



Committee and date
Audit Committee

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Item

Public

STATEMENT OF ACCOUNTS 2020/21

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1. Summary

The timetable for producing the 2020/21 Statement of Accounts has been amended by the Accounts and Audit Regulations due to the impact of the COVID-19 pandemic, so that all local authorities are required to publish the audited Statement of Accounts by 30th September 2021, with the draft accounts approved by 31st July 2021. Therefore, the Council's Draft Statement of Accounts for 2020/21 will be certified by the Section 151 Officer as a true and fair view of the financial position by 31st July 2021 and it is intended that the audited Statement of Accounts will be published by the 30th September 2021.

The Draft Statement of Accounts for 2020/21 is appended to this report. This report provides an overview of the Accounts and provides details of the reasons for the most significant changes between the 2019/20 Accounts and the 2020/21 Accounts.

The financial impact of the pandemic has been felt across all local government but despite the 2020/21 financial year being an unprecedented year, the Council's financial year revenue outturn is an underspend of £0.764m on a gross budget of £575.462m. The final capital outturn shows a spend of £65.738m, representing 96% of the re-profiled budget.

The authority's Earmarked Reserves and Provisions have increased by £26.123m (includes £22.074m Section 31 Business Rate Relief funding). The general fund balance has increased by £0.580m. Delegated Schools' balances have increased by £4.104m (This includes the impact of moving the Dedicated Schools Grant deficit of £2.247m to an unusable reserve). Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on the Agenda for this meeting.

2. Recommendations

It is recommended that Members:

- A. Receive and comment on the draft 2020/21 draft Statement of Accounts.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the report.

4. Financial Implications

- 4.1. This report considers the outturn position for the 2020/21 revenue budget and the implications on the level of general fund balances of any underspend or known spending pressures.

5. Background

- 5.1. The external audit by Grant Thornton will begin 2nd August 2021 and it is expected to be completed in September, after which the Statement of Accounts will be formally published, and a final report brought back to Audit Committee for approval. This report will detail any material changes required as a result of the audit as agreed with the External Auditor.
- 5.2. In accordance with the Accounts and Audit (Amendment) Regulations 2021, the statutory deadline for the formal publication of the audited 2020/21 Statement of Accounts is 30th September 2021.

6. Statement of Accounts

- 6.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. To make the account 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 at the same time not requiring them to be identical.
 - Interpretation and explanation of the Statement of Accounts to be provided.
 - The Statement of Accounts and supporting notes to be written in plain language.

- 6.2. All of the above has been taken into consideration when producing the authority's own Draft Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
- **Narrative Report** – this provides an explanation of the authority's financial position for 2020/21 and details the performance of the Council during the financial year.
 - **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority'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, this document is therefore draft pending the outcome of the audit.
 - **The Core Financial Statements**, which comprises:
 - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.
 - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all 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. The 2020/21 Comprehensive Income and Expenditure Statement reports a deficit for the year of £202,249m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was an increase of £0.580m which reflects the year end underspend on the revenue budget.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2021. It shows the balances and reserves at the authority's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The authority's total equity amounts to £198,987m, a decrease of £202.249m which is analysed in the Movement in Reserves Statement. Assets have decreased as a result of a decrease in the value of Property, Plant & Equipment which has decreased due to a decrease in valuations of assets held.

The pandemic and the steps taken nationally and globally to respond to the Covid-19 pandemic have and continue to effect global, national and local economies. The current economic climate and property landscape has seen dramatic change over a very short period of time with certain sectors experiencing significant volatility and uncertainty. This has impacted upon market values, insurance values and asset values for many organisations both in the private and public sector.

The Royal Institute of Chartered Surveyors released new Global Standards at the end of January 2020. The Council has transitioned to a reputable national external advisor to provide a report and valuation for the financial year ending March 2021.

The values of the Council's assets have as a result seen some significant variances on previous years values in part due to market changes as set out above but in some areas due to differences in valuation methodology applied by the external valuers to the Council's previous approach, and changes in valuation approach from more widely used traditional methods. The external advisors have adopted changes which have been recognised both nationally and in response to an evolving market which in certain sectors is operating very differently.

These variances have been seen more particularly in relation to the Council's specialised assets where the differences in valuation methodology have seen some significant decreases in value. In addition the Council's external valuers have adopted a different approach to the valuation of schools, which form a significant part of the Council's total assets, than traditionally seen again resulting in significant decreases but bringing the valuations in line with the adopted approach of the Department for Education.

The valuations of the Council's car park assets have also been impacted by a change to valuation approach, with the external valuers employing a notional rent approach that, whilst resulting in decreases in value in the current year, should result in more valuation stability in future years as this would not then be affected by large swings in income received such as seen during the past year.

- **The Cash Flow Statement** - this consolidated statement summarises the authority's inflows and outflows of cash and cash equivalents 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 deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term,

highly liquid investments that are readily convertible to known amounts of cash.

- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council's accounting policies.
- **The Group Accounts** – these are prepared to account for the Council's share in IP&E Limited, Shropshire Towns & Rural Housing, West Mercia Energy, West Mercia Supplies Pension, Jersey Property Unit Trust, SSC No.1 Limited and Cornovii Developments Limited.
- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. The statement and supporting notes are an extract from the pension fund annual report and summarises 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.
- **The Housing Revenue Account** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The account details the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
- **The Collection Fund Account** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.

The Draft Statement of Accounts for the year ended 31 March 2021 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy.

7. Accounting Policies

- 7.1. The accounting policies that the Council uses to determine the treatment of items within the Statement of Accounts are detailed in Note 1 to the Core Financial Statements.
- 7.2. The Council has not adopted any other new accounting standards or amendments with a significant impact on the Council's position. At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority in the United Kingdom.

- Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 have an impact on hedge accounting if interest rates change. The amendments will not have an impact on the council, as the council’s debt is fixed rate and all the council’s investments are in sterling and low risk.
- Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relate to issues that arise if an existing interest rate is replaced by an alternative one. This is unlikely to have an impact as interest rate benchmark reform is rarely applied. In addition, financial instruments are valued in the accounts at amortised cost rather than fair value.

8. Analytical Review

- 8.1. An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous year’s accounts. For 2020/21 the materiality threshold (i.e. the level of change between 2019/20 and 2020/21) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 1.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
<p>CIPFA’s Code of Practice (Code) on Local Authority Accounting</p>
<p>CIPFA/SOLACE guidance on the Annual Governance Statement</p>
<p>Revenue and Capital Budget 2020/21</p>
<p>Cabinet Member (Portfolio Holder) Brian Williams, Chair of Audit Committee</p>
<p>Local Member All</p>
<p>Appendices</p> <ol style="list-style-type: none"> 1. Draft Statement of Accounts 2020/21 (Unaudited) 2. Analytical Review of Statement of Accounts

Analytical Review of Shropshire Council's Statement of Accounts for 2020/21

1. The analytical review for 2020/21 highlighted a number of areas where there were material changes (Variances over £8m or over 10%), the most significant are detailed below along with an explanation of why these changes have occurred:

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Adult Services**

	2020/21	2019/20	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	191,718	177,619	14,099	8
Income	(72,664)	(64,931)	(7,733)	12

The increase within the Adults Services expenditure and income has been mainly as a result of the Council response to the Covid-19 global pandemic. The Covid-19 grants from the Government totalling £3.388m received in 2020/21 for infection control, rapid testing, workforce capacity and test and trace was met with corresponding increase in expenditure. Expenditure within purchasing increased by £9.833m and income increased by £2.259m.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Local Authority Housing**

	2020/21	2019/20	Decrease (Value)	(Decrease)
	£000	£000	£000	%
Expenditure	8,521	10,380	(1,858)	(18)

The decreased in expenditure is mainly due to a revaluation gain in 2020/21 compared to 2019/20.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Legal & Democratic Services**

	2020/21	2019/20	Decrease (Value)	(Decrease)
	£000	£000	£000	%
Expenditure	660	1,703	(1,043)	(61)
Income	(119)	(1,027)	908	(88)

Within the Legal & Democratic Services, both the expenditure and income has decreased compared to 2019/20. In 2019/20 costs were incurred and corresponding income received in relation to the General and European Elections.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Place**

	2020/21	2019/20	Decrease (Value)	(Decrease)
	£000	£000	£000	%
Income	(39,288)	(45,499)	6,211	(14)

The decrease in income for the Place Service area is mainly as a result of the reduction in income received from Car parks, Culture and Leisure due to the Covid-19 pandemic and global lockdown. Some of this reduction has been partially offset by the Covid-19 loss of fees and charges grant awarded by Central Government of which £3.380m has been allocated to Place.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Workforce and Transformation**

	2020/21	2019/20	Decrease/ Increase (Value)	(Decrease)/ Increase
	£000	£000	£000	%
Expenditure	3,414	5,743	(2,328)	(41)
Income	(486)	(61)	(426)	701

The reduction in expenditure in the Workforce and Transformation service area is as a result of reduction in project costs for specific IT projects such as the ERP project and the Social Care Project following implementation of the systems and intangible amortisation. The main reason for the increase in income is the receipt of the Covid-19 Food and Essential Supplies grant.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Corporate**

	2020/21	2019/20	Increase (Value)	Increase
	£000	£000	£000	(%)
Expenditure	38,197	14,654	23,542	161
Income	(37,412)	(10,121)	(27,291)	270

Expenditure within Corporate Services increased due to the Covid-19 related expenditure and an increase in past service costs, settlements and curtailments within the pension fund. The increase in income is main as a result of Covid-19 grants and discretionary Business grants from Central Government.

- **Comprehensive Income and Expenditure Statement - Other Operating Expenditure**

2020/21	2019/20	Decrease (Value)	(Decrease)
£000	£000	£000	(%)
15,624	27,542	(11,918)	(43)

The main reason for the decrease relates to losses on disposal of non-current assets. In 2019/20 the Council had 3 Schools transferred to academy status, however in 2020/21, only one School (Partly owned by Shropshire Council) transferred to academy status.

- **Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
43,663	39,556	4,106	10

(Income) and expenditure in relation to investment properties and changes in their fair value increased from a loss of £2.62m in 2019/20 to a gain of £1.05m in 2020/21. The net income from investment properties has increased from £0.966m to £1.534m, reflecting the acquisition of new investment properties. The movement in valuation, which has gone from a £3.59m loss in 2019/20 to a £0.172 loss in 2020/21 relates to specific movements in the value of assets in this category, reflecting the assets in this category at the balance sheet date and their valuation.

- **Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
(319,838)	(292,441)	(27,397)	9

Income from non-domestic rates has reduced by £19.668m in 2020/21. This is due to the awarding of expanded retail, nursery and newspaper reliefs by Central Government. The impact of this is that less rates are available for collection in 2020/21. Central Government reimbursed local authorities for this via Section 31 grant which is included within non ringfenced government grants. Non ringfenced government grants have increased by £28.557m due to the Section 31 grant in relation to expanded business rate reliefs and non ringfenced Covid-19 grants such as the LA Support grant.

- **Comprehensive Income and Expenditure Statement, Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
136,187	(92,765)	228,952	(247)

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts. In 2019/20 the surplus was £92.765m but in 2020/21 this was a loss of £136.187m. This was mainly in relation to a significant decrease in the assets on which a revaluation gain was recognised in 2020/21 and a significant increase in assets on which a revaluation loss was recognised.

- **Impairment Losses on Non Current Assets Charged to the Revaluation Reserve**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
281	-	281	100

This figure is the value of impairment losses charged directly to the Revaluation Reserve. The £0.281m in 2020/21 is in relation to a small holding which requires capital expenditure and in relation to some HRA garages declared unlettable.

- **Comprehensive Income and Expenditure Statement, Remeasurement of the Net Defined Benefit Liability**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
22,416	(28,057)	50,473	(180)

Remeasurement of the Net Defined Benefit Liability has changed from a gain of £28.057m in 2019/20 to a loss of £22.416m in 2021. The total swing of £50.473m is due to a change in liabilities as a result of a change in financial assumptions used by the actuary. This has resulted in a remeasurement loss of £170.311m in 2020/21 compared to a remeasurement gain of £80.311m in 2019/20. The decrease in liabilities is due to a decrease in the CPI inflation. The assets element has moved from a remeasurement loss of £52.865m in 2019/20 to a gain of £147.895m due to positive returns on investments.

- **Balance Sheet Non-Current Assets – Property, Plant and Equipment**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
980,046	1,138,479	(158,433)	(14)

This reflects the overall movement in property, plant and equipment. The movement consists of additions, disposals, revaluations (upwards and downwards), depreciation charges and impairments. There has been a net revaluation decrease in 2020/21 which is predominantly due to the current economic climate and the dramatic change in property landscape as a result of the global pandemic. The global economic climate and the change in valuation approach and methodology has led to the valuation decreases on assets revalued.

The areas of significant movement are in Transfers and Disposals/Derecognition. Following the onshoring of the shopping centres, these assets are now accounted for as Property, Plant and Equipment rather than a long-term Investment. The transfer of Schools to Academy status and the associated writing out of the assets. In 2019/20 three Schools transferred to Academies, one of which was a Secondary School, compared to 2020/21 only one school transferred to Academy.

- **Balance Sheet Non-Current Assets – Investment Property**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
59,261	47,652	11,609	24

The value of Investment properties has increased by £11.61m in 2020/21 mainly as a result of additions of new Investment properties, in terms of the acquisition of the Pride Hill Shopping Centre - Gap Site and the Former Morrison's Supermarket Site, Oswestry and completion of the Tannery site in Shrewsbury. The net movement on valuations has been a net gain of £0.08m, although at the individual asset level, there have been some significant revaluation gains and losses.

- **Balance Sheet Non-Current Assets – Intangible Assets**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
6,393	7,376	(983)	(13)

Intangible assets are subject to a relatively short asset life, the annual amortisation charge leads to a significant reduction in the net book value annually. Therefore, the reduction in the balance sheet value of intangible assets in 2020/21 reflects the reduction in expenditure under the Digital Transformation Programme which had resulted in a higher level of expenditure on intangible assets in previous years.

- **Balance Sheet Long Term Assets – Long Term Investment**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
400	20,206	(19,806)	(98)

In 2020/21 the onshoring of the shopping centres required the assets that were previously accounted for as a Long-Term Investment to be transferred to Property, Plant and Equipment, debtors and creditors.

- **Balance Sheet Long Term Assets – Long Term Debtors**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
22,628	19,857	2,771	14

The increase in long term debtors is due to a new drawdown of £3.250m from the loan facility by Cornovii.

- **Balance Sheet Current Assets – Current Held for Sale Investment Properties**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
250	740	(490)	(66)

In 2019/20 one Investment Property fell into the category of Current Held for Sale Investment Properties based on the agreement in place to sell the site at the year end. That disposal did not complete in 2019/20 as expected, but is still expected to complete in 2020/21, but for a reduced amount based on the new agreement now in place.

- **Balance Sheet Current Assets – Current Assets Held for Sale**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
767	3,102	(2,335)	(75)

The balance sheet value of assets in this classification reflects the position the Council are at with regards disposing of assets and whether they meet the criteria to be classified as Asset Held for Sale at the balance sheet date. Of the asset within the category in 2019/20, the Lacon Childe School Caretaker's House, the site at the Wharf Ellesmere, Westgate in Bridgnorth and the two HRA new build development disposals have all completed. There have also been falls in the estimates on the two school sites, most significantly Ifton Heath and the only assets to transfer into this category in 2020/21 are two HRA New Build Purchased Properties for shared ownership sale, one of which the disposal has been completed.

- **Balance Sheet Current Assets – Inventories**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
697	572	125	22

There has been an increase in the value of stock held mainly due to increase in Salt stock for the roads. The level of salt stock at the year end will fluctuate depending on the level of salt having to be used to treat the roads at various points of the year. Purchases were made to replenish the level of stock held following on from high use in 2019/20 and less salt was used in 2020/21 as a result of a less severe winter.

- **Balance Sheet Current Assets – Short Term Debtors**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
99,834	67,373	32,461	48

There have been a number of increases across a range of debtors balances that supports the increase in the debtors total. This includes an increase in the grant debtor in relation to Housing Benefit payments of £1.343m, £1.625m for Covid-19 grants and £7.266m in relation to capital projects which spent significantly at the end of the financial year with the funding due to be received in 2021/22. Debtors in relation to Council Tax and Business Rates due from preceptors has moved from a creditor of £7.804m to a debtor of £15.050m. This is due to the reduction in Business Rates due to the expanded reliefs awarded by Central Government.

- **Balance Sheet Current Assets – Cash & Cash Equivalents**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
78,438	93,007	(14,569)	(16)

- **Balance Sheet Current Liabilities – Bank Overdraft**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
(14,902)	(14,644)	(258)	2

The net increase in cash and cash equivalents and the bank overdraft needs to be considered together to explain the true difference in cash balance during the two years.

There are four elements that detail the difference in cash:

- Movement in General Fund Balance (increase in cash)
- Revenue and Capital Grants received (increase in cash)

- iii. Movement in debtors/creditors (reduction in cash)
- iv. New loans provided/repaid (reduction in cash)

i. There was a £0.580m increase in the General Fund Balance in 2020/21 which reflects the underspend position of £0.655m in the revenue budget.

ii. The Council received a number of grants in 2020/21 which can be carried forward to be utilised in 2021/22 or repaid to government which are accounted for within the cash balance.

iii. Debtors have increased by £32.461m during 2020/21 thereby increasing the amount of money owed to the authority and reducing the potential cash balance held.

iv. Cash will also have reduced due to the repayment of borrowing that the Council has undertaken of £4.000m and the provision the loan to Cornovii."

- **Balance Sheet Current Liabilities – Short Term Borrowing**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
(13,893)	(6,013)	(7,880)	131

The increase in short term borrowing of £7.880m is due to 2 loans totalling £12m which are due for repayment within the next 12 months and have therefore been transferred from long term to short term less the repayment of one loan of £4m.

- **Balance Sheet Current Liabilities – Grants Receipts In Advance – Revenue**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
(35,951)	(10,447)	(25,504)	244

Whilst there are always some minor changes between grant balances held at the year end, the most significant change relates to grants specifically provided to aid recovery from the Covid-19 pandemic from a variety of government departments. These include £6.844m from DHSC for contain outbreak management fund, £3.814m from the department for BEIS for a variety of Covid-19 recovery grants, £0.992m from the DfT for Bus Service Support Grant (CBSSG Restart), £0.465m from Sport England for National Leisure Recovery Fund and £0.361m from the DoH for the track and trace service; all of which are expected to be required to fund expenditure in 2021/22.

- **Balance Sheet Current Liabilities – Grants Receipts In Advance - Capital**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
(11,773)	(4,893)	(6,881)	141

The increase in capital grant receipts in advance relates to £4.877m of grants from the Department for Transport, for Challenge Fund, Highways and Emergency Active Travel which will be spent in 2021/22 as part of the Capital programme. A further £1.174m related to grants from the Department of Education for Schools 2019/20 for Schools Rural Gigabit Connectivity Programme and Condition Capital Grant, which will be spent in 2021/22 as part of the Council's Capital Programme.

- **Balance Sheet Long Term Liabilities – Long Term Borrowing**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
(291,568)	(303,568)	12,000	(4)

The reduction in long term borrowing of £12m is due to 2 loans which are due for repayment within the next 12 months and are now classed as short term.

- **Balance Sheet Long Term Liabilities – Pensions Liability**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
(531,883)	(495,700)	(36,183)	7

The Pensions Liability has increased by £36.183m in 2020/21. The discount rate has reduced by 0.3% and the CPI inflation assumption has increased by 0.6%, the combined effect of this is a significant increase in the pension liabilities. An increase in pension assets due to generally positive investment returns has reduced the impact of the increase in liabilities on the net liability.

- **Balance Sheet Long Term Liabilities – Pensions Liability - Provision**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
(8,673)	(11,079)	2,407	(22)

Long Term Provisions have reduced by £2.407m due to a reduction in the NDR Appeals provision. The estimated value of losses as a result of Business Rates appeals has reduced in 2020/21.

- **Balance Sheet Financing – Usable Reserves**

2020/21	2019/20	Increase (Value)	Increase
£000	£000	£000	(%)
170,127	138,121	32,005	23

The majority of this increase is due to the Section 31 grant received by Central Government to compensate for the expanded retail, nursery and newspaper reliefs awarded as part of the Covid-19 recovery programme. The impact on the general fund of these reliefs will be in 2021/22 therefore the grant has been transferred to an earmarked reserve to be drawn down in 2021/22.

- **Balance Sheet Financing – Unusable Reserves**

2020/21	2019/20	Decrease (Value)	Decrease
£000	£000	£000	(%)
28,860	263,115	(234,255)	(89)

The decrease in Unusable Reserves is due mainly to the reduction in the Revaluation Reserve by £146.92m in 2020/21 which reflects the movement in asset values and disposals. The most significant area of change was increase in downward valuations due to changes in valuation approach. The Capital Adjustment Account has decreased by £19.05m in 2020/21 compared to movement of £39.44m in 2019/20. This movement reflects the movement in asset values, disposals and capital expenditure financing in 2020/21. The most significant areas of change were the revaluation loss on Property, Plant and Equipment, a reduced loss on the Long Term Investment in the Shopping Centres recognised in 2020/21 compared to 2019/20, reduced level of assets written off on disposal and an increased level of capital grant applied in 2020/21. The deficit on the Pensions Reserve has increased by £41.947m in 2020/21. An increase in pension assets due to generally positive investment returns has reduced the impact of the increase in liabilities on the net liability. The Collection Fund Adjustment Account has moved from a surplus position of £3.503m at the end of 2019/20 to a deficit position of £20.227m at the end of 2020/21. This is mainly due to the additional reliefs awarded to businesses by government in response to the Covid-19 pandemic.

2. The analytical review will be part of the papers to be considered by the external auditors during the annual audit and will be used in forming their opinion on the Statement of Accounts that will be reported in the Audit Opinion and Certificate.