

**Appendix 2****Analytical Review of Shropshire Council's Statement of Accounts for 2024/25**

1. The analytical review for 2024/25 highlighted several 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 – Health and Wellbeing**

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Income	(26,688)	(23,092)	(3,596)	16

Income within Planning services has increased by £1.605m relating to planning application fees and an increase in fees to external organisations. Several grants received within Health, Wellbeing and Prevention have increased including an increase of £0.465m in the Public Health grant, £0.280m Nutrient Support Fund grant, £0.360m Local Stop Smoking Services and Support grant and £0.216m Supplementary Substance Misuse Treatment and Recovery. Contributions from Health for the Shropshire Partnership have increased by £0.603m

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Gross Expenditure	16,190	22,731	(6,541)	(29)

In 2024/25 there has been a revaluation gain of £1.753m compared to a revaluation loss of £5.256m in 2023/24 resulting in a £7.009m swing in expenditure. In 2023/24 there were revaluations losses experienced on new build properties in applying social housing discount factor to value them on EUV SH basis. In 2024/25 there were no new build properties and only a small number of acquisitions which were revalued on a EUV SH basis. The overall movement on the stock was a revaluation increase.

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Income	(23,090)	(20,399)	(2,691)	13

Income within the HRA has increased due to a 7.7% increase to Social Housing and Affordable rents and an increase in income from service charges which are based on actual cost.

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Gross Expenditure	523,761	466,007	57,754	12

Within Adult Social Care Operations there has been an increase in costs of £18.936m mainly relating to the cost of Care Contracts. Costs associated with Home to School transport have increased by £3.473m mainly relating to SEND Transport due to an increase in the number of children. Payments to Early Years settings have increased by £13.011m which is offset by DSG. The cost of External Residential Placements Fees has increased by £5.737m within Children’s and Families due to an increase in the number of placements. There has been an increase in costs within Learning & Skills - SEN & Disability Services of £4.447m in relation to external placement fees and £8.646m in School Top Up Funding.

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Income	(251,005)	(221,218)	(29,787)	13

Grants within People Services have increased by £15.261m, the main increases being a £10.357m increase in DSG and £6.098m Market Sustainability and Fair Cost Fund. £4.648m REFCUS grants in Adult Social Care Business Support. Income within Adult Social Care has increased by £8.112m which includes service user contributions and contributions from Health.

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Gross Expenditure	188,270	165,133	23,137	14

Expenditure in relation to depreciation, impairments and revaluations has increased by £12.235m. The main area of movements were a revaluation loss in relation to PFI assets of £7.954m, £3.030m revaluation loss in relation to assets brought onto the Balance Sheet in relation to Finance Leases and £1.952m increase in depreciation in Highways. There has been an increase in expenditure of £5.370m in Partnerships and Economic Development in relation to grants awarded to external bodies from the UK Shared Prosperity Fund. This has been offset by grant income. Costs within Corporate Landlord increased by £1.381m in relation to the Multi Agency Hub. Costs within Growth and Economy increased by £1.336m in relation to Affordable Housing. Payments to contractors within Theatre Services increased by £0.796m which was offset by increased income from productions.

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Income	(72,110)	(59,974)	(12,136)	20

In 2024/25 grant income has increased within Place. Grant income of £7.634m was released in relation to the UK Shared Prosperity Fund to offset costs incurred on this programme compared to £1.818m in 2023/24. Grants within Shropshire Hill National Landscape increased by £1.064m. Income from Theatre productions increased by £1.577m. There was an increase in funding of £2.179m in relation to the Broadband Project and £1.581m in relation to the Multi Agency Hub.

- Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Strategic Management Board**

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Gross Expenditure	7,963	4,693	3,270	70

Expenditure has increased in Strategic Management Board as a result of costs incurred on the Transformation Programme. £7.147m has been spent

with PWC to help deliver savings proposals compared with £3.360m in 2023/24.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Strategic Management Board**

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Income	(111)	(81)	(30)	37

Income has increased due to additional sponsorship income achieved during 2024/25 within Commercial Services.

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

	2024/25 £000	2023/24 £000	Movement £000	Movement %
Gross Expenditure	17,886	10,327	7,559	73

The most significant increase within Corporate Services relates to Curtailments for Pensions which has increased from £2.179m in 2023/24 to £8.276m in 2024/25. Curtailment costs are normally the result of increased benefits being awarded in the event of members retiring early during the year. The contribution to the provision for Termination Benefits has increased by £1.796m in relation to termination benefits that the Council has legally committed to during 2024/25, but the costs will not be realised until 2025/26.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
37,593	15,205	22,391	147

The loss on disposal of non-current assets increased from £5.232m in 2023/24 to £26.477m in 2024/25. Areas of significant change were in relation to the write out of previous components where replacement expenditure took place (£3.468m) and in 2024/25 eight schools in SC ownership transferred to Academy Schools, plus playing fields at three others transferred to Academy Schools and The Centre, a youth facility in Oswestry.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
22,165	29,195	(7,030)	(24)

Pensions interest cost and expected return on pensions assets reduced from £5.019m in 2023/24 to £1.160m in 2024/25. Interest on plan assets increased by £5.264m and interest on pension liabilities increased by £1.405m. The interest is calculated using the discount rate at the start of the year, this increased from 4.8% to 4.9%.

Interest Payable has decreased by £2.123m due to a reduction in Finance Lease interest which is partially offset by an increase in PWLB interest charges relating to new borrowing taken out in 2024/25.

The movement in the valuation of Investment Properties increased from a £0.464m gain in 2023/24 to a £3.471m gain in 2024/25. This relates to specific movements in the value of assets in this category and represents the net position.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(368,234)	(346,009)	(22,225)	6

Income due from Council Tax increased by £14.685m in 2024/25. This was due to a 4.99% increase in the Council Tax charge. Income from Business Rates increased by £1.803m. Non-ringfenced revenue grants increased by £3.063m which is a net position which includes an increase of £2.877m of Business Rates Relief Grant, an increase of £1.225m in Rural Services Delivery Grant and a decrease in Service Grant of £1.709m. Capital grants and contributions increased by £2.674m.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(898)	(28,387)	27,489	(97)

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, this can only be done where there is a balance on the

revaluation reserve for the asset. The increase recorded in 2023/24 was £28.387m but the increase in 2024/25 was only £0.898m. This reflects the movement market values, change in build costs (DRC valuations) and the latest property information provided to the Valuers. Also, as this is the net position, across all assets, the increases on some assets were also offset by the loss charged on PFI assets, which were revalued based on the lease liability under the terms of the lease and IFRS16 requirements, before being revalued back to their fair value valuations.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(19,418)	(93,328)	73,910	(79)

The movement in the remeasurement of the net defined benefit liability is due to movements in several figures affecting the pension assets and liabilities. The liability element has moved from a net gain of £21.216m in 2023/24 to a net gain of £157.588m due to an increase in the discount rate. The assets element has moved from a gain of £72.112m in 2023/24 to a gain of £3.847m due to lower positive returns on investments than the prior year. In 2024/25 an asset ceiling has been applied to adjust the net surplus on the pension asset/liability to limit any surplus based on economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The asset ceiling applied was £142.017m giving a net remeasurement gain of £19.418m.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
1,156,403	1,138,504	17,899	2

This reflects the overall movement in property, plant and equipment. The movement consists of additions, disposals, revaluations (upwards and downwards), depreciation charges and impairments. The main reason for the increase is a £17.571m increase in Assets Under Construction due to the ongoing development of significant schemes such as North West Relief Road, Oswestry Innovation Park and Shrewsbury Town Centre Developments. There has also been a £11.237m revaluation increase in Council Dwellings due to a rise in market value of dwellings within the HRA. These have been offset by a net £8.640m reduction in Other Land and Buildings following the derecognition of school assets transferred to Academies and other asset valuation movements.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
47,701	43,029	4,672	11

The most significant increase was a net £2m gain in valuations of investment properties. There were also transfers into this category with £1.8m for the Ptarmigan building moving from PPE to investment property following the change of use from occupied office space to a property leased out.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
1,078	2,603	(1,525)	(59)

The reduction in the balance sheet value of intangible assets in 2024/25 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. As 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.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
23,999	15,259	8,740	57

The increase in long term debtors is mainly due to an increase in the loan provided to Cornovii Developments Limited (£9.36m) in order that they can progress with their target to meet unmet housing need in Shropshire.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
14,520	18,283	(3,763)	(21)

There has been a reduction relating to the disposal of assets of £4.35m in relation to the part of the land holding at Oxon sold on to Lidl. This is partly offset by a £1.427m increase in the valuation of the remaining land at Oxon, reflecting increased sales price expectations.



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

2024/25 £000	2023/24 £000	Movement £000	Movement %
4,678	3,904	774	20

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. From the assets in this category at 31/03/24, disposals of a number of these assets have been completed including the former Hope School, one smallholding and part of the land at another smallholding and properties developed by the HRA for shared ownership sale. Transfers into this category for 2024/25 include the former Hodnet depot, one Smallholding, Craven Arms Gypsy Site, the Former Bridgnorth Waste Transfer site, former Stretton Road car park and plots at Ludlow Eco Business Park.

- **Balance Sheet Current Assets – Inventories**

2024/25 £000	2023/24 £000	Movement £000	Movement %
561	729	(168)	(23)

The reduction in stock is mainly due to reduction in the Salt stock held. This stock level will also be subject to change depending on the number of gritting incidences during the year, and the timing of those in relation to the end of the financial year.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
151,120	123,805	27,315	22

The increase in short term debtors relates to several areas. Revenue Grant debtors have increased by £3.316m due to an increase of £1.322m in the amount due to the Council for Housing Benefit Subsidy and £1.990m due to the Council in relation to the Shared Prosperity Grant Scheme. Capital Grant Debtors have increased by £2.090m which mainly relates to the capital element of the Shared Prosperity Grant Scheme. The debtor balance in relation to VAT repayments due from HMRC has increased by £2.366m. Local Authority debtors has increased by £4.610m with £1.080m relating to an invoice for debt charges which was raised in March and remained outstanding at the end of the financial year, £0.478m relating to the Police and Crime Commissioner and Fire Authority Council Tax debtor. This was previously a creditor in 2023/24. NHS debtors has increased by £10.451m mainly relating to charges to the NHS for Adult Social Care.



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

2024/25 £000	2023/24 £000	Movement £000	Movement %
50,725	37,293	13,432	36

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(19,938)	(35,933)	15,995	(45)

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 several elements that detail the difference in cash balances:

- Increase in borrowing (increase in cash) – The Council has undertaken more external borrowing during 2024/25, including an additional £26.900m relating to the capitalisation direction awarded by Government. In total external borrowing has increased by £108.929m which is providing additional cash into the organisation, however £20.065m was borrowing required to fund capital expenditure in 2024/25 and £26.900m for the transformation costs under the capitalisation direction. Therefore £61.964m represented new borrowing which was reversing previous internal borrowing undertaken.
- Movement in General Fund Balance and Earmarked Reserves (decrease in cash) - There was a £3.412m decrease in the General Fund Balance in 2024/25 with a reduction in earmarked reserves of £9.953m which will reduce available cash balances.
- Capital (reduction on cash)– The capital grants unapplied account reduced by £5.147m in the main due to Better Care Fund grants (1.734m) being applied to Disabled Facilities Grant in the year, and the use of £2.818m of basic need capital grant to schools.
- Movement in debtors/creditors (reduction in cash) - Debtors have increased by £27.315m during 2024/25 thereby increasing the amount of money owed to the authority and decreasing the potential cash balance held. Creditors have increased by £19.882m thereby increasing the cash balance held. This provides a net reduction in cash of £7.433m
- Movement in long term debtors (reduction in cash) – Long term debtors have increase by £8.740m, representing the increase in loans to Cornovii Developments Limited, which will have reduced the level of cash available.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(58,392)	(32,802)	(25,590)	78

Short term borrowing has increased following the Council securing additional external borrowing in line with the Treasury Strategy. The Council is now securing external borrowing rather than utilising internal cash balances given the reduced level of reserves held by the Council. As the interest rate and bank rates remain reasonably high, a lot of the external borrowing has been carried out between 12 months and 2.5 years, which it is intended will then be reprofiled over a longer time period once interest rates reduce as expected over this period.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(108,032)	(88,150)	(19,882)	23

Short term creditors relating to other entities and individuals increased by £15.868m. A significant element of this relates to payments relating to Adult Social Care which were processed at the end of March and were held in creditors control. Amounts due to central government bodies increased by £2.783m due to the amounts owed to Central Government in relation to the Business Rates Collection Fund.

- **Balance Sheet Current Liabilities – Provisions**

2024/25 £000	2023/24 £000	Movement £000	Movement %
(5,109)	(2,707)	(2,402)	89

The most significant increase in Short term provisions relates to the provision for Termination Benefits. This is set aside for known termination benefits that the Council has legally committed to during 2024/25, but the costs will not be realised until 2025/26. For 2024/25 this has increased following the Council’s commitment to resize the workforce with 2025/26 implementation dates, despite these decisions being taken during 2024/25.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(4,948)	(8,622)	3,674	(43)

Revenue grants receipts in advance have reduced mainly due to 2 grants. In 2023/24 there was a balance of £1.747m in relation to Shared Prosperity, the Council now holds a debtor balance in relation to this grant for the final payment of the 2022-2025 programme. The opening balance in relation to the Homes for Ukraine Scheme Local Authority Tariff Payment was £2.134m, £1.604m has been released in 2024/25 to cover costs associated with this scheme.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(364,866)	(281,527)	(83,339)	30

Long term borrowing has increased following the Council securing additional external borrowing in line with the Treasury Strategy. The Council is now securing external borrowing rather than utilising internal cash balances given the reduced level of reserves held by the Council. As the interest rate and bank rates remain reasonably high, a lot of the external borrowing has been carried out between 12 months and 2.5 years, which it is intended will then be reprofiled over a longer time period once interest rates reduce as expected over this period.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(124,212)	(93,313)	(30,899)	33

Other Long Term Liabilities has increased due to the introduction of IFRS 16 Leases. Several leases are now required to be brought onto the Balance Sheet which has resulted in a long term lease liability of £3.819m. The PFI lease liability has also been recalculated as a result of the introduction of the accounting standard which has increased the closing liability by £27.083m.

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

2024/25 £000	2023/24 £000	Movement £000	Movement %
(20,246)	(38,587)	18,341	(48)

The deficit on the pension liability has decreased due to a gain on financial assumptions as a result of the increase in the discount rate.

- **Balance Sheet Financing – Usable Reserves**

2024/25 £000	2023/24 £000	Movement £000	Movement %
100,353	119,887	(19,534)	(16)

Usable reserves have reduced mainly due to Earmarked reserves reducing by £9.953m and the General Fund reducing by £3.412m as detailed in the Financial Outturn report to accommodate the overspend in the revenue budget. Also, the Capital Grants Unapplied Account has reduced by £5.147m in the main due to Better Care Fund grants (1.734m) being applied to Disabled Facilities Grant in the year, and the use of £2.818m of basic need capital grant to schools. The Major Repairs Reserve also reduced by £4.146m due to the level of capital investment in the HRA.

- **Balance Sheet Financing – Unusable Reserves**

2024/25 £000	2023/24 £000	Movement £000	Movement %
622,462	658,403	(35,941)	(5)

The decrease in Unusable Reserves is due to changes in the Revaluation Reserve, the Capital Adjustment Account, the Pensions Reserve and the Dedicated Schools Grant Adjustment Account. The Revaluation Reserve decreased by £21.4m (12%) in 2024/25 which reflects the movement in asset values and disposals. The area of significant movement in 2024/25 was the reduction of £10m relating to balances held for the schools derecognised due to transferring to Academies. The Capital Adjustment Account reduced by £22.498m (4.27%). The movement reflects the capital charges, movement in asset values, disposals and capital expenditure financing in 2024/25. The reduction reflects that the movement in values and capital charges were greater than the contributions applied to finance capital expenditure. Increased expenditure on the High Needs Block of the Dedicated Schools Grant (DSG) has resulted in an overspend of £15.335m in 2024/25 against the DSG. Any deficits in relation to DSG are kept separate from the General Fund and transferred to the DSG Adjustment Account to be recovered over future years.

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