2021.

	2020/21 £000	2019/20 £000
Debtors:		
Central Government Bodies	35,214	12,001
Other Local Authorities	3,426	4,455
NHS Bodies	11,818	5,060
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	28,929	29,745
Prepayments	20,447	16,112
	99,834	**67,373**

24. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2020/21 £000	2019/20 £000
Less than 1 year	5,365	4,584
1 – 2 years	2,996	2,204
2 – 3 years	1,880	1,333
More than 3 years	5,901	5,406
	16,142	**13,527**

25. CASH AND CASH EQUIVALENTS

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

	31 March 2021 £000	31 March 2020 £000
Bank current accounts	18,294	37,585
Short term deposits with building societies	60,144	55,422
Total Cash and Cash Equivalents	**78,438**	**93,007**
Bank Overdraft	(14,902)	(14,644)
Cash Overdrawn	**(14,902)**	**(14,644)**

26. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2021.

	2020/21 £000	2019/20 £000
Creditors:		
Central Government Bodies	(37,260)	(12,551)
Other Local Authorities	(1,753)	(1,348)
NHS Bodies	(125)	(358)
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(76,892)	(83,727)
Receipts In Advance	(10,187)	(9,007)
	(126,217)	**(106,991)**

27. PROVISIONS

The value of provisions held as at 31 March 2021 are as follows:

	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
Short Term Provisions							
Accumulated Absences Account	1,887	(1,887)	2,328	2,328	(2,328)	3,026	3,026
Environmental Maintenance Provision	117	(117)	0	0	0	60	60
Rent Top Up Provision	163	(166)	38	35	(35)	0	0
Highways & Transport Provision	0	0	834	834	(429)	0	405
Cultural Provision	0	0	191	191	0	0	191
Termination Benefits	0	0	188	188	(188)	230	230
Total Short Term Provisions	**2,167**	**(2,170)**	**3,579**	**3,576**	**(2,980)**	**3,316**	**3,912**
Long Term Provisions							
AWM	224	0	0	224	(224)	0	0
S106	73	0	0	73	0	0	73
Rent Top Up Provision	2	(2)	0	0	0	0	0
Liability Insurance	4,002	(23)	234	4,213	(1,040)	604	3,777
NDR Appeals	5,777	(981)	1,594	6,390	(3,173)	1,402	4,619
Tenancy Deposit Clawbacks	166	(13)	26	179	(23)	48	204
Total Long Term Provisions	**10,244**	**(1,019)**	**1,854**	**11,079**	**(4,460)**	**2,054**	**8,673**
Total Provisions	**12,411**	**(3,189)**	**5,433**	**14,655**	**(7,440)**	**5,370**	**12,585**

28. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2021 £000	31 March 2020 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	5,950	4,492
Earmarked Reserves	93,659	67,993
Capital Grants Unapplied Account	45,087	41,985
HRA Balance	11,341	10,141
General Fund Balance	14,090	13,510
Total Usable Reserves	**170,127**	**138,121**

29. UNUSABLE RESERVES

	31 March 2021 £000	31 March 2020 £000
Revaluation Reserve	98,683	245,600
Capital Adjustment Account	494,837	513,890
Financial Instruments Adjustment Account	(3,682)	(3,998)
Deferred Capital Receipts Reserve	581	2,149
Pensions Reserve	(537,647)	(495,700)
Collection Fund Adjustment Account	(20,227)	3,503
Accumulated Absences Account	(3,026)	(2,328)
Dedicated Schools Grant Adjustment Account	(659)	0
Total Unusable Reserves	**28,860**	**263,116**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**245,600**	**164,812**
Upward revaluation of assets	13,108	97,077
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(149,576)	(4,312)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(136,468)**	**92,765**
Difference between fair value depreciation and historical depreciation	(8,067)	(7,004)
Accumulated gains on assets sold or scrapped	(2,382)	(4,973)
Other transfers to the Capital Adjustment Account	0	0
Amount written off to the Capital Adjustment Account	**(10,449)**	**(11,977)**
Balance at 31 March	**98,683**	**245,600**

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 additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs.

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 10 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2020/21 £000	2019/20 £000
Balance at 1 April	**513,890**	**553,330**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(42,534)	(40,593)
- Revaluation losses on Property, Plant and Equipment	(25,847)	138
- Revaluation loss on Long Term Investment	(8,577)	(23,506)
- Amortisation of intangible assets	(1,437)	(1,362)
- Revenue expenditure funded from capital under statute	(14,424)	(18,561)
- Amounts of non current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(10,316)	(25,485)
	(103,135)	**(109,369)**
Adjusting amounts written out of the Revaluation Reserve	**10,449**	**11,977**
Net written out amount of the cost of non current assets consumed in the year	**(92,686)**	**(97,392)**
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	5,869	5,135
- Use of the Major Repairs Reserve to finance new capital expenditure	2,638	3,700
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	50,966	34,115
- Application of grants to capital financing from the Capital Grants Unapplied Account	5,577	6,641
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,312	6,990
- Capital expenditure charged against the General Fund and HRA balances	443	4,962
	73,805	**61,543**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(172)**	**(3,591)**
Balance at 31 March	**494,837**	**513,890**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(3,998)**	**(4,317)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	315
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	1	4
Balance at 31 March	**(3,682)**	**(3,998)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**2,149**	**661**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,529
Transfer to the Capital Receipts Reserve upon receipt of cash	(1,568)	(41)
Balance at 31 March	**581**	**2,149**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(495,700)**	**(497,935)**
Remeasurements of the net defined benefit liability/(asset)	(22,416)	28,057
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	(40,957)	(49,202)
Employer's pension contributions and direct payments to pensioners payable in the year	21,426	23,380
Balance at 31 March	**(537,647)**	**(495,700)**

Collection Fund Adjustment Account

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

	2020/21 £000	2019/20 £000
Balance at 1 April	**3,503**	**3,091**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(23,730)	412
Balance at 31 March	**(20,227)**	**3,503**

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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(2,328)**	**(1,887)**
Settlement or cancellation of accrual made at the end of the preceding year	2,328	1,887
Amounts accrued at the end of the current year	(3,026)	(2,328)
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	**(698)**	**(441)**
Balance at 31 March	**(3,026)**	**(2,328)**

Dedicated Schools Grant Adjustment Account

On the 6 November 2020, the secretary of State for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument to amend the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years.

	2020/21 £000	2019/20 £000
Balance at 1 April	**0**	**0**
Dedicated Schools Grant Adjustment Account Transfer of Opening Balance	(2,247)	0
Restated Opening Balance	**(2,247)**	**0**
In year Dedicated Schools Grant (over)/underspend	**1,588**	**0**
Balance at 31 March	**(659)**	**0**

30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2020/21 £000	2019/20 £000
Interest received	(1,641)	(2,249)
Interest paid	26,299	25,940

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements.

	2020/21 £000	2019/20 £000
Depreciation	42,534	40,593
Impairment and downward valuations	25,847	(138)
Amortisation	1,437	1,362
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	443	0
Impairment losses on Investments debited to surplus or deficit on the provision of services in year	8,577	23,506
Increase/Decrease in Interest Creditors	(120)	(24)
Increase/Decrease in Creditors	30,820	34,353
Increase/Decrease in Interest and Dividend Debtors	191	121
Increase/Decrease in Debtors	(10,508)	(10,886)
Increase/Decrease in Inventories	(125)	130
Pension Liability	13,767	33,136
Contributions to/(from) Provisions	(2,071)	2,244
Carrying amount of non-current assets sold	9,088	24,819
Movement in Investment Property Values	172	3,591
	120,052	**152,807**

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

	2020/21 £000	2019/20 £000
Carrying amount of short and long term investment sold	(5,801)	523
Capital Grants credited to surplus or deficit on the provision of services	(59,644)	(48,343)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,908)	(7,293)
Non cash adjustments	**(70,353)**	**(55,113)**

31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2020/21 £000	2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	53,124	48,698
Purchase of short term and long term investments	3,482	2,856
Other payments for investing activities	3,884	1,542
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,525)	(50)
Other receipts from investing activities*	(68,038)	(58,436)
Net cash flows from investing activities	**(9,073)**	**(5,390)**

* This includes capital grants received in year.

32. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2020/21 £000	2019/20 £000
Cash receipts of short and long-term borrowing	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,288	1,334
Repayments of short and long term borrowing	4,012	8,852
Other payments for financing activities*	22,934	(1,466)
Net cash flows from financing activities	**30,234**	**8,720**

* Represents change in value of NNDR debtor/creditor

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020/21 1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2020/21 31 March
	£000	£000	£000	£000	£000
Long-term borrowings	303,568	0	0	(12,000)	291,568
Short-term borrowings	6,013	(4,120)	0	12,000	13,893
- On balance sheet PFI liabilities	111,271	(3,289)	0	916	108,898
Total liabilities from financing activities	**420,852**	**(7,409)**	**0**	**916**	**414,359**

	2019/20 1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2019/20 31 March
	£000	£000	£000	£000	£000
Long-term borrowings	307,568	0	0	(4,000)	303,568
Short-term borrowings	10,873	(8,860)	0	4,000	6,013
- On balance sheet PFI liabilities	112,406	(1,334)	0	200	111,271
Total liabilities from financing activities	**430,847**	**(10,195)**	**0**	**200**	**420,852**

34. TRADING OPERATIONS

The Council has a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of these units with a turnover of greater than £5m in 2020/21 are as follows:

		2020/21		2019/20	
		£000	£000	£000	£000
Shire Services operates as a trading organisation within the Council, delivering catering and cleaning services. Shire Services provides catering services to schools in Shropshire, Worcestershire, Herefordshire, Telford and North Wales, as well as to a range of non-school sites in Shropshire. Cleaning services are provided to schools and other Council premises in Shropshire, including the Area Headquarters.	Turnover	(12,990)		(16,171)	
	Expenditure	14,373		17,018	
	(Surplus)/ Deficit		**1,383**		**847**
The consolidated results of the other Council's trading units are:	Turnover	(41,373)		(38,284)	
	Expenditure	47,852		38,554	
	(Surplus)/ Deficit		**6,479**		**270**
Net Surplus on Trading Activities			**7,862**		**1,117**

35. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2020/21	2019/20
	£000	£000
Basic Allowances	849	848
Special Responsibility Allowances	271	278
Expenses	4	43
Total	**1,124**	**1,169**

36. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Chief Executive – Clive Wright (left post on 15th April 2020)	2020/21	£6,375	£0	£124,036	£130,411	£1,109	£131,520
	2019/20	£153,000	£0	£0	£153,000	£22,644	£175,644
Acting Interim Chief Executive (25th February 2020 to 30th September 2020)	2020/21	£10,305	£0	£0	£10,305	£1,845	£12,150
	2019/20	£1,993	£0	£0	£1,993	£295	£2,288
Acting Interim Chief Executive (25th February 2020 to 30th September 2020)	2020/21	£10,305	£0	£0	£10,305	£1,845	£12,150
	2019/20	£1,993	£0	£0	£1,993	£295	£2,288
Chief Executive (started in post on 1st October 2020)	2020/21	£78,604	£0	£0	£78,604	£13,677	£92,281
Executive Director of Adult Services (left post on 30th September 2020)	2020/21	£68,123	£0	£0	£68,123	£11,853	£79,976
	2019/20	£132,600	£0	£0	£132,600	£19,625	£152,225
Executive Director of Adult Services (started in post on 1st October 2020)	2020/21	£62,883	£0	£0	£62,883	£10,942	£73,825
Executive Director of Children's Services	2020/21	£136,247	£0	£0	£136,247	£23,707	£159,954
	2019/20	£131,706	£0	£0	£131,706	£19,492	£151,198
Executive Director of Place	2020/21	£136,247	£0	£0	£136,247	£0	£136,247
	2019/20	£132,600	£0	£0	£132,600	£0	£132,600
Interim Executive Director of Resources (started in post on 1st December 2020)°	2020/21	£41,922	£0	£0	£41,922	£6,699	£48,621
Director of Legal and Democratic Services, Monitoring Officer	2020/21	£115,286	£0	£0	£115,286	£20,060	£135,346
	2019/20	£112,200	£0	£0	£112,200	£16,606	£128,806

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Director of Finance, Governance & Assurance, S151 Officer (left post on 30th November 2020)°	2020/21	£76,857	£0	£0	£76,857	£13,361	£90,218
	2019/20	£112,200	£0	£0	£112,200	£16,606	£128,806
Director of Workforce & Transformation (left post on 31st October 2020)	2020/21	£72,557	£0	£121,687	£194,244	£11,701	£205,945
	2019/20	£112,200	£0	£0	£112,200	£16,606	£128,806

° An element of the total remuneration paid to the Director of Finance, Governance & Assurance/Interim Executive Director of Resources is recharged to Shropshire County Pension Fund (£16,530), Shropshire & Wrekin Fire Authority (£7,220), the Marches LEP (£12,842), West Mercia Energy (£14,670) and West Mercia Supplies (£2,282) to reflect the various treasurer roles undertaken within those organisations.

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The senior officers included in Note 36 above are not included within this analysis. The remuneration disclosed below includes salary costs and expense allowances:

Salaried Remuneration Band £	2020/21 No. of Employees	2019/20 No. of Employees
50,000 – 54,999	75	66
55,000 – 59,999	39	35
60,000 – 64,999	27	16
65,000 – 69,999	18	30
70,000 – 74,999	23	9
75,000 – 79,999	8	2
80,000 – 84,999	2	13
85,000 – 89,999	16	3
90,000 – 94,999	3	1
95,000 – 99,999	1	3
100,000 – 104,999	1	0
105,000 and above	1	1

The numbers of exit packages with total cost per band and total cost of the exit packages, including redundancy payments, pension strain and unpaid leave are set out in the table below. The figures disclosed include exit packages for schools and the Council.

	No. of compulsory redundancies		No. of other departures agreed		Total no of exit packages by cost band		Total cost of exit packages in each band £000	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0 - £40,000	27	40	18	72	45	112	367	1,012
£40,001 - £150,000	2	9	2	12	4	21	407	1,548
£150,001 +	0	0	2	2	2	2	980	384
	29	49	22	86	51	135	1,754	2,944

37. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2020/21 £000	2019/20 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	167	127
Fees payable to external audit for the certification of grant claims and returns	14	13
Fees payable in respect of other services provided by the external audit during the year	8	8
Total	**189**	**148**

38. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ringfenced 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 a Council-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG for 2020/21 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2020/21 before academy recoupment	44,812	171,271	216,083
Academy and high needs figure recouped for 2020/21	(5,135)	(113,792)	(118,927)
Central provision with schools and de-delegated budgets	3,137	(3,137)	0
Early years maintained settings included in ISB on S251	(966)	966	0
Re-allocation of high needs to ISB	842	(842)	0
Total DSG after academy recoupment for 2020/21	**42,690**	**54,466**	**97,156**
Brought forward from 2019/20	(2,247)	0	(2,247)
Agreed initial budget distribution in 2020/21	**40,443**	**54,466**	**94,909**
In year adjustments	537	0	537
Final budget distribution in 2020/21	**40,980**	**54,466**	**95,446**
Actual central expenditure	(40,094)	0	(40,094)
Actual ISB deployed to schools	0	(55,046)	(55,046)
Early years maintained settings included in ISB on S251	0	(966)	(966)
Final expenditure in 2020/21	**(40,094)**	**(56,012)**	**(96,105)**
Carry forward to 2021/22	**886**	**(1,546)**	**(659)**

The deficit arising on the DSG has been transferred to the Dedicated Schools Grant Adjustment as detailed in Note 29.

39. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21:

	2020/21 £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(6,219)	(6,119)
Local Services Support Grant	(266)	(243)
New Homes Bonus	(8,367)	(7,754)
Business Rates Relief Grant	(30,694)	(8,090)
Rural Service Support Grant	(6,614)	(6,614)
Brexit Grant	0	(210)
Covid-19 LA Support Grant	(13,438)	(8,972)
Other Grants	(961)	0
Capital Grants & contributions	(48,766)	(37,925)
Total	**(115,325)**	**(75,927)**
Credited to Services		
DWP Housing Benefit	(48,931)	(51,473)
DWP Housing Benefit Admin Subsidy	(680)	(646)
MHCLG Waste PFI	(3,186)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(97,693)	(98,435)
DFE/DE Sixth Forms funding	0	(799)
DFE Pupil Premium Grant	(3,588)	(3,758)
DFE UFSM	(1,797)	(1,847)
DFE PE & Sports	(1,054)	(1,456)
Teachers Pay Grant	(779)	(768)
Teachers Pension employer contribution grant	(2,437)	(1,545)
DfT Bus Services Operators Grant	(512)	(512)
Winter Pressure	0	(1,394)
Strengthening Families	(821)	(1,566)
Resettlement	(137)	(422)
HO Asylum Seekers	(785)	(574)
DoH Public Health Grant	(12,314)	(11,683)
MHCLG/DoH Adult Social Care New Burdens	(7,883)	(2,381)
Independent Living Fund Grant	(1,512)	(1,512)
Improved Better Care Fund	(11,515)	(10,121)
DWP Discretionary Housing Payment Grant	(545)	(468)
School monitoring and brokering grant	(337)	(582)

	2020/21 £000	2019/20 £000
Flexible Homelessness grant	(359)	(456)
Apprenticeship Levy	(563)	(324)
Covid-19 Loss of Sales, Fees and Charges Income Compensation Grant	(3,635)	0
Covid-19 Job Retention Scheme	(1,282)	0
Covid-19 Business Support Grants	(4,555)	0
Covid-19 LRSG/ARG	(7,829)	0
Covid-19 Adult Social Care Infection Control Fund	(1,702)	0
Covid-19 Winter Grant Scheme	(783)	0
Covid-19 Workforce Capacity Fund	(697)	0
Covid-19 Contain Outbreak Management Fund	(611)	0
Covid-19 Track & Trace Service	(766)	0
Covid-19 Hardship Fund	(1,540)	0
Covid-19 Other Grants	(3,317)	0
Other Grants	(4,456)	(4,570)
Capital Grants & contributions	(10,878)	(10,417)
Total	**(241,002)**	**(212,419)**

The Council received a number of grants from government in relation to the covid-19 pandemic where the Council was required to distribute the grants based on criteria determined by Government. As the Council is acting as an agent in relation to these grants the transactions have been excluded from the income and expenditure in the CIES and a debtor or creditor included on the balance sheet for any outstanding balances. Details of these grants are included in the below table:

	Grant Income £000	Grant Expenditure £000	Grant Balance £000
BEIS Business Support Grant	(81,594)	81,427	(166)
Covid-19 LRSG/CSP/CBL Grant	(48,695)	37,108	(11,586)
Covid-19 Rapid Testing Fund	(896)	896	0
Covid-19 Adult Social Care Infection Control Fund	(6,889)	6,889	0
Covid-19 Test and Trace Support Payments	(613)	188	(425)
Total	**(138,685)**	**126,508**	**(12,177)**

The Council 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:

	31-Mar-21 £000	31-Mar-20 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(5,598)	(720)

	31-Mar-21 £000	31-Mar-20 £000
Department for Education	(1,374)	(201)
Environment Agency	(349)	(413)
Homes England	(90)	(90)
Highways England	(15)	0
Department for Digital, Culture, Media and Sport	0	(172)
Other Grants & Contributions	(4,347)	(3,297)
Total	**(11,773)**	**(4,893)**
Grants Receipts in Advance (Revenue Grants)		
MHCLG Tackling Troubled Families	(12)	(12)
Standards Fund	(844)	(416)
CBSSG Restart	(992)	0
Covid-19 Track & Trace Service	(361)	0
Covid-19 Contain Outbreak Management Fund	(6,844)	0
Covid-19 LRSG/ARG	(3,814)	0
Covid-19 National Leisure Recovery Fund	(465)	0
Rough Sleepers Initiative	(170)	(167)
Better Deal for Bus Users	(319)	0
MHCLG Social Services PFI	(210)	(210)
MHCLG Business Rates Retention	0	(8,589)
Asylum Seekers	(193)	(394)
Adoption Support Fund	(381)	(241)
Other Grants	(838)	(418)
Total	**(15,443)**	**(10,446)**
TOTAL	(27,216)	(15,339)

40. COMMUNITIES INFRASTRUCTURE LEVY

The Communities Infrastructure Levy (CIL) is a planning charge that is applied to most types of new development within the county. A balance of CIL is being held within Grants Receipts in Advance – Capital and Creditors.

	2020/21		2019/20	
	£000	£000	£000	£000
Opening Balance April		**(28,426)**		**(23,100)**
Receipts received	(7,898)		(8,590)	
Expenditure incurred	5,136		3,264	
Closing Balance		(31,188)		(28,426)
Closing Balance allocated to:				
Neighbourhood Fund	1,515			1,571

Strategic Fund	3,546	2,920
Local Area Fund	26,127	23,935
Total	**31,188**	**28,426**

41. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The scheme is technically a defined benefits scheme. However the Scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the 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 2020/21, the Council paid £6.605m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for April 2020 to March 2021 was 23.68%. The amount paid for 2019/20 were £6.435m and the contribution rate for April 2019 to August 2019 was 16.48% and 23.68% for September 2019 to March 2020. There were no contributions remaining payable at the year end.

Public Health employees previously employed by the NHS are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme.

In 2020/21, the Council paid £0.026m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2019/20 were £0.046m and 14.4%.

42. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered by Shropshire Council is a funded defined benefit scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund/HRA Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2020/21	2019/20
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(29,197)	(30,763)
- past service gain/(cost)	(1,194)	(9,184)
- curtailment gain/(cost)	701	2,310
	(29,690)	**(37,637)**
Financing and Investment Income and Expenditure:		
- net interest expense	(11,267)	(11,565)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(40,957)**	**(49,202)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	147,895	(52,865)
- experience (gain)/loss	29,988	(7,377)
- actuarial gains and losses arising on changes in demographic assumptions	0	62,900
- actuarial gains and losses arising on changes in financial assumptions	(200,299)	25,399
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(63,373)**	**(21,145)**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	40,957	49,202
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(21,426)	(23,380)

Assets and Liabilities Recognised in the Balance Sheet

	2020/21	2019/20
	£000	£000
Present value of the defined benefit obligation	(1,531,034)	(1,341,540)
Fair value of plan assets	999,151	845,840
Net liability arising from defined benefit obligation	**(531,883)**	**(495,700)**

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme 2020/21 £000	2019/20 £000
Opening fair value of scheme assets at 1 April	845,840	891,191
Interest income	20,482	21,343
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	147,895	(52,865)
Contributions from employer	21,426	23,380
Contributions from employees into the scheme	5,850	5,602
Benefits paid	(41,247)	(39,382)
Other	(1,095)	(3,429)
Closing fair value of scheme assets at 31 March	**999,151**	**845,840**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme 2020/21 £000	2019/20 £000
Opening balance at 1 April	(1,341,540)	(1,381,812)
Current Service Cost	(28,644)	(30,229)
Interest Cost	(31,749)	(32,908)
Contributions from scheme participants	(5,850)	(5,602)
Remeasurement gain/(loss):		
Experience gains/losses	29,988	(7,377)
Actuarial gains/losses arising from changes in demographic assumptions	0	62,900
Actuarial gains/losses arising from changes in financial assumptions	(200,299)	25,399
Other	0	0
Past service costs	(1,194)	(9,184)
Losses/(gains) on curtailment	(364)	(1,406)
Benefits paid	41,247	39,382
Liabilities extinguished on settlements	1,607	6,611
Lump Sum Deficit Repayment	5,764	(7,314)
Closing balance at 31 March	**(1,531,034)**	**(1,341,540)**

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2020/21 £000	2019/20 £000
Cash and cash equivalents	**2,936**	**10,996**
Equity investments:		
UK quoted	45,018	40,600

	2020/21 £000	2019/20 £000
Global quoted	448,225	382,320
Sub-total equity	**493,243**	**422,920**
Bonds:		
Overseas Global Fixed Income	71,442	121,801
Overseas Global Dynamic	68,506	0
Other class 2 - absolute return bonds	66,549	66,821
Sub-total bonds	**206,497**	**188,622**
Property:		
Property funds	38,168	36,371
Sub-total property	**38,168**	**36,371**
Alternatives:		
Private Equity	87,042	47,367
Infrastructure	31,317	30,450
Hedge Funds	62,634	54,134
BMO – LDI Manager	34,253	28,759
Property Debt	27,402	12,688
Insurance Linked Securities	15,659	13,533
Sub-total alternatives	**258,307**	**186,931**
Total assets	**999,151**	**845,840**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables.

The Council element of the Fund liabilities has been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme 2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.0yrs	22.9yrs
Women	25.1yrs	25.0yrs
Longevity at 65 for future pensioners:		
Men	24.3yrs	24.2yrs
Women	26.7yrs	26.6yrs
Rate of inflation	2.70%	2.10%

	Local Government Pension Scheme 2020/21	2019/20
Rate of increase in salaries	3.95%	3.35%
Rate of increase in pensions	2.80%	2.20%
Rate for discounting scheme liabilities	2.10%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,583,779	1,489,817
Rate of inflation (increase or decrease by 0.1%)	1,560,344	1,513,252
Rate of increase in salaries (increase or decrease by 0.1%)	1,538,885	1,534,711
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,513,606	1,559,990

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Further details of the market, credit and liquidity risk management are detailed in Note 16 of the Shropshire County Pension Fund Annual Report.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2019 with the next one due to be completed as at 31 March 2022. Revised contribution rates from the 2019 actuarial valuation took effect on 1st April 2020.

The Government announced in 2019 that the "McCloud judgment" needs to be remedied for all schemes including the LGPS. The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. As part of the 2019 actuarial valuation, the actuary estimated that the cost of the judgment could be an increase in past service liabilities of broadly £12m (at a Fund level) and an increase in Primary Contribution rate of 0.8% of Pensionable pay per annum. Shropshire Council chose to pay this additional 0.8% and it is included within the revised contribution rates.

The Council anticipated to pay £21.002m expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 15 years for 2020/21 (15 years 2019/20).

Early Payment of 3 years LGPS deficit lump sum in April 2020

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due now each employer (e.g. Shropshire Council) pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has foregone. At the time of calculating the deficit lump sum amounts (as part of the 2019 valuation) the Council had a total deficit repayment value of £52m, with an agreed 19 year deficit recovery period. Paying in advance of this schedule enables a gross saving to be taken due to the avoidance of these "interest" payments. This saving has been used to assist with the Council's corporate savings targets within the budget. As a result of the early payment there is a difference between the value of the Pensions Reserve and the Pensions Liability held on the Balance Sheet as per the below table.

	31st March 2021 £000
Balance on Pensions Reserve	(537,647)
2021/22 Lump Sum Deficit Repayment	2,887
2022/23 Lump Sum Deficit Repayment	2,877
Balance on Pensions Liability	(531,883)

43. RELATED PARTIES

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.

Central Government

Central Government has significant influence over the general operations of the Council, being responsible for the statutory framework within which the Council operates, provides the majority of its funding through the payment of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments appear in other parts of the Statement of Accounts.

Members and Officers
Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been contacted, advising them of their obligations and asking for any declarations of related party transactions to be disclosed. Members are also asked to confirm that their entries in their Disclosure of Pecuniary Interests are correct.

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2020/21 was £21.462m compared with £27.971m for 2019/20.

Councillors are often members of other public or charitable organisations in their own capacity, or are employed by organisations that we process transactions with. These relationships are declared within the Members' register. The Council has made payments of £6.100m to organisations where members and senior officers are employed and £0.788m to organisations where members and senior officers occupy positions in their own capacity.

Entities Controlled or Significantly Influenced by the Council
As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £1.476m from the pension fund for the costs of administration it provided in 2020/21 compared with £1.324m for 2019/20.

The Council also has group relationships with West Mercia Energy, West Mercia Supplies Pension, Shropshire Towns & Rural Housing, Cornovii Developments Ltd and IP&E Ltd. Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 117.

During 2020/21 expenditure of £12.944m and income of £0.790m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £1.316m and a debtor balance of £0.317m as at 31st March 2021.

There was no income or expenditure incurred between Shropshire Council and IP&E Ltd during 2020/21. There were no creditor or debtor balances as at 31st March 2021.

During 2020/21 income of £0.594m was incurred between Shropshire Council and Cornovii Developments Ltd.

During 2020/21 Shropshire Council paid West Mercia Energy £3.747m and received a distribution of £0.275m.

Shropshire Council have accounted for expenditure of £2.215m and income of £2.744m in relation to the Jersey Property Unit Trusts.

44. SCHOOLS

Transactions of Shropshire Council maintained schools are consolidated in the single entity financial statements.

Expenditure and income relating to these schools is detailed below:

	Expenditure £000	Income £000	Total £000
Primary	56,165	(61,240)	(5,075)
Secondary	2,855	(2,417)	438
Special	2,943	(3,531)	(588)
Total	**61,963**	**(67,188)**	**(5,225)**

The number of Shropshire Council maintained schools in 2020/21 was:

	31st March 2021	31st March 2020
Primary	84	85
Secondary	1	1
Special	1	2
Total	**86**	**88**

45. MARCHES LOCAL ENTERPRISE PARTNERSHIP

The Marches Local Enterprise Partnership was launched in 2010 to create conditions for economic vitality and sustainable employment across the regions represented by the 3 Councils.

The Marches Local Enterprise Partnership Limited was incorporated on 12th February 2019 however the grant funding is still received by Shropshire Council as the accountable body for the Marches LEP. All funding and transactions in relation to this funding are processed through Shropshire Council's accounts. Shropshire Council's role within these transactions is deemed to be an agent, acting as an intermediary, therefore Shropshire Council accounts do not include the total income and expenditure for the Marches LEP. Instead, each Council within the Marches LEP will include any funding received from the Marches LEP and expenditure incurred in relation to LEP projects within their accounts. Accordingly any cash balances held by Shropshire Council in relation to the LEP is represented by a creditor within the Council's accounts.

Detailed below are the total funding received and expenditure paid out (cash) by Shropshire Council by 31st March in relation to the Marches LEP including the net creditor within Shropshire Council's balance sheet.

	2020/21		2019/20	
	£000	£000	£000	£000
Opening Creditor 1 April		**(38,417)**		**(14,727)**
Funding Received:				
Growth Deal	(19,676)		(29,468)	
Growth Hub	(641)		(240)	

	2020/21		2019/20	
	£000	£000	£000	£000
Core Funding	(544)		(856)	
Capacity and Other Project Funding	(47)		0	
Careers & Enterprise	(329)		(141)	
Match Funding – Partner Contributions	(90)		(60)	
Marches Investment Fund	(265)		(229)	
Interest Received	(179)		0	
		(21,771)		(30,994)
Expenditure:				
Growth Deal Projects	26,754		6,017	
Growth Hub	507		215	
Capacity Funding Projects	192		212	
Careers & Enterprise	144		124	
Marches Investment Fund Expenditure	1,587		0	
LEP Review Project	72		280	
LEP Management Costs	1,104		456	
		30,360		7,304
Marches LEP Creditor		**(29,828)**		**(38,417)**

46. BETTER CARE FUND

Shropshire Council and Shropshire Clinical Commissioning Group are partners in the provision of a range of services including hospital admission avoidance, hospital discharge planning, carers' support and reablement. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006, which enables health and social care authorities to work together for a common objective, creating a pooled fund, with the aims as below. In Shropshire, the Council acts as the host authority for the pooled fund.

The aims of, and benefits to, the partners in entering into this agreement are to:

- improve the quality and efficiency of the services;
- meet the national conditions and local objectives as set out in the Better Care Fund plan;
- make more effective use of resources through the establishment and maintenance of an aligned fund for expenditure on the services

Financing	2020/21	2019/20
	£000	£000
Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	0	0
Shropshire CCG	12,960	7,779
	12,960	**7,779**
Expenditure met from the Better Care Fund:		
Shropshire Council	12,960	7,779

Shropshire CCG	0	0
	12,960	**7,779**
Non-Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	16,987	19,356
Shropshire CCG	14,220	13,839
	31,207	**33,195**
Expenditure met from the Better Care Fund:		
Shropshire Council	14,747	18,438
Shropshire CCG	14,220	13,839
	28,967	**32,277**
Total Better Care Fund		
Total funding provided to the Better Care Fund:	**44,167**	**40,974**
Total expenditure met from the Better Care Fund:	**41,927**	**40,056**
Net Underspend Arising on the Better Care Fund During the Year	**2,240**	**918**

The Pooled Fund has increased significantly during 2020/21, following a variation to the section 75 agreement as a result of the Covid-19 pandemic. The Government mandated that the NHS would fully fund new or additional 'out of hospital' health and social care support packages during the pandemic. The Council has put in place the resulting support packages and the costs have been met by the Clinical Commissioning Group.

The underspend that has arisen during 2020/21 relates to Disabled Facilities Grants. The remaining balance will be carried forward into 2021/22.

47. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(9,024)	(27,251)	276,162	(4,050)
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(4,715)	(16,766)	158,621	-

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(8,700)	(40,897)	351,619	-
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,311)	(7,396)	59,375	-
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(59,800)	46,969	633,536	(12,058)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(24,173)	(56,539)	606,639	-

Accounts are prepared and published for these organisations by Shropshire Council in our role of administering the trusts.

Trusts deliver great benefit into the local community and make a valuable contribution but the Council itself does not derive benefit from them.

48. CONTINGENT LIABILITIES

At 31 March 2021 Council had the identified the following contingent liabilities:

There are a number of legal cases outstanding that may result in future costs for the Council. These include:

- Employment tribunal appeal
- Planning Inquiries
- Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs.
- Planning litigation

The Council's usual practice when outsourcing a service that requires continued pension provision for employees is to require the contractor to put a Bond in place to reduce the Council's risk regarding picking up outstanding pension liabilities on termination of the admission agreement. The Council has provided additional guarantees, above those covered automatically by the Local Government Pension Scheme Regulations, to a number of Bodies that have been admitted to the Shropshire County Pension Fund. The bodies with additional guarantees who currently have employees who are active members of the scheme are listed below. The Bodies listed as being grouped with Shropshire Council means all Pension assets and liabilities stay with the Council and they contribute the consolidated Council Employer pension contribution rate unless stated otherwise.

Bodies that have additional pension liability guarantee

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2020 Valuation
Age UK Telford & Wrekin	4	11	23	0	(£0.132m)

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2020 Valuation
Association of Local Councils	2	0	1	0	(£0.037m)
Coverage Care from 1/3/1997	7	29	126	11	£1.111m
Coverage Care from 13/1/2013	13	21	11	2	£0.448m
Livability	1	0	0	0	£0.000m
Perthyn	5	11	5	0	£0.007m
Shropshire Towns & Rural Housing	127	47	15	1	(£0.007m)
Connexus Housing One Ltd	3	2	16	1	£0.727m

Bodies that have additional pension liability guarantee and are Grouped with the Council

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members
Bethphage from 8/12/2016	15	2	0	0
Bethphage from1/7/2017	9	1	1	0
Energize Shropshire Telford & Wrekin	1	0	0	0
Enterprise South West Shropshire	1	1	0	0
South Shropshire Leisure Ltd *	14	27	3	0
The Strettons Mayfair Trust	2	0	0	0

* South Shropshire Leisure Ltd Employer contribution rate is capped by the Council to 5%.

The Council has entered into six "Funding and Development Agreements" with a Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £2.696m for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

49. CONTINGENT ASSETS

The Council currently has a number of appeals lodged with HMRC with regard to VAT treatment, which may result in a reimbursement to the Council of VAT paid over to the Government. The specific cases include claims for postal services and waste sent for landfill.

These claims for reimbursement are subject to legal cases being pursued nationally and if successful will provide legal precedent to be applied. Therefore the values involved with each claim cannot be reliably estimated. Timescales on these cases are uncertain but should be progressed in the next 12-24 months.

Section 6
Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2020 to 31 March 2021. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases it has created separate companies with its partners to deliver those services. The use of separate companies mean that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture. A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full group accounts. The transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2021, with comparative figures for the previous financial year.

IP&E LIMITED

ip&e Ltd is a trading company wholly owned by Shropshire Council. It was established to provide public services on the council's behalf and also to trade with other organisations. The company was incorporated on 30 May 2012. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e Ltd to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e Ltd with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Ltd should cease trading as soon as possible and take necessary actions to remove the company from the companies register. In 2019/20 the final financial transactions were undertaken enabling the company to be dissolved and removed from the companies register in 2020/21.

SHROPSHIRE TOWNS & RURAL HOUSING LIMITED

Shropshire Towns and Rural Housing Limited (the Company) is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1st April 2013.

For 2020/21 Shropshire Towns and Rural Housing Limited had total income of £12.771m, total expenditure of £12.335m, assets of £7.933m and liabilities of £10.936m.

WEST MERCIA ENERGY

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent

Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME within this Council. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

For 2020/21 West Mercia Energy had total income of £61.313m, total expenditure of £54.817m, assets of £12.241m and liabilities of £11.088m.

WEST MERCIA SUPPLIES (PENSIONS)

West Mercia Supplies (Pensions) Joint Committee pursuant to section 101(5) of the Local Government Act 1972, was set up from 1st April 2020 by the Executives of the four Member Authorities, Herefordshire Council, Shropshire Council, Telford & Wrekin Council and Worcestershire County Council. The Executives of the four Member Authorities of West Mercia Energy (WME) agreed to remove the responsibility for the discharge of their functions in relation to the pension deficit liability in relation to former West Mercia Supplies (WMS) employees (including added years Benefits) from the business of the WME Joint Committee with effect from 1 April 2020. This is to enable any pension deficit to be separately identified, separately valued and monitored.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures).

For 2020/21 West Mercia Supplies (Pensions) had total income of £0.217m, total expenditure of £7.102m, assets of £0.109m and liabilities of £7.535m.

JERSEY PROPERTY UNIT TRUST

On 24th January 2018 Shropshire Council purchased units in a Jersey Property Unit Trust. The Trust is responsible for appointing managing agents for the Shrewsbury Shopping Centres and any other day to day decisions affecting the trust.

On 31st January 2021 the shopping centres were transferred to be held directly by the Council therefore the assets and liabilities previously incorporated into Group Accounts from the JPUT have already been included within the Council's single entity accounts under the relevant headings of debtors, creditors and property, plant and equipment.

For 2020/21 the Jersey Property Unit Trust had total income of £2.744m, total operating expenditure of £2.216m, assets of £0.516m and liabilities of £0.002m.

SSC No.1 LIMITED

SSC No.1 Limited is a limited company wholly owned by Shropshire Council. The Company's principal activity is to hold an investment in a Jersey Property Unit Trust.

For 2020/21 the amounts incorporated into the group accounts for SSC No. Limited are income of £0.0.04m, total expenditure of £0.006m, assets of £0.020m and liabilities of £0.018m.

CORNOVII DEVELOPMENTS LIMITED

Cornovii Developments Limited is a limited company wholly owned by Shropshire Council. The Company's principal activity and reason for it being established is to address unmet housing need in the county of Shropshire.

For 2020/21 the amounts incorporated into the group accounts for Cornovii Developments Limited are total expenditure of £0.438m, assets of £4.080m and liabilities of £4.762m.

The Group Comprehensive Income & Expenditure Statement

2019/20										2020/21								
SC Expenditure £000	Adjustments £000	Group Expenditure £000	SC Income £000	Adjustments £000	Group Income £000	SC Net Expenditure £000	Adjustments £000	Group Net Expenditure £000		SC Expenditure £000	Adjustments £000	Group Expenditure £000	SC Income £000	Adjustments £000	Group Income £000	SC Net Expenditure £000	Adjustments £000	Group Net Expenditure £000
									Expenditure on Continuing Services									
177,619	0	177,619	(64,931)	0	(64,931)	112,688	0	112,688	Adult Services	191,718	0	191,718	(72,664)	0	(72,664)	119,054	0	119,054
10,380	635	11,015	(18,366)	(1,196)	(19,562)	(7,986)	(561)	(8,547)	Local Authority Housing	8,521	37	8,558	(18,419)	(617)	(19,036)	(9,898)	(580)	(10,478)
196,766	0	196,766	(127,946)	0	(127,946)	68,820	0	68,820	Children's Services	191,506	0	191,506	(121,393)	0	(121,393)	70,113	0	70,113
56,965	0	56,965	(54,188)	0	(54,188)	2,777	0	2,777	Finance, Governance and Assurance	55,490	0	55,490	(51,412)	0	(51,412)	4,078	0	4,078
1,703	0	1,703	(1,027)	0	(1,027)	676	0	676	Legal and Democratic Services	660	0	660	(119)	0	(119)	541	0	541
156,708	161	156,869	(45,499)	311	(45,188)	111,209	472	111,681	Place	155,637	(480)	155,157	(39,288)	451	(38,837)	116,349	(29)	116,320
0	0	0	0		0	0	0	0	Strategic Management Board	0	0	0	0	0	0	0	0	0
5,743	0	5,743	(61)	0	(61)	5,682	0	5,682	Workforce and Transformation	3,414	0	3,414	(486)	0	(486)	2,928	0	2,928
14,654	172	14,826	(10,121)	0	(10,121)	4,533	172	4,705	Corporate	38,197	275	38,472	(37,412)	0	(37,412)	785	275	1,060
620,538	**968**	**621,506**	**(322,139)**	**(885)**	**(323,024)**	**298,399**	**83**	**298,482**	**Net Cost of Services**	**645,143**	**(168)**	**644,975**	**(341,193)**	**(166)**	**(341,359)**	**303,950**	**(334)**	**303,616**
						27,542	0	27,542	Other Operating Expenditure							15,624	0	15,624
						39,556	129	39,685	Financing and Investment Income and Expenditure							43,629	256	43,885
						(292,441)	0	(292,441)	Taxation and Non Specific Grant Income							(319,838)	0	(319,838)

Group Accounts

2019/20										2020/21								
SC Expenditure	Adjustments	Group Expenditure	SC Income	Adjustments	Group Income	SC Net Expenditure	Adjustments	Group Net Expenditure		SC Expenditure	Adjustments	Group Expenditure	SC Income	Adjustments	Group Income	SC Net Expenditure	Adjustments	Group Net Expenditure
£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000
						73,056	**212**	**73,268**	**(Surplus)/Deficit on the provision of services**							**43,365**	**(78)**	**43,287**
						0	(245)	(245)	Associates & Joint Ventures Accounted for on an equity basis							0	(194)	(194)
						0	0	0	Tax expenses of subsidiaries							0	0	0
						73,056	**(33)**	**73,023**	**Group (Surplus)/Deficit**							**43,365**	**(272)**	**43,093**
						(92,765)	0	(92,765)	(Surplus) or deficit on revaluation of non-current assets							136,187	0	136,187
								0	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve							281	0	281
						(28,057)	1,217	(26,840)	Remeasurement of pension assets and liabilities							22,416	1,692	24,108
						0	0	0	Other Pension Net Liability Adjustment							0	0	0
						(120,822)	**1,217**	**(119,605)**	**Other Comprehensive Income and Expenditure**							**158,884**	**1,692**	**160,576**
						(47,766)	**1,184**	**(46,582)**	**Total Comprehensive Income and Expenditure**							**202,249**	**1,420**	**203,669**

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Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2020	**13,510**	**67,993**	**81,504**	**10,140**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**	**(3,818)**	**397,418**
Transfer of Dedicated Schools grant deficit	**0**	**2,247**	**2,247**	**0**	**0**	**0**	**2,247**	**(2,247)**	**0**	**0**	**0**
Revised Opening Balance	**13,510**	**70,241**	**83,751**	**10,140**	**4,492**	**41,985**	**140,368**	**260,868**	**401,236**	**(3,818)**	**397,418**
Movement in reserves during 2020/21											
Surplus or (deficit) on the provision of services	(39,196)	0	(39,196)	7,381	0	0	(31,815)	0	(31,815)	(11,278)	(43,093)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(158,884)	(158,884)	(1,692)	(160,576)
Total Comprehensive Income and Expenditure	(39,196)	0	(39,196)	7,381	0	0	(31,815)	(158,884)	(190,699)	(12,970)	(203,669)
Adjustments between Group Accounts and authority accounts	(11,550)	0	(11,550)	0	0	0	(11,550)	0	(11,550)	11,550	0
Net Increase/Decrease before Transfers	**(50,746)**	**0**	**(50,746)**	**7,381**	**0**	**0**	**(43,365)**	**(158,884)**	**(202,249)**	**(1,420)**	**(203,669)**
Adjustments between accounting basis and funding basis under regulations	74,674	0	74,674	(6,110)	1,458	3,102	73,124	(73,124)	0	(15)	(15)
Net Increase/Decrease before Transfers to Earmarked Reserves	**23,928**	**0**	**23,928**	**1,271**	**1,458**	**3,102**	**29,759**	**(232,008)**	**(202,249)**	**(1,435)**	**(203,684)**
Transfers to/from Earmarked Reserves	(23,348)	23,418	70	(70)	0	0	0	0	0	0	0
Increase/Decrease in 2020/21	**580**	**23,418**	**23,998**	**1,201**	**1,458**	**3,102**	**29,759**	**(232,008)**	**(202,249)**	**(1,435)**	**(203,684)**
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**28,860**	**198,987**	**(5,253)**	**193,734**

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2018/19 Comparative figures	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2019	**15,536**	**71,726**	**87,262**	**9,814**	**4,240**	**34,398**	**135,714**	**217,756**	**353,470**	**(2,651)**	**350,819**
Movement in reserves during 2019/20											
Surplus or (deficit) on the provision of services	(64,765)	0	(64,765)	5,716	0	0	(59,049)	0	(59,049)	(13,974)	(73,023)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	120,822	120,822	(1,217)	119,605
Total Comprehensive Income and Expenditure	**(64,765)**	**0**	**(64,765)**	**5,716**	**0**	**0**	**(59,049)**	**120,822**	**61,773**	**(15,191)**	**46,582**
Adjustments between Group Accounts and authority accounts	(14,007)	0	(14,007)	0	0	0	(14,007)	0	(14,007)	14,007	0
Net Increase/Decrease before Transfers	**(78,772)**	**0**	**(78,772)**	**5,716**	**0**	**0**	**(73,056)**	**120,822**	**47,766**	**(1,184)**	**46,582**
Adjustments between accounting basis and funding basis under regulations	73,083	0	73,083	(5,459)	252	7,587	75,463	(75,463)	0	17	17
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5,689)**	**0**	**(5,689)**	**257**	**252**	**7,587**	**2,407**	**45,359**	**47,766**	**(1,167)**	**46,599**
Transfers to/from Earmarked Reserves	3,663	(3,733)	(70)	70	0	0	0	0	0	0	0
Increase/Decrease in 2019/20	**(2,026)**	**(3,733)**	**(5,759)**	**327**	**252**	**7,587**	**2,407**	**45,359**	**47,766**	**(1,167)**	**46,599**
Balance at 31 March 2020	**13,510**	**67,993**	**81,503**	**10,141**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**	**(3,818)**	**397,418**

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	11.550	0	0	0	11,550	0	11.550	(11,550)	0
Total adjustments between Group Accounts and authority accounts	**11,550**	**0**	**0**	**0**	**11,550**	**0**	**11,550**	**(11,550)**	**0**

Group Balance Sheet at 31 March 2021

31 March 2020 SC £000	Adjustments £000	Group £000		31 March 2021 SC £000	Adjustments £000	Group £000
1,138,479	18,066	1,156,545	Property, Plant & Equipment	980,046	26	980,072
2,260	0	2,260	Heritage Assets	2,193	0	2,193
47,652	0	47,652	Investment Property	59,261	0	59,261
7,376	0	7,376	Intangible Assets	6,393	0	6,393
585	0	585	Assets Held for Sale	599	0	599
1,196,352	**18,066**	**1,214,418**	**Total Non-Current Assets**	**1,048,492**	**26**	**1,048,518**
20,206	(19,806)	400	Long Term Investment	400	0	400
0	(1,264)	(1,264)	Investments in Associates and Joint Ventures	0	(1,571)	(1,571)
19,857	(1,000)	18,857	Long Term Debtors	22,628	(4,210)	18,418
1,236,415	**(4,004)**	**1,232,411**	**Total Long Term Assets**	**1,071,520**	**(5,755)**	**1,065,765**
			Current Assets			
740	0	740	Current Held for Sale Investment Properties	250	0	250
3,102	0	3,102	Assets Held for Sale	767	0	767
64,500	0	64,500	Short Term Investments	70,000	0	70,000
572	180	752	Inventories	697	1,157	1,854
67,373	220	67,593	Short Term Debtors	99,834	(188)	99,646
93,007	8,879	101,886	Cash & Cash Equivalents	78,438	8,939	87,377
229,294	**9,279**	**238,573**	**Total Current Assets**	**249,986**	**9,908**	**259,894**
1,465,709	**5,275**	**1,470,984**	**Total Assets**	**1,321,506**	**4,153**	**1,325,659**
			Current Liabilities			
(14,644)	0	(14,644)	Bank Overdraft	(14,902)	0	(14,902)
(6,013)	0	(6,013)	Short Term Borrowing	(13,893)	0	(13,893)
(106,991)	(2,290)	(109,281)	Short Term Creditors	(126,217)	(417)	(126,634)
(3,576)	0	(3,576)	Provisions	(3,912)	0	(3,912)
(10,446)	0	(10,446)	Grants Receipts in Advance – Revenue	(15,443)	0	(15,443)
(4,893)	0	(4,893)	Grants Receipts in Advance – Capital	(11,773)	0	(11,773)
146,563	**(2,290)**	**(148,853)**	**Total Current Liabilities**	**(186,140)**	**(417)**	**(186,557)**
1,319,146	**2,985**	**1,322,131**	**Total Assets Less Current Liabilities**	**1,135,366**	**3,736**	**1,139,102**
			Long Term Liabilities			
(649)	0	(649)	Long Term Creditors	(637)	0	(637)
(303,568)	0	(303,568)	Long Term Borrowing	(291,568)	0	(291,568)
(106,914)	0	(106,914)	Other Long Term Liabilities	(103,618)	0	(103,618)
(495,700)	(6,803)	(502,503)	Pensions Liability	(531,883)	(8,989)	(540,872)
(11,079)	0	(11,079)	Provisions	(8,673)	0	(8,673)
(917,910)	**(6,803)**	**(924,713)**	**Total Long Term Liabilities**	**(936,379)**	**(8,989)**	**(945,368)**
401,236	**(3,818)**	**397,418**	**Total Assets Less Liabilities**	**198,987**	**(5,253)**	**193,734**
			Financed by:			
138,121	5,030	143,151	Usable Reserves	170,127	5,668	175,795
263,115	(8,848)	254,267	Unusable Reserves	28,860	(10,921)	17,939
401,236	**(3,818)**	**397,418**	**Total Reserves**	**198,987**	**(5,253)**	**193,734**

Group Cash Flow Statement

2019/20 SC £000	2019/20 Adjustments £000	2019/20 Group £000	Revenue Activities	2020/21 SC £000	2020/21 Adjustments £000	2020/21 Group £000
73,056	(33)	73,023	Net (surplus) or deficit on the provision of services	43,365	(272)	43,093
(152,807)	(526)	(153,333)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(120,052)	3,839	(116,213)
55,113	(30)	55,083	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	70,353	(33)	70,320
(24,638)	**(589)**	**(25,227)**	**Net cash flows from operating activities**	**(6,334)**	**3,534**	**(2,800)**
(5,390)	(2,783)	(8,173)	Investing activities	(9,073)	(3,319)	(12,392)
8,720	(172)	8,548	Financing activities	30,234	(275)	29,959
(21,308)	**(3,544)**	**(24,852)**	**Net (increase) or decrease in cash and cash equivalents**	**14,827**	**(60)**	**14,767**
57,055	5,335	62,390	Cash and cash equivalents at the beginning of the reporting period	78,362	8,880	87,242
78,363	**8,879**	**87,242**	**Cash and cash equivalents at the end of the reporting period**	**63,535**	**8,940**	**72,475**

Notes to Group Accounts

G1. Accounting Policies

G1.1 General

The single entity accounting policies detailed on pages 29-50 have been adopted and applied for group account purposes.

G1.2 Reason for Consolidation

The organisations included within Group Accounts have been assessed to establish whether Shropshire Council controls the entity, has significant influence over the entity or has joint control of the arrangement. If the organisation does not meet one of these criteria then it is not included within the Group Accounts.

ip&e Ltd, Shropshire Towns and Rural Housing Limited, Cornovii Developments Limited and SSC No.1 Limited are all wholly owned by Shropshire Council. Shropshire Council controls each of the organisations therefore they have been consolidated into the Group Accounts as subsidiaries.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME and WMS (Pensions) within this Council. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Telford & Wrekin Council. The Council has joint control over the arrangement and has rights to share the net assets. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

The Council has control over the Jersey Property Unit Trusts as it is exposed to risk and variable returns and has the ability to affect those returns through approval of key strategic decisions. The Jersey Property Unit Trusts have therefore been included within Group Accounts as a subsidiary.

G1.3 Basis for Consolidation

ip&e Ltd has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

Shropshire Towns and Rural Housing Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

WME has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Energy' balances is 24.7%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2021.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Energy' balances is 25%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2021.

The Jersey Property Unit Trust has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. The accounts have been consolidated as a Business Combination under IFRS 3.

SSC No.1 Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. The accounts have been consolidated as a Business Combination under IFRS 3 with the accounts for the Jersey Property Unit Trust.

Cornovii Developments Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

G1.4 Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

<u>Recognition</u>
The cost of an item of property, plant and equipment shall only be recognised (and hence capitalised) as an asset on the balance sheet if, and only if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the entity, and
- The cost of the item can be measured reliably.

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority; and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and are charged to revenue.

In 2019/20 the Shopping Centre was consolidated into property, plant and equipment in the Balance Sheet based on the market value.

Measurement after recognition

Property, plant and equipment assets are subsequently valued at current value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

Category	Valuation Method (Current Value definition)
Operational	
Land & Buildings	Existing Use Value (EUV) – determined as the amount that would be paid for the asset in its existing use

Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services.

G2. Consolidation of West Mercia Energy

Figures in respect of West Mercia Energy have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WME £000	SC Share (24.7%) £000
Turnover	(61,313)	(15,169)
Cost of Goods Sold and Operating Expenses	53,737	13,295
Interest and Investment Income	(31)	(8)
Net Operating Surplus	**(7,607)**	**(1,882)**
Distribution of Surplus to Member Authorities	1,111	275
Net Surplus for the year	**(6,496)**	**(1,607)**

G3. Consolidation of West Mercia Supplies (Pensions)

Figures in respect of West Mercia Supplies (Pension) have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WMS(P) £000	SC Share (25%) £000
Turnover	(217)	(54)
Cost of Goods Sold and Operating Expenses	6,938	1,734
Interest and Investment Income	164	41
Net deficit for the year	**6,885**	**1,721**

G4. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£12.771m) and expenditure (£12.188m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.583m has been included within Local Authority Housing (HRA) in the Net Cost of Services. The inter-company transactions with Shropshire Council have been excluded from Local Authority Housing (HRA) (Income/Expenditure £12.154m).

G5. Consolidation of ip&e Ltd

There was no operating expenditure or income for ip&e Ltd in 2020/21.

G6. Consolidation of Jersey Property Unit Trust

The operating income (£2.744m) and expenditure (£2.216m) of the Jersey Property Unit Trust, giving a net income of £0.528m has been included within Place in the Net Cost of Services. The revaluation loss has been charged to expenditure within Place in Net Cost of Services.

G7. Consolidation of SSC No.1 Ltd

The operating income (£0.004m) and expenditure (£0.006m) of SSC No1. Ltd, giving a net expenditure of £0.002m has been included within Place in the Net Cost of Services. 100% of the income and expenditure of the Jersey Property Unit Trust has been consolidated into the Income and Expenditure account as detailed above therefore this has been excluded when consolidating SSC No1. Ltd.

G8. Consolidation of Cornovii Developments Ltd

The operating expenditure (£0.341m) of Cornovii Developments Ltd has been included within Place in the Net Cost of Services.

G9. Investment included in Group Balance Sheet

	WME £000	SC Share (24.7%) £000
Assets		
Plant & Equipment	14	3
Short term debtors	10,063	2,490
Cash and cash equivalents	2,164	535
Total Assets	**12,241**	**3,028**
Liabilities		
Short term creditors	(10,757)	(2,661)
Other long term liabilities	(331)	(82)
Total Liabilities	**(11,088)**	**(2,743)**
Net Investments in Associates and Joint Ventures	**1,153**	**285**

	WMS(P) £000	SC Share (25%) £000
Assets		
Short term debtors	109	27
Total Assets	**109**	**27**
Liabilities		
Short term creditors	(109)	(27)
Other long term liabilities	(7,426)	(1,857)
Total Liabilities	**(7,535)**	**(1,884)**
Net Investments in Associates and Joint Ventures	**(7,426)**	**(1,857)**

G10. Property, Plant & Equipment in Group Balance Sheet

The figures below provide information on the movement of non-current assets during 2020/21.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2020	**200,025**	**573,101**	**22,314**	**543,270**	**2,961**	**2,725**	**12,863**	**1,357,259**	**143,605**
Additions	4,496	4,491	1,157	29,991	0	0	7,345	**47,480**	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(151,072)	0	0	0	(120)	0	**(151,248)**	(21,261)
Revaluation increases/(decreases) recognised in the	1,447	(41,976)	0	0	0	(353)	0	**(40,882)**	9

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Surplus/Deficit on the Provision of Services									
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	**(5,898)**	0
Derecognition – other	(132)	(966)	(1,727)	(1,575)	(481)	0	0	**(4,881)**	(1,448)
Assets reclassified (to)/from Held for Sale	13	0	0	0	0	0	0	**13**	0
Other movements in cost or valuation	(99)	2,324	0	1,109	0	0	(5,474)	**(2,140)**	0
At 31 March 2021	**204,772**	**380,926**	**21,744**	**572,795**	**2,480**	**2,252**	**14,734**	**1,199,703**	**121,821**
At 1 April 2020	**0**	**0**	**(9,009)**	**(189,693)**	**(1,006)**	**(1,006)**	**0**	**(200,714)**	**(6,686)**
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,078)	(19,291)	(113)	(54)	0	**(43,899)**	(6,877)
Depreciation written out to the Revaluation Reserve	137	14,917	0	0	0	7	0	**15,061**	4,663
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,911	2,387	0	0	0	47	0	**6,345**	90
Impairment losses/(reversals) recognised in the Revaluation Reserve	(127)	(154)	0	0	0	0	0	**(281)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,426	0	0	0	0	0	**1,426**	0
Derecognition – disposals	0	0	0	0	0	0	0	**0**	0
Derecognition – other	0	11	1,509	1,575	481	0	0	**3,576**	1,231
Other movements in depreciation and impairment	127	(1,272)	0	0	0	0	0	**(1,145)**	0
At 31 March 2021	**0**	**0**	**(10,578)**	**(207,409)**	**(638)**	**(1,006)**	**0**	**(219,631)**	**(7,579)**
NBV at 31 March 2021	**204,772**	**380,926**	**11,166**	**365,386**	**1,842**	**1,246**	**14,734**	**980,072**	**114,242**
NBV at 31 March 2020	**200,025**	**573,101**	**13,305**	**353,577**	**1,955**	**1,719**	**12,863**	**1,156,545**	**136,919**

The comparative movements in 2019/20 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2019	**196,767**	**567,078**	**19,898**	**525,492**	**3,578**	**2,115**	**7,525**	**1,322,453**	**137,179**
Additions	5,808	5,823	3,940	17,425	0	0	8,354	**41,350**	2,303
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10	48,862	0	0	0	(186)	0	**48,686**	4,801
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(630)	(27,630)	0	0	0	177	0	**(28,083)**	433
Derecognition – disposals	(2,020)	(17,805)	(61)	0	0	0	0	**(19,886)**	0
Derecognition – other	(142)	(1,951)	(1,463)	0	(617)	(80)	0	**(4,253)**	(1,111)
Assets reclassified (to)/from Held for Sale	(500)	(947)	0	0	0	(595)	0	**(2,042)**	0
Other movements in cost or valuation	732	(329)	0	353	0	1,294	(3,016)	**(966)**	0
At 31 March 2020	**200,025**	**573,101**	**22,314**	**543,270**	**2,961**	**2,725**	**12,863**	**1,357,259**	**143,605**
Depreciation and Impairments									
At 1 April 2019	**(136)**	**(30,243)**	**(6,808)**	**(172,770)**	**(1,448)**	**(1,018)**	**0**	**(212,423)**	**(9,650)**
Depreciation charge for 2019/20	(3,908)	(16,303)	(3,169)	(16,923)	(174)	(51)	0	**(40,528)**	(6,416)
Depreciation written out to the Revaluation Reserve	252	43,808	0	0	0	18	0	**44,078**	8,617
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,780	1,122	0	0	0	45	0	**4,947**	228
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	0
Derecognition – disposals	0	1,446	24	0	0	0	0	**1,470**	0
Derecognition – other	12	90	944	0	616	80	0	**1,742**	535

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Other movements in depreciation and impairment	0	80	0	0	0	(80)	0	**0**	0
At 31 March 2020	**0**	**0**	**(9,009)**	**(189,693)**	**(1,006)**	**(1,006)**	**0**	**(200,714)**	**(6,686)**
NBV at 31 March 2020	**200,025**	**573,101**	**13,305**	**353,577**	**1,955**	**1,719**	**12,863**	**1,156,545**	**136,919**
NBV at 31 March 2019	**196,631**	**536,835**	**13,090**	**352,722**	**2,130**	**1,097**	**7,525**	**1,110,030**	**127,529**

G11. Contingent Assets and Liabilities

On the acquisition of the Jersey Property Unit Trusts a rental guarantees Escrow account was set up. This account is distributed to Shropshire Council and SSC No.1 Ltd or the previous owners Standard Life Aberdeen based on the level of occupancy of units within the Shrewsbury Shopping Centres. The funds held within the escrow as at 31st March 2019 were all distributed in 2019/20.

	2020/21 £000	2019/20 £000
Opening Balance	0	1,383
Release of funding	0	(1,383)
Closing Balance	**0**	**0**

G12. Cash and Cash Equivalents

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

	31 March 2021 £000	31 March 2020 £000
Bank current accounts	27,233	46,464
Short term deposits with building societies	60,144	55,422
Total Cash and Cash Equivalents	**87,377**	**101,886**
Bank Overdraft	(14,902)	(14,644)
Cash Overdrawn	**(14,902)**	**(14,644)**

G13. Pension Liability

Assets and Liabilities Recognised in the Balance Sheet

	2020/21 £000	2019/20 £000
Present value of the defined benefit obligation	(1,554,568)	(1,359,880)
Fair value of plan assets	1,013,696	857,377
Net liability arising from defined benefit obligation	**(540,872)**	**(502,503)**

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2020/21 £000	2019/20 £000
Opening fair value of scheme assets at 1 April	857,377	902,501
Interest income	20,767	21,632
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	149,952	(53,433)
Contributions from employer	22,069	23,814
Contributions from employees into the scheme	6,085	5,799
Benefits paid	(41,438)	(39,489)
Other	(1,116)	(3,447)
Closing fair value of scheme assets at 31 March	**1,013,696**	**857,377**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2020/21 £000	2019/20 £000
Opening balance at 1 April	(1,359,880)	(1,398,163)
Current Service Cost	(29,783)	(31,247)
Interest Cost	(32,189)	(33,310)
Contributions from scheme participants	(6,085)	(5,799)
Remeasurement gain/(loss):		
Experience gains/losses	30,290	(9,134)
Actuarial gains/losses arising from changes in demographic assumptions	0	63,793
Actuarial gains/losses arising from changes in financial assumptions	(204,172)	25,564
Other	0	0
Past service costs	(1,194)	(8,964)
Losses/(gains) on curtailment	(364)	(1,406)
Benefits paid	41,438	39,489
Liabilities extinguished on settlements	1,607	6,611
Lump Sum Deficit Repayment	5,764	(7,314)
Closing balance at 31 March	**(1,554,568)**	**(1,359,880)**

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2020/21 £000	2019/20 £000
Cash and cash equivalents	**2,979**	**11,146**
Equity investments:		
UK quoted	45,672	41,155
Global quoted	454,750	387,535
Sub-total equity	**500,422**	**428,690**
Bonds:		
Overseas Global Fixed Income	72,482	123,462
Overseas Global Dynamic	69,503	0
Other class 2 - absolute return bonds	67,518	67,732
Sub-total bonds	**209,503**	**191,194**
Property:		
Property funds	38,724	36,867
Sub-total property	**38,724**	**36,867**
Alternatives:		
Private Equity	88,309	48,013
Infrastructure	31,773	30,865
Hedge Funds	63,546	54,872
BMO – LDI Manager	34,752	29,151
Property Debt	27,801	12,861
Insurance Linked Securities	15,887	13,718
Sub-total alternatives	**262,068**	**189,480**
Total assets	**1,013,696**	**857,377**

Section 7

Housing Revenue Account

Shropshire Council

Housing Revenue Account

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. **Error! Bookmark not defined.**

HRA INCOME AND EXPENDITURE STATEMENT

2019/20		2020/21	
£		£	£
	Expenditure		
5,408,335	Repairs & Maintenance	5,508,381	
3,869,719	Supervision and Management	3,915,222	
91,501	Rents, rates taxes and other charges	121,333	
3,780,100	Depreciation – Dwellings	3,910,780	
172,990	- Other	185,280	
(3,150,792)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(5,357,702)	
34,080	Debt Management Costs	46,840	
50,000	Provision for Bad or Doubtful Debts	25,000	
10,255,933	**Total Expenditure**		**8,355,134**
	Income		
(17,360,717)	Dwelling Rents	(17,395,866)	
(123,492)	Non Dwelling Rents	(109,683)	
(291,179)	Other Income	(4,385)	
(590,633)	Charges for Services and Facilities	(909,300)	
0	Contributions towards expenditure	0	
			(18,419,234)
(18,366,021)	**Total Income**		
(8,110,088)			**(10,064,100)**
173,630	HRA Share of Corporate & Democratic Core		191,083
(7,936,458)	**Net Cost of HRA Services**		**(9,873,017)**
(431,635)	(Gain) or loss on sale of HRA Assets		(269,234)
2,989,757	Interest payable and similar charges		2,988,342
(176,490)	Interest and Investment Income		(81,567)
(21,690)	Income & Expenditure in relation to investment properties & change in fair values		(27,400)
(139,574)	Capital grants and contributions receivable		(117,998)
(5,716,090)	**(Surplus) or deficit for the year on HRA Services**		**(7,380,874)**

MOVEMENT ON THE HRA STATEMENT

2019/20 £		2020/21 £
(9,813,486)	**Balance on the HRA at the end of the previous year**	**(10,140,313)**
(5,716,090)	**(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement**	**(7,380,874)**
5,459,263	Adjustments between accounting basis and funding basis under statute	6,110,170
(256,827)	**Net increase or (decrease) before transfers to or from reserves**	**(1,270,704)**
(70,000)	Transfers to or (from) Reserves	70,000
(326,827)	**(Increase) or Decrease in year on the HRA**	**(1,200,704)**
(10,140,313)	**Balance on the HRA at the end of the current year**	**(11,341,017)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2020/21	2019/20
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,165	3,174
Flats	877	875
	4,042	**4,049**
Change in Stock		
Stock at 1 April	4,050	4,071
Less: Sales – Right to Buy	(17)	(39)
Sales – Other	(1)	(2)
Disposal/restructuring	0	0
Acquisition – full ownership	10	15
Acquisition – shared ownership	1	4
	4,043	**4,049**

2. RENT ARREARS

	2020/21 £	2019/20 £
Due from Current Tenants	97,759	117,327
Due from Former Tenants	115,332	132,647
Total Rent Arrears as at 31 March	**213,091**	**249,974**
Pre-Payments	(633,579)	(593,023)
Net Arrears	**(420,488)**	**(343,049)**

As at 31 March 2021, the total provision set aside for HRA related bad debts is £0.391m.

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£	£
Cost or Valuation								
At 1 April 2020	**200,025,500**	**1,025,000**	**292,738**	**27,904**	**201,371,142**	**263,750**	**500,481**	**202,135,373**
Additions	4,496,471	0	11,160	36,568	**4,544,199**	0	0	**4,544,199**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(55,693)	20,000	0	0	**(35,693)**	0	0	**(35,693)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,446,922	0	0	0	**1,446,922**	4,700	0	**1,451,622**
Derecognition – disposals	(922,000)	0	0	0	**(922,000)**	0	(425,446)	**(1,347,446)**
Derecognition – other	(131,920)	0	0	0	**(131,920)**	0	0	**(131,920)**
Assets reclassified (to)/from Held for Sale	13,003	0	0	0	**13,003**	0	(13,003)	**0**
Other movements in cost or valuation	(99,036)	0	0	297,096	**198,060**	0	0	**198,060**
As at 31 March 2021	**204,773,247**	**1,045,000**	**303,898**	**361,568**	**206,483,713**	**268,450**	**62,032**	**206,814,195**
Accumulated Depreciation and Impairment								
At 1 April 2020	**0**	**0**	**(84,180)**	**0**	**(84,180)**	**0**	**0**	**(84,180)**
Depreciation Charge	(4,047,540)	(16,010)	(32,510)	0	**(4,096,060)**	0	0	**(4,096,060)**
Depreciation written out to the Revaluation Reserve	136,760	16,010	0	0	**152,770**	0	0	**152,770**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,910,780	0	0	0	**3,910,780**	0	0	**3,910,780**
Impairment losses/(reversals) recognised in the Revaluation Reserve	(126,940)	0	0	0	**(126,940)**	0	0	**(126,940)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0	0	**0**
Derecognition – disposals	0	0	0	0	**0**	0	0	**0**
Derecognition – other	0	0	0	0	**0**	0	0	**0**
Other movements in depreciation and impairment	126,940	0	0	0	**126,940**	0	0	**126,940**
As at 31 March 2021	**0**	**0**	**(116,690)**	**0**	**(116,690)**	**0**	**0**	**(116,690)**
Net Book Value								
As at 31 March 2021	**204,773,247**	**1,045,000**	**187,208**	**361,568**	**206,367,023**	**268,450**	**62,032**	**206,697,505**

As at 31 March 2020	**200,025,500**	**1,025,000**	**208,558**	**27,904**	**201,286,962**	**263,750**	**500,481**	**202,051,193**

There is a difference of £305.328m between the tenanted valuation and the District Valuer's Vacant Possession Value of £508.880m at 1 April 2020.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

The difference represents the economic cost of the Government providing council housing at less than market rents.

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on Council Housing Stock and Infrastructure was financed as follows.

	2020/21 £	2019/20 £
Usable Capital Receipts	1,360,367	390,919
Revenue Contributions utilised in year	430,537	1,668,063
Major Repairs Allowance	2,638,117	3,700,356
Government Supported borrowing	0	0
Government Grants and Contributions	117,998	209,574
Total Capital Expenditure on Housing Stock	**4,547,019**	**5,968,912**

5. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. 75% of Capital Receipts arising from Right to Buy disposals are subject to National Pooling arrangements payable to CLG.

	2020/21 £	2019/20 £
Sale of Council Houses under Right to Buy (RTB)	1,134,000	2,402,760
RTB Discounts Repaid	0	0
Other Land & Buildings	0	157,965
Total Capital Receipts from HRA Asset Disposals	**1,134,000**	**2,560,725**
Less Capital Receipts subject to Pooling requirement	(561,054)	(583,690)
Net Capital Receipts from HRA Asset Disposals	**572,946**	**1,977,035**

6. HOUSING REPAIRS ACCOUNT

	2020/21 £	2019/20 £
Balance Brought Forward 1 April	25,000	25,000
Expenditure on Capital	0	0
Balance Carried Forward 31 March	**25,000**	**25,000**

Section 8
Collection Fund

Collection Fund

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and Central Government.

2019/20 Council Tax £000	2019/20 NDR £000	2019/20 Total £000		2020/21 Council Tax £000	2020/21 NDR £000	2020/21 Total £000
			Income:			
(201,825)	0	(201,825)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(210,018)	0	(210,018)
			Transfers from General Fund			
2	0	2	- Transitional relief	1	0	1
(43)	0	(43)	- Discretionary relief	(1,333)	0	(1,333)
0	(83,137)	(83,137)	Income collectable from business ratepayers	0	(40,451)	(40,451)
0	(2,639)	(2,639)	Transitional Protection Payments	0	(507)	(507)
(201,866)	**(85,776)**	**(287,642)**	**TOTAL INCOME**	**(211,350)**	**(40,958)**	**(252,308)**
			Expenditure:			
			Precepts			
162,638	40,055	202,693	- Shropshire Council and Parish and Town Councils	172,874	41,689	214,563
24,101	0	24,101	- West Mercia Police & Crime Commissioner	25,573	0	25,573
11,152	817	11,969	- Shropshire & Wrekin Fire Authority	11,611	831	12,442
0	40,872	40,872	- Central Government	0	41,560	41,560
			Charges to Collection Fund			
0	457	457	- costs of collection	0	449	449
			Bad and doubtful debts			
(128)	(205)	(333)	- write offs	(589)	2	(587)
1,228	583	1,811	- provisions	2,132	740	2,872
			Appeals rates			
0	(2,002)	(2,002)	- write offs	0	(3,173)	(3,173)
0	3,255	3,255	- provisions	0	(440)	(440)
			Contributions			
3,666	(560)	3,106	- Towards previous year's estimated Collection Fund surplus/(deficit)	3,355	1,119	4,474
202,657	**83,272**	**285,929**	**TOTAL EXPENDITURE**	**214,956**	**82,777**	**297,733**
791	**(2,504)**	**(1,713)**	**Deficit/(Surplus) for the Year**	**3,606**	**41,819**	**45,425**
(3,601)	1,014	(2,587)	Balance brought forward	(2,810)	(1,490)	(4,300)
(2,810)	**(1,490)**	**(4,300)**	**Balance carried forward**	**796**	**40,329**	**41,125**

NOTES TO THE COLLECTION FUND

1. GENERAL

In 2020/21 businesses were awarded expanded retail, nursery and newspaper reliefs as part of the Governments response to the COVID-19 pandemic. This decision was made post the setting of the precepts for 2020/21. The additional reliefs reduce the net amount the Council can collect from businesses and therefore has created a deficit on the Collection Fund. These reliefs are funded by Government via section 31 grants which have been received in 2020/21 and transferred to an earmarked reserve. This reserve will be used to offset the collection fund deficit when it is charged to the Council's General Fund in 2021/22.

As a result of the impact of Covid-19 on the Collection Fund Central Government announced that authorities would be allowed to spread the in year estimated deficit on the 2020/21 Collection Fund over three years, 2021/22 to 2023/24. The phasing of the deficit excludes any amounts funded by section 31 grants or any brought forward surplus or deficit.

2. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2020/21 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	28.87	5/9	16.04
A	17,523.90	6/9	11,682.60
B	29,476.77	7/9	22,926.37
C	26,156.86	8/9	23,250.54
D	18,989.14	9/9	18,989.14
E	15,159.79	11/9	18,528.64
F	8,112.19	13/9	11,717.61
G	4,340.48	15/9	7,234.13
H	278.27	18/9	556.54
			114,901.61
Adjustment for MoD Properties (619.68 Band D Equivalents) and Collection Rate (98.3%)			(1,344.18)
			113,557.43

3. NON-DOMESTIC RATES (BUSINESS RATES)

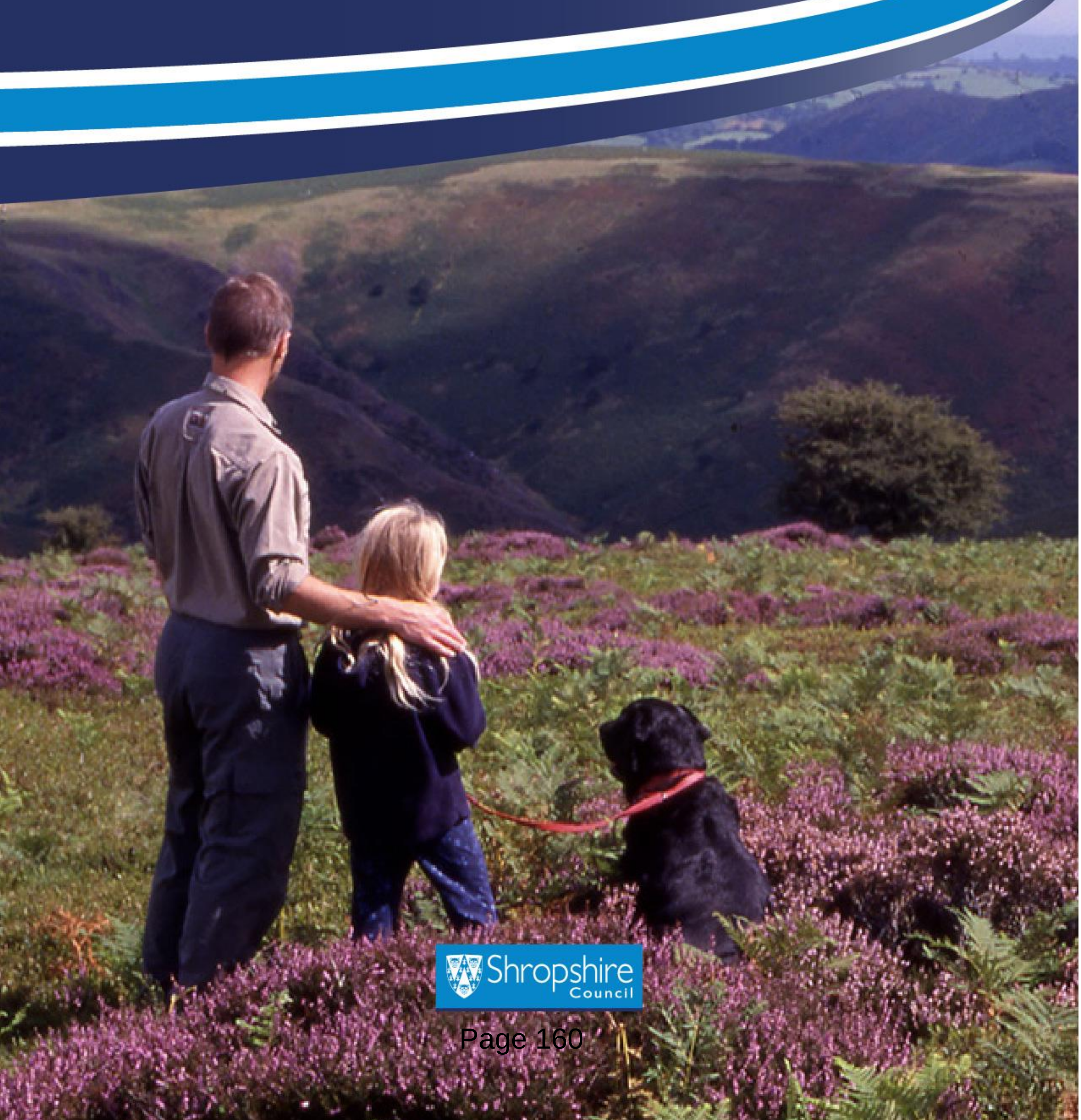
Shropshire Council is the billing authority for NDR and retains 49% share of the total collected and distributes the remaining balance to Central Government (50%) and Shropshire & Wrekin Fire Authority (1%).

Collection Fund

At 31 March 2021, the total non-domestic rateable value for all business premises in Shropshire was £235,338,571. The multiplier set by Government to calculate rate bills in 2020/21 was 49.9p for small businesses and 51.2p for all other businesses.

Section 9

Pension Fund Accounts



Introduction

The Shropshire Fund increased in value by £363 million in 2020/21 to be valued at £2.194 billion at the end of the year. The Fund increased in value by 20.1% over the year and outperformed against its benchmark by 5.8%. The impact of COVID-19, in the last quarter of the 2019/20 financial year, had a major impact on financial markets across the world but they bounced back strongly during 2020/21 resulting in the significant increase in the Fund value during the year.

The reason fund performance was above benchmark for this year was largely due to the strong rebound in equity markets with both active equity managers producing significant returns. The Infrastructure portfolio continued to be impacted by COVID-19 therefore produced negative below benchmark returns during the year.

The Shropshire Fund had positive investment returns in a number of asset classes. The strongest returns were generated in active global equity significantly increasing in value by 47.9%. The Private Equity portfolio also generated strong returns of 41.7%. The Fund's UK equity manager produced strong returns of 33.1% and the global passive equity portfolio increased in value by 21.1%. Property delivered returns of 3.7% but the Fund's Infrastructure manager produced negative returns of 11.3% due to the impact of COVID-19 on valuations with airports and freight rail particularly impacted.

The Pensions Committee determine the strategic asset allocation for the fund. This outlines the proportion of assets that the fund invests in equities, bonds and alternative assets such as property and infrastructure. This is the most important decision that the Committee makes because it has the biggest impact on the long term returns of the fund. The Committee undertook a series of Investment Strategy training workshops during the year before agreeing a revised strategic asset allocation in March 2021. The revised investment strategy will be implemented over the next 6-12 months.

The Pensions Committee undertakes thorough monitoring of the fund's investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities.

The fund undergoes an independent actuarial valuation every 3 years. The last actuarial valuation was conducted at the end of March 2019, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 94% which was an increase from 84% at the previous valuation in March 2016. As a local government pension scheme the fund is able to take a long-term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way, the latest results were very positive for the fund where the funding level increased by 10% over the valuation period. The next valuation will be undertaken on 31 March 2022, with results communicated in November 2022 and agreed with employers for the next three financial years commencing from 2022/23.

The fund is a Tier 1 signatory to the Stewardship Code, the highest rating given by the Financial Reporting Council, which is very positive news. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues. In 2020 the Fund commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the Fund's exposure to financially material climate-related risks and opportunities. The

Climate Risk Report included both climate scenario analysis and carbon risk metrics. The Fund also published its first Task Force on Climate-related Financial Disclosures (TCFD) aligned report in November 2020. The Fund was one of the first LGPS funds in the UK to publish its public TCFD report, this included a number of recommendations which the Fund will be continuing to implement over the next 6-12 months. Further details relating to this and the significant progress which has been made during the year with regards climate risk monitoring, responsible investment, climate risk training and the Fund's carbon footprint are included within the Corporate Governance section of the annual report.

The Shropshire Fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £48.9 billion of assets (£23 billion invested as at March 2021), on behalf of 900,000 LGPS members and 2,500 employers.

LGPS Central Ltd is jointly owned on an equal share basis by eight pension funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands.

The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central manage a wide range of asset classes, employing a mix of internal and external investment management. The majority of assets under management are structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. The company has been formed to act as an Alternative Investment Fund Manager (AIFM) to allow the participating LGPS administering authorities to pool their respective investments.

The governance structure for LGPS Central has been agreed by all partner funds. The LGPS Central Board and Executive Committee are in place. There are currently 65 permanent staff and a number of additional senior appointments were made during the year, including the Investment Director for Private Markets and the Director of Responsible Investment. In addition, a second graduate recruitment programme has just been launched in 2021 following on from the success of the first programme.

Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. The Practitioners Advisory Forum, which is made up of s151 Officers and Pension Managers from each fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders Forum, which is made up of one elected member from each fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each fund, has also met twice during the year to discuss any client related investors issues. The current Chair of the Joint Committee, which rotates between all 8 partner funds, is also the current Chair of the Shropshire County Pension Fund.

LGPS Central Ltd is responsible for a number of advisory and discretionary mandates on behalf of its partner funds. Working with our partners to develop and implement our revised investment strategy will continue to be a major strategic focus for the fund over the next year. The first assets transferred from Shropshire County Pension Fund in March 2019 when £237 million was transitioned into their active global equity sub-fund. Assets in this sub fund have increased to £318 million as at 31 March 2021. Further assets are expected to transfer during 2021/22 into Infrastructure, Private Debt, Targeted Return and Sustainable Equity funds once launched.

Over the last 12 months The Pensions Administration Team have ensured the benefits it looks after for scheme members are paid accurately and on time, despite the impact of Covid-19 lockdowns and the enforced working from home.

During 2020/21, the team had to work from home and quickly adapted to new ways of remote working ensuring all administrative work continued and members could contact us if they needed to. The team were agile in their working practices which ensured all pensioners received their monthly payments on time and all retirements were processed in good time. Scheme members were still able to contact all members of the team throughout the year and the helpdesk remained fully functional dealing with member queries over the phone and via email. Although, the team have not been able to see members face to face, the team have still offered the facility to video call if members needed a consultation. Improvements in technology were implemented with a new telephony system procured. This will provide better statistics and information on when our customers are contacting us to help shape the service we offer.

Processes were changed to ensure members could return forms and documents electronically and scheme members and employers were provided with regular updates on the team's new ways of working. All regulatory deadlines were met, including issuing Annual Benefit Statements, P60 documents and Pensions Savings Statements by the statutory deadlines and reporting to Pensions Committee and Board continued. During the year the team worked hard to ensure the GMP reconciliation project was completed.

The information above and other developments are all covered in more detail on the following pages. We hope you find the report interesting and informative. As always, we welcome your feedback on the report and indeed, on any aspect of the scheme’s activities.

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

2019/20 £000		2020/21 £000
	Income	
	Contributions	
(46,626)	Employers (Note 7)	(70,005)
(15,706)	Employees (Note 7)	(16,471)
(6,460)	Transfers In from other pension funds (Notes 3, 7)	(5,263)
(68,792)	**Total Income**	**(91,739)**
	Expenditure	
	Benefits Payable	
62,251	Pensions (Note 7)	64,750
10,620	Commutation of pensions and lump sum retirement benefits (Note 7)	10,497
1,425	Lump Sum Death Benefits (Note 7)	1,334
	Payment to & on Account of Leavers	
224	Refund of contributions (Note 7)	190
4,896	Transfers to other funds (Notes 3, 7)	20,016
79,416	**Total Expenditure**	**96,787**
10,624	**Net (additions) / withdrawals from dealings with scheme members**	**5,048**
17,712	**Management Expenses (Note 8)**	**17,826**
28,336	**Net additions/(withdrawals) including fund management expenses**	**22,874**
	Returns on Investments	
(28,402)	Investment Income (Notes 3, 9)	(25,477)
(13,203)	(Gain)/loss on cash and currency hedging	(16,779)
124	Taxes on Income (Note 10)	102
97,123	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	(343,417)
55,642	**Net (increase) / decrease in the net assets available for benefits during the year**	**(385,571)**
83,978	**(Surplus) / deficit on the pension fund for the year**	**(362,697)**
1,915,301	**Opening net assets of the scheme**	**1,831,323**
1,831,323	**Closing net assets of the scheme**	**2,194,020**

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2021

31-Mar-20 £000		31-Mar-21 £000	%
	Long Term Investments		
1,315	Equities (Note 11b)	1,315	0.06
	Investment Assets		
77,746	Equities (Note 11b)	104,048	4.74
	Pooled Investment Vehicles		
1,726,527	Other Managed Funds (Note 11b)	2,063,901	94.07
	Other Investment Balances		
685	Loans (Note 11b)	685	0.03
	Cash Deposits		
18,650	Deposits (Note 11a)	16,950	0.77
2,000	Temporary Investments (Note 27)	3,500	0.16
1,826,923	**Total Investment Assets**	**2,190,399**	**99.83**
	Current Assets		
5,205	Contributions due from Employers (Note 18)	4,322	0.20
1,708	Other Current Assets (Note 18)	2,443	0.12
397	Cash Balances (Note 27)	245	0.01
	Current Liabilities		
(172)	Unpaid Benefits (Note 19)	(577)	(0.02)
(2,738)	Other Current Liabilities (Note 19)	(2,812)	(0.13)
0	Cash Balances (Note 27)	0	0
1,831,323	**Net Assets of the Scheme – Available to Fund Benefits as at 31 March**	**2,194,020**	**100**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

1. DESCRIPTION OF FUND

The Shropshire County Pension Fund is part of the Local Government Pension Scheme and is administered by Shropshire Council. The Council is the reporting entity for this Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 208 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2021	31 March 2020
Number of employers with active members	146	148
Number of employees in the scheme		
Shropshire Council	5,771	5,916
Other employers	10,749	10,718
Total	**16,520**	**16,634**
Number of pensioners in the scheme		
Shropshire Council	5,626	5,431
Other employers	5,945	5,664
Total	**11,571**	**11,095**

Shropshire County Pension Fund	31 March 2021	31 March 2020
Number of deferred pensioners in the scheme		
Shropshire Council	8,591	8,644
Other employers	9,497	9,447
Total	**18,088**	**18,091**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2019. Currently, employer contribution rates range from 5.8% to 27.6% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits.

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

IFRS9 requires the investment assets to be accounted for at fair value within the accounts. The adoption of IFRS9 had little impact on the accounts for pension funds as the investment assets were already held at fair value through profit and loss as directed by the code. As a consequence, there was no requirement to change the measurement or classification of these assets.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information within the statement by the consulting actuary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. Contributions received earlier than the due date are accounted for on receipt and are recognised as contributions received within the pension fund account statement.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than due date.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.
Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 7). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the net assets statement as a current financial asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, provided that payment has been approved.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with Majedie Asset Management, Pimco Europe Ltd and BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2020/21 £1.271m (2019/20 £0.225m). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2020/21, £0.077m of fees is based on such estimates (2019/20 £0.122m).

Net Assets Statement

Financial assets

The Share Capital investment in LGPS Central Limited is valued at transaction price i.e. cost. LGPS Central Limited began to trade on 3 April 2018 and consequently there are only limited trading results available. The Pension Fund's view is that the market value of this investment at 31 March 2021 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 11a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account
The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 14).

Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Loans and receivables
Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

Financial liabilities
A financial liability is recognised in the net asset statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Additional voluntary contributions
Shropshire County Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. Please see note 20 for further information.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Investment in LGPS Central
The Share Capital investment has been valued at cost on the basis that fair value as at 31 March 2021 cannot be reliably estimated. Management have made this judgment because:

- LGPS Central Limited did not commence trading until 3 April 2018
- No dividend to shareholders has as yet been declared
- Published trading results are only available for two years, which in the Fund's opinion does not give sufficient information to allow fair value to be accurately calculated on a net asset basis.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of COVID-19 on valuations. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £180.4 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £9.0m adjustment to the value of these assets
Hedge Funds	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £137.3 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £6.9m adjustment to the value of these assets

6. EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2021, and when these accounts were authorised, that require any adjustments to be made.

Global financial markets were particularly volatile during 2019/20 because of Brexit, COVID-19 and other significant political and geographical changes. This adversely affected the value of the Fund's investments during this period despite careful management. However, this downward trend did not continue during 2020/21 resulting in a £363 million increase in the Fund value and the Fund value has continued to increase until 31 July 21.

Guaranteed minimum pensions (GMP) equalisation remedy in LGPS is still to be legislated on. GMP reconciliation has ensured that data is up to date for when any changes required are known.

The McCloud remedy in LGPS is still to be legislated for, with an expected date of 1st April 2022. The Fund is not aware of any cases affected by the Goodwin test cases.

7. ANALYSIS OF THE MAIN REVENUE ACCOUNT TRANSACTIONS

The following table provides further analysis of contributions received and benefits paid between the Administering Authority (Shropshire Council), Designated Bodies and Scheme Employers (Unitary, Town and Parish Councils) and Admission Bodies (Private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

2020/21	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	5,864	2,030	8,577	16,471
Employers	25,335	5,941	38,729	70,005
Transfers In	1,544	785	2,934	5,263
Total Income	**32,743**	**8,756**	**50,240**	**91,739**
Payments Made				
Pensions	36,952	8,207	19,591	64,750
Lump Sums	4,208	1,944	4,345	10,497
Death Benefits	455	408	471	1,334
Refunds	63	20	107	190
Transfers Out	2,674	22	*17,320	*20,016
Total Expenditure	**44,352**	**10,601**	**41,834**	**96,787**

2019/20 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	5,607	2,057	8,042	15,706
Employers	13,885	6,812	25,929	46,626
Transfers In	2,472	1,019	2,969	6,460
Total Income	**21,964**	**9,888**	**36,940**	**68,792**
Payments Made				
Pensions	35,938	7,675	18,638	62,251
Lump Sums	4,449	1,984	4,187	10,620
Death Benefits	533	445	447	1,425
Refunds	59	23	142	224
Transfers Out	2,196	586	2,114	4,896
Total Expenditure	**43,175**	**10,713**	**25,528**	**79,416**

*2020/21 Transfers Out figure includes £16.430m bulk transfers out.

This table shows a breakdown of the employers contributions above:

	2020/21 £000	2019/2020 £000
Employers normal contributions	**54,083	36,630
Employers deficit contributions	***14,263	8,177
Employers augmentation contributions	1,659	1,819
	70,005	**46,626**

** Employers normal contributions figure for 2020/21 includes upfront payment of 2021/22 normal contributions for Telford & Wrekin Council

*** Employers deficit contributions figure for 2020/21 includes upfront deficit payments covering three years for Shropshire Council

8. MANAGEMENT EXPENSES

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Management Expenses	2020/21 £000	2019/20 £000
Administrative costs	1,135	1,050
Investment management expenses	15,231	15,283
Oversight and governance costs	1,460	1,379
	17,826	17,712

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Fund's behalf. Active managers are required to produce a specific target return in excess of their benchmark return and are paid a performance related fee (over and above a basic fee) for reaching required levels of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

The investment management expenses shown below includes £1.271m (2019/20 £0.225m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £3.028m in respect of transaction costs (2019/20 £2.561m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of Investments (see note 11a).

Investment Expenses	2020/21 £000	2019/20 £000
Management Fees	8,901	9,052
Performance Fees	1,271	225
Other Fees	1,989	3,414
Transaction Costs	3,028	2,561
Custody Fees	42	31
	15,231	15,283

The costs incurred by the fund in administering the Fund totalled £1.135m for the year ended 31 March 2021 (2019/20 £1.050m).

Administrative Costs	2020/21 £000	2019/20 £000
Employee Costs	753	682
IT	218	210
Consultants	75	32
Printing, Postage & Design	39	61
Office Accommodation	21	20

Subscriptions	14	16
Other Costs	15	29
	1,135	**1,050**

The costs incurred by the fund in Oversight and Governance totalled £1.460m for the year ended 31 March 2021 (2019/20 £1.379m).

Oversight & Governance costs	2020/21 £000	2019/20 £000
Investment advice	427	386
Employee costs (pensions investment)	234	190
Actuarial advice	74	154
LGPS Central Pooling costs	582	475
Responsible engagement overlay	50	65
External audit	22*	20
Performance analysis	28	29
Internal audit	22	19
Legal & Committee	7	16
Other Costs	14	25
	1,460	**1,379**

*The External audit figure for 2020/21 comprises the current year audit fee paid of £18,039 and £4,250 agreed fee variation charge for completing the 2019/20 audit. The total audit fee for 2020/21 as noted in the audit plan is £30,289. The outstanding amount due will be paid and accounted for in 2021/22. There are also non audit fees payable to our auditors Grant Thornton for 2020/21 of £5,000 relating to the provision of IAS19 assurance reports for auditors.

8a. MANAGEMENT EXPENSES

The tables below show a breakdown of investment management expenses by investment type.

2020/21	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	709	366	0	343	0
Pooled Investments Vehicles					
Global Equity	2,123	1,115	0	954	54
Fixed Income	3,162	1,945	0	1,034	183
Hedge Fund of Funds	2,217	711	1,271	0	235
Infrastructure	2,146	2,049	0	0	97
Pooled property investments	953	281	0	672	0
Private Equity	3,035	1,793	0	0	1,242
Property Debt	561	420	0	0	141
Insurance Linked Securities	283	221	0	25	37
	15,189	**8,901**	**1,271**	**3,028**	**1,989**
Custody Fees	42				

2020/21	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Total	15,231				

2019/20 comparative figures	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	712	406	0	306	0
Pooled Investments Vehicles					
Global Equity	2,513	1,065	0	1,414	34
Fixed Income	3,361	2,198	0	817	346
Hedge Fund of Funds	1,035	584	225	0	226
Infrastructure	2,542	2,477	0	0	65
Pooled property investments	1,373	307	0	0	1,066
Private Equity	2,986	1,584	0	0	1,402
Property Debt	453	229	0	0	224
Insurance Linked Securities	277	202	0	24	51
	15,252	9,052	225	2,561	3,414
Custody Fees	31				
Total	15,283				

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund over the last 12 months.

	2020/21 £000	2019/20 £000
Dividends from equities	(3,053)	(5,493)
Income from pooled investment vehicles	(8,344)	(8,621)
Interest on cash deposits	(35)	(53)
Other	(14,045)	(14,235)
	(25,477)	(28,402)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2020/21 £000	2019/20 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax – equities	30	26
Withholding tax – pooled	72	98
	102	**124**

11. INVESTMENTS

This table shows investment assets by type of investment

	2020/21 £000	2019/20 £000
Investment Assets		
Equities	104,048	77,746
Pooled Funds		
Global Equity	999,156	780,233
Fixed Income	511,776	477,682
Hedge Fund of Funds	137,333	117,950
Infrastructure	69,301	76,961
Pooled property investments	75,611	85,290
Private Equity	180,438	119,887
Property Debt	57,777	36,928
Insurance Linked Securities	32,509	31,596
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	16,950	18,650
Temporary Investments	3,500	2,000
Total	**2,189,084**	**1,825,608**
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	**2,190,399**	**1,826,923**

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type 2020/21	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	79,061	56,114	(52,719)		22,907	*105,363

Investment type 2020/21	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Pooled Investment Vehicles – Other Managed Funds	1,726,527	207,619	(197,843)	7,119	320,479	*2,063,901
Other Investment Balances	685					685
Sub total	**1,806,273**	**263,733**	**(250,562)**	**7,119**	**343,386**	**2,169,949**
Cash deposits – with Managers	18,650		(14)	(1,718)	32	16,950
Temporary Investments	2,000			1,500		3,500
Total	**1,826,923**	**263,733**	**(250,576)**	**6,901**	****343,418**	**2,190,399**

* Within the Pooled Investment Vehicles - other managed funds total of £2,063.901m are £408.057m of level 3 investments as at 31 March 2021. Within the Equities figure of £105.363m are £1.315m of level 3 investments as at 31 March 2021. The value of the level 3 investments was £307.676m as at 1st April 2020 which increased to £409.372m as at 31 March 2021. The increase in value is due to purchases of £56.083m, sales of £11.625m and change in market value of £57.238m.

** The total change in market value for 2020/21 as per the table above is £343.418m. This figure is made of up of profit on sales of £20.049m and also the difference between book cost and market value for the whole Fund which for 2020/21 was £323.369m

Investment type 2019/20 Comparative figures	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	127,254	48,977	(70,459)		(26,711)	*79,061
Pooled Investment Vehicles – Other Managed Funds	1,667,601	207,214	(69,239)	(8,595)	(70,454)	*1,726,527
Other Investment Balances	685					685
Sub total	**1,795,540**	**256,191**	**(139,698)**	**(8,595)**	**(97,165)**	**1,806,273**
Cash deposits – with Managers	115,796		(44)	(97,145)	43	18,650
Temporary Investments	2,000					2,000
Total	**1,913,336**		**(139,742)**	**(105,740)**	****(97,122)**	**1,826,923**

* Within the Pooled Investment Vehicles - other managed funds total of £1,726.527m are £306.361m of level 3 investments as at 31 March 2020. Within the Equities figure of £79.061m are £1.315m of level 3 investments as at 31 March 2020. The value of the level 3 investments was £274.472m as at 1st April 2019 which increased to £307.676m as at 31 March 2020. The increase in value is due to purchases of £47.266m, sales of £14.796m and change in market value of £0.734m.

** The total change in market value for 2019/20 as per the table above is -£97.122m. This figure is made of up of profit on sales of £7.988m and also the difference between book cost and market value for the whole Fund which for 2019/20 was -£105.110m.

12. STOCK LENDING

The Fund participates in a stock lending programme with its Custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (the highest rated collateral available).

Collateralised lending generated income of £0.003m in 2020/21 and this is included within investment income in the Pension Fund Account. At 31 March 2021 £2.841m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £3.055m worth of collateral representing 108% of stock on loan.

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

13. ANALYSIS OF DERIVATIVES

Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

14. FAIR VALUE – BASIS OF VALUATION

Unquoted equities in LGPS Central are valued using the cost approach / considering Fair Value at Initial Recognition approach as these methodologies provide viable approaches to valuing this shareholding, and they both generate consistent valuations at historic cost less any adjustment for impairment. This will be the approach used for valuing this holding until any change in circumstances creates an alternative approach.

All other investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		term nature of these financial instruments		
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled equity fund investments	Level 2	Index tracking funds & valuations are based on the market quoted prices of the respective underlying securities	Evaluated price feeds	Not required
Pooled fixed income fund investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Infrastructure	Level 2	Includes publicly listed investments. Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at initial recognition approach	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost approach generates a figure similar to the original cost of investment when LGPS Central was created	Valuation reviewed on an annual basis to ascertain if there is any reason that this valuation may have been impaired
Insurance linked securities	Level 3	Closing single price. Investments are fair valued using earned net assets value method	NAV based pricing set on a forward pricing basis. NAV based pricing based upon either 3rd party broker marks or independent Milliman valuations using available industry loss assumptions and 3rd party reports.	Valuations could be affected by any changes to underlying values of the invested portfolio. Value appreciation/depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring.
Property Debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available, indicative market interest rates for similar products	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this valuation may have been impaired
Private Equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private	EBITDA multiple, revenue multiple, discount for lack of	Valuations could be affected by changes to expected cashflows or by

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines	marketability, control premium	differences between audited and unaudited accounts
Hedge Funds	Level 3	Valuations received directly from the third party hedge funds with which the fund of hedge fund manager invests	Valuations/prices of the investments held are not publicly available. NAV based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-21 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	180,438	189,460	171,416
Hedge Funds	5%	137,333	144,200	130,466
Insurance Linked	5%	32,509	34,134	30,884
Property Debt	5%	57,777	60,666	54,888
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**409,372**	**429,841**	**388,903**

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-20 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	119,887	125,881	113,893
Hedge Funds	5%	117,950	123,848	112,052
Insurance Linked	5%	31,596	33,176	30,016
Property Debt	5%	36,928	38,774	35,082
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**307,676**	**323,060**	**292,292**

14a. FAIR VALUE HIERARCHY

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset type 2020/21	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	104,042	104,042		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	8,267	8,267		
	Pimco Europe Ltd	Global Bonds	142,416		142,416	
	HarbourVest Partners Ltd	Private Equity	180,438			180,438
	Aberdeen Property Investors	Property Unit Trusts	75,611		75,611	
	Blackrock	Hedge Fund	137,333			137,333
	Global Infrastructure Partners	Infrastructure	69,301		69,301	
	Legal & General	Global Equities	672,984		672,984	
	Blackrock	Fixed Interest	152,946		152,946	

Asset type 2020/21	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
	T Rowe Price	Global Dynamic Bonds	149,017		149,017	
	BMO	LDI	67,397		67,397	
	Securis	Insurance Linked Securities	32,509			32,509
	DRC	Property Debt	57,777			57,777
	LGPS Central Ltd	Global Equities	317,905	317,905		
Net Current Assets (incl cash & other)			24,762	24,762		
Total			**2,194,020**	**454,976**	**1,329,672**	**409,372**

Asset type 2019/20	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	77,742	77,742		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	5,338	5,338		
	Pimco Europe Ltd	Global Aggregate Bonds	137,126	137,126		
	HarbourVest Partners Ltd	Private Equity	119,887			119,887
	Aberdeen Property Investors	Property Unit Trusts	85,290		85,290	
	Blackrock	Hedge Fund	117,950			117,950
	Global Infrastructure Partners	Infrastructure	76,961		76,961	
	Legal & General	Global Equities	559,961	559,961		
	Blackrock	Fixed Interest	135,629	135,629		
	T Rowe Price	Global Dynamic Bonds	138,121	138,121		
	BMO	LDI	66,806	66,806		
	Securis	Insurance Linked Securities	31,596			31,596
	DRC	Property Debt	36,928			36,928
	LGPS Central Ltd	Global Equities	214,934	214,934		
Net Current Assets (incl cash & other)			25,739	25,739		
Total			**1,831,323**	**1,361,396**	**162,251**	**307,676**

* Share Capital investment in LGPS Central Ltd has been carried at cost

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	31 March 2021			31 March 2020		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Investment Assets						
Equities	1,315			1,315		
Financial Assets						
Equities	104,048			77,746		
Pooled Investment Vehicles – Other Managed Funds	2,063,901			1,726,527		
Other Investment Balances - Loans		685			685	
Cash		20,695			21,047	
Debtors		6,765			6,913	
Total Assets	**2,169,264**	**28,145**	**0**	**1,805,588**	**28,645**	**0**
Financial Liabilities						
Creditors			(3,389)			(2,910)
Total Liabilities	**0**	**0**	**(3,389)**	**0**	**0**	**(2,910)**
Total	**2,169,264**	**28,145**	**(3,389)**	**1,805,588**	**28,645**	**(2,910)**

15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2020/21 £000	2019/20 £000
Financial Assets		
Fair value through profit and loss	343,417	(97,123)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	343,417	**(97,123)**

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund’s primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits to pay members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
UK Equities	19.0%
Global Unconstrained Equities	21.1%
Global Equities (passive)	20.0%
Unconstrained bonds	5.7%
Property	12.5%
Private Equity	28.3%
Hedge Funds	9.3%
Infrastructure	19.3%
Property Debt	7.2%
Insurance Linked Securities	4.5%
LDI	24.1%

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset type 2020/21	Value as at 31 March 2021 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	26,071	0	26,071	26,071
Investment Portfolio Assets				
UK Equities	103,652	19,694	123,346	83,958
Global Equities (unconstrained)	326,568	68,906	395,474	257,662
Global Equities (passive)	672,984	134,597	807,581	538,387
Unconstrained Bonds	444,379	25,330	469,709	419,049
Property	75,611	9,451	85,062	66,160
Private Equity	180,438	51,064	231,502	129,374
Hedge Funds	137,333	12,772	150,105	124,561
Infrastructure	69,301	13,375	82,676	55,926
Property Debt	57,777	4,160	61,937	53,617
Insurance Linked Securities	32,509	1,463	33,972	31,046
LDI	67,397	16,243	83,640	51,154
	2,194,020	357,055	2,551,075	1,836,965

Asset type 2019/20 Comparative Figures	Value as at 31 March 2020 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	27,050	0	27,050	27,050
Investment Portfolio Assets				
UK Equities	74,022	14,064	88,086	59,958
Global Equities (unconstrained)	223,996	47,487	271,483	176,509
Global Equities (passive)	559,961	111,992	671,953	447,969
Unconstrained Bonds	410,876	22,598	433,474	388,278
Property	85,290	14,499	99,789	70,791
Private Equity	119,887	34,168	154,055	85,719
Hedge Funds	117,950	11,205	129,155	106,745
Infrastructure	76,961	15,007	91,968	61,954
Property Debt	36,928	3,139	40,067	33,789
Insurance Linked Securities	31,596	1,422	33,018	30,174
LDI	66,806	20,576	87,382	46,230

Asset type 2019/20 Comparative Figures	Value as at 31 March 2020 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets available to pay benefits	**1,831,323**	**296,157**	**2,127,480**	**1,535,166**

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below.

Asset Type	As at 31 March 2021 £000	As at 31 March 2020 £000
Cash and cash equivalents	16,950	9,692
Cash balances	245	397
Bonds	444,379	410,876
Total change in assets available	**461,574**	**420,965**

The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates assuming all variables, in particular exchange rates, remain constant. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2021				
Cash and cash equivalents	16,950	0	16,950	16,950
Cash balances	245	0	245	245
Bonds	444,379	4,444	448,823	439,935
Total	**461,574**	**4,444**	**466,018**	**457,130**

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2020				
Cash and cash equivalents	9,692	0	9,692	9,692
Cash balances	397	0	397	397
Bonds	410,876	4,109	414,985	406,767
Total	**420,965**	**4,109**	**425,074**	**416,856**

During 2020/21 the Fund received £0.003m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.026m. The impact of a 1% fall in interest rates would imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments. In addition, the Fund earned £0.032m in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investments assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. An 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 10%	Value on decrease £000 10%
As at 31 March 2021				
Overseas Equities	303,977	30,398	334,375	273,579
Overseas Private Equity	180,438	18,044	198,482	162,394
Overseas Pooled Property	133	13	146	120
Overseas Infrastructure	69,301	6,930	76,231	62,371
Total change in assets available	**553,849**	**55,385**	**609,234**	**498,464**

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 11%	Value on decrease £000 11%
As at 31 March 2020				
Overseas Equities	209,188	20,919	230,107	188,269
Overseas Private Equity	119,887	11,989	131,876	107,898
Overseas Pooled Property	2,257	226	2,483	2,031
Overseas Infrastructure	76,961	7,696	84,657	69,265
Total	**408,293**	**40,830**	**449,123**	**367,463**

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2021 and 31 March 2020 were received in the first two months of the financial year.

In January 2018 the Fund advanced a loan of £0.685m to LGPS Central asset pool on commercial rates, repayable in 2027. LGPS Central have not defaulted on any annual loan interest repayments to date. The credit risk at 31 March 2021 is therefore not considered to be significant and no credit loss adjustment has been made.

The Fund has set limits on the maximum sum placed on deposit with individual financial institutions.

The investment priorities for the management of the pension fund revenue cash held for day to day transactions are the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the minimisation of risk. Accordingly, the Administering Authority ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

The Pension Fund has had no experience of default or uncollectable deposits over the past five financial years.

Asset type	Rating	As at 31 March 2021 £000	As at 31 March 2020 £000
Handelsbanken Instant Access Account	AA	2,000	2,000
Nat West Instant Access Account	A+	1,500	0

Asset type	Rating	As at 31 March 2021 £000	As at 31 March 2020 £000
Total		3,500	2,000

Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £3.5m (31 March 2020 £2.0m).

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2021 was £7.756m. The Fund does not have access to an overdraft facility.

Officers prepare a daily cash flow forecast to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where it considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (84% at the March 2016 valuation). This corresponded to a deficit of £132 million (2016 valuation was £278 million) at that time. Revised contributions set by the 2019 valuation were introduced in 2020/21 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 16.6% of pensionable pay (14.9% at the March 2016 valuation).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions	31 March 2019	31 March 2016
Discount rate	4.25% p.a.	4.55% p.a.
Assumed long term CPI inflation	2.4% p.a.	2.2% p.a.
Salary increases – long term	3.65% p.a.	3.7% p.a.
Salary increases – short term	No allowance	1% p.a. for 4 years
Pension increases in payment	2.4% p.a	2.2% p.a

The assumed life expectancy from age 65 is as follows:

Demographic assumptions		31 March 2019	31 March 2016
Current pensioners (at age 65)	Males	22.8	22.9
	Females	24.9	26.1
Future pensioners (assumed current age 45)	Males	24.1	25.1
	Females	26.6	28.4

It is assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement.

18. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2021. An analysis of debtors outstanding as at 31 March 2021 is shown below:

	2020/21 £000	2019/20 £000
Contributions due - employees	1,260	1,186
Contributions due - employers	3,062	4,019
Other entities and individuals	2,443	1,708
Total	**6,765**	**6,913**

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2021. An analysis of creditors outstanding as at 31 March 2021 is shown below:

	2020/21 £000	2019/20 £000

	2020/21 £000	2019/20 £000
Central Government bodies	(670)	(615)
Other Local Authorities	(1,441)	(1,309)
Other entities and individuals	(1,278)	(986)
Total	**(3,389)**	**(2,910)**

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 498 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2020/21 contributions to schemes amounted to £0.611m. The combined value of the AVC funds as at 31 March 2021 was £4.916m.

There is a delay nationally in the issue of Prudential year end statements and therefore figures for contributions paid and value of Prudential AVC funds as at 31st March 2021 included above are estimated.

21. RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.475m (2019/20 £1.339m) in relation to the administration and management of the Fund and all these costs were recharged to the Pension Fund.

Shropshire Council is also the single largest employer of members of the Pension Fund. At the year end, a balance of £1.421m was due to the Fund from the Council relating to contributions which became due in March but were paid in April and other payments due.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Director of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

Under the Local Government Pension Scheme 1997 Regulations, Councillors were entitled to join the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors was removed and those councillor members who were in the Scheme on the 31 March 2014 could only remain in the Scheme until the end of their current term of office. The remaining active councillor members were removed from the Scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pension Fund Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the Fund.

LGPS Central

LGPS Central (LGPSC) has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool.

The Fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2021. The Fund was owed interest of £0.032m on the loan to LGPSC at 31 March 2021.

In addition, in March 2019, the Fund invested in the LGPSC Global Equity sub-fund. The Fund incurred direct costs totalling £1.294m in respect of this investment of which £0.007 was payable to LGPSC at 31 March 2021.

The Fund incurred costs totalling £0.562m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2020/21 of which £0.105m was payable to LGPSC at 31 March 2021.

21.a KEY MANAGEMENT PERSONNEL

The posts of Executive Director of Resources (s151 Officer and Scheme Administrator) and Head of Treasury and Pensions are deemed to be key management personnel with regards to the fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2020/21 £000	2019/20 £000
Short-term benefits*	111	108
Post employment benefits**	47	63
Total	**158**	**171**

* This is the Pension Fund's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

** This is the change in value of accrued pension benefits, expressed as cash equivalent transfer value

22. CONTRACTUAL COMMITMENTS

The Fund has a 6% (£131 million) strategic asset allocation to Private Equity, and a 6.5% (£142 million) strategic asset allocation to Infrastructure. It is necessary to over commit the strategic asset allocation because some private equity and infrastructure investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2021 £267m has been committed to investment in private equity via a fund of funds manager, HarbourVest Partners. Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2021 the fund's Private Equity investments totalled £180.438m.

As at 31 March 2021 £127m has been committed to investment in Infrastructure via Global Infrastructure Partners. Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2021 the fund's Infrastructure investments totalled £69.301m.

The revised strategic asset allocation has only just been agreed by committee and this is the reason why the amount committed to investment in infrastructure is lower than the estimate based on strategic asset allocation.

23. CONTINGENT ASSETS

12 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

24. VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

25. CUSTODY OF INVESTMENTS

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodian's own assets.

26. FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Local Audit and Accountability Act 2014 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

27. PENSION FUND BANK ACCOUNT

Since April 2010 all income received for the Pension Fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2021 £3.5 million was invested. The cash balance in the Pension Fund account as at the same date was £0.245m.

28. FUND STRUCTURE UPDATE

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments with £280 million of equities being protected at this time. The equity protection strategy was increased during 2018/19 to £580 million for a further period of 12-18 months expiring in 2020. This was funded by reducing the Fund's active global equity allocation. During March 2020, due to the fall in equity markets due to the global pandemic, a further £70 million of equity protection was implemented with Legal and General which expires in June 2021. Due to the strong bounce back in equity markets during 2020/21, a decision was made to reduce the options expiring in December 2020 from £300 million to £215 million and to just protect US equities where valuations were still very high. In May 2021, the £140 million options expiring in June 2021 were terminated again because of the strong bounce back in equity markets and because of the approval of the revised strategic asset allocations in March 2021. The remaining equity protection expires in September & December 2021 and a decision will be made later in the year on these.

In March 2019, the first assets transferred from the Shropshire Fund to LGPS Central, the mandates with MFS, Harris & Investec were terminated and funds of £237 million transitioned into the active global equity sub-fund with LGPS Central. The value of these assets as at 31 March 2021 was £318 million. Further assets are expected to transfer during 2021/22 when new funds are launched, these include Infrastructure, targeted return, private debt, private equity and sustainable equities.

In May 2020, the Fund committed to the next HarbourVest fund, HIPEP Fund IX. The total Fund commitment over the life of HIPEP IX is $20 million. The fund is still in the early capital commitment stage and no funds have been drawn down to date.

During the financial year, the Fund invested $5 million into the new Global Infrastructure Partners IV fund. The total Fund commitment over the life of GIP IV is $75 million.

In May 2020, following agreement with the Chair and Scheme Administrator a redemption request was submitted to PIMCO. Funds from the PIMCO PARS IV fund were repaid in full and invested in the PIMCO Global Libor Plus Bond Fund in October 2020.

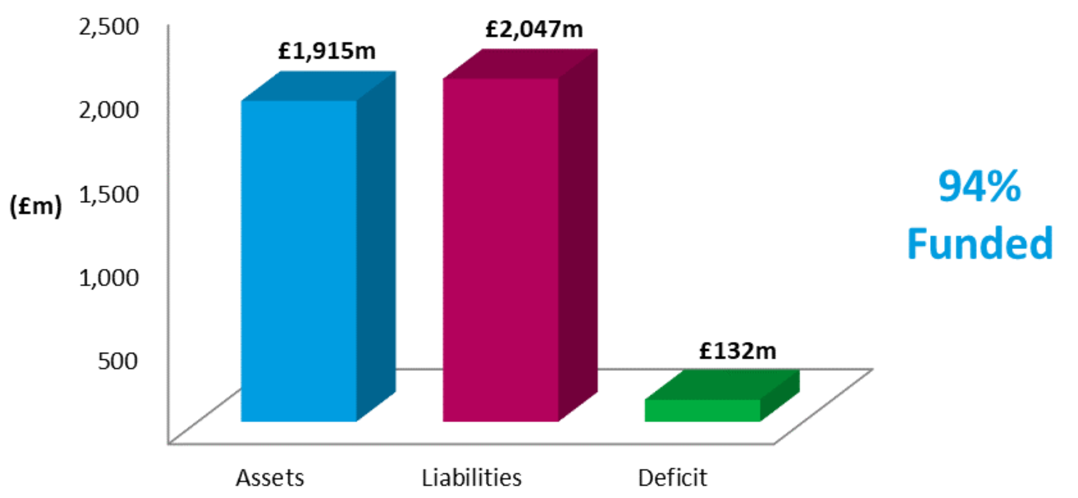
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2021
Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,915 million represented 94% of the Fund's past service liabilities of £2,047 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 16.6% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the "Secondary rate" for 2021-2022) is an addition of approximately £10m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.25% per annum	4.65% per annum
Rate of pay increases (long term)	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022, following which the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014 .

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment (other than where the employer has elected to include a provision in their contributions, in which case this is included within the secondary rate). At the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £12 million and an increase in the Primary Contribution rate of 0.8% of Pensionable Pay per annum.

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority is consulting on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020. During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £2,922 million including the potential impact of the McCloud Judgment. Interest over the year increased the liabilities by c£69 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£9 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £408 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £3,408 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Michelle Doman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2021

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

DRAFT

Independent auditor's report to the members of Shropshire Council on the pension fund financial statements of Shropshire County Pension Fund

Opinion

We have audited the financial statements of Shropshire County Pension Fund (the 'Pension Fund') administered by Shropshire Council (the 'Authority') for the year ended 31 March 2021 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Executive Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Executive Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 16 the Authority 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 Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Pensions Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Pensions Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:

  - journal entries posted by senior officers, with no description and post year end;

  - the valuation of level 3 investments

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Resources has in place to prevent and detect fraud;
  - journal entry testing;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of Level 3 investments;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

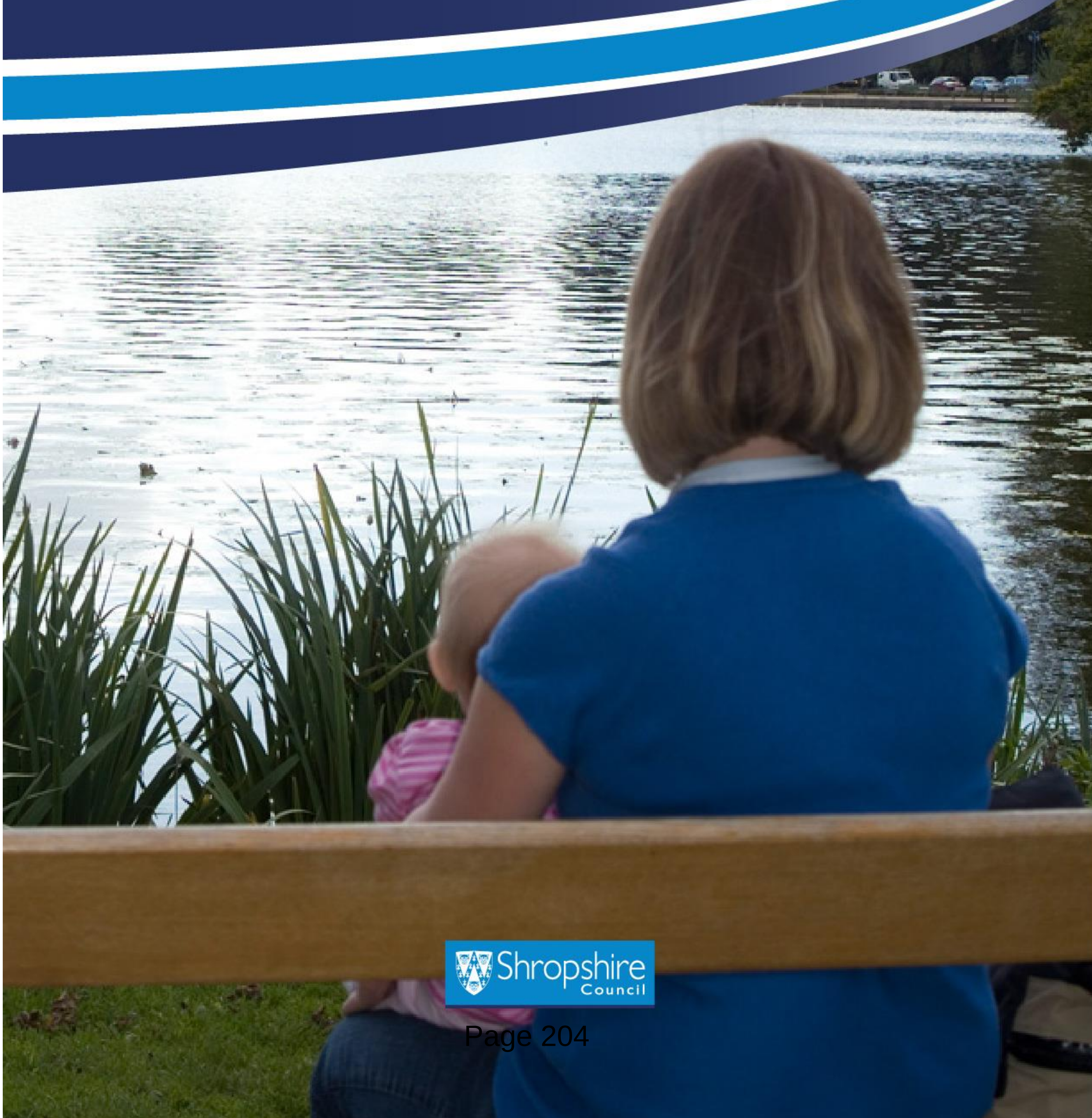
[Signature]

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

XX 2021

Section 10
Glossary



Accountable Body	An accountable body receives external funding and is responsible for the financial management of these funds, therefore the accountable body must ensure that robust accounting and performance management arrangements are in place with regard to the distribution and spending of these funds.
Accounting Concepts	The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
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.
Accruals	The accruals accounting concept requires the non-cash effect of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gain	This may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Loss	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

Glossary

Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council's Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council's revenue budget. Once calculated the figure is fixed.
Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.). The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non-current assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

Glossary

Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.
Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision-making powers are set out in the Council's Constitution.
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 provision. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. 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.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. non-current assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council's Minimum Revenue Provision.

Capital Grants Unapplied	The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.
Capital Receipts	The proceeds from the sale of non-current assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	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.
Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Collection Fund	A separate statutory fund which records Council Tax and Non-Domestic Rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), NDR distribution to Central Government and the billing Council's own General Fund.

Glossary

Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates 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.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.
Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.

Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council's total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Dedicated Schools Grant (DSG) Adjustment Account	The Dedicated Schools Grant (DSG) Adjustment Account holds any DSG deficit separately from the Council's General Fund.
Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.
Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.

Glossary

Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Council, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.
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 benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.

Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.
General Fund Balance	The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.
Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The Housing Revenue Account reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. This account includes the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.

Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
JPUT	A Jersey Property Unit Trust is a specific type of Jersey Trust which is commonly used to acquire and hold interest in UK real estate. The assets of the JPUT are held by its trustees on trust for the unitholders of the JPUT.
LDI	Liability driven investment (LDI) strategies aim to enable pension funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.
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.

Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
Net Book Value	The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.

Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to non-current assets.
Non-Current Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Pension 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. Statutory arrangements require benefits earned to be financed as the Council 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 Council 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.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.
Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.

Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
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.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.

Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council 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 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.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.
Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.

Glossary

Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Unquoted Equity Investment	Investments in unquoted securities such as shares, debentures or unit trusts which are not quoted or traded on a stock market.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of non-current assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Draft Statement of Accounts
2020-2021

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If you can read this but know someone who can't, please contact us on (01743) 258948 so we can provide this information in a more suitable format such as large print, Braille and audio, or translated into another language.

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Shropshire Council
Annual Governance Statement
2020/21

Good Governance in the Public Sector comprises the arrangements in place to ensure that the intended outcomes for all interested parties are defined and legally achieved. In delivering good governance, both the Council, and individuals working for and with the Council, aim to achieve the Council's objectives while acting in the public interest.

The Council's Code of Corporate Governance, located in the Constitution[1], summarises the Council's good governance principles and details the actions and behaviours required to demonstrate good governance. Senior managers have provided assurances that the seven core principles have been applied throughout the 2020/21 financial year:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
B. Ensuring openness and comprehensive stakeholder engagement;
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
F. Managing risks and performance through robust internal control and strong public financial management; and
G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

Any significant instances of non-compliance have been identified and escalated to the top of the Council for action. Where there have been major directorate changes, assurances have been provided by the new post holders. The process helps to demonstrate that the Council is doing the right things in the right way for the right people, in a timely, inclusive, open and accountable manner. These arrangements take into consideration the systems, processes, culture and values which direct and control the way the Council works and through which it is accountable to, engages with and leads its communities. **Annex A demonstrates the overall Assurance Framework**.

This statement explains how the Council has complied with the Code and meets the requirements of the Accounts and Audit Regulations. This is supported by a 2020/21 Code of Governance Internal Audit review which provides a reasonable level of assurance.

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Members and officers recognise the importance of compliance with the Constitution, specifically the Rules; Regulations, Scheme of Delegation and Codes of Conduct; all of which are reviewed and updated regularly. Where there have been instances of non-compliance or areas of concern, these are identified, reported through appropriate channels and managed effectively under established policies and

1 https://shropshire.gov.uk/committee-services/ecCatDisplay.aspx?sch=doc&cat=13331&path=0%20

processes and where necessary escalated to the top of the Council for action. The Council has responded well to modified statutory timetables and other regulatory requirements in acknowledgement of the challenges of the Covid pandemic with both a flexible and proportionate approach.

Officers also comply with their professional organisations' codes of conduct in delivering services (E.g. HCPC[2], AMGPs[3],PSIAS[4], EHORB[5], Faculty of Public Health), against which assessments are conducted to confirm compliance and identify any improvements required. Adult Social Care (ASC) receive regular focused audits which monitor their compliance with the law e.g. Mental Capacity Act, Deprivation of Liberty Safeguards, Care Act and the Mental Health Act. Emergency Planning undertake all duties expected under the Civil Contingencies Act with integrity and work closely with multi-agency partners within the Local Resilience Forum (LRF).

Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place (Monitoring[6], Section 151[7] Officer, Head of Paid Service and the Senior Information Risk Owner (SIRO)). Examples of statutory responsibilities delivered include, LGPS[8] Regulations, CIPFA[9] Code of Practice, Freedom of Information (FOI), Elections, Coroner and Registrars' Services. Statutory responsibilities for duties under the Care Act; Special Educational Needs, Education Access, Early Years and place planning, sufficiency and admissions are discharged openly, proactively and in full compliance with Admission Codes. All roles have responded rapidly and flexibly in reaction to the pressures of the Covid pandemic and changing legislation; examples of which have been seen in delivering vaccinations, testing and lockdown practices.

Human Resource and recruitment policies and processes help ensure that the Council complies with employment law and avoids discrimination, these are refreshed regularly and agreed with the recognised trade unions. Staff are well supported, receive training and development opportunities.

The Employee Survey showed an improved direction of travel for the ethical framework which is 'working for'[10] the Council; refocus plans look to embed it further across all areas.

Internal Audit produces a risk-based plan each year, working closely with executive directors and heads of service to provide independent assurance that appropriate standards are maintained, or areas of concern highlighted and acted upon. Auditors

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2 Registered body for qualified social workers – Social Work England
3 Approved Mental Health Act Professionals
4 Public Sector Internal Audit Standards
5 Environmental Health Registration Board
6 The Monitoring Officer has three main roles: 1. To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration; 2. To be responsible for matters relating to the conduct of Councillors and officers; and 3. To be responsible for the operation of the Council's Constitution.
7 Every local authority shall plan for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs, this is the Section 151 Officer
8 Local Government Pension Scheme
9 Chartered Institute of Public Finance Managers
10 When looking at Leadership and Management; People; Processes and procedures; Culture, Values and Consistency; Assurance and Accountability. An ethical framework can be: Emerging within; Happening within; Working for; Embedded and integrated within; or Driving the council

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

have responded flexibly to the demands of the pandemic in ways to support services and to gain assurances for the year end opinion.

The Council has a zero tolerance to fraud and corruption. Identified concerns are acted upon in a timely manner, which can lead to specific outcomes, learning points and improvements. Millions of pounds of grant money has been awarded to thousands of businesses and built in pre authorisation counter fraud checks arranged to minimise fraud; the system was refined and improved with each round of funding and officers resisted pressure to pay before suitable arrangements were embedded to ensure best use of grants.

The Council undertakes a self-assessment of its fraud risks, to identify and understand them. It acknowledges issues and puts in place plans which demonstrate that action is being taken and outcomes are visible. This process is transparent, reports are taken to senior management and those charged with governance. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is available to staff, Members, the public and contractors. Any irregularities identified will be investigated by Internal Audit or the appropriate officers within services. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and in addition to regular outcome reports, receive an annual report.

Key developments, such as the North West Relief Road (NWRR) project, consider green and environmental issues to ensure mitigations are in place; such as noise reductions for tourism venues and acoustic fencing. Equality and Social Inclusion Impact Assessments (ESIIA) have also been undertaken for the Housing and Local Economic Growth Strategies.

B: Ensuring openness and comprehensive stakeholder engagement

Openness and transparency are demonstrated throughout Council activity. Councillors represent local people in the Council's decision making; reporting processes are transparent, both internally through officer and executive director groups, and publicly through Council committee meetings which continued in a virtual world and became available to a wider audience. Compliance has been forefront and demonstrated in the main through the Council's response to the Covid pandemic with communications across several media channels and at an unprecedented level of frequency; daily at peak times and to a variety of clientele. An example of which were the regular updates from the Chief Executive to keep members and officers informed of responses to major events and activities, such as flooding and the Covid pandemic.

The Council has a strong Transparency and Freedom of Information agenda. Key decisions are reported and trialled where necessary, through the senior team and then to Members via Party Leads, Groups, Cabinet and Executive Director meetings. Examples include: Cabinet and Council reports, policy approvals, and published minutes of meetings (Information Governance, Commissioning and Assurance Board).

B: Ensuring openness and comprehensive stakeholder engagement

There have been some delays on projects but overall, the Council engages positively and sets out to work in a collaborative open partnership approach with several strategic partners including Central Government departments (Cities and Local Growth Unit, Homes and Communities Agency) and neighbouring local authorities. It is a non-constituent member of the West Midlands Combined Authority; has a proactive Business Board which it services and engages with on key initiatives and policies, which has informed the Local Economic Growth Strategy and helped to launch and promote the Shropshire Growth Hub (part of the wider Marches Growth Hub). The management of One Public Estate continues with other public-sector partners. A multi-agency high cost placement funding panel with Children's Services, Education Services and the Clinical Commissioning Group (CCG) is established to manage high cost placements efficiently.

There is a Local Resilience Forum (LRF) which is supported throughout the Council, including at Chief Executive level by attendance at Gold Command meetings through which a huge amount of work is undertaken with the community and multi-agency partners to ensure a robust response is possible for any emergency, this has been key to managing the response to Covid.

Public Health has been at the forefront of engagement with all stakeholders during the pandemic. An engagement board has liaised with members and community leaders, with continued engagement through the Health and Wellbeing (HWB) and Partnership Forums. Local leaders have also been brought together in areas of high cases or in outbreak situations. Other work streams such as the Drug and Alcohol Strategy, Joint Strategic Needs Assessment and Weight Management work are centred around good engagement.

Many Council services are delivered in partnership with other organisations such as the Local Strategic Partnership, Fire Service, STaR[11] Housing, West Mercia Energy, Shropshire County Pension Fund, town and parish councils and voluntary bodies and trusts. The Safeguarding Executive Board comprises of NHS, police, third sector creating a strategic forum for planning and delivering services, for example, hospital discharges with NHS providers and commissioners.

Our commissioning, procurement and contract activity includes early market engagement exercises and a full feedback process to unsuccessful bidders. There has been comprehensive stakeholder engagement in the commissioning of existing and new services. Internal Stakeholder engagement in management of procurement projects including with colleagues in Risk Management, Audit, Insurance, Legal, Finance and Human Resources (HR). Overall, the Commissioning and Assurance Board with attendance by Executive Directors, allows for strategic stakeholder engagement. The Council also works with local partnerships and Covid has seen changes to supplier chains, demands on provision of services, renegotiation of contracts and review of risks, including developing joint commissioning arrangements with others for the supply of personal protective equipment (PPE).

Annually the public is consulted on several projects, examples include; Shrewsbury Tannery loading bay, pavement permit applications, school admission arrangements, budget consultation, statement of community involvement, draft local plan,

[11] Shropshire Towns and Rural Housing

development of the Big Town Plan and Master planning, one-way system and prohibition of vehicles. The full list of consultations undertaken is available on the Council website which is well utilised and where required consultations are extended to allow for any local concern that is raised.

The Place Directorate currently has 1,700 volunteers benefiting from opportunities to work with Council staff across a wide range of activities. It is highly engaged with its service users and there is strong evidence of how well it is valued. Development of strategies, such as the recent Cultural Strategy, or projects, such as the Swimming in Shrewsbury project, have benefited from significant stakeholder engagement and public consultation to ensure that they are reflective of local priorities.

Officers from several areas have continued to receive and respond to multiple enquiries from communities, residents and businesses following the impact of flooding and Covid. Web services are increasingly used to provide updates to common enquiries and roll out self-service channels, such as Revenues and Benefits products; business grant applications; Adult Social Care in promoting self-service and ensuring that information is accessible and relevant to meet service needs. Shropshire Choices has provided information about a wide range of sources of help and support, including independent financial advice and information about care homes and housing options.

Adult Social Care utilises several communication and engagement channels. Working closely with all those involved in commissioned services including service users, carers, health and social care colleagues and advocates. There has been a redesign in the way care and support for individuals with Mental Health Needs, Learning Disability and Autism are tendered and the new accreditation process, questions and model answers were coproduced with parents/carers, services users, advocacy agencies, the Clinical Commissioning Group (CCG) and Telford and Wrekin (T&W) Council.

Children Services have seen stakeholder engagement take place through groups such as the Central Policy group (CPG) which is attended by headteacher representatives and other working parties and directly with partners and through multi agency groups to promote the best interests of the child and family to improve outcomes. As part of the Shropshire Safeguarding Partnership Board the service contributes to Board activity including multi-agency case file audits, sharing performance data and undertaking Section 11 audits and engaging with the Board's wider activities to promote effective stakeholder engagement. The principles of co-production and partnership working underpin all elements of Special Education Needs (SEND) work with engagement events supporting development of SEND services at a local level. School communications have been timely and locally focused reflecting the dynamics of the constantly changing environment.

Regular dialogue occurs with employees and the recognised trade unions around formal changes to policies and terms and conditions through the recognised collective bargaining processes (Policy Forum, Employees Joint Consultative Committee and Association Secretaries Group (Schools)). A New Ways of Working Group made up of senior managers from across the organisation has been established and an Employee Reference Group made up of a wide range of staff across all service areas. These two groups are engaged in discussions around alternative ways of working following

B: Ensuring openness and comprehensive stakeholder engagement

the Covid pandemic and are helping to shape proposals for the future. Equality Impact Assessments are also carried out on proposals to ensure inclusivity.

Investment in Communication activity has been made and activity is planned with all stakeholders. Wherever possible, feedback is sought on proposed approaches and used to help shape and improve services. For example, the Communications and Customer services team now monitor through work hours the feedback we receive via social media and this is shared with services responsible for content. The Feedback and Insight team are also instrumental in conducting surveys to capture public views on a very broad range of subjects, providing guidance to services in how to conduct such activity to meet best practice. They also work very closely with the voluntary sector to embed strong partnership working and open dialogue, involving them in any discussion on changes to services and policies or future direction.

Committee staff have engaged with officers, members and third parties throughout the pandemic to support them in accessing virtual meetings. Public viewings of meetings appear to have risen approximately threefold as a result. Committee staff have delivered other administrative functions such as education appeals for which they undertake and deliver training to panel members, comply with legal requirements and the need for fair, transparent and inclusive processes for stakeholders.

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

In responding to Covid the Council has reprioritised non-essential work and redeployed employees across the workforce to meet service needs in addition to redeployment to NHS roles to support the vaccination roll out programme. There has been a reduction in demand for office space and the need for travel, the response to Covid has radically challenged some of the Council's traditional approaches to service delivery and learning is to be evaluated to ensure the right blended approach going forward. The use of digital technology has increased; customers were encouraged to self-serve on line including ongoing initiatives to enable and encourage council tax e-billing and benefit e-notifications; over 80% applications for housing benefit are made online and there is continued commitment to reduce internal printing costs. Across all services, challenges to the way they have been and are to be delivered are being felt and Refocus projects going forward will support further improvements which underpin this principle.

When not in Covid response mode, Public Health has been primarily focused on the social and economic benefits of improving the well-being of individuals and communities within Shropshire through our health and wellbeing programmes, environmental health and antisocial behaviour, ensuring safe trading through trading standards, etc. In addition, the service area assists Shropshire economically and environmentally in areas such as ecology and access to green space, air pollution, support to local businesses; prevention activities; resilient communities and healthy lives; performance reporting and monitoring; the right interventions and promoting the use of innovative technology. There is strong evidence associating air pollution with increased mortality and ill-health, including exacerbation of asthma, effects on lung function and increases in respiratory and cardiovascular hospital admissions.

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

There are two areas in Shropshire where the legal limits for air pollution (nitrogen dioxide) are being exceeded and work is focused on improvements.

Commissioning of supported living services considers the economic benefits to the individuals who will be moving into these schemes, that rents are affordable, the care and support provided is of a good quality and a cost that is reasonable and affordable. Accommodation commissioned is chosen with the individual who will be moving in to ensure that they like the area; it enables opportunities for social interaction in the community and independence building; it is adaptable to changing needs to establish a home for life.

The Chartered Institute of Public Finance Accountancy (CIPFA), Financial Management Code 2019 (FM Code) was established to improve the financial resilience of the Council by embedding enhanced standards of financial management. Inevitably, the impact of Covid has tested that financial resilience in 2020/21 and will continue to do so in coming years. The medium and long-term planning elements of the FM Code will be recognisably challenging this year with the one-year spending review and scenario planning remaining important. The Council aims to comply with the principles of the FM Code and where there are outstanding matters or areas for improvement, as part of the wider Refocus Programme aim to address these.

Our Workforce Digital Strategy sets out how Shropshire Council is becoming more sustainable using technology. Improvements in communications; increased home working, electronic signatures on documents; sharing documents, virtual committee and officer meetings have become the new norm and cybersecurity is a focus to ensure sustainability of services.

Shropshire Council is the administering authority for Shropshire County Pension fund. The Local Government Pension Scheme company (LGPS Central Limited), manages across nine Local Pension Funds of which the Shropshire County Pension fund is one. Governance arrangements are led by the Company's Board and the Council contributes to the Shareholder Forum.

In Adult Social Care, new policies on direct payments have been introduced following extensive research, co-production and consultation.

Upskill Shropshire manages the use of the Apprenticeship Levy at Shropshire Council. We partner with Training Providers across Shropshire (and beyond) to provide high quality apprenticeship training to our staff. We also provide the framework of Providers to two other local authorities (Telford and Wrekin and South Staffordshire District Council). We have and continue to support several of our Looked After Children in apprenticeships across the Council, for example in Children Services Early Help engage with the Corporate Kickstart programme, by supporting work placements and apprenticeships, aligned to work of the Family Information Service and Local Offer.

Children Services were peer reviewed for virtual school activity. The review reflected that we had sustained a level of services during the Covid pandemic, the outcomes of which were access to the same level of service; higher attendance and early intervention to help achieve appropriate levels against a widening of the gap across

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
pupils. The findings are being considered and improvement plans developed. Disadvantaged families during the pandemic had support with food costs outside of term times and an example of environmental benefits is illustrated by the BREAAM[12] and carbon reduction principles being applied to the current school place planning projects The embedding of Social Value within the commissioning and procurement processes (including award criteria) are well established and professionally supported. Sustainable development principles are fundamental to the determination of all new development proposals across Shropshire. Embedded in both the locally adopted development plan policies and national guidance. Climate Change is the responsibility of an Assistant Director and continues to be a priority under the Council's Climate Change Strategy. Activities of both STAR Housing and Cornovii Development Limited (CDL) are focussed fully across economic, social, and environmental benefit areas. The development of homes that are affordable to buy or rent is a key focus of both organisations and their development programmes support this goal. The development of homes that perform to a high environmental standard, whilst maintaining affordability for delivery and occupation is also a priority. The Culture Leisure Theatre (CLT) service is already operating with a commercial approach, and some parts of the service, such as the Theatre Severn, had reached self-financing prior to the pandemic. The contribution of both the Customer Services Centre and Libraries to the social fabric of Shropshire towns during the pandemic has been significant, supporting isolated and vulnerable residents, and providing a critical link to the Council when other services could not.

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.
All decisions are taken correctly either through delegating to officers or by Cabinet or Council. Reports are considered by Legal, Finance and Risk Management Services before decisions are made to ensure they present the information required for members to make a reasoned decision. Responding to Covid emergency decisions followed approved processes and a protocol for virtual public meetings was adopted. Implications for delivery of services and/or increases in resources are reported throughout the Council and with the support of Finance Business Partners, services mainly do not overspend without appropriate action being taken and where this is not possible, appropriate justification provided. Support is also provided to maximise income generation. Recently introduced financial systems have attracted low internal audit assurances and a Financial Management Refocus project is planned to improve the financial information and its management in a consistent way across the Council supported by these systems, progress has been hindered whilst resources were diverted responding to Covid pressures. New processes have been set up rapidly to manage and pay out significant grants provided as a direct consequence of Covid. Some grants have been used to cover additional costs to the Council such as,

[12] Way of assessing the sustainability of buildings.

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.
providing PPE, setting up vaccination and testing centres; other grants providing for third parties, such as those to businesses and care homes. All seeing systems established from scratch and over tight time periods to manage these, prevent fraud and provide audit trails. The Capital Investment Board chaired by the s151 Officer oversees significant future investments aligned to Council priorities and key strategic objectives (income generation, reduction in costs, and achievement of social value). Monitoring tools and processes for capital projects undertaken by the Strategic Programme Officer Group (SPOG) is ongoing and many outputs are collected and reported on. Under business continuity plans, teams have mobilised quickly to respond to flooding and Covid pressures. The Council has worked with partners to optimise the support for those who need it. For floods; this included a business impact survey, regular communications including personal visits, a drop-in session for advice and support, feeding impacts to the LEP and MHCLG and supporting the delivery of the flood response grants with Finance colleagues. The response to Covid has seen adaptations to reflect new ways of working and emergency arrangements; changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities and resulting longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the Council. Wider learning from responses will be cultivated in the Council's transition to a refreshed business operating model (Refocus) which has identified new areas of risk as a result of the pandemic and opportunities to do some things in a slightly different way. Covid became a key priority for the Council in partnership with other key partners. Advice and support has been provided to the wider community: vaccination and testing sites established; PPE sourced and distributed; provision of lateral flow tests; grants and advice to businesses and signposting to other support providers such as, food provision; social networks and grief and bereavement services to name just a few. Staff, buildings, funds, equipment and furniture have been redeployed in a united fashion to support the wider public health needs. All activity was data and intelligence led in terms of responses, positioning, scope and size of activities provided. Energy has been invested in encouraging channel shift in our dealings with all stakeholders for online service requests and transactions and increased activity has resulted. Both the Digital and Workforce Strategy provided for the support of Covid related activities, not just at the Council but at our partners sites too, e.g. in vaccination, testing and distribution centres and in support of our partners recruitment, deployment and system connectivity. With increased home working and reliance on digital services, increased cybersecurity activity has been required to ensure systems are robust and protected, work is ongoing in these areas to address improvements identified. Digital signatures have been introduced to optimise efficiencies in processes, especially contracts and certifications of grants. The Early Help Partnership Strategy is under review to ensure improved multiagency provisions to deliver outcomes from all actions identified. In the case of schools, performance monitoring determines any interventions required. Responding to

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.
Covid, changes in RAG[13] ratings were considered for care of children to reflect discretionary elements of the regulations; risk assessments conducted to allow for virtual visits where appropriate and increased garden visits. Risk assessed flexibility was also introduced for some adoption and fostering regulations approved by the Executive Director of Children Services. Adult Social Care continued striving to maximise client's independence. wellbeing and personal decision making. Direct payments processes have been enhanced and in terms of where people live, 'shared lives' and supported living is targeted to enable greater choice and independence. Technology is helping to provide bespoke solutions to help people stay independent, examples include, devices to manage prompts and create structures and technology that supports learning opportunities for greater independence. 57 individuals across supported living are in receipt of this, starting to feel the benefits and have greater control over their daily routines. Individuals have services tailored according to their support plans and provided through appropriate commissioning models. Key decisions were made and communicated throughout the pandemic to ensure the safety and compliance of care home provision within Government guidance and legislation and advice offered to clarify risks and identify mitigating controls. The local plan has been prepared with full internal and external stakeholder engagement and cross-party support; this provides a better chance of a 'sound' plan that can then be adopted. Key infrastructure and property projects consider interventions required to deliver the outcomes needed as part of the Project Initiation Document. In several areas, for example Highways, demand outstrips resources and therefore strategies and risk assessments are deployed to prioritise activity. Work continues to be focused on improving the control environment in Highways, management have provided interim update reports to Audit Committee demonstrating a positive direction of travel.

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.
The start of the year saw the Chief Executive post covered jointly in the interim by the Director of Adult Services and the Director of Children's Services. Following a successful recruitment process the Director of Adult Services attained the Chief Executive (Head of Paid Service) post, following which a shuffle of the Executive Management Team has taken place. Permanent Executive Directors for Children; Adults; Place are in post and an Interim Executive Director of Resources established. Beneath these each area has four Assistant Directors reporting to them. Officers and Members understand their respective roles, these are set out in job descriptions and the Constitution. These responsibilities and accountabilities are understood and reviewed on a regular basis. Members continued to receive training throughout their four-year term and performance appraisals are in place for officers. Members are briefed on new and emerging local government initiatives and the e-learning portal provides other pieces of helpful training alongside information.

[13] Red Amber Green delivery confidence assessment

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.

Section 151 update meetings and Governance meetings with the Monitoring Officer, s151 Officer and Head of Audit are established and undertaken regularly to consider governance issues as they arise.

There have been restructures to increase capacity and capabilities. Corporately investment has been made in Communications; Data and Insight; Well Being; and Refocus Programme management. To improve service delivery, changes have been seen in Property and Development, Climate Change and Carbon reduction. Business Continuity and Emergency Planning are moving to form a single Resilience Team to respond to incidents, whether they affect solely the Council or the community. This will make it easier for people to understand their roles and will introduce a central control for any incident, a Resilience Hub.

The business continuity response to Covid has seen the completion of workforce questionnaires identifying skills and willingness of officers to support key frontline services with appropriate training and support in response to emerging situations. As required resources were redeployed into either new or established teams, for example; coordinating and distribution of PPE, Hospital Discharge Hub, Telephone and Community Reassurance team. As part of any movement of staff or the closure and reopening of facilities, full health and safety risk assessments have been undertaken and appropriate protection afforded. It is recognised that capacity has been stretched across several service areas during the pandemic and work reprioritised.

The cross-directorate Business Continuity group has provided a good forum to share service pressures across all areas; consider response requirements; explore problems and identify innovative solutions, breaking down barriers and resulting in timely responses or escalation of issues to Executive Directors.

Digital Champion training has been invested in to improve the use of ICT and support the exploration of embedding IT into practices and processes to maximise efficiencies. This has paid off as the workforce has moved to more remote and virtual working. An e-learning tool to support staff development, Leap into Learning, has been invaluable to support increased remote working demands and has seen a wide expansion of topics in its modules. Whilst Covid has meant that most training is virtual there has been a slow return to face to face training where this is vital to the subject, for example, some health and safety activities. In the main, staff are encouraged to take part in Apprenticeship schemes, their profession's Continuous Professional Development (CPD) schemes and a number are completing master's at a leadership level. There are a few areas that report such development has been stifled and development stagnated due to funding and a resistance to permit personal growth.

Covid reduced capacity within Resources by diverting capacity across several areas and required new approaches to delivery. Initiatives were stalled where possible (debt collection, HR balanced scorecards, ERP[14] development) but other activity, e.g. statutory requirements, could not be 'switched off' requiring a refresh and

[14] Enterprise Resource Planning software to manage and integrate important parts of the Council's businesses; finance, HR, supply chain.

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.
reassessment post Covid. Specific development work on the ERP is necessary to close off gaps in assurance. In a few areas, somewhat misguided attempts to accelerate delivery of projects by potentially bypassing checks and balances has been witnessed and is suboptimal, controls are being reinforced in such areas. The additional support requirements of the pandemic have been significant for the Finance Team with over £200m of new funding across more than thirty different funding routes requiring advice from the Finance Team as well as frequent recording and reporting. The team had already been carrying key senior vacancies prior to the pandemic and several rounds of recruitment to these posts proved fruitless leaving already stretched resources spread thinly across functional areas. Niche posts such as the Local Government VAT accountant have been particularly difficult to recruit to. The Finance Team relies on a Trainee Accountant programme to provide a flexible resource at a junior level but also to fill key senior vacancies as the trainees complete their programmes and go on to develop post qualification experience. The 2021 trainee accountant recruitment programme stalled as a result of the pandemic, leaving the team with a gap in resource which will be felt for some time to come and the recruitment procedure has been cumbersome in the remote working environment, exacerbating the problem. Trainees in post are now accessing their CIPFA qualification via the Apprenticeship levy which is far more cost effective for the Council and other Finance colleagues have accessed training ranging from Modern Apprentice to master's level.

F: Managing risks and performance through robust internal control and strong public financial management
Services report routinely and regularly through to Council Committees such as Cabinet, Audit, Pension and Scrutiny Committees. They pro-actively input into the annual audit programme, strategic, operational and project risk reviews. Both strategic and operational risks are reviewed regularly by senior managers and executive directors for learning points and action and are reported through to Informal Cabinet and Audit Committee. Risks are also identified and managed in service and team plans. There is promotion of the Opportunity Risk Management Strategy across the Council and, through its application, a positive approach to managing risk is delivered when focusing on achieving the required outcomes and objectives. Risk registers for key projects involve all relevant parties including external partners to ensure all risks are captured and mitigated. Major projects including NWRR, Shrewsbury Shopping Centres, Oswestry Growth Corridor, Oswestry HIF[15] and Shrewsbury Swimming Provision have clear governance in place with project boards established. A Major Projects Board for Place has oversight of the key projects across the Place Directorate and each of the Boards reports by exception into this governance structure.

[15] Housing Infrastructure Fund

F: Managing risks and performance through robust internal control and strong public financial management

The Council prioritised supporting Covid over delivering other services and its own business continuity and emergency planning responses during the pandemic and periods of flooding. The Covid response continues into 2021/22 impacting on resources, services, supporting businesses, the public and communities. The year saw Service Recovery Plans observed and non-essential work stood down. Business continuity challenges were well managed providing speedy responses to ensure the safety of all, compliance with and implementation of Government guidance, improved communications of the issues, increased deployment and use of IT systems for remote working, community support, collation of data and compilation of dashboards such as staff absences, payment of grants to businesses, redeployment of staff, testing of staff showing symptoms, business and council tax relief and minimising the risk of fraud.

Governance processes have stood up to the Covid challenge with Executive/ Emergency Management Team intervening as necessary to deal with escalated issues. Processes that have seen redesign during Covid responses include; digital post; the compilation of a Covid Vulnerable People single database and analytical reports to enable the identification of vulnerable individuals and households, and communities; patients being discharged within three hours of deemed medically optimised. Changes to working patterns, agreement of new workflows and system reconfigurations were acted upon quickly and efficiently to ensure a 'system' that supported the discharge and delivery of appropriate and timely care requirements for all Hospital Pathways;   All rough sleepers were accommodated in hotels at the height of the pandemic; food was on offer in place for all households temporarily accommodated to avoid unessential trips and assist with social distancing and self-isolating. Additional bed space was assured for both domestic abuse victims and key workers unable to return home.

The financial impact of Covid in 2020/21 saw cashflow arrangements and grant funding put in place by Government and arrangements to track extraordinary spend in-year which is to be reported upon. A one-year interim plan is necessary with Fair Funding and Business Rates Retention have been delayed until at least 2022. A review against the Financial Management Code has not been undertaken, given competing pressures on resources, compliance is planned during 2021/22. Establishments were supported alongside other key areas in their budget monitoring with Finance Business Partners and regular meetings.

Most financial decisions are reported through to Cabinet, Council and Scrutiny Committee in an appropriate and transparent basis and challenge welcomed from members and officers. There have been occasions where projects were implemented or launched without the relevant Finance involvement which meant that budget adjustments had to be made in response. All budgets, actuals and variances are reported regularly with supporting information trails. The Financial Strategy identifies a short-term budget plan and a long-term aspirational plan linked to the Corporate Plan for a self-sustaining Council. A full risk assessment is undertaken in support of this. Final Accounts are produced on time and in-line with best practice and have an unqualified audit opinion. In addition, based on the work they performed, External Audit concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources for the year ending 31 March 2020.

F: Managing risks and performance through robust internal control and strong public financial management

The Council approves the Robustness of Estimates and Adequacy of Reserves paper each year. This report demonstrates the financial resilience of the Council, for example: the need to hold a General Fund Balance with a target level and explanations for variance, details and categorisation of all earmarked reserves and provisions and details of previous year outturn variances.

All managers have an allocated member of the Finance Business Partner Team who takes them through monthly forecasting procedures and budget management expectations when they start in post. A dashboard of financial performance is shared and discussed at each management team meeting. This includes a RAG rating for each of the primary codes within the service. Budget forecasting is completed on Business World each period.

Internal Audit sets a risk assessed programme annually identifying the key areas for review and the need for assurance. Covid saw the Audit plans regularly revisited and resources redeployed to help design and deliver processes and activity in response to Covid which provided a level of assurance as to the Council's management of the situation. High risk areas not subject to audit were identified to enable senior management and members to gather and seek direct assurance as necessary. Audit Committee undertakes a regular self-assessment, challenged by officers and External Audit, and undertakes regular training sessions based on the identification of areas for improvement and key risks and fundamental knowledge-based needs; assurances on the response to Covid were a feature of these. Over the year service managers have been required to attend Audit Committee to provide assurance not otherwise secured on their control and risk management environment. Based on the Internal Audit work, support to the Council in responding to the COVID pandemic and management responses received; the Head of Audit reports limited assurance for the 2020/21 year on the Council's framework for governance, risk management and internal control. She reported that there are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted on her opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

Information management training is compulsory for all staff and senior staff report fulfilment through to the SIRO. All data has assigned owners, who are regularly reviewed. Information Asset Owners complete annual Information Governance Assurance Statements. Data is held across many systems by different teams. It is stored on secure drives and databases that are protected in accordance with approved policies. Flowz, an information management system, enables a more consistent approach to the management of data assets.

F: Managing risks and performance through robust internal control and strong public financial management

An Early Help Performance framework has been implemented, joining up information sharing with adults and children's social care. Legal support in childcare cases has increased as a result of unprecedented challenges within the court care proceedings process and will be reviewed post Covid.

There are several areas such as waste, transport etc. which report strong internal controls, in other areas, highways and some of the main resource systems, improvement plans are being implemented and refined as progressed to ensure that they remain fit for purpose.

CLT has engaged on several reviews that have informed, strengthened, managed and delivered an improved approach in terms of governance, finance and internal controls. Housing have seen the initiation of Cornovii Developments Limited (CDL) to deliver affordable housing and a governance review has been carried out on the Council's relationship with CDL to provide an independent view of performance and areas for improvement. This has been shared with the Housing Supervisory Board and forms the basis of an action plan for improvement.

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

As a public body, the Council has a high level of transparency in its activities and reporting and complies with the relevant legislation. Information is reported and shared through various routes including Council, Cabinet, Scrutiny Committees and with partners, via for example the Neighbourhood Plans, Place Plans, Local Plan Review, Planning Applications and local Economic Growth Strategies. The Place Plans have also been the subject of a Shropshire Association of Local Councils (SALC) working group. The Members' Portal has provided greater access to information and regular briefings are held with portfolio holders and ward members are engaged on local matters.

Reporting continues to Executive Directors through the Commissioning and Assurance Board which seeks contract assurance information and evidence of managing small and medium enterprises, local procurement expenditure, contract signature authorisation and progress of contracts. The Commissioning and Assurance Board allows for stakeholder engagement, integral in managing key decisions. There is wide advertising of procurement opportunities (Website, Twitter, UK Contract Finder, UK tender finder, Delta e-sourcing) Contracts awarded and procurement information is updated monthly on our websites and full, detailed and timely feedback is available to all unsuccessful bidders.

The Information Governance Group oversees the implementation of Information Security policies based on best practice.

All directorates hold regular meetings and cascade information up and down to all including financial and performance statistics. An example is Adult Services where daily monitoring of hospital discharges has enabled timely action to meet and exceed

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

government targets regarding performance. The Council is in the upper quartile in the majority of ASCOF[16] indicators for local authorities in the West Midlands.

Statutory returns including grants, have not always been completed accurately and in a timely fashion, due to competing priorities on resources under Covid but communications have been clear on this. Survey, customer complaints and compliments are reported openly and used to improve service delivery.

All service areas are subject to internal audit review with significant key systems falling under annual review given their status. Internal Audit recommendations are considered by the senior team on a regular basis for good housekeeping and to identify additional learning. The information also provides a position statement on the risk appetite of the control environment and its resilience to any challenges.

In their Audit Findings for the year ended 31 March 2020, the External Auditor provided an unqualified opinion[17] on the financial statements and an unqualified Value for Money (VFM) conclusion.

Significant governance issues

Satisfactory governance exists but improvements are required to meet continuing good governance standards. To achieve this, the main challenges facing the Council appear in the **Appendix** below and are set in the context of continuing to respond to the Coronavirus pandemic whilst recovering services to acceptable standards, learning from the opportunities our response to Covid provided and achieving a balanced budget in 2021/22. The impact of Covid requires ongoing review of the current year budget, spending pressures, income targets and savings delivery potential. The 2022/23 Budget cannot yet be considered; Fair Funding and Business Rates Retention have been delayed for a further twelve months and, at present, no confirmation of interim arrangements has been confirmed. A structural funding gap reported in the Financial Strategy of £46.0m in 2022/23 growing to £64.0m in 2025/26. This is including assumptions made re growth in services such as social care which is expected to increase. Delivering a legal and balanced budget remains the key strategic risk facing the authority in the medium to long term.

Leader ------------------------------ CEO ----------------------------

[16] Adult Social Care Outcomes Framework

[17] An unqualified opinion is an independent External Auditor's judgment that the Council's financial statements are fairly and appropriately presented, without any identified exceptions, and in compliance with generally accepted accounting principles. An unqualified opinion is the most common type of auditor's report.

Appendix: Significant governance issues

To ensure services are delivered to acceptable standards whilst achieving the budget savings required whilst managing strategic risks, the Council will strive to achieve the following outcomes:

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
1.	Additional Services and care required during the Covid pandemic and afterwards to preserve life whilst delivering against economic demands.	Resource limitations and the ability to mobilise services at speed places people and businesses at a higher risk of failure and loss.	Early warning "system" to identify future pinch points; stood up quickly as needed. Centralised Redeployment process; stood up quickly as needed.	Chief Executive	As required
		Failure to deliver the Commercial Strategy; Economic Growth Strategy within agreed timescales and to levels approved by Council within the Financial Strategy prevents the Council from meeting savings targets and corporate outcomes.	<u>Refocus: Introduction of a single performance, information and reporting service for Shropshire Council</u> Milestones: IRIS Structure in place and Operational – Embedding of new working practices, including frontline interaction; background activities and learning and development begins Economic Growth Strategy refresh	Executive Director of Resources Executive Director of Place	July 2021 December 2021

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
		Impact of Covid and Brexit on the County's economy including the Council.	Scoping of research to understand the impact of Brexit for Shropshire's economy as a result of Covid.	Executive Director of Place	September 2021
2.	Targeted savings and income collection are achieved to support funding, providing good value for money. Funding is available to respond to COVID-19 pandemic and to deliver sustainable services now and into the future.	Inability to fund services (particularly adult and children's) and inability to deliver a balanced budget over the five years of the Medium-Term Financial Strategy based upon robust estimates of cost and available resources.	Refocus: Implementation of a new Financial Framework to Improve the management of council finances. Milestone: Embed a suite of KPIs to measure our performance. Refocus: Introduction of a single performance, information and reporting service for Shropshire Council Milestones: IRIS Structure in place and Operational – Embedding of new working practices, including frontline interaction; background activities and learning and development begins. First draft savings profile from Refocus programme produced. Funding Prioritisation discussions by the Executive Directors Team	Executive Director of Resources	 Oct 2021 July 2021 Autumn 2021

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
			and their Directorate Management Teams (EDT/ DMT).		
3.	Staff delivering services are looked after in terms of both their physical and mental wellbeing.	Demands for specialist staff changes as a result of Covid and other changes to activity. Staff cannot be recruited quickly enough and need to be retained from more attractive offers to sustain Council service provision.	Refocus: Payroll Improvement Project reviewing recruitment and onboarding processes to improve customer experience and time to hire. Work with West Midlands Employers on regional campaigns for hard to recruit professions. Workforce and succession planning taking place with service areas to quickly deploy resource to areas of pressure.	Executive Director of Resources	December 2021 March 2022
		Increases in work related stress; staff wellbeing including mental health on the ability to deliver Council outcomes.	Refocus: Staff Wellbeing project will create an environment to ensures an employee has an opportunity to flourish and achieve their full potential. Milestones: Wellbeing Plan Approved by Executive Directors. Strategy approved through formal channels.	Executive Director of Resources	 April 2021 Summer 2021

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
4.	Making digital the preferred way to work and transact.	Officers and members are not optimising the technology in delivering their services leading to failure to adopt approaches to realise savings from digital transformation.	Refocus: Increased use of technology to reduce pressures in the system Milestones: Executive Director of Resources and Head of ICT to agree list of projects, funding requirement and timeline for delivery	Executive Director of Resources	July 2021
		Increased risk of cyber-attacks and threats to the ICT infrastructure at a time of high reliance.	To be advised	Executive Director of Resources	tbc
5.	Recognition of the impact of decisions and activities on the climate and a reversal of policies to reduce emissions in the climate.	Carbon levels increase contributing to the declining health and wellbeing of Shropshire residents, visitors to and service users.	Refocus: Implement energy consumption and emissions activities to provide a pathway for the council to reach net-zero carbon by 2030. Milestones: Range of staff incentives for low carbon behavior and living Transport Projects – Develop pipeline for low carbon transport Target Completion Date	Executive Director of Place	Sept 2021 July 2021 2030

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK

Key documents/functions/ process guidelines

- **Local code of corporate governance**
- **Corporate plan and financial strategy**
- **Council constitution**
- **Opportunity risk management strategy**
- **Commissioning strategy**
- **HR policies, procedures and codes of conduct**
- **Anti-fraud and corruption and whistleblowing (Speaking up about wrongdoing) policies**

Annual Governance Statement

Signed by the Leader of the Council and the CEO to accompany the Statement of Accounts

Audit Committee

Independent review and approval

Council and Directorate policies, plans and risk registers

Draft Annual Governance Statement
Senior management with responsibility for drafting AGS after evaluating assurances and supporting evidence and identifying areas for improvement

IA to evaluate the effectiveness of the risk management, control and governance processes
(Required by the Accounts and Audit Regulations 2020)

Provision of ongoing assurance on adequacy and effectiveness of controls over key risks

Policy and performance boards	**External inspections** **(e.g. Ofsted, Care Quality Commission)**	**Financial control assurance** (Section 151 Officer)	**Legal and regulatory assurance** (Monitoring Officer)	**Members' assurance**	**Internal Audit**	**External Audit**	**Risk management and performance management**

Key to levels of assurance

First line of assurance
Second line of assurance
Third line of assurance

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The DRAFT Audit Findings for Shropshire Council

Year ended 31 March 2021

Shropshire Council

5th October 2021

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Agenda Item 6

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This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the Audit Committee.

Grant Patterson

Name : Grant Patterson
For Grant Thornton UK LLP

Date : 15 October 2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Shropshire Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work has been conducted remotely. Our findings are summarised on pages 5 to 26.

Our work is still in progress but from the work undertaken to date there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to resolution of the outstanding matters listed on page six.

Audit adjustments are detailed in Appendix B. One adjustment has been identified to the financial statements in respect of the classification of grants received in advance. This does not result in an adjustment to the Council's Comprehensive Income and Expenditure Statement or impact upon the Council's general fund balance.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

We have also raised recommendations for management as a result of our audit work in Appendix A. We have made six recommendations for improvement in Appendix A :

- One recommendation in respect of the de minimis applied to those assets subject to revaluation, and
- Five recommendations linked to deficiencies identified by our IT audit team, none of which individually or cumulatively have a material impact upon the financial statements.

Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our anticipated audit report opinion will be unmodified, but we will be unable to certify the audit closed until our work on the whole of government accounts is complete, we have issued our Annual Auditor's Report (covering our work on the Council's value for money arrangements) and considered objections received from local taxpayers.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our planning work, we considered whether there were any potential risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified two potential risks in respect of financial sustainability and governance arrangements regarding the Kier Highways contract.

We have not identified any significant weaknesses from our work completed to date, however, we are yet to finalise procedures in these areas of our Value for Money work. Progress against these objectives are outlined in the Value for Money arrangements section of this report. We will note any significant findings or recommendations in our Auditor's Annual Report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

However, we have been contacted separately by 2 Shropshire taxpayers asking us to consider matters which they believe fall under the Local Audit and Accountability Act 2014. We are:

- liaising with them further to inform them of their statutory rights and the proper challenge procedures, and
- considering whether the information provided requires investigation under the Code of Audit Practice.

We will keep the Audit Committee abreast of this matter.

We expect to certify the completion of the audit upon the completion of the above and our work on the Council's Value For Money arrangements, which will be reported in our Annual Auditor's Report, as well as the completion of our work on the Whole of Government Accounts procedures.

Significant Matters

Management's assumptions and estimates

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For property valuations in particular, there has been significant enquiry and challenge with both sets of valuers over the inputs and assumptions applied, as discussed on pages 10, 15 and 16, Our work in this area is ongoing.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you in July 2021, though we have performed additional work in relation to findings made by the work of our IT specialists on the Council's IT general controls Please refer to page 14 and Appendix A for more detail.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion pending satisfactory conclusion of all outstanding matters.

Outstanding matters are listed overleaf and are as at the time of writing. We will update the Committee verbally of progress against these matters at the meeting on 22 October 2021.

Acknowledgements

The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again in respect of remote access working arrangements i.e. video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the Council, access to key data (which we would otherwise just view in person) etc.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff, and look forward to working face to face again in future, when Covid restrictions allow and when new working arrangements are established and confirmed.

2. Financial Statements

Status of the audit: the outstanding matters as at the time of writing are set out below.

- Review of responses from the Council's external valuers and our consideration thereon (relates to PPE and Investment property valuations)
- Review of responses to technical review of the financial statement and our consideration thereof
- Review of outstanding evidence regarding JPUT transactions (consultancy report and direct completion statements)
- Final manager and engagement lead review of all of the above once completed

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- Completion of our work on the Expenditure and Funding Analysis
- Completion of our work on journals. One journal out of a population of 47 requires further explanation/evidence.
- Review of Council's responses in relation to Financial Instruments and our consideration thereof
- Review of the Councils response to our queries regarding Officers Remuneration disclosures and our consideration thereof
- Review of the Councils response to our queries regarding the minimum revenue provision and our consideration thereof
- Review of the Councils response to our query regarding provisions and our consideration thereof
- Completion of review of PFI model by GT technical team and our consideration thereof
- Update our assessment of subsequent events up to the date of audit opinion being issued
- Receipt and review of 3rd party investment confirmations (2 outstanding)
- Receipt and review of evidence to support sample item within capital creditors
- Final manager and engagement lead review of the above once completed

- Receipt of the Council's WGA pack and completion of our procedures thereon
- Receipt and review of the updated financial statements
- Obtaining and reviewing the management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion
- Final manager and engagement lead review of the above once completed

Status

- High potential to result in material adjustment or significant change to disclosures within the financial statements
- Some potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

We detail in the table below our determination of materiality for Shropshire Council.

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	Amount (£) Group materiality	Amount (£) Single entity materiality	Qualitative factors considered
Materiality for the financial statements	£8,700,000	£8,600,000	We determined materiality for the audit of the Council's financial statements as a whole to be £8.7m(Group) and £8.6m (single entity statements), which equates to approximately 1.4% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	£6,500,000	£6,400,000	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment. • There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council. • Senior management and key reporting personnel in the finance function has remained stable from the prior year audit.
Trivial matters	£435,000	£430,000	We determined the threshold at which we will communicate misstatements to the Audit Committee to be £435k.
Materiality for specific transactions, balances or disclosures	£100,000	£100,000	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management over-ride of controls (Risk relates to Group and Authority) Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness From the sample testing of journals undertaken we have found that they were appropriate, eligible and valid, and can be agreed to supporting evidence. Our approach to this work was informed by the findings made by IT audit specialists from their review of the Council's IT general controls. IT audit undertook a design and implementation review of the following applications, which were scoped into the review on the grounds that they impact the financial reporting of the Council: • ERP (Finance, HR and Payroll) • Altair (Pension Administration system) • Active Directory (domain controller authenticating and authorising users and assigning and enforcing security policies, eg password control Recommendations have been made in relation to the IT review – these can be found in Appendix B. **We still have outstanding queries in this area, and therefore there may be more findings to report to you when the work is complete.**

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Risk of fraud in revenue recognition and expenditure

(Risk relates to Group and Authority)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted.

Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income. Because of this we have also considered and rebutted the risk of improper recognition of operating expenditure

Commentary

We:

<u>Accounting policies and systems</u>

- evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code
- updated our understanding of the Council's business processes associated with accounting for income

<u>Fees, charges and other service income</u>

- agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence

<u>Taxation and non-specific grant income</u>

- conducted substantive analytical procedures for predictable income streams such as national non-domestic rates and council tax
- for other grants we sampled items back to supporting information, considering accounting treatment where appropriate
- designed tests to address the risk that income has been understated, by not being recognised in the current financial year

<u>Expenditure</u>

- updated our understanding of the Council's business processes associated with accounting for expenditure
- agreed, on a sample basis, expenditure and year end payables to invoices and cash payment or other supporting evidence
- designed tests to address the risk that expenditure has been understated, by not being recognised in the current financial year

<u>Accounting for Covid grants</u>

There has been additional work required this year compared to what would ordinarily be the case due to the significant additional funding received during the year to assist the Council in responding to the pandemic. In note 39 to the financial statement the Council states that it has received £138.7m of Covid grants for which it is acting as an agent. It is important to determine whether the authority is acting as principal or agent as different accounting treatment follows. An authority acts as an agent when it is does not control goods or services before they transfer to the service recipient. In this instance, transactions are not included in an authority's financial statements. We reviewed the grants comprising the £138.7m and were satisfied based on our review, that it was appropriate for the relevant income and expenditure to not be recognised in the financial statements.

Note 39 is where the covid grants, for which the Council has determined it is acting as principal, are disclosed. We have sampled these grants as part of our overall grants testing procedures and are satisfied with the treatment thereof, including:

- whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all
- the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income
- consideration of the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES, (ie as taxation and non-specific grant income, or as part of cost of services).

Our audit work has not identified any issues in respect of revenue recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings (including council dwellings)

Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a five-yearly basis.

Assets were subject to a full valuation in 2019/20. In the intervening years (of which 2020/21 is one), to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation experts to ensure that there is no material difference.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£555m relating to Other land and Buildings and £200m relating to Council Dwellings) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Commentary

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation experts
- wrote to the valuers to confirm the basis on which the valuations were carried out
- engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

From our work to date we have identified the following:

Valuation of land and buildings

- From our testing of depreciation calculations we have identified assets which had a Useful Economic Life (UEL) outside of the range disclosed within note 15 – Property, Plant and Equipment. We understand the reason for this is that the accounting policy is based on average useful lives. We recommend the Council review its accounting policy and update to ensure the accounting policy reflects the actual range of useful lives rather than an average. We are however satisfied that this does not have an impact on the values reported for depreciation within the financial statements.

We still have outstanding queries in this area, and therefore there may be more findings to report to you when the work is complete.

Valuation of Council Dwellings

We have no matters to report from our work in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of net pension fund liability (Risk relates to Group and Authority) The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice for Local Government Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We identified no findings from our work in this regard.

2. Financial Statements – other risks

Risks identified in our Audit Plan	Commentary
Operating expenses (Authority only) Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We therefore identified completeness of non-pay expenses as a risk requiring particular audit attention. We are also applying specific focus to the occurrence of expenditure and existence of payables, to mitigate the risk that expenditure has been incorrectly recognised in order to seek to take advantage of the additional funding which has been available to the Council during the 2020/21 financial year.	We: • evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness • gained an understanding of the Council's system for accounting for non-pay expenditure, including walking through the process to determine that it was operating as expected • applied elevated risk procedures to the completeness assertion and tested a sample of balances included within trade and other payables • tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period • tested a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period. We have no matters to report from our work in this area.
JPUT (Risk relates to Group and Authority) In 2017 the Council purchased the 3 Shrewsbury shopping centres which were held as assets offshore as Jersey Property Unity Trusts (JPUTs) . The Council returned the shopping centres onshore as in February 2021 as this was determined by the Council to be the time when the transition would be most timely and efficient. We will consider the accounting treatment of the JPUT transactions and consider whether there are any implications for our Value for Money review.	We have reviewed the Council's accounting treatment and disclosures in relation to the 'on-shoring' the shopping centres. **We still have outstanding queries in this area, and therefore there may be more findings to report to you when the work is complete.**

2. Financial Statements – Key findings arising from the group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Our work group components is substantially complete. Our findings are summarised below.

Component	Individually Significant?	Approach per Audit Plan	Findings
Shropshire Council	Yes	Full scope UK statutory audit performed by Grant Thornton UK LLP	See section 2 of this report
Shropshire Towns and Rural (STaR) Housing Ltd	No	Analytical review performed by Grant Thornton UK LLP.	No issues identified.
West Mercia Energy	No	Analytical review performed by Grant Thornton UK LLP.	No issues identified.
Cornovii Developments Limited	No	Analytical review performed by Grant Thornton UK LLP.	No issues identified.
IP &E Limited	No	Analytical review performed by Grant Thornton UK LLP.	No issues identified.
West Mercia Energy (Pension)	No	Analytical review performed by Grant Thornton UK LLP.	Our work in this area is ongoing
SSC No 1 Limited	No	Analytical review performed by Grant Thornton UK LLP.	No issues identified.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies may still like to include disclosure in their 2020/2021 statements.	The financial statements do not include any reference to IFRS 16.	While the implementation has been deferred, given the significance this new standard is likely to have on the financial statements when it is introduced, we have recommended that the disclosure be enhanced. This will include the relevant information including a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements, or if that impact is not known or reasonably estimable, a statement to that effect.
Control deficiencies • To obtain an understanding of the information systems relevant to financial reporting, IT Audit specialists were deployed to complete a design and implementation review of IT general controls of the following applications: • ERP (Finance, HR and Payroll) • Altair (Pension Administration system) • Active Directory (domain controller authenticating and authorising users and assigning and enforcing security policies, eg password control	The following tasks were completed as part of this review: • IT General Controls Testing: Design, implementation assessment over controls for security management; technology acquisition development and maintenance; and technology infrastructure. • Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas. • Documented the test results and provided evidence of the findings to Shropshire Council's IT function's management for remediation actions where necessary.	6 deficiencies have been identified as part of this review. A deficiency is an ineffective control/s which creates the risk of inconsequential misstatement within financial statements. The deficiencies identified do not impact on the planned financial audit approach however we deem them appropriate to bring to the attention of the Audit Committee as those charged with governance. We have raised five recommendations as a result which are included within Appendix B.

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2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Other - £380.9m	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 31 March 2021. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years but are subject to an annual desktop review. Assets revalued during 2020/21 totalled £380.9 million.	• We have engaged our own valuer to assist with our work and challenge in this area. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. We have considered the completeness and accuracy of the underlying information used to determine the estate, including reviewing and challenging the floor areas. **We received responses to our follow up queries regarding key assumptions from the valuer on 14th October. This is now being considered by the audit team and therefore there may be more findings to report to you when the work is complete.**	TBC

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £204.7m	The Council owns 4,042 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council engaged the Valuation Office Agency (VOA) District Valuer to complete the valuation of these properties. The year end valuation of Council Housing was £204.7 million in the draft accounts, a net increase from the 2019/20 balance of £200 million.	The total housing stock was revalued as at 31 March 2021 • We have engaged our own valuer to assist with our work and challenge in this area. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • The housing stock has been divided using the external valuer's judgements and knowledge by applying the beacon methodology. This approach is consistent with the prior year albeit being provided by a different valuer. • We have considered the indices that the valuer has used in performing the valuation and are in the process of discussing the appropriateness of these with the Council and its valuer. • We have considered the completeness and accuracy of the underlying information used to determine the estimate. We have no matters to report from our work in this area.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £532m	The Council's net pension liability at 31 March 2021 is £532m (PY £496m) [comprising the Shropshire County Council Local Government [and unfunded defined benefit pension scheme obligations]. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £200m net actuarial loss during 2020/21.	• We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. • We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Shropshire County Council Pension Fund valuation as it applies to Shropshire Council. (see assumptions table below) • No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. • There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above. • We are content with the adequacy of the disclosure of the estimate in the financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.10%	2.10% - 2.20%	● (G)
Pension increase rate	2.80%	2.8%	● (G)
Salary growth	3.95%	2.5%-4.2% scheme specific	● (G)
Life expectancy – Males currently aged 45 / 65	45: 24.3 65: 23.0	22.5 - 24.7 20.0 – 23.2	● (G)
Life expectancy – Females currently aged 45 / 65	45: 26.7 65: 25.1	25.9 -27.7 24.0 – 25.8	● (G)

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £8.3m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance and the Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council. The year-end MRP charge was £8.3m, a net increase of £1.3m from 2019/20. The Council calculates MRP on capital expenditure using the Annuity basis., as allowed under the relevant guidance. For unsupported borrowing MRP is calculated based on an annuity basis over the expected life of the asset for which the borrowing was undertaken. Management consider this to be a prudent approach as it takes into account the materiality of each asset and it's remaining useful life. Where the Council has made capital loans to third parties financed from the Council's balances, the annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge. This is not in accordance with the code. At the time of writing we are waiting for the Council to quantify the impact of this.	Benchmarking the Council's MRP as a percentage of its closing Capital Financing Requirement shows that in 2020/21 the Council's contribution represented 1.96%, a reduction from 2.1% in 2019/20. This is consistent with similar bodies nationally. We are assessing this estimate, considering: • whether the MRP has been calculated in line with the statutory guidance • whether the Council's policy on MRP complies with statutory guidance. • whether any changes to the authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council • the reasonableness of the increase in MRP charge **We still have outstanding queries in this area and therefore there may be more findings to report to you when the work is complete.**	TBC

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions £12.6m At £4.8m NNDR appeals is the most significant element of the provisions balance.	The Council are responsible for repaying a proportion of successful rateable value appeals. The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision has decreased by £1.7m in 2020/21.	• The valuation method is consistent with prior year and consistency with sector norms. • We have no concerns in relation to the calculation of the provision. • The disclosure of the estimate in the financial statements is adequate. We have no matters to report from our work in this area.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period other than those identified by the Counter Fraud Service, and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is appended at Appendix E.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisations with which it banks, borrows and in which it invests. This permission was granted and the requests were sent. We are currently waiting for a response for two of these requests.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements: see Appendix C for the most significant amendments made to disclosures. In addition, a small number of amendments were made to improve clarity for the reader.

2. Financial Statements - other communication requirements

Issue	Commentary
Audit evidence and explanations/ significant difficulties	Management has been co-operative in providing information throughout the course of the audit. <u>Management's assumptions and estimates</u> The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations. For property valuations in particular there has been significant enquiry and challenge with both sets of valuers over the inputs and assumptions applied, as discussed on pages 15 and 16. We received responses to our follow up queries regarding key assumptions from the valuer on 14th October. This is now being considered by the audit team.
Group accounts	The financial statements include group accounts which report the consolidated position for the Council's subsidiaries and entities where it has significant control or influence. This includes Shropshire Town and Rural Housing Limited (STaR), the West Mercia Energy Joint Committee, the Jersey Property Unit Trust (including SSC No 1 Limited) and the new housing development company Cornovii Developments Limited. The group accounts also include financial transactions that will enable IP&E Limited to be dissolved during 2020/21. At the time of writing our analytical review of the other group entities and consideration of the group consolidation was still in progress. We will update the Audit Committee if there are any matters arising.

2. Financial Statements - other communication requirements

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Our responsibility

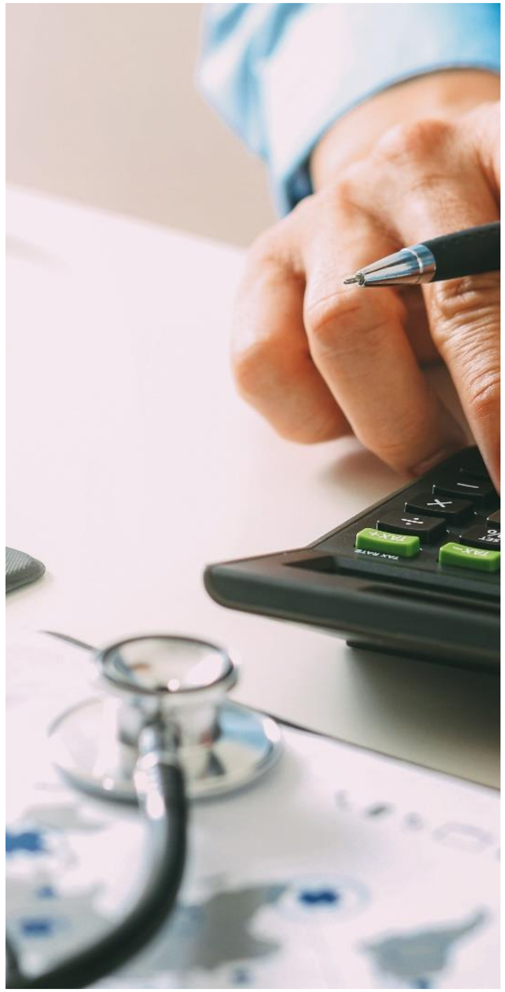
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to the separate Committee agenda item.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We currently have nothing to report on these matters.

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the group reporting threshold, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We have been unable to commence this work as the guidance and reporting instructions have not yet been released. We are aware that the Council have recently been notified that the pack will not be made available to them until December.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Shropshire Council in the audit report, as set out in the Audit Committee's separate agenda item, pending completion of the WGA work, work on objections received from taxpayers and issuance of our Auditor's Annual Report.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor’s Annual Report before Christmas. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any potential risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the potential risk/s set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness

Financial Sustainability
(risk as noted in our Audit Plan)

The Authority has historically managed its finances well, however for several years the Council has been reporting significant medium-term financial challenges and this has been exacerbated by the pandemic.

The Council has suffered loss of operational income, and has had to deal with the allocation, distribution and provision of emergency loans and grants at sometimes relatively short notice, while continuing to provide “business as usual” services such as social care and education.

As reported to Cabinet in February 2021 the e Council’s Financial Strategy sets out its plans for 2021/22 through to 2025/26. This includes over £9m of savings proposals across all areas of the Council. Many of these savings, however, are a continuation of plans stalled in 2020 due to the Covid-19 outbreak. With an allocation from the Financial Strategy Reserve the Council has produced a balanced budget for 2021/22.

The Council will need to maintain focus on delivering its budget, and be agile in the face of any continuing impacts of the pandemic.

We will review the Council’s Medium Term Financial Strategy and financial monitoring reports and assess the key assumptions being used and savings being achieved.

Work performed to date

We noted that we would review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved.

We have considered:

- how the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the Council plans to bridge its funding gaps and identifies achievable savings
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

We are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date.

As part of our VFM work we have also considered the Council’s governance arrangements, how it has responded to the Covid-19 pandemic and how it ensures economy, efficiency and effectiveness in its service delivery. We have conducted a comprehensive document review and have spoken to several officers of the senior leadership team, and sought corroborating evidence to the discussions held about the arrangements in place. Again, we are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date.

3. VFM - our procedures and conclusions

Risk of significant weakness	Work performed to date
Governance - Highways contract governance (risk as noted in our Audit Plan) On the 1st of April 2018, following a competitive tender process the council entered into a seven year contract with Kier to deliver highways and street scene services across Shropshire. The annual contract value is circa £27m. The Council recognises that this is above the £21m per annum when the contract was originally advertised. We are also aware that the Council has reported on the challenges that have impacted the contract, (particularly in the first 2 years of the contract), and the progress made on improvements. The Council has identified one of its priorities was to put in place a governance framework that manages the contract and provides oversight. We will review the governance structure in place at the Council and reporting outcomes of this structure.	As part of our minute reviews we have considered existing reporting made to relevant committees in relation to highways contract governance. This involves reporting by the Council's Internal Audit department. We are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention, in addition to those we have already drawn to your attention in our Audit Plan.

We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to September 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Audit-related service	Fees £	Threats identified	Safeguards
Certification of Housing capital receipts grant	3,500 (expected)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £3,500 in comparison to the total fee for the audit of £167,061 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	5,400 (expected)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,400 in comparison to the total fee for the audit of £167,061 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	21,500 (expected)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £21,500 in comparison to the total fee for the audit of £167,061 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Total	£30,400		

Appendices

A. Action plan – Audit of Financial Statements

We have identified 6 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	As part of our testing of Property Plant and Equipment it was identified that there are low value assets which are considered as part of the Council's valuation process but are not included within the financial statements. Through discussions with the Council these are assets with a value of below £50,000. We are satisfied that these assets in total are currently trivial. However, the Council will need to monitor this to ensure that the total value of assets not subject to revaluation does not significantly increase.	The Council should review its arrangements to monitor de-minimis assets and ensure an appropriate accounting policy is included within the financial statements. **Management response** All assets that fall under the requirements of valuation are included in the Council's valuation programme. A full valuation is undertaken and if the value is calculated to be under £50,000 the asset valuation is listed as de-minimis. The accounting policy has been updated to reflect this

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Inadequate control over privileged accounts within Active Directory.** Application access was not revoked for one Domain Admin, who has 3 accounts, one of which is named TEMP and one not required. We noted there were 160 Workstation Admin accounts across the business. We were unable to establish what these accounts were used for. One System Admin account should have been disabled on 31/3/21 however was still active during the period of the audit (April onwards) Risk: Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual. The excessive use of accounts with privileged access increases the risk of end-users being able to : • change system configuration settings without authorisation and approval • read and modify sensitive data, • create, modify or delete user accounts without authorisation, • delete or disable system audit logs. Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions.	Management should undertake a review of all user accounts within Active Directory, to identify all privileged accounts. For each account identified management should confirm the - requirement for the account to be active and be assigned privileged access - which users have access - controls in place to safeguard the account from misuse. Where possible, privileged accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. **Management response** Users with administrative roles within Active Directory do not have access within ERP as the systems are separate and not directly linked to each other. Any workstation or domain admin roles in Active Directory do not grant any ERP or application level permission. The domain admin account mentioned was disabled so not usable, and the workstation admins have been reviewed and the accounts listed required this access. Not all were for staff, several were system accounts and accounts that don't currently need this access but may in the future are either disabled or expired. A further review or workstation and domain administrative roles within AD will be carried out as part of our PSN re-certification work.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Lack of review of the Access control policy and the Application security policy** While security management procedures are in place, the Application control policy was due for review in February 2020 and the Application security policy was due for review in May 2020. The IS policies require an annual review to ensure security requirements and priorities are appropriately captured. **Risk** Absence of a comprehensive IT security policy will have an adverse impact on the organisation to ensure that the data and network are protected from potential and emerging security threats.	Management should ensure that a comprehensive IT security policy and associated procedures are documented, approved at the appropriate level and communicated to all users. The IT security policy and procedures should provide guidance over the following: - Segregation of duties definition - Privileged access - Data protection **Management response** As part of working towards ISO27001 a suite of policies and procedures have been created and reviewed for sign off, due to changes in the governance structure this has been delayed but recent changes will enable the policies to be renewed and reviewed.
Medium	**No Current PSN Certification and No current Network diagram available** We were informed that no PSN code of Connection is currently in place or an up to date network diagram. We understand that there are valid and functioning boundary controls between different security networks, but due to COVID, these items were not prioritised. **Risk** Without performing routine health checks, penetration tests and having a CoCo Connection demonstrates that the infrastructure is sufficiently secure that its connection to the PSN would not present an unacceptable risk to the security of the network, and external and/or internal parties may be able to gain access to information assets by exploitation security vulnerabilities.	Penetration tests and vulnerability scans should be performed on a regular basis to ensure all vulnerabilities are found and remediated before they can be exploited by cyber criminals. The frequency of testing will depend on the: - likelihood of being attacked – being a high-profile company or a high-value target (when companies hold lots of information that can be commoditised). - company's presence in the press – the likelihood of attacks will increase if there are environmental, political or human rights reasons - compliance requirements - use of open-source software, which is more vulnerable to automated attacks. - significant changes to the company infrastructure or network **Management response** Although we do not currently hold a valid PSN certificate a recent cyber security health check has been completed to aid us in regaining this certification. As part of this work an up to date network diagram will need to be produced.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Evidence requested but not provided – Leavers process.** We were unable to complete the testing for the controls around security management, specifically, the leavers process. While a significant amount of testing activity was undertaken by the audit team, there was a lack of supporting evidence to demonstrate the procedures undertaken and conclusions reached. **Risk:** There is a risk that key aspects of the design and development process including functional design and testing may not be appropriate. Furthermore, the control may not consistently operate if testing is not completed.	Management should ensure comprehensive IT policies and procedures are developed covering Security management, specifically the leavers process. The controls should reflect the processes that are undertaken. We recommend that the evidence is provided to complete the testing required. Without evidence we were unable to complete testing. **Management response** A wider review of the Councils starters, movers and leavers process is being planned with support from teams within IT, HR and other relevant departments. A business analyst has already begun supporting this work as it is recognized that this is an area of weakness within the Council. Manual processes do currently exist within the Council for managers to follow when staff leave however as this is dependent on several manual tasks they frequently aren't completed fully.
Medium	**ERP specific - Lack of review of the third-party IT assurance reporting for the ERP system** Unit4 provides complete Managed IT Services that include hardware and software maintenance, backup and recovery services, managed data centre services, product supply and professional IT services, 24 hours a day, 7 days a week, 365 days a year. The ERP Financial application is hosted within Unt4's data centres, Unit4 Global Cloud, Operations – Managed, Cloud Data Centre **Risk** While an independent service organisation assurance report SOC 1 is available, Shropshire Council has not assessed the IT control findings. As businesses continue towards digital transformation and a simplified IT architecture, dynamic service delivery models are becoming the norm. There is a risk that organisations have less visibility over the effectiveness of the outsourced IT control environment and whether there are sufficient controls in operation.	Where independent service organisation assurance reports are available, management should assess the findings and consider whether complementary user entity controls are effective. **Management response** As we move more towards cloud-based systems, we recognize the need for improved processes in this area. A new process will be put in place that on receipt of the SOC report it will be jointly reviewed by the Application Management Team, IT Security and Infrastructure – it will be reviewed against the pertinent elements and contract and a summary of these findings provided to the business owner.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021. Note that there are elements of our audit which are still underway as at the time of writing and therefore there could be further amendments required.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure £'000
Grants received in advance	-	20.5m	-
Payables	-	-20.5m	-
Overall impact	-	-	-

Impact of unadjusted misstatements

There are currently no adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. Note that there are elements of our audit which are still underway as at the time of writing and therefore there could be further amendments required.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in relation to the 2019/20 financial statements.

B. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission/misclassification	Adjusted?
General A small number of other minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance.	TBC
Note 3. Critical judgements Critical judgements are reported in note 3 to the financial statements. We have reviewed disclosures and adjustments have been made in relation to future funding, schools, grants and the LEP.	TBC
Note 21 .Financial instruments Additional disclosures are required in order to clarify the valuation techniques, inputs and risks associated with the following balances within note 21. financial instruments: • PFI liability of £203.186m • LOBOs liabilities of £32.3 • Expected credit loss allowance as required by IFRS 9	TBC
Note 39 - Grants Included within Grants Receipts in Advance is £20.3m relating to the S31 Business Rate Relief grant. This is repayable and as such should be classified as a short term creditor rather than Grant Receipts in Advance.	TBC
Group Accounts Where the difference between the single entity accounts and the group accounts is material then Code compliant notes should be provided at the group level. There are material differences for cash and cash equivalents, pension liability but notes at the group level are not provided.	TBC

C. Follow up of prior year recommendations

We identified the following issues in the audit of Shropshire Council's 2019/20 financial statements, which resulted in 4 recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of these recommendations and have rolled forward 1 for further consideration.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Delivery of savings plans** The availability of non recurrent measures to balance annual budgets is diminishing and the long term reliance on reserves and one-off funding is unsustainable. The Council will need to deliver identified savings schemes and also identify and develop further schemes to support the councils financial position going forward. The savings plans identified need to be progressed as a matter of urgency along with the agreement of further projects and initiatives to close the budget gap.	The savings plans identified need to be progressed as a matter of urgency along with the agreement of further projects and initiatives to close the budget gap. **Management response – October 2021** A complete review of existing savings, taking into account the impact of the pandemic, has taken place. A number of unachieved savings were met from un-ringfenced Covid-19 Grant in 2020/21 and these are now expected to be delivered over the medium term. In addition to the pressures created by the pandemic, a number of opportunities around new ways of working are also emerging. The Council is undertaking a comprehensive review of its asset estate, with a view to significant rationalisation through new working practices. An overarching strategy for the authority is emerging and a revised Shropshire Plan and Financial Strategy will reflect this approach. The Council's response to the current and coming Financial Year will be based upon lessons learned from the pandemic, taking advantage of new opportunities and managing within the funding envelope set out within the short to medium term Spending Review, the 2022/23 settlement and any other Government grants. The Council's longer term strategy began in July 2021 as part of the medium term financial strategy process with budget challenge sessions involving Cabinet, Executive Directors and all relevant officers in ensuring there is a robust medium to long term plan. The outcome of the process will be included in 2022/23 financial strategy.
✓	**Payroll Full Time Equivalent reports** The Council have been unable to run retrospective FTE reports for the purposes of audit testing. These reports were not run at the time. Payroll FTE reports should form part of the standard suite of reports which are generated and saved on a monthly basis (or relevant interval)	Payroll FTE reports should form part of the standard suite of reports which are generated and saved on a monthly basis (or relevant interval) **Management response – October 2021** FTE reports have been run monthly since January 2020 and were provided as part of the interim and final audit for 2020/21.

Assessment

✓ Action completed

X Not yet addressed/ongoing

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Financial statement quality assurance procedures** Due to a mapping/formula issue a number of material values were misstated within the Housing Revenue Account Balance Sheet. Overall this has no impact on the values disclosed within the primary statements, this is presentational only. As part of the year end procedures the Council should build in a final quality control review of the financial statements in order to identify mapping issues.	As part of the year end procedures the Council should build in a final quality control review of the financial statements in order to identify mapping issues. **Management response – October 2021** Figures are cross checked between the primary statements, notes to the accounts and other sections of the accounts to identify any mapping issues.
✓	**Audit Fee note** Audit fees per the draft financial statements do not agree to the final agreed audit fees charged in the financial year. Audit fees should be reconciled to the issued Audit Plan for the financial year. This includes agreed fee variations where appropriate.	Audit fees should be reconciled to the issued Audit Plan for the financial year. This includes agreed fee variations where appropriate. **Management response – October 2021** Audit fees were confirmed with the auditors prior to the production of the accounts.

Assessment

✓ Action completed

X Not yet addressed

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£167,061	£167,061*
Audit of subsidiary company - Shropshire Towns and Rural (STaR) Housing Ltd	£19,000	£19,000
Total audit fees (excluding VAT)	£186,061	£186,061

* See overleaf for a breakdown of the fee. This information was provided in our Audit Plan but is reproduced overleaf for completeness.

The disclosure in Note 37 of the accounts is as follows and with the exception of rounding we are satisfied that statutory fees as well as non-audit fees for other services as set out in this report, reconciles to the financial statements.

37. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2020/21 £000	2019/20 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	167	127
Fees payable to external audit for the certification of grant claims and returns	14	13
Fees payable in respect of other services provided by the external audit during the year	8	8
Total	189	148

Non-audit fees for other services	Fees**
Audit Related Services:	
• Housing capital receipts	£3,000
• Teachers Pension Return	£4,800
• Housing Benefit Subsidy Claim	£13,300
Total non-audit fees (excluding VAT)	£21,100

** These are proposed fees as the work in respect of these grant claims is either incomplete or has not yet commenced. Therefore we are not in a position to confirm final fees as at the time of writing.

D. Fees – detailed analysis

Scale fee published by PSAA		£103,061
Ongoing increases to scale fee first identified in 2019/20		
Raising the bar/regulatory factors including materiality change	£5,000	
Enhanced audit procedures for Property, Plant and Equipment	£4,500	
Property, Plant and Equipment: appointment of auditor's expert	£5,000	
Enhanced audit procedures for Pensions	£3,500	
Other complex issues and expert advice	£3,000	
Recurring element of 2019/20 fee		£21,000
New issues for 2020/21		
Additional work on Value for Money (VfM) under new NAO Code	£26,000	£26,000
Increased audit requirements of revised ISAs	£17,000	£17,000
Proposed increase to agreed recurring 2019/20 fee		£43,000
Total audit fees (excluding VAT)		£167,061

E. Management Letter of Representation

Shropshire Council

Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Shropshire Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the net pension liability and the valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

E. Management Letter of Representation (continued)

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

E. Management Letter of Representation (continued)

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a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on XXX

F. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Audit Committee Chair
Shropshire Council

Dear Councillor Williams, Chair of Audit Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Grant Patterson

Director and Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Grant Thornton

grantthornton.co.uk