

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 15 November 2023
My Ref:
Your Ref:

**Committee:
Audit Committee**

Date: Thursday, 23 November 2023
Time: 10.00 am
Venue: Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director – Legal and Governance

Members of Audit Committee

Simon Harris (Vice Chairman)
Nigel Lumby
Brian Williams (Chairman)

Roger Evans
Rosemary Dartnall

Independent Member: Jim Arnold

Your Committee Officer is:

Michelle Dulson Committee Officer

Tel: 01743 257719

Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies for Absence / Notification of Substitutes

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the previous meeting held on the 28 September 2023 (Pages 1 - 12)

The Minutes of the meeting held on the 28 September 2023 are attached for confirmation.

Contact Michelle Dulson (01743) 257719

4 Public Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5pm on Friday 17 November 2023.

5 Member Questions

To receive any questions of which Members of the Council have given notice. The deadline for this meeting is 5pm on Friday 17 November 2023.

6 Second line assurance: Risk Annual Report 2022/23 incorporating Strategic Risks Update (Pages 13 - 18)

The report of the Risk and Business Continuity Manager is attached.

Contact: Jane Cooper (01743) 252851

7 First line assurance: Blue Badge Management Update (Pages 19 - 32)

The report of the Head of Business and Consumer Protection is attached.

Contact: Frances Darling (01743) 251715

8 First line assurance: Freedom of Information (FOI) Management Update (Pages 33 - 46)

The report of the Assistant Director – Legal and Governance is attached.

Contact: Tim Collard (01743) 252756

9 Second line assurance: Treasury Strategy Mid-Year Report 2022/23 (Pages 47 - 70)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

10 Governance Assurance: Annual Audit Committee Self-Assessment (Pages 71 - 92)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

11 Third line assurance: Internal Audit Charter (Pages 93 - 110)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

12 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative (Pages 111 - 142)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

13 Governance Assurance: Annual review of Audit Committee Terms of Reference (Pages 143 - 152)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

14 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2023/24 (Pages 153 - 172)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

15 Second Line Assurance: Statement of Accounts 2021/22 (Pages 173 - 388)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

16 Second Line Assurance: Statement of Accounts 2022/23

The report of the Executive Director of Resources (Section 151 Officer) is to

follow.

Contact: James Walton (01743) 258915

17 Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2021/22

The report of the Engagement Lead is to follow.

Contact: Grant Patterson (0121) 232 5296

18 Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2022/23

The report of the Engagement Lead is to follow.

Contact: Grant Patterson (0121) 232 5296

19 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 22nd February 2024 at 10:00am.

20 Exclusion of Press and Public

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

21 Exempt minutes of the previous meeting held on the 28 September 2023 (Pages 389 - 390)

The exempt Minutes of the meeting held on the 28 September 2023 are attached for confirmation.

Contact: Michelle Dulson 01743 257719

22 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7) (Pages 391 - 394)

The exempt report of the Internal Audit Manager is attached.

Contact: Katie Williams 07584 217067

23 Third line assurance: Montagu Evans Contract Management Audit (Exempted by Categories 3 and 5) (Pages 395 - 398)

The exempt report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

24 First line assurance: Montagu Evans Contract Management

Update(Exempted by Category 3) (Pages 399 - 404)

The exempt report of the Head Property and Development is attached.

Contact: Steve Law (01743) 281017

25 Third line assurance: Highways Other Major Contracts Audit (Exempted by Categories 3 and 5) (Pages 405 - 408)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

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Committee and Date

Audit Committee

23 November 2023

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28 SEPTEMBER 2023 10.00 AM – 12.40 PM

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillor Brian Williams (Chairman)

Councillors Nigel Lumby, Roger Evans and Rosemary Dartnall

Independent Member: Jim Arnold

31 Apologies for Absence / Notification of Substitutes

An apology was received from Councillor Simon Harris (Vice-Chairman).

32 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

33 Minutes of the previous meeting held on the 20 July 2023

The Internal Audit Manager updated the Committee in relation to recruitment to the internal audit team. Unfortunately, they had been unsuccessful in the last round of recruitment but would look to advertise again. An update was provided in her Internal Audit Performance report later on in the Agenda.

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 20 July 2023 be approved as a true record and signed by the Chairman.

34 Public Questions

There were no questions from members of the public.

35 Member Questions

A question was received from Councillor David Vasmer. Councillor Vasmer attended the meeting remotely to ask his question and the Executive Director of Resources (Section 151 Officer) read the response.

In response, and by way of a supplementary question Councillor Vasmer stressed the urgency of this very serious matter. The Chairman agreed and assured him that officers would make available as much information as was available for the November meeting of the Audit Committee.

A full copy of the question and response provided are attached to the web page for the meeting and also attached to the signed minutes.

36 **First line assurance: Freedom of Information (FOI) Management Update**

The Committee received the report of the Assistant Director Legal and Governance - copy attached to the signed Minutes – which summarised the Council's compliance with the Freedom of Information Act 2000 (FOIA) and set out the actions taken since the Information Commissioner (ICO) issued an enforcement notice to the Council in April 2023.

The Assistant Director Legal and Governance introduced and expanded on the report. He gave some context to the report and the background to the reason for the enforcement notice being issued. He reported that a number of improvements had been made, as set out in the report and that the development of a dashboard, which was made available to all Executive Directors on a weekly basis, had been extremely helpful, along with the Information Governance, Leadership and Oversight Group which ensured the Directors were aware of the need to prioritise FOI requests or face very serious consequences including the Council being held in contempt of court.

He drew attention to the Action Plan (Appendix A to the report) which had generated quite significant improvements and although there was still work to be done the Council was on an upward trajectory, as set out in paragraph 2.4. He reported that when they had met with the Information Commissioner the previous month, he had been very pleased with their progress, and it was a more positive and constructive interaction than previous meetings.

The Assistant Director Legal and Governance informed Members that the Information Commissioner had been given access to the dashboard so they could see how the Council was doing on a day-to-day basis and that he had welcomed that transparency. The Assistant Director Legal and Governance felt that provided they continued with this upward trajectory that the enforcement notice would be withdrawn. Due to the work of the Head of Policy and Governance backed up by the Information Governance Team Leader there was now a much sharper focus on the issue and a better understanding amongst Directorates and another new appointee was due to start in the next couple of months which would strengthen the team.

The Head of Policy and Governance explained the next steps and that the enforcement notice ran until the 26 October, so they had until then to comply and although well on the way to achieving that, there was more room for improvement. At the end of the 6-month period the Council would have to prepare a written response to the ICO to demonstrate how the Council had complied with the enforcement notice. Members requested sight of that response to the ICO enforcement notice along with an update at the next meeting. It was agreed to circulate the response to Committee Members once it had been sent, outside of the meeting if not available for the November meeting.

In response to a query about the red and amber actions and how many requests for extra time were received, the Head of Policy and Governance explained that the Action Plan was developed back in April when the enforcement notice was first received, and it was a part of the enforcement notice that the Council was required to do this. He confirmed that the red actions were still outstanding however there was work ongoing to develop the training materials in relation to that and it was envisaged that that would be done within the next couple of months, however, due to the resources within the team their focus over the summer months had been to clear the backlog of the overdue requests and to improve the processes within the Council in order to comply with the legislation had been the paramount focus and although training formed part of that, it was important to get it right which took a little bit of time but it was a 'work in progress'.

Members felt that the FOI legislation was a fundamental right and a very important cornerstone of democracy, so it was important for the Council to be as transparent as possible. In response to a query about the time it took to clear the backlog of cases not responded to within the 20 days, the Head of Policy and Governance explained that they were all cleared by June 2023 apart from a very small number from prior to 2022. He agreed to include the average number of days taken to complete each request in the November update. He went on to explain the process for notifying members of the public if their FOI request would not be responded to within 20 days, due to some complexity or exemptions to the release of information, for example. Although this had always been a part of the procedure, the Head of Policy and Governance confirmed that prior to 2022 the Council had not necessarily complied with that element of the legislation, however, from April 2023, steps had been taken to address those points.

Concern was raised that FOI requests were seen as an avoidable burden rather than being accepted as being something that was set out in law that allowed for open democracy. Further concern was raised about the reputational damage to the Council. In response to a query about whether the audit team had ever audited FOI in the past and whether they were now planning to do so, the Head of Policy and Governance reported that the Council's information governance arrangements had been audited previously, which would have included FOI responses, and which would have been reported to the Audit Committee. The Internal Audit Manager informed the meeting that the last audit undertaken specifically for FOI had been in 2018/19 when it had received a limited assurance rating. Further audits on information governance had been undertaken and she agreed to circulate this information outside of the meeting.

Finally, the Executive Director of Resources (Section 1151 Officer) explained that in the past there had been a centralised FOI team however a decision had been taken to devolve this function and it became the responsibility of each individual team however, over time, performance dropped away and although consistent with what the legislation said, deadlines were not being met. When the Resources Directorate was set up, a new post of Head of Policy and Governance was created and which would have control of and responsibility for the Information Governance Team with a view to centralising that function in order to deal with all the issues that had arisen. However, before that could happen, the ICO issued its enforcement notice which had to be complied with so the centralisation of the service was put on hold whilst the current devolved arrangements were strengthened to adhere to the requirements of the enforcement notice.

He assured the Committee that there had never been any resistance to transparency in relation to FOI requests, it was simply around prioritisation, and he confirmed that no short cuts had been taken and that the information that had been given was the best information that the Council was able to provide. All FOI requests were investigated and signed off at a senior level before they were responded to. The Executive Director of Resources (Section 151 Officer) made it clear that the fundamental issue had been that time scales had been allowed to slip and nothing else. He reminded Members that this issue was discussed at Audit Committee on 20 June 2023, as reflected in the Minutes, which was the reason for the request for a progress report to come to this meeting.

RESOLVED:

To endorse the Council's response to the ICO enforcement notice and to receive a further update on progress at the November meeting of the Audit Committee.

37 Governance assurance: AGS Action Plan 2023/24 Update

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided an update on the agreed action plan as at September 2023.

The Executive Director of Resources (Section 151 Officer) introduced and amplified the report. He explained that the 2021/22 and 2022/23 action plans had been pulled together into one document, appended to the report, and that the latest position as at end of August had been provided by either the senior manager, the Executive Director or the CEO as indicated and should provide the Committee with some assurance.

In relation to reducing the risk of cyber attacks (item 4 of the Action Plan), concern was raised that only 51% of employees had undertaken their data protection training. The Chairman commented that there were also seven members who had not completed their cyber security training and he stated that it was up to Group Leaders to ensure their members had completed this mandatory training and indeed, he would be raising this with his group leader.

In response, the Executive Director of Resources (Section 151 Officer) explained that it was a constant battle, but that the numbers were analysed and measured separately for both officers and members. A paper had been passed by Full Council and a revised process was being drawn up. The Head of Technology and Automation had given him an update the previous day. They were looking to introduce a process whereby if an employee or a member failed to undertake the training and after the various automatic chasing emails were sent, their laptops would be locked and only by telephoning into the IT helpdesk would they be unlocked to allow them to undertake the training. There were a few issues still to be ironed out however before this was rolled out. It was important to remember however, even with all the training being undertaken people could still make mistakes and even a very small error in cyber security, for example, could be catastrophic so it was important to try to get as many people trained as possible to help reduce the risk.

In response to a query in relation to item 3 of the action plan around the Council's ability to fund children's services, it was agreed to request that the relevant Scrutiny Committee investigate why the Supporting Families claims target had not been met leading to Shropshire missing out on funding through payment by results.

In relation to concerns around the number of staff not having completed their cyber security training, the Executive Director of Resources (Section 151 Officer) explained that it was a complicated equation, and he explained the reason for setting the target at 95% was due to a number of factors that could not be controlled in terms of turnover etc. However, when looking at staff numbers there would be some staff who have just started and not yet done their training, there will be people who were about to leave, there were also staff who may only access IT once a month so don't have regular access to the IT systems but were still on the list etc.

He went on to explain that when this had been looked at the previous year, they had a real push across the organisation and spent a lot of time and effort routing out all of those individuals who had not done the training, and it was several hundred, and the IT Business Managers were telephoning people and helping them complete the training to get it done which was incredibly resource intensive and could not be sustained and the level of compliance dropped back down into the mid-80% level. A process was therefore required that was sustainable and not as resource intensive and was built more around the technological processes to keep the percentages high.

A query was raised about the August 2023 budget performance dashboard which showed a deficit of £35m. Members had received assurance at quarter 1 that the Council was on track however there was a predicted £23m overspend within the People Directorate, £7.9 within Place and £3.4m in Resources. In response the Executive Director of Resources (Section 151 Officer) referred Members to the Cabinet meeting of 6 September where, in section 2.8 of the quarter one monitoring report, it was made very clear that the 'Business as Usual' forecast before any planned mitigations (do nothing) the figure was £37.6m this had now become £36.2m by the end of August. What was not shown on the dashboard but was shown within the quarter one report, was that further savings of £11.9m and the demand mitigation figure of £20.5m which led to a planned operating overspend of £5.2m. The information was therefore absolutely consistent with the information that had been provided to members and in terms of the breakdown of that overspend, quarter one gave a very detailed breakdown of all of the overspends in each of the individual teams and service areas, which, in total, came to £37.6m at that point in time.

In response to a query, the Head of Technology and Automation joined the meeting and provided an update in relation to Cyber Security. In response to concerns around the non-compliance of members and staff to complete their cyber security training and what could be done to encourage them to complete it, the Head of Technology and Automation agreed that it was a challenge and that unless there was a concerted effort people did not keep cyber security training at the forefront of their mind so the problem was around how to change that cultural issue.

In response to comments around turning off laptops, he felt that although that would help, it was very much a 'stick' type solution whereas a 'carrot' type solution was needed. So although they could turn off accounts automatically, the problem then became around business processes and once locked out, how do we get them back

in to enable them to do the training. Also, they may have other urgent work to do that they couldn't undertake if their laptop was turned off. There were a few issues that they were trying to work through at the moment in order to address this. It was unclear however whether the threat of having their laptop turned off and having to ring through to log back on would make people do the training.

An example of a 'carrot' type solution could be when people spot phishing emails, they could get an email saying congratulations for not clicking on the link however the current software did not allow this. When it came to cyber security, staff were not the weakest link but were in fact the last line of defence and could make a difference between an organisation being secure or not. He discussed the various reasons why some members of staff may not be completing their training and how they could be helped/guided through. It may be necessary to try different approaches and see what works. The compliance rate would never be 100% and the Council were currently around 85% compliant which was slightly down from the previous year.

A suggestion was made that an announcement be made at a Full Council meeting reminding Members to complete their cyber security/data protection training and suggesting that they complete it after the meeting whilst in the Shirehall so that IT assistance could be requested if necessary. It was agreed to raise this at the group leaders meeting.

Turning to the fundamental recommendations around performance set out in the Performance report (IT Contract Management and Disposal of IT equipment), the Head of Technology and Automation reported that the first (IT Contract Management) had been completed and they had gone further and were now meeting on a more frequent basis to discuss internal contracts so they have a spreadsheet of all the contract information so there were no surprises in relation to which contracts were coming to an end etc.

In relation to the Disposal of IT equipment, he confirmed that there was now a contract in place for the formal disposal of IT equipment that ran for two years following which a new Contract would be procured.

RESOLVED:

To note the actions identified in the Annual Governance Statement Action Plan update at Appendix A.

To request that the relevant Scrutiny Committee investigate why the Supporting Families claims target had not been met leading to Shropshire missing out on funding through payment by results.

38 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2023/24

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which provided members with an update of the

work undertaken by Internal Audit in the first four and half months of the approved internal audit plan for 2023/24.

The Head of Policy and Governance explained that significant revisions were being proposed to the plan, as set out in the report, resulting in a reduction of 510 days due to a reduction in available resources. The revisions were however targeted to provide enough cover to inform a year end opinion.

The Head of Policy and Governance reported that 31 final reports had been issued in the previous quarter containing 182 recommendations (detailed at paragraph 8.8 of the report). He confirmed that given the limited data available no strong patterns of lower levels of assurance were emerging.

The Head of Policy and Governance informed the meeting that as at 3rd September 2023, 20 reports had been issued providing good or reasonable assurances (64%) which represented a slight increase in the higher levels of assurance than the previous year (62%), offset by a corresponding decrease in the number of limited and unsatisfactory assurance levels (36%) (38% last year). There were also 10 reports awaiting management responses which would be included in the next performance report. He then drew attention to two fundamental recommendations that had been identified in relation to IT Contract Management and the Disposal of IT equipment (set out in paragraph 8.14 of the report).

The Head of Technology and Automation updated Members in relation to the two fundamental recommendations. He reported that the first (IT Contract Management) had been completed and they had gone further and were now meeting on a more frequent basis to discuss internal contracts so they have a spreadsheet of all the contract information so there were no surprises in relation to which contracts were coming to an end etc.

In relation to the Disposal of IT equipment, he confirmed that there was now a contract in place for the formal disposal of IT equipment that ran for two years following which a new Contract would be procured.

In response to a query around the lack of resources within the Internal Audit team, the Head of Policy and Governance confirmed that internal audit had to comply with the Public Sector Internal Audit Standards (PSIAS) and as such had to provide an internal audit service that covered the right areas in order for them to deliver a year end opinion on the internal control environment hence why they had had to adjust the resources so that they could actually deliver that opinion. Members expressed concern that the actual number of available hours was declining. In response, the Head of Policy and Governance stated that it was a concern due to recent staff turnover being higher followed by an unsuccessful recruitment exercise however this was a national issue and was also being experienced by External Audit.

It was queried whether a self-assessment process could be introduced whereby each department complete their own audits with Internal Audit providing verification that they were being done. In response, the Internal Audit Manager confirmed that self-assessments were used for school audits, for example, but it was difficult to get the evidence to back it up so significant resources were still required to verify the information.

In response to a query around why certain seemingly minor audits were being audited when very short of staff, the Internal Audit Manager explained that although not significant in terms of strategic risks they had to take into account both the strategic risk environment and the available resources within the team and allocate work according to the skills within the team, for example they had a number of trainee auditors so they had to adjust the type of audits undertaken by them however they were excellent for training purposes and they did provide an insight into the activity of the organisation and whilst small in value, gave a feel for how staff were controlling the finances and how they might be dealing with income so gave a flavour of what was going on in the wider organisation.

In response to concerns around the Blue Badge Scheme, Members requested a management update for the next meeting.

A brief discussion ensued in relation to the reduction in resources within the internal audit team and how the Council could attract and retain auditors in order to fill vacant posts. The Head of Policy and Governance explained that it was an issue within the market that it was very difficult to recruit but they were looking at other ways in which to fill that resources gap and it was confirmed that the establishment within the audit team had not been reduced. In response to comments, the Executive Director of Resources (Section 151 Officer) explained that there were a number of options open to the Council in terms of recruitment but that the rates of pay were in line with other local authorities. There were opportunities to pay market supplements if deemed necessary and work was currently being undertaken around the 'shop window' by demonstrating why Shropshire is a good place to work and with an open policy around agile working could recruit from across the country.

RESOLVED:

To endorse the performance of Internal Audit against the 2023/24 Audit Plan.

To request a management update for the next meeting in relation to the Blue Badge Scheme.

39 Second line assurance: Approval of the Council's Statement of Accounts 2021/22

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided the final approval of the Statement of Accounts for 2021/22, detailing the final amendments to the Draft Statement of Accounts during the audit process.

The Executive Director of Resources (Section 151 Officer) informed the Committee of the standard process for signing off the Council's accounts by 31st July. However, since 2021 there had been a number of issues nationally that had delayed the accounts being signed off. He confirmed that they had only very recently got the 2020/21 accounts signed off and the 2021/22 and 2022/23 accounts were still to be signed off.

The Executive Director of Resources (Section 151 Officer) explained that the full set of accounts had not been appended to the report because it would have meant an

extra 200+ pages each time it came to Committee, and he drew attention to the timeline set out in Paragraph 2.1 of the report which demonstrated the various issues leading to the delays. He informed the meeting that the 2021/22 accounts were almost complete with just a few pieces of information being finalised but there were no major or substantive changes outside of those already indicated. It was hoped to sign off the accounts within the next two weeks and a further report would be presented to the November Audit Committee meeting.

In response to a query, the Executive Director of Resources (Section 151 Officer) explained that in relation to the Reinforced Autoclaved Aerated Concrete (RAAC) issue, his understanding was that an assessment had been undertaken which indicated that no Shropshire Schools were impacted, and the only Council building was Whitchurch Civic Centre. A full assessment would take 8-10 weeks so the plan was that because they had sufficient evidence that this was not an issue it could be identified as a contingent liability within the accounts and providing Grant Thornton were comfortable with that statement, that would allow the accounts to be signed off.

The External Auditor confirmed that he was happy with the suggested way forward but draw the Committee's attention to another national issue that was emerging in relation to equal pay however there were no issues or concerns for Shropshire Council around this but a disclosure letter may be required. He hoped to issue his opinion on the 2021/22 accounts ahead of the next Audit Committee meeting.

RESOLVED:

To approve the amendments made to the 2021/22 Statement of Accounts as a result of the triennial pension valuation.

To note that the audit opinion on the 2021/22 Statement of Accounts would be delayed until the Council could state the potential impact that RAAC (Reinforced Autoclaved Aerated Concrete) would have on the Council's asset base.

40 Second line assurance: Approval of the Council's Statement of Accounts 2022/23

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which set out the Statement of Accounts for 2022/23, detailing any amendments made to the Draft Statement of Accounts during the audit process, and progress of the audit of the accounts.

The Executive Director of Resources (Section 151 Officer) drew attention to the timeline set out in paragraph 2.2 of the report. It had been hoped to complete the external audit by 30 September for sign off today however it was now hoped to be in a position to sign off the accounts and for the audit opinion to be issued by the November meeting of the Audit Committee. The adjustments that had been made following the audit work to date were as set out in the report.

In response to a further query in relation to RAAC, the Executive Director of Resources (Section 151 Officer) confirmed that the review was of all the assets owned by the authority, not just schools.

RESOLVED:

To note the amendments currently proposed to the 2022/23 Statement of Accounts and that due to the audit not being completed by the statutory deadline, the approval of the audited Statement of Accounts would be deferred until the November Audit Committee.

41 Third line of assurance: External Audit: Shropshire Council Audit Plan 2022/23

The Committee received the report of the Engagement Lead - copy attached to the signed Minutes – which provided an overview of the planned scope and timing of the statutory audit of Shropshire Council for those charged with governance.

The Audit Manager introduced the report and took Members through the plan. She reported that they were well progressed with the plan and that work was ongoing with the Council's finance team. She drew attention to the key areas of the report which was where they focussed most of their time and which were around those significant risk areas including the presumed risk of fraud in revenue and expenditure recognition and management override of controls (pages 7 and 8 of the report). Although a lot of work was undertaken around these two areas, they have not been identified as significant risks.

Turning to pages 8 and 9 of the report, which looked at the Council's other significant risks of valuation of land and buildings and the net Pension Fund liabilities, which, although consistent with previous years, the Audit Manager highlighted that a detailed risk assessment had been undertaken of the Council's asset portfolio which fell into three categories, other land and buildings, Council dwellings and investment property. Following that assessment, it was felt that Council dwellings were not a significant risk however further work around investment properties had revealed that there had been some movement outside of expectations so that would be moved into the significant risk category.

The Audit Manager drew attention to the other risks identified, set out on page 11 of the report and which took quite a significant amount of audit time, around the completeness of expenditure and cash balances. She went on to discuss the Council's group audit arrangements, their other responsibilities under the Code of Audit Practice and their approach to materiality.

Turning to Value for Money, two risks of significant weaknesses had been identified around financial sustainability and the inadequate rating issued by Ofsted in respect of children in care. In accordance with National Audit Office guidance, a joint report for 2021/22 and 2022/23 had been produced and would be shared over the next few weeks.

The Audit Manager confirmed that the audit was progressing but there had been a slight delay around their IT work on journals however that was back on track and they intended to bring a draft AFR and draft opinion to the November meeting. Finally, she drew attention to the audit fees, set out on pages 22 and 23 of the report, and the other work that they undertake for the Council.

RESOLVED:

To note the contents of the report.

42 Third Line Assurance: External Audit: Informing the Audit Risk Assessment 2022/23

The Committee received the report of the Engagement Lead - copy attached to the signed Minutes – which contributed towards effective two-way communication between Shropshire Council's external auditors and Shropshire Council's Audit Committee, as those charged with governance. It covered some important areas of the auditor risk assessment where they were required to make inquiries of the Audit Committee under auditing standards.

RESOLVED:

To note the contents of the report.

43 Date and Time of Next Meeting

The next meeting of the Audit Committee would be held on the 23 November 2023 at 10.00am.

44 Exclusion of Press and Public

RESOLVED:

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

45 Exempt minutes of the previous meeting held on the 20 July 2023

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 20 July 2023 be approved as a true record and signed by the Chairman.

46 Third line of assurance: External Audit Accounts Objection update

The Committee received the exempt report of the Engagement Lead – copy attached to the signed Exempt Minutes – which provided the Committee with a summary of the statutory position in respect of inspection and objections rights and the findings from the work related to one eligible objection.

RESOLVED: To note the contents of the report.

47 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7)

The Committee received the report of the Internal Audit Manager - copy attached to the signed Exempt Minutes – which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

RESOLVED: To note the contents of the report.

Signed (Chairman)

Date:



Committee and Date

Audit Committee
23rd November 2023

Item

Public



Annual Risk Report 2022/23

Responsible Officer:	Jane Cooper		
email:	jane.cooper@shropshire.gov.uk	Tel:	01743 252851
Cabinet Member (Portfolio Holder):	Cllr. Gwilym Butler, Portfolio Holder Resources		

1. Synopsis

Audit Committee regularly review the Council's underlying risk exposure by considering the Council's Strategic Risks. This report sets out the current strategic risk exposure following the June 2023 bi-annual review.

2. Executive Summary

The management of the strategic risks is a key process which underpins the successful achievement of our priorities and outcomes. Strategic risks are linked, where appropriate, with the Annual Governance Statement Targeted Outcomes.

3. Recommendations

Members are asked to accept the position as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The authority has an Opportunity Risk Management Strategy which details the methodology to be followed when identifying and monitoring risks which affect the Council. This is available on the intranet.

4.2. The risks identified can either be operational, project or strategic risks. This report refers to the strategic risks, i.e. those risks which affect the Council as a whole, not just a particular service area.

5. Financial Implications

5.1. If the strategic risks are not well managed, then this could lead to severe financial implications for the council.

5.2. There is one strategic risk specifically financial related, but all the strategic risks will have a financial implication for the whole authority to some degree.

6. Climate Change Appraisal

6.1. The importance of Climate Change is recognised within the council and as such it is listed as a strategic risk with a score of Likelihood 4, Impact 4 making it a high scoring risk.

7. Background

7.1. Our strategic risks are reviewed on a bi-annual basis ensuring that the level of risk exposure is monitored regularly in our rapidly changing environment.

7.2. The review was undertaken through virtual meetings with the nominated strategic risk leads and assurance providers, and due to the timing of the review, followed by the Annual Strategic Risk Workshop with the Executive Management Team face to face.

7.3. As a result of the review and workshop, several changes have been made to the strategic risks. These changes are detailed below.

7.4. The Strategic Risks are held within a SharePoint site where controlled access is available for everyone who have controls assigned to them and access is available to the Executive Management Team. The risks are therefore able to be updated in real-time.

7.5. Following the bi-annual review and workshop, there are eight strategic risks on the risk register, and these are each managed by specific Executive Directors. These are detailed below together with the direction of travel following the review:

STRATEGIC RISK LIST - June 2023 REVIEW

Risk	Risk Owner	L	I	Status	Travel
Failure to protect from and manage the impact of a targeted cyber-attack on ICT Systems used by the Authority.	James Walton	5	5	25	=
Balanced Budget – to be finalised (indicative score)	James Walton	5	4	20	=
Failure to proactively manage and mitigate the health & wellbeing of Staff.	James Walton	5	4	20	=

Critical Skills shortage impacting on Recruitment, Retention & Succession Planning	James Walton	5	4	20	=
Responding and Adapting to Climate Change.	Mark Barrow	4	4	16	=
Failure to deliver the Economic Growth Strategy prevents the Council from meeting the corporate outcomes.	Mark Barrow	3	4	12	=
Failure of Officers and Members to adhere to Governance arrangements.	James Walton	4	3	12	=
Extreme pressures upon partners (social care, health, and criminal justice) within the system impacting on Shropshire Council through increased expectation, demand, need and complexity – to be finalised.	Rachel Robinson/ Tanya Miles				

7.6 There were several risks that were archived as part of the review, and these are detailed below. After detailed discussions, it was agreed that some risks would be archived. All remaining additional controls within these risks have been addressed or transferred to operational risk registers for implementation. With any archived risk, the situation continues to be monitored and if necessary, the risk will be re-instated and managed accordingly.

7.6.1 Ability to Fund Adult Social Care/Children’s Services

These risks form part of the wider ‘Balanced Budget’ strategic risk and should be managed accordingly within that.

7.6.2 Failure to Deliver the Commercial Strategy

Delivery of these types of strategies (unless it is the MTFS (Medium Term Financial Strategy)) should ideally be managed at an operational level within Business, Enterprise & Commercial Services and assurance provided in relation to progress against the objectives within the strategy.

7.6.3 Failure to Respond to the Effects of Covid-19 and Other Respiratory Diseases

Strategic risks should be the risks that are currently impacting on our ability to achieve our strategic objectives and we are not currently experiencing the effects of Covid-19 and are also not in the period of the year when respiratory diseases are prevalent.

7.6.4 Safeguarding Adults/Children

Safeguarding is being managed at an operational level across all relevant areas.

7.6.5 ICT Infrastructure Reliance

This risk has been reduced over the last couple of years and is now at a manageable level and requiring less strategic intervention. The service Manager can provide ongoing assurance.

7.7 During the detailed review some of the risk titles were redefined to articulate the actual risk more clearly and what we are mitigating.

7.7.1 Climate Change becomes ‘Responding and Adapting to Climate Change’.

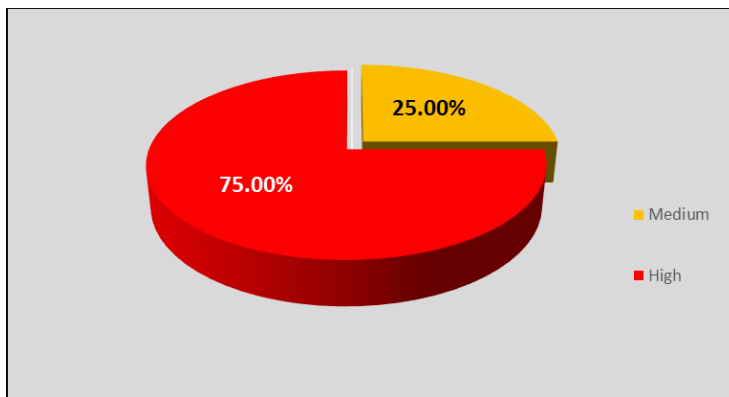
7.7.2 Mental Health & Wellbeing of Staff becomes ‘Health & Wellbeing of Staff’.

7.7.3 Recruitment, Retention & Succession Planning becomes ‘Critical Staff Shortages impacts on Recruitment, Retention & Succession Planning’.

7.8 Our current exposure plotted on our matrix looks as follows:

IMPACT	5					1	No. of Strategic Risks		
	4			2	1	3			
	3								High
	2								Medium
	1								Low
		1	2	3	4	5			Very Low
	LIKELIHOOD								

7.9 Our overall current risk exposure following the latest review is demonstrated below. This shows that the strategic risk exposure above our tolerance level (i.e. high and medium risks) is currently 100% with all current strategic risks being either high or medium risks.



8. Additional Information

8.1 The strategic risk profiles which sit behind each strategic risk, incorporate in greater detail the risk description, the current controls and the outstanding actions which are in place.

8.2 The Executive Management Team have undertaken to review each strategic risk one by one on a cyclical basis at their regular meetings. A risk is considered and challenged at a high level to ensure it is still relevant and to monitor the controls proposed for mitigation. The score and target score are considered, and future implications considered.

9 Conclusions

- 9.1 The report details the changes to the strategic risk profile following the review in June 2023.
- 9.2 Audit Committee can at any time elect to have a more detailed examination of any of the strategic risks and can invite the risk owners to a committee meeting to discuss their risks.
- 9.3 The next review of Strategic Risks takes place in December 2023 and a report will be provided to Audit Committee in February 2024.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Opportunity Risk Management Strategy

Local Member: N/A

Appendices

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Committee and Date

Audit Committee
23 November 2023

Item

Public



Blue Badge Audit Recommendations

Responsible Officer:	Mandy Beever, Transactional Management and Licensing – Team Manager		
email:	Mandy.Beever@shropshire.gov.uk	Tel:	01743 251702
Cabinet Member (Portfolio Holder):	Councillor Chris Schofield, Portfolio Holder for Planning and Regulatory Services		

1. Synopsis

This report provides an update for the Committee on the actions taken and the current position in response to the Blue Badge Audit 2022/23.

2. Executive Summary

- 2.1. The Shropshire Plan recognises the importance of tackling inequalities including rural inequalities which reduces risk and enables children, young people, adults, and families to achieve their full potential and enjoy life. The fundamental purpose of the Blue Badge service is to support individuals and businesses in a way which allows them to thrive whilst protecting the safety and welfare of the public who live, and work in Shropshire; together this will help to achieve a Healthy People.
- 2.2. An Audit of the Blue Badge service was undertaken between October 2022 and April 2023. There were 10 recommendations identified 1 was categorised as ‘significant’ and 9 were categorised as ‘required attention’.
- 2.3 This report provides information on the action taken by the Blue Badge service in response to the recommendations and provides additional information on the implementation timescales for the 3 outstanding recommendations, which were categorised as ‘required attention’.

3. Recommendations

3.1. That members note the position as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. This is an information report providing the Committee with details of the work undertaken by the Blue Badge Service and therefore a risk assessment and opportunities appraisal has not been carried out.

5. Financial Implications

5.1. The fee of £10.00 charged for a Blue Badge is a statutory fee and the Council does not have the ability to increase this fee. It costs the Council £5.01 for each Blue Badge ordered, this cost covers the printing and posting of each Blue Badge. The statutory fee is insufficient to cover the cost of the work associated with the administration of the Blue Badge scheme, this results in the additional administration costs being borne by the local taxpayer.

6. Climate Change Appraisal

6.1. There are no anticipated climate change or environmental impacts associated with the recommendations in this report.

7. Audit recommendations

7.1 There were 10 recommendations in total at the end of the Blue Badge Audit, 7 of those recommendations have been completed. A summary of the recommendations can be found at **Appendix 1**.

7.2 Recommendation 1.1 *'The Blue Badge Scheme Policy and related procedural documentation should be reviewed and updated at the earliest opportunity. This should be formally approved and disseminated to all relevant officers,'* is still outstanding. Work to complete the requirements of this recommendation is scheduled to commence in January 2024 with a view to putting the revised policy and procedures into place by 1 April 2024.

7.3 Recommendation 3.1 *'The service needs to introduce a system or reporting tool to enable them to identify that they are processing blue badge applications within the four-week timescale as per the policy. Once in place, performance monitoring should be introduced and undertaken on a regular basis for application times and any other relevant timescales,'* is still outstanding. Work to complete the requirements of this recommendation has begun however, the revision of the policy, considering the increase in the volume of applications, is likely to result in an amendment to processing times. Performance monitoring is currently being

undertaken to enable the service to actively monitor the current position and the improvement in processing times for the new officers. Discussions are currently underway with our IT suppliers for the development of improved monitoring facilities within the system. Work to complete the revised policy is scheduled to commence in January 2024 with a view to putting the revised policy and procedures into place by 1 April 2024.

7.4 Recommendation 6.1 ‘*The service lead must ensure that processes are in place to respond to applicants who have raised appeals/reviews within a timeframe of five working days. Evidence of the outcome of the review/appeal to the applicant should be retained.*’ The DfT (Department for Transport) have not set out a timeframe for appeals/reviews to be processed. They recommend that Local Authorities establish an internal procedure to deal with appeals/reviews against an authority’s decision not to issue a Blue Badge. The revised policy will set out Shropshire Councils procedure and will be made available on the Councils website. Furthermore, this procedure will be clearly signposted to unsuccessful applicants in their decision letters. Prior to the revised policy coming into effect all appeals/reviews received will be processed as a priority and any unsuccessful applicants will continue to have information on how they can submit an appeal/review within their decision letter. Work to complete the revised policy is scheduled to commence in January 2024 with a view to putting the revised policy and procedures into place by 1 April 2024.

7.5 A new professional officer role has been created within the Blue Badge, parking enforcement, appeals and challenges function. This officer has only just been released from their substantive role, now that they are in post, they will be responsible for the day-to-day monitoring of Blue Badge processing times, decision review requests, policy, and procedures.

8. Background

8.1. The Blue Badge scheme is a central government scheme operated by Local Council’s on behalf of the Department for Transport (DfT). The Council acts as the DfT’s agent and is required to administer the scheme in line with the Blue Badge scheme local authority guidance (England)ⁱ.

8.2. Post the Covid-19 pandemic, there was a recognition that Blue Badge application numbers were increasing and for that reason there was an internal redesign (together with the parking enforcement appeals and challenges function) to improve resilience and marginally increase capacity to process Blue Badge applications.

8.3. Included below to demonstrate the increase in applications is a chart showing the total number of Blue Badge applications received by financial year.

Financial Year	Total Blue Badge Applications Received
01/04/2019 to 31/03/2020	6991
01/04/2020 to 31/03/2021	5587
01/04/2021 to 31/03/2022	7186
01/04/2022 to 31/03/2023	8604
01/04/2023 to 30/09/2023	5016 (half year)

- 8.4. A long-standing officer, with over 25 years' experience of co-ordinating and processing Blue Badge applications, retired in March 2023. This along with the increase in applications resulted in the need to undertake the service redesign.
- 8.5. The number of officers involved in processing Blue Badge applications has increased from 2 to 4; however, the full-time equivalent has only increased marginally from 1.4 to 2.3. Nevertheless, we do have increased resilience as we now have the flexibility to move 4 rather than 2 officers into Blue Badge processing. We are doing this to address the increased volume, but it will take time.
- 8.6. A new professional officer role has been created within the Blue Badge, parking enforcement, appeals and challenges function this officer has only just been released from their substantive role. This officer will be responsible for the day-to-day monitoring of Blue Badge processing times, decision review requests, policy, and procedures (this officer has responsibilities for similar functions in the parking enforcement appeals and challenges service area).
- 8.7. There is a requirement for ongoing training for all the new officers and this will have an impact on Blue Badge processing times. However, the redesign of the service, once all officers have had time to be fully trained, will support the successful delivery of the service, and ensure that all the Audit requirements are met.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Department for Transport, Blue Badge scheme local authority guidance (England)
[Blue Badge scheme local authority guidance \(England\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/blue-badge-scheme-local-authority-guidance-England)

Local Member: This report covers all areas of Shropshire.

Appendices

Appendix 1 – Action Plan for the Blue Badge Scheme 2022/23

ⁱ Blue Badge scheme local authority guidance (England) - [Blue Badge scheme local authority guidance \(England\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/blue-badge-scheme-local-authority-guidance-England)

ACTION PLAN FOR BLUE BADGE SCHEME 2022/23

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
1.1	1	The Blue Badge Scheme Policy and related procedural documentation should be reviewed and updated at the earliest opportunity. This should be formally approved and disseminated to all relevant officers.	Requires Attention	The Blue Badge Team is currently in a transitional period because of experienced officers retiring. New officers have been appointed and the review of the Blue Badge Scheme Policy will be undertaken as part of this work.	Mandy Beever/Nikki Kelly	01/04/2024	Policy to be reviewed and processes updated in line with the DfT guidelines and to reflect the increase of applications. Processes are still being updated to ensure we are collating and reviewing supporting evidence in the most efficient way to support both the officer and the applicant.
3.1	2	The service needs to introduce a system or reporting tool to enable them to identify that they are processing blue badge	Requires Attention	The new Transactional Management Officer will be putting in place procedures for extracting the data	Mandy Beever/Nikki Kelly	01/04/2024	The 4-week timescale as detailed in the current policy document is not yet achievable

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
		<p>applications within the four-week timescale as per the policy. Once in place, performance monitoring should be introduced and undertaken on a regular basis for application times and any other relevant timescales.</p>		<p>from the Blue Badge processing system to ensure that monitoring is undertaken.</p>			<p>based on the increase in applications received, the change in officers and the more robust application review process.</p> <p>The review of the policy will include a review of the processing times to reflect the current position considering the ongoing increase in application numbers.</p> <p>Performance monitoring is being undertaken to enable the service to accurately monitor the current position.</p>

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
							Officers are in discussions with our IT supplier exploring the options for improvements to be made to the current performance monitoring reports.
4.1	3	A documented record of the monthly and year end Blue Badge budget management discussions with associated actions should be maintained.	Requires Attention	Monthly budget monitoring meetings are held with our Finance Business Partner and these are in managers' calendars. The budget monitoring report (BMR) is updated and where there are specific discussions about Blue Badge budget, relevant notes are recorded on the BMR sheet. The BMR is uploaded to	Mandy Beever/Frances Darling	23/05/2023 Complete	Monthly budget monitoring meetings are held with our Finance Business Partner. The budget monitoring report (BMR) is updated and where there are specific discussions about Blue Badge budget, relevant notes are recorded on the BMR sheet. The

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
				the Corporate Finance system. Specific notes are made by exception, i.e. if the BMR comments column is blank, this indicates there are no specific concerns/actions required. This is held to be a proportionate approach and in line with corporate expectations.			BMR is uploaded to the Corporate Finance system. This is held to be a proportionate approach and in line with corporate expectations.
6.1	4	The service lead must ensure that processes are in place to respond to applicants who have raised appeals/reviews within a timeframe of five working days. Evidence of the outcome of the review/appeal to the applicant should be retained.	Requires Attention	The new Transactional Management Officer will be putting in place procedures for extracting the data from the Blue Badge processing system to ensure that appeals/reviews are responded to within the required timeframe and all associated	Mandy Beever/Nikki Kelly	01/04/2024	The DfT state that there is no legal requirement for local authorities to have an appeals procedure in place if someone disagrees with the reason why their application for a Blue Badge was unsuccessful. There is only a requirement to let

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
				<p>paperwork is retained and recorded against the case monitoring system.</p>			<p>the applicant know in writing why their application was refused.</p> <p>However, the Blue Badge Service does offer the opportunity for an applicant to request a review of their decision if their application was unsuccessful. All applicants (unless applied for as an automatic qualification) are notified of this when they received their refusal letter. When received, the reviews are treated as a priority. The applicant is notified of the review decision</p>

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
							<p>when it has been completed and a record of that decision and the rationale is retained within the Blue Badge processing system.</p> <p>Automatic Qualification applications that do not meet the qualifying criteria are refused without an appeal as they have not provided sufficient proof of eligibility, or a check has been made via the Department for Work and Pensions online portal on their behalf determining that they are not eligible.</p>

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
							I note that the review of the policy will include new processing times based on DfT guidance, to reflect the current position considering the increase in application numbers.
9.1	5	For those staff who are involved with the collection of income, it is recommended that they have carried out the fraud and money laundering training.	Requires Attention	All current staff have now completed the Fraud and Money Laundering Training. There is one new starter who will complete the training this week.	Mandy Beever/Nikki Kelly	23/05/2023 Complete	All staff have completed the Councils Fraud Prevention Training.
9.2	6	The service lead must ensure that staff within the Blue Badge team have individual logons and passwords to the network and software and that there are no	Requires Attention	There are no shared accounts in used, each user has their own login. Access Groups are defined to control what access is available,	Mandy Beever	23/05/2023 Complete	There are no shared accounts in use as per the service level agreement we have with our IT supplier.

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
		generic user accounts in use.		and users are assigned to an access group to grant those permissions. Users can be assigned to multiple access groups to give the permissions they require. Users are also prompted to change their password every 90 days.			
9.3	7	The service lead must ensure that back-ups are performed at regular intervals and records are maintained to evidence that the back-ups have taken place.	Requires Attention	The Blue Badge processing system is hosted externally by the software supplier. Proof of backup processes provided by our IT supplier are retained.	Mandy Beaver	31/05/2023 Complete	The IT supplier, as the external host, log daily backups of the system.
9.4	8	The service lead must ensure that test reinstalls are performed and records to confirm those reinstalls are	Requires Attention	Information was provided by our IT supplier with screenshot of daily backups performed and a copy of the	Mandy Beaver	02/06/2023 Complete	The IT supplier, as the external host, log daily backups and work within the

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
		maintained.		Business Continuity Plan.			Business Continuity Plan
9.5	9	The service lead should ensure that there is a sufficient contingency plan in place should there be an IT failure to maintain continuation of delivery of the Blue Badge operation. This process should be clearly documented and accessible for all staff working on the Blue Badge delivery.	Significant	The IT supplier have their own Business Continuity Plan to manage their process should there be a "site-crash".	Mandy Beever	23/05/2023 Complete	Processes are documented in the Business Continuity Plan we have with the IT supplier; all processes are accessible to all team members.
9.6	10	The Service Lead must ensure that processes are in place to restrict access to personal and sensitive data to appropriate staff.	Requires Attention	We maintain security controls across all systems. These security controls include individual user accounts and security groups which control access and permissions to functions of the systems. Users are	Mandy Beever	01/06/2023 Complete	Access is restricted by the Council's internal Business and Consumer Protection (BCP) Systems Team. Access is only provided to the officers that require it. Users are granted the minimum

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Updated Actions
				granted the minimum permissions required to complete their job. User access and permission changes are managed centrally by the BCP Systems Team upon authorisation of an appropriate person (i.e. the users line manager).			permissions required to complete their job.



Committee and Date

Audit Committee

23rd November 2023

10:00am

Item

Public



Freedom of Information (FOI) Management Update

Responsible Officer:	Tim Collard		
email:	Tim.Collard@shropshire.gov.uk	Tel:	01743 252756
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler		

1. Synopsis

This report summarises the Council's compliance with the Freedom of Information Act 2000 (FOIA) and provides an update on Information Commissioner (ICO) enforcement notice received in April 2023.

2. Executive Summary

- 2.1. During the September meeting, Audit Committee members requested a further management update regarding compliance with the ICO enforcement notice. This report provides members with an update of work undertaken by the Information Governance team and officers across the Council including Executive Directors to ensure it is meeting its legal obligations in respect of the FOIA.
- 2.2. The Information Governance Team recruitment has taken place and further recruitment will be undertaken to improve the Council's compliance with the FOIA.
- 2.3. All overdue FOIA cases from 2022 were cleared by the end of June 2023 and the average 20-day compliance rate has increased from 47% in 2022 to 78% between May to the end of September 2023. Importantly, there has been a sustained month by month improvement with September 2023 recording an 82% response rate.

- 2.4. A follow up meeting with the ICO was held on 6th September 2023 to review progress on the actions set out in the published action plan. The Council was able to report the increase in compliance rates throughout 2023, clearance of the 2022 backlog of requests and that a clear plan was set out to achieve longer term improvements.
- 2.5. The Head of Policy and Governance provided a formal written response to the ICO on 26th October outlining how the Council has complied. A follow up meeting was held on 01 November with the ICO, and they provided written confirmation that the Council had fully complied with the requirements and the enforcement notice. The ICO commended the work of the Council to improve the compliance position and made particular reference to the use of the FOI PowerBi reporting as “exemplar”.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment the on the Council’s response to the ICO enforcement notice.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The consequence of failing to comply with an ICO Enforcement Notice is that the Commissioner may make written certification of this fact to the High Court pursuant to section 54 of FOIA. Upon consideration and inquiry by the High Court, the Council may be dealt with as if it had committed a contempt of court.

5. Financial Implications

- 5.1. The Information Governance function is delivered within approved budgets. The work of Information Governance contributes to improving the efficiency, effectiveness and management of the wider Council.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and the internal control environment.

7. Background

- 7.1. The Freedom of Information Act 2000¹ provides public access to information held by public authorities. FOIA entitles anybody to ask a local authority for any recorded information that they keep. FOIA gives us all greater access to information about how decisions are taken in government and how public services

¹ [What is the Freedom of Information Act? | ICO](#)

are developed and delivered and operates alongside the Data Protection Act 2018 and the Environmental Information Regulations 2004.

- 7.2. Public authorities are obliged to publish certain information about their activities.
- 7.3. Recorded information includes printed documents, computer files, letters, emails, photographs, and sound or video recordings.
- 7.4. Section 10(1) FOIA specifies that public authorities must respond to requests within 20 working days: "... a public authority must comply with section 1(1) promptly and in any event not later than the twentieth working day following receipt."
- 7.5. Information Governance is a Council wide responsibility. The Shropshire Plan sets out the priority of improving access to information for members of the public.

A summary of the formal notice:

Taking into account the significant volume of unanswered FOI requests, their age profile including many requests subject to severe delay, and the need for significant and sustained improvement in timely FOI responses, the Commissioner considers it a proportionate regulatory step to issue an Enforcement Notice to Shropshire Council. This Notice requires the Council to comply with section 1(1) of FOIA in respect of each FOI request, where the response is outside of 20 working days at the date of this Notice, and where a permitted extension of a maximum of a further 20 working days has not been applied. It is essential that the improvements that the Council has already achieved since the initial contact with the ICO are sustained.

The notice requires:

(i) In respect of each information request where the response is outside of 20 working days as at the date of this notice, and where a permitted extension has not been applied, to comply with section 1(1)(a) of FOIA and, if information of the description specified in the request is held, either:

(ii) communicate it pursuant to section 1(1)(b) FOIA; or issue a valid refusal notice under section 17 FOIA, unless section 17(6) FOIA applies.

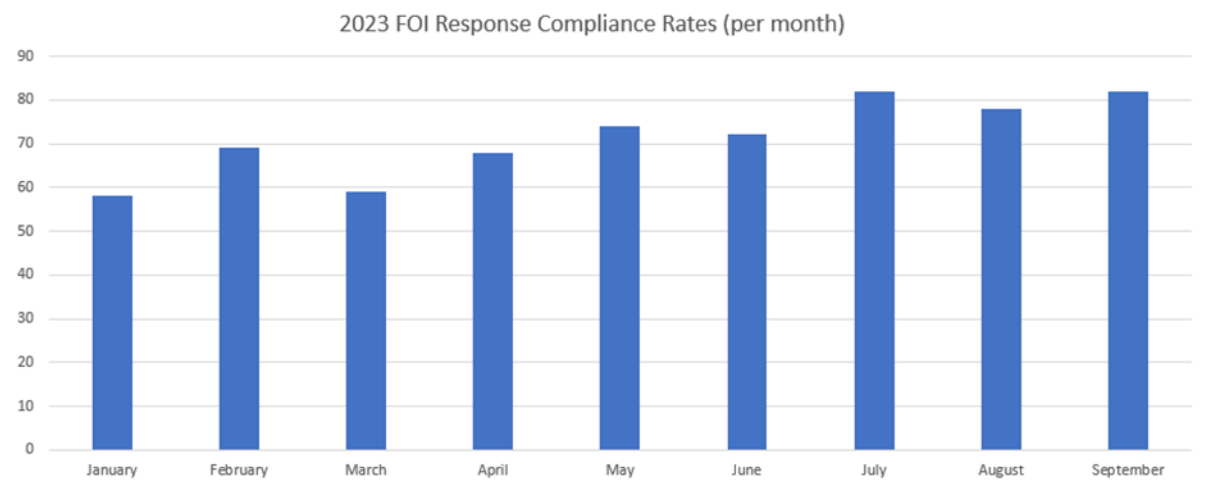
(iii) Devise and publish an action plan formalising the measures it will take to ensure it complies with its legal duties under Part 1 of FOIA to respond to information requests in a timely fashion, while also clearing its backlog of late requests as required by this notice.

8. Response to ICO enforcement notice

8.1. It is pleasing to report that as at 26 October 2023 the Council has no overdue requests. This demonstrates the Council's commitment to comply with FIOA legislation.

Ref ID	Subject	Days Open	Created Date	Resolution Target	Directorate	Service Area	Team
5648	Contracts for Adult Social Care	18	02 October 2023	30 October 2023	People	Adult Services	Adult Social C
5652	Spend on the maintenance of Walkmill Meadows in Market Drayton	18	01 October 2023	30 October 2023	Place	Homes and Communities	Outdoor Recre
5654	VAT paid to Care Providers	17	03 October 2023	31 October 2023	Resources	Resources	Finance
5680	Parking income	17	03 October 2023	01 November 2023	Place	Infrastructure	Transport
5681	Average time for planning permission	17	03 October 2023	01 November 2023	Place	Economy and Place	Planning
5665	Dogs euthanised in your area	16	04 October 2023	01 November 2023	Place	Infrastructure	Environmenta
5666	Bulky items and mattresses	16	04 October 2023	01 November 2023	Place	Infrastructure	Waste Manag
5673	Planning appeal cost awards	16	04 October 2023	02 November 2023	Place	Economy and Place	Planning
5674	Vision rehabilitation services	16	04 October 2023	02 November 2023	People	Adult Services	Adult Social C
5678	Under 18s with botulinum toxin and dermal filler procedures	14	06 October 2023	03 November 2023	Place	Homes and Communities	Trading Stand
5679	Changes of Road Names / Relocated monuments	14	06 October 2023	03 November 2023	Place	Infrastructure	Highways
5683	Children/youth centres closed	13	09 October 2023	06 November 2023	People	Children's Services	Children's Soc
5687	Direct Payments for Children and Young People aged 0 - 17	13	09 October 2023	06 November 2023	People	Children's Services	Children's Soc
5691	Recycling Centres	13	09 October 2023	07 November 2023	Place	Infrastructure	Waste Manag
5699	Zero hours contracts	12	10 October 2023	08 November 2023	Resources	Resources	HR
5694	Counterfeit and illegal vapes	11	11 October 2023	08 November 2023	Place	Homes and Communities	Trading Stand
5698	Council tax enforcement	10	12 October 2023	09 November 2023	Resources	Resources	Revs and Bens
5702	Number of disabled looked after children and care leavers	10	12 October 2023	09 November 2023	People	Children's Services	Children's Soc
5703	Spend on Translation and Interpreting Services	10	12 October 2023	09 November 2023	Resources	Resources	HR
5704	Trading Standards Report	10	12 October 2023	09 November 2023	Place	Homes and Communities	Trading Stand
5705	Concessionary bus passes issued	10	12 October 2023	09 November 2023	Place	Infrastructure	Transport
5711	Penalty Charge Notices (PCNs)	10	12 October 2023	10 November 2023	Place	Infrastructure	Highways
5707	Premises/Practitioners licenced for beauty treatments	9	13 October 2023	10 November 2023	Place	Homes and Communities	Trading Stand

8.2. All overdue FOIA cases from 2022 were cleared by the end of June 2023 and the average 20-day compliance rate has increased from 47% in 2022 to 78% between April and September 2023. Importantly, there has been a sustained month by month improvement with September 2023 recording an 82% response rate.



8.3. Actual performance for the last two years:

Year	FOI Compliance rate
2021	51%
2022	47%
2023 April to September	78%

8.4. In liaison with the ICO, an informal action plan was submitted in January 2023 to improve the response rates and clear the existing backlog of requests that are over 40 days overdue which was an area of particular concern when the enforcement notice was received by the Council. Good progress has been made in clearing the backlog of requests throughout 2023 and increasing the response rate. The current position as at 26 October is as follows:

FOIA Cases overdue by 40+ days December 2022	FOIA Cases overdue by 40+ days May 2023	FOIA Cases overdue by 40+ days October 2023
198	65	0

8.5. For context, the total number of FOI requests received over the last two years is detailed below:

Year	Total FOIs Received
2021	986
2022	1169
2023 – 1 January to 26 October	1016

8.6. Communications in relation to compliance with the FOIA have been increased through 2023:

- Regular update emails from the CEO to all staff
- Regular performance updates to individual Executive Directors
- Updates provided to the Council’s Audit Committee
- Regular liaison between Information Governance and service areas

8.7. Increased monitoring of compliance throughout 2023 has highlighted areas that were struggling to meet the statutory timescales for FOIA requests. Additional Information Governance support has been made available to those areas in order to increase the efficiency in responding to requests.

8.8. The Council recognises the need for continuous improvement. A full internal review of the FOIA processes is to be commenced in November 2023. This review will ensure that the compliance rates are sustained in the medium to long term. Where changes to the existing processes are required, appropriate mechanisms will be put in place to ensure continued legislative compliance.

8.9. A report has been provided to the ICO outlining the action the Council has taken to comply with the enforcement notice, including a current position on compliance rate improvement since April 2023 when the enforcement notice was received.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Freedom of Information Act 2000 (FOIA)

[What is the Freedom of Information Act? | ICO](#)

Local Member: All

Appendices

Appendix A

FOI Improvement Plan

Appendix B

[Freedom of information requests | Shropshire Council](#)

Shropshire Council FOI Improvement Plan - Review

October 2023

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
Governance Structure	There is governance oversight in place to ensure compliance with FOI/EIR	Information Governance Leadership and Organisational Oversight (Executive Directors - Quarterly Meetings)	n/a	ED Resources	n/a	Completed
	Responsibility has been assigned to ensure compliance with FOI/EIR	Responsibilities have been assigned	n/a	ED Resources	n/a	Completed
	Sufficient resources are assigned to the handling of requests for information to ensure response within the statutory timescales	Information Governance Team structure has been reviewed. Resources identified across directorates.	High	ED Resources	October 2023	Completed
Policies and Procedures	Policies and procedures are in place which explain the organisation's approach to, and responsibilities for, FOI and EIR	FOI handling procedure has been reviewed. This will continue to be monitored.	High	HP&G	September 2023	Completed
	Policies and procedures are easily accessible by staff	Updated and approved procedures are available to all staff via the corporate Intranet.	High	IGTL	September 2023	Completed

Page 39

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
	The organisation ensures that staff are informed of any changes to policies and procedures regarding FOI/EIR	Communications are cascaded via the Leadership Group and additional communication via ED Resources.	High	IGTL	September 2023	Completed
	Staff know who to contact for advice or assistance regarding policies and procedures for FOI/EIR	This information is published on the Intranet and Council website. Any changes will be communicated in a timely manner.	n/a	IGTL	n/a	Completed
Page 40	Policies and procedures for FOI/EIR account for personal information and how it should be dealt with	FOI handling procedure has been reviewed. This will continue to be monitored.	High	HP&G	September 2023	Completed
Compliance and Assurance	There are reporting mechanisms in place to provide oversight of requests and ensure that statutory deadlines are met	Real time compliance reporting is now available for monitoring by Directors.	n/a	HP&G	n/a	Completed
	There are mechanisms to monitor the quality of responses to requests and ensure that any reasons for refusal/application of exceptions are valid.	Procedures are in place to ensure that exceptions are managed.	n/a	HP&G	n/a	Completed
	Contracts with third parties do not restrict the release of information that should be available to the public	Contracts and agreements include appropriate clauses that mean third parties must support the council when	n/a	IGTL	n/a	Completed

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
Page 41	and provide for access to information, by the public authority, when needed.	responding to requests for information.				
	Documented governance arrangements exist where the authority works in partnership with other organisations in relation to the handling of requests and/or the management of records.	Information Sharing Agreements are in place and include relevant clauses about supporting the council when responding to requests for information.	n/a	IGTL	n/a	Completed
	The organisation is complying with statutory timescales for FOI/EIR	Corporate priority that timescales are adhered to. Response rates have shown improvement through 2023. Backlog has been reduced. As at 25 October only two live requests over the 20 working day limit, this is within a reasonable tolerance level.	High	ED Resources	October 2023	Completed
		Standing item on agenda Item on Senior Leadership Meetings: Live monitoring via Management Dashboards. Focused targetting at areas	High	ED Resources	November 2023	Completed

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
Page 42		continuing to not meet necessary timescales.				
	Internal review procedures comply with the relevant Codes of Practice and ensure that timely responses are provided to complaints.	Procedures for internal review are being reviewed to ensure the council follows best practice.	High	HP&G	October 2023	Completed
	Exemptions/Exceptions should be applied on a case-by-case basis, by appropriately trained staff, with no evidence of the use of blanket exemptions.	Information Governance Team undertake refresher training as overall specialists. Continue to keep skills up to date and undertake refresher training where gaps are identified.	High	IGTL	n/a	Completed
		Service Areas given awareness training to apply exemptions relevant to their information. Obtaining further advice from the Information Governance Team when required.	High	IGTL	August 2023	Completed
		Arrangements will be reviewed as part of review of Information Governance	High	IGTL	December 2023	Completed

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
Page 33		Team and Training/Awareness.				
	There is evidence of an oversight or approval process for the use of exemptions.	Review of Information Governance Team Structure and Procedures will address this gap.	High	IGTL	December 2023	Completed
	Redactions should be applied on a case-by-case basis, by appropriately trained staff, and records should be maintained of what has been redacted.	Redaction software and procedures for using it, is available to teams requiring them.	n/a	IGTL	n/a	Completed
Training and Awareness	There is an induction training programme, with input from Information Governance or equivalent, which includes general training on how FOI/EIR applies to the organisation, what they currently do to comply, and how to recognise an FOI/EIR request.	Review training materials and training requirements and ensure this is included in the Induction Package. ICO general guidance video links are available to staff.	High	IGTL	September 2023	Completed
	Staff receive refresher training in the requirements of FOI/EIR, including, where appropriate, updates from the relevant decisions of	Link to guidance included with all requests. Guidance and specific advice provided by Information	n/a	IGTL	n/a	Completed

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
Page 44	the ICO and the Information Tribunal.	Governance Team with all new requests.				
	There is specific training for staff with responsibility for handling requests for information, on FOI, EIR and Codes of Practice.	Information Governance Team have refreshed skills and continue to do so where gaps are identified.	High	IGTL	n/a	Completed
		Training gaps identified during Information Governance Team restructure and appropriate training provided with ongoing mentoring.	High	IGTL	October 2023	Completed
		Guidance is supplied to Service Areas for all requests they deal. To be updated when new structure and procedures are in place.	High	IGTL	October 2023	Completed
	Records are maintained, either centrally or by local management, of the FOI/EIR training received by staff. These records are monitored to ensure that all staff receive or attend all relevant training.	Review of training material will include modules on a platform that allows training to be monitored. Module for internal training platform created and awaiting final publication.	High	IGTL	December 2023	

Topic	Statement	Action	Priority High/med/low	Owner responsible for the action	Target implementation date	Completed
	Staff receive regular reminders of how to recognise FOI/EIR requests	All officers are made aware of FOI requirements through regular internal communications. These have increased throughout 2023.	High	IGTL	December 2023	Completed

ED Resources Executive Director Resources
(Senior Information Risk
Owner)

HP&G Head of Policy and
Governance

IGTL Information Governance Team
Leader

Key: 45

Action completed - solution in place
Solution in place but improvements are required

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	Committee and Date Audit Committee 23 rd November 2023	Item	
	Cabinet 13 th December 2023	Public	
	Council 14 th December 2023		
			

Treasury Strategy 2023/24 Mid-Year Review

Responsible Officer:	James Walton
email: james.walton@shropshire.gov.uk	Tel: 01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support

1. Synopsis

In-year benefits of £1.5m have been realised through management of Council treasury activity. As at 30 September 2023 the Council held £58m in investments and had £286m of borrowing. The report confirms compliance with Treasury and Prudential limits agreed by Full Council.

2. Executive Summary

- 2.1. This mid-year Treasury Strategy report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management 2017 and covers the following:
- An economic update for the first six months of 2023/24
 - A review of the Treasury Strategy 2023/24 and Annual Investment Strategy
 - A review of the Council's investment portfolio for 2023/24
 - A review of the Council's borrowing strategy for 2023/24
 - A review of any debt rescheduling taken
 - A review of compliance with Treasury and Prudential limits for 2023/24

3. Recommendations

3.1. Members are asked to agree the Treasury Strategy activity as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.2. There are no direct environmental, equalities or climate change consequences arising from this report.
- 4.3. The main risk relating to undertaking Treasury Management activities is a potential financial loss and this is considered in the table below:

<i>Risk</i>	<i>Mitigation</i>
Potential financial loss arising from undertaking Treasury Management activities	All Treasury Management practices are in compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement, and the Prudential Code for Capital Finance, together with rigorous internal controls.
	Council's Audit Committee is the committee responsible for ensuring effective consideration of the Council's Treasury Management Strategy and policies

5. Financial Implications

- 5.1. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.
- 5.2. The 2023/24 six-month performance is above benchmark and has delivered additional income of £81,610.
- 5.3. In-year (2023/24) benefits have been realised of £1.5m, made up of £0.9m saving on interest payable, and additional income of £0.6m for interest receivable. Further details are set out from para 10.7 (below).

6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council to achieve this. There are no direct climate change impacts arising from this report. Shropshire Council's investment portfolio has no level 1, 2 or 3 emissions. It comprises of straightforward cash deposits with financial institutions and other Local Authorities.

7. Background

- 7.1. The Council defines its treasury management activities as “the management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with the activities, and the pursuit of optimum performance consistent with those risks.” Broadly, cash received by the Council raised during the year will meet its cash expenditure. Treasury Management operations ensure this cash flow is planned and managed. Temporary surplus balances are invested in low-risk counterparties (providing security), ensuring cash availability (liquidity), and only considering investment return (yield) last.
- 7.2. Cash flow management covers in-year (revenue) costs as well as the funding of the Council's long term (capital) plans. Capital plans provide a guide to the future borrowing need of the Council and may involve arranging long or short-term borrowing. Occasionally existing debt may be restructured as opportunities allow.
- 7.3. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following: -
- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - An overview of how associated risk is managed
 - The implications for future financial sustainability
- 7.4. A report setting out the Council's Capital Strategy was taken to full Council in March 2023. This report informs Members of the treasury activities of the Council for the first six months of the financial year.
- 7.5. To secure specialist advice on long-term borrowing and investment, the Council works with Link Asset Services, who provide the detailed analysis set out in this report.

8. Economic Update and Forecast

- 8.1. Since the Council's Treasury and Capital strategies were agreed in March 2023, there has been further change in terms of the economic environment. The bank base rate has increased over the period from 4.25% to 5.25% to try to manage the high inflation rates, and inflation has started to marginally reduce, although remains high. A detailed commentary can be found in Appendix D.

8.2. Link Asset Services forecast interest rates over the next 36 months. Their latest interest rate forecasts were updated on 25th September and are shown below.

Link Group Interest Rate View	25.09.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75	
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80	
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90	
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00	
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50	
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50	
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80	
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60	

9. Treasury Strategy update

9.1. The Treasury Management Strategy (TMS) for 2023/24 was approved by Full Council on 2 March 2023. There are no policy changes, or any changes required to the prudential and treasury indicators previously approved. The details in this report update the position in the light of the updated economic position.

10. Treasury Strategy update

10.1 The Council's Annual Investment Strategy, which is incorporated in the TMS, outlines the Council's investment priorities as the security and liquidity of its capital. As shown by interest rate forecasts (above), we are seeing interest rates rise to levels not seen in for several years. As a result, see some increase in interest earned is anticipated. It is also expected that previous investments placed when rates were at low will now mature and be replaced with higher interest deposits.

10.2. In the current economic climate, it is considered appropriate to keep investments short term (up to 1 year), and only invest with highly rated financial institutions using Link's suggested creditworthiness approach.

10.3. In the first six months of 2023/24, the internal treasury team outperformed its benchmark by 0.21% (return of 4.42% compared to the benchmark of 4.21%). This generated additional income of £81,610 during the first six months (included in the quarterly financial report).

10.4. A full list of investments held as at 30 September 2023, compared to Link's counterparty list, and changes to Fitch, Moody's and Standard & Poor's credit ratings are shown in Appendix A.

10.5. None of the approved limits within the Annual Investment Strategy were breached during the first six months of 2023/24 or previously. Officers monitor the credit ratings of investment counterparties daily.

10.6. Recent investment rates available in the market have increased due to the central bank rate increasing to 5.25% in August 2023. The average level of funds available for investment in the first six months of 2023/24 was £78 million.

10.7. The interest receivable budget is expected to deliver, as a minimum, additional income of £0.558m due to recent changes in the Bank of England base rate, which has increased from 4.25% to 5.25% in the first six months of the year. Projections on income will be reviewed monthly. The current estimates are based on assumptions of the value of investment balances. There are also savings of £0.954m projected against interest payable budgets, resulting in an overall benefit of £1.512m through active management of treasury activities.

11. Borrowing

11.1 Details of the Council's borrowing activity can be found within Appendix D.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Council, 2 March 2023, Treasury Strategy 2023/24.

Council, 2 March 2023, Financial Strategy 2023/24 – 2027/28 and Setting the Council Tax Resolution 2023/24

Council, 20 September 2018, Revised Minimum Revenue Provision Statement 2018/19

Local Member: N/A

Appendices

Appendix A – Investment Report as at 30 September 2023

Appendix B – Prudential Limits

Appendix C – Prudential Borrowing Schedule

Appendix D – Economic Background and Borrowing Update

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Shropshire Council

Monthly Investment Analysis Review

September 2023

Monthly Economic Summary

General Economy

The UK Manufacturing PMI for September rose to 44.2, from 42.5, outpacing market predictions of a rise / fall to 43. The uptick hinted at a more gradual decline in manufacturing activity, with some respondents attributing it to customer destocking influencing their output. By contrast, the UK Services PMI contracted, registering 47.2 in September, down from the previous month's 49.5 and below market expectations of 49.2. As a result, the Composite PMI (which incorporates both sectors) dropped to 46.8 in September, down from August's 48.6 and below the market consensus of 48.7, a preliminary estimate showed. This marked the fastest reduction in private sector activity since the lockdown period in January 2021, driven by a continued contraction in manufacturing output and the steepest decline in service sector activity in 32 months. The UK Construction PMI also experienced a dip, declining from 51.7 in July to 50.8 in August. This result suggested a marginal increase in overall business activity, with growth in commercial and civil engineering segments offsetting a slump in house building.

The UK economy contracted by 0.5% m/m in July, the largest decline this year, reversing 0.5% growth in June. This result was weaker than market forecasts of a 0.2% decrease. Notably, the services sector played a role in this contraction, primarily due to a 3.4% decline in the human health activities industry, a result of NHS strikes leading to appointment and procedure cancellations. Elsewhere, the UK's trade deficit narrowed to £3.446 billion in July from £4.787 billion in June, driven by a 1.8% rise in exports and a 0.2% drop in imports, taking them to their lowest level since February 2022.

In the three months to July, the number of people employed in the UK fell by 207,000, exceeding market expectations of a 185,000 drop. This marked the sharpest decline in job creation since September 2020. As a result, the unemployment rate in the UK rose to 4.3% in three months to July, reaching its highest level since the third quarter of 2021. This suggests a potential cooling in the labour market after extensive monetary policy tightening by the Bank of England. Despite this, average weekly earnings (including bonuses) in the UK increased 8.5% y/y in the three months to July, registering their biggest increase in two years. However, this was mainly reflective of one-off bonus payments to NHS staff, so would come out of calculations in the coming months.

The annual consumer price measure of inflation in the UK eased to 6.7% in August from 6.8% in July, falling below market consensus of 7.0% and the Bank's own forecast. This marked the lowest inflation rate since February 2022, primarily due to a slowdown in food inflation and a decline in the cost of accommodation services. Against this backdrop, the Bank of England's Monetary Policy Committee (MPC) decided to hold Bank Rate at 5.25% during this month's meeting, marking the first pause in policy tightening in nearly two years. The central bank cited expectations of a significant decline in CPI inflation in the near term as one reason for the pause, while also noting that the latest employment figures, specifically the wages element, did not tally with other data it had reviewed. However, while pausing, the Committee also noted that it would embark on further tightening if required.

Retail sales in the UK partially recovered in August, rising by 0.4% m/m following a 1.1% decline in July. Mirroring this, the GfK Consumer Confidence index rose to -21 in September from -25 in August, posting its highest reading since January 2022, with the report's subcomponents suggesting growing optimism about the economy and easing pressures on household spending.

Public sector net borrowing excluding public sector banks (PSNB ex) reached £11.6 billion in August, £3.5 billion more than in August 2022 and the fourth-highest August borrowing since records began in 1993. Borrowing in the financial year to August was £69.6 billion, £19.3 billion more than in the same five-month period last year - but £11.4 billion less than the £81.0 billion forecast by the Office for Budget Responsibility.

The US economy created 187,000 jobs in August, marking the third consecutive month with job gains below the 200,000 threshold. This provided further evidence of a gradual easing of labour market conditions largely attributed to the Federal Reserve's interest rate rises aimed at lowering inflation. According to its preferred measure of inflation, Personal Consumption Expenditure index, prices rose by 3.5% y/y in August after an upwardly revised 3.4% rise in July, matching market forecasts. Meanwhile, the US economy grew at an annualised rate of 2.1% in the second quarter of 2023, unchanged from the previous estimate, and compared to an upwardly revised 2.2% growth in the first quarter. Against this backdrop, the Federal Reserve kept the target range for the Federal Funds Rate at a 22-year high of 5.25%-5.5% at its September meeting but signalled there could be another rate rise later this year.

In the Euro Area, the inflation rate fell to 4.3% y/y in September compared to 5.2% in August, reaching its lowest level since October 2021 and falling below the market consensus of 4.5%, a preliminary estimate showed. GDP, meanwhile, expanded a meagre 0.1% q/q in the three months to June, revised lower from initial estimates of a 0.3% gain. With inflation starting to decline but remaining above the central bank's 2% target, the ECB raised rates for the 10th consecutive time at its September meeting but signalled that it could be minded to a pause in further tightening.

Housing

House prices in the UK continued to decline in August, with the Nationwide House Price Index falling by 5.3% y/y, registering its largest drop since July 2009. By comparison, the Halifax House Price Index fell by 4.6% y/y.

Currency

The MPC's decision to hold Bank Rate at 5.25%, which surprised some investors looking for a rate rise, saw Sterling fall against both the Dollar and the Euro over the month and reflected a more hawkish tone to policymakers' outlooks outside the UK.

September	Start	End	High	Low
GBP/USD	\$1.2620	\$1.2206	\$1.2620	\$1.2135
GBP/EUR	€1.1677	€1.1528	€1.1724	€1.1498

Forecast

In the wake of the MPC's decision to leave Bank Rate at 5.25%, both Link Group and Capital Economics revised their forecasts and now believe that 5.25% (rather than 5.5%) will be the peak in Bank Rate for this cycle.

Bank Rate	Now	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.25%	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%
Capital Economics	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	-	-	-	-

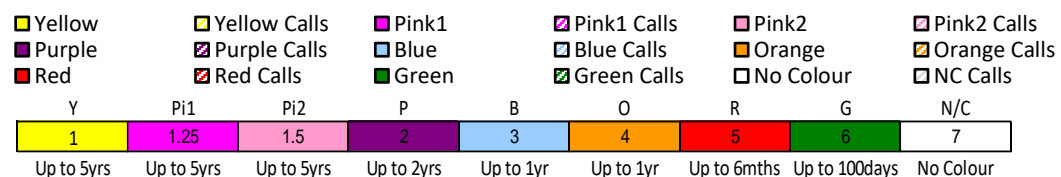
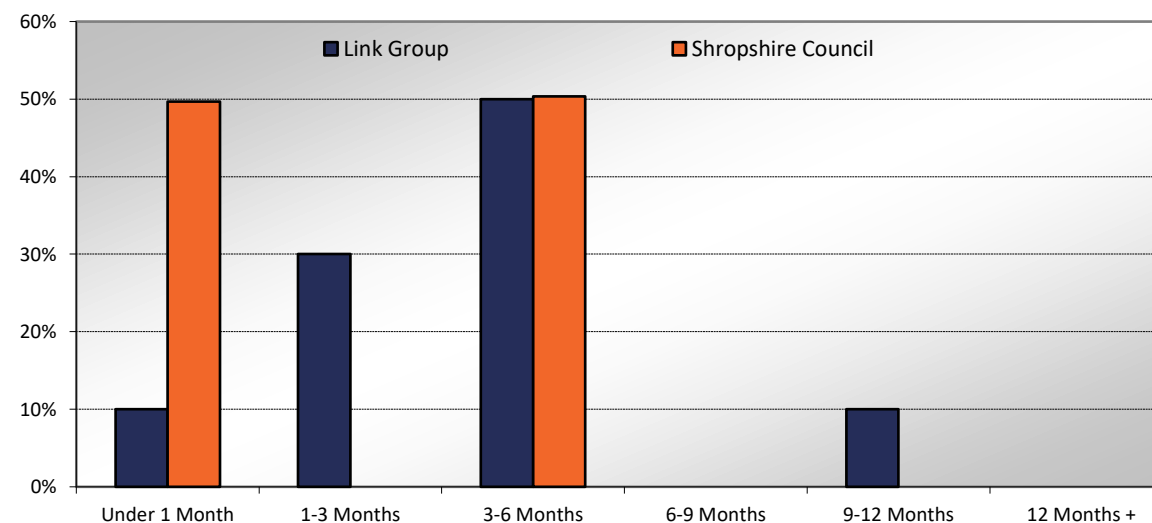
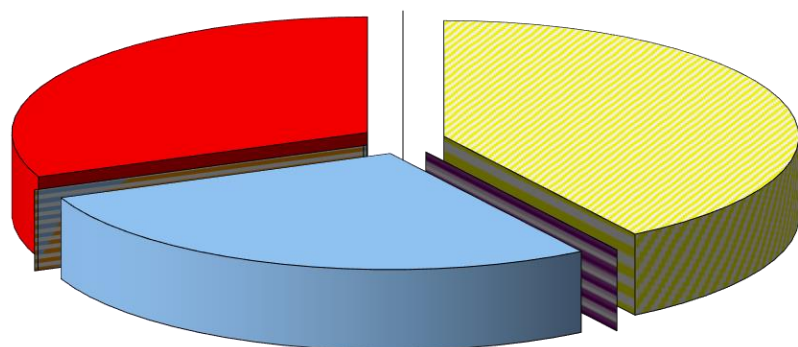
Shropshire Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	11,700,000	5.29%		MMF	AAAm	
MMF Insight	11,900,000	5.30%		MMF	AAAm	
Lloyds Bank Plc (RFB)	5,000,000	4.43%	05/04/2023	04/10/2023	A+	0.000%
National Westminster Bank Plc (RFB)	2,000,000	5.59%	07/08/2023	19/01/2024	A+	0.014%
National Westminster Bank Plc (RFB)	5,000,000	4.45%	25/01/2023	24/01/2024	A+	0.014%
Lloyds Bank Plc (RFB)	3,000,000	5.57%	31/07/2023	31/01/2024	A+	0.015%
National Westminster Bank Plc (RFB)	2,000,000	4.50%	01/02/2023	31/01/2024	A+	0.015%
Goldman Sachs International Bank	5,000,000	5.77%	04/08/2023	02/02/2024	A+	0.015%
Goldman Sachs International Bank	5,000,000	5.55%	29/09/2023	29/02/2024	A+	0.019%
National Westminster Bank Plc (RFB)	5,000,000	5.77%	18/08/2023	29/02/2024	A+	0.019%
National Westminster Bank Plc (RFB)	2,000,000	5.64%	15/09/2023	15/03/2024	A+	0.021%
Total Investments	£57,600,000	5.26%				0.014%

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **2.81**

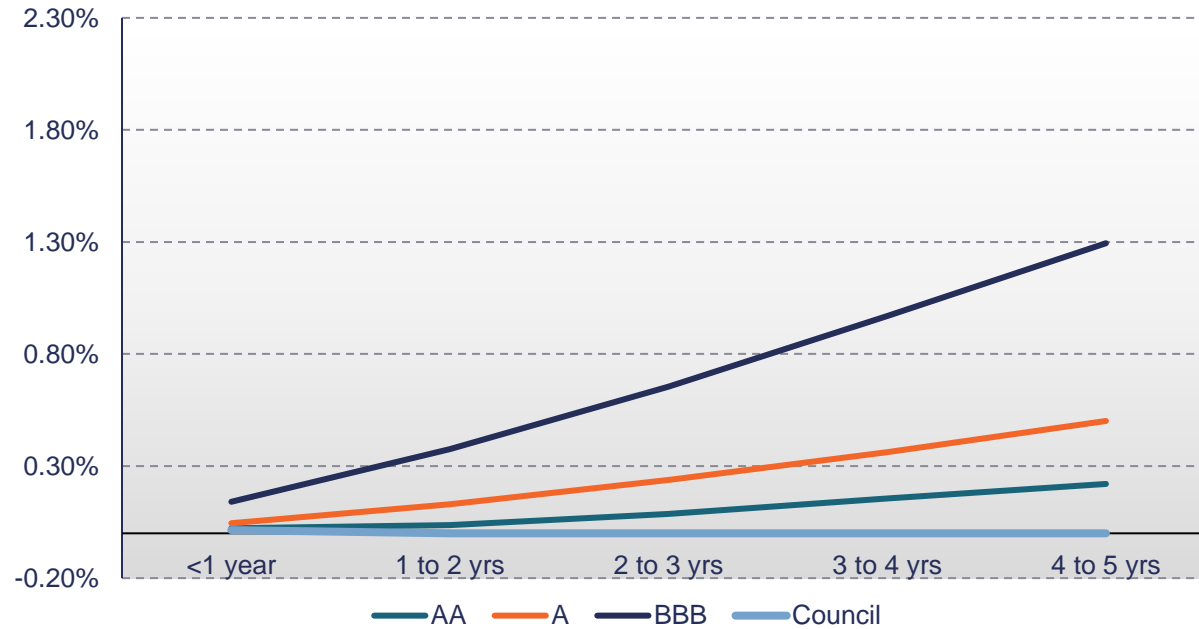
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	40.97%	£23,600,000	100.00%	£23,600,000	40.97%	5.30%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	27.78%	£16,000,000	0.00%	£0	0.00%	5.16%	134	264	134	264
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	31.25%	£18,000,000	0.00%	£0	0.00%	5.30%	99	174	99	174
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£57,600,000	40.97%	£23,600,000	40.97%	5.26%	68	128	115	216

Shropshire Council

Investment Risk and Rating Exposure

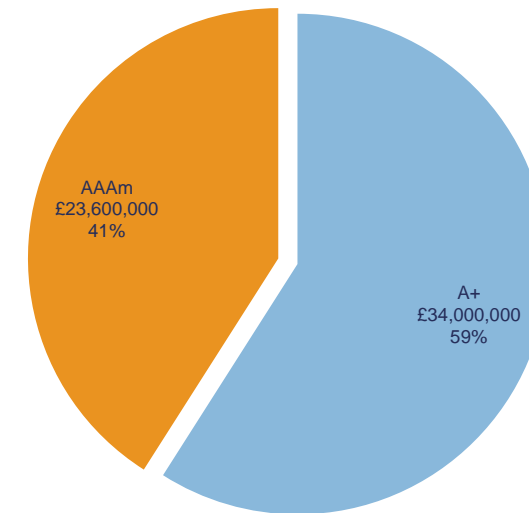
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.09%	0.16%	0.22%
A	0.05%	0.13%	0.24%	0.36%	0.50%
BBB	0.14%	0.38%	0.65%	0.97%	1.29%
Council	0.01%	0.00%	0.00%	0.00%	0.00%

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

Shropshire Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
27/09/2023	1988	DNB Bank ASA	Norway	The Long-Term Rating was upgraded to 'Aa1' from 'Aa2'; The Long Term Outlook changed to Stable from Positive.

Shropshire Council

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
15/09/2023	1987	Danske Bank AS	Denmark	The Long-Term Rating was upgraded to 'A+' from 'A'; The Long Term Outlook is Stable.

Shropshire Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action

Whilst Link Group makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

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APPENDIX B – PRUDENTIAL INDICATORS

Prudential Indicator	2023/24 Indicator £m	Quarter 1 – Actual £m	Quarter 2 – Actual £m	Quarter 3 – Actual £m	Quarter 4 – Actual £m
Non HRA Capital Financing Requirement (CFR)	462	336	336		
HRA CFR	105	105	105		
Gross borrowing	445	286	286		
Investments	140	69	58		
Net borrowing	305	217	228		
Authorised limit for external debt	546	286	286		
Operational boundary for external debt	475	286	286		
Limit of fixed interest rates (borrowing)	534	286	286		
Limit of variable interest rates (borrowing)	267	0	0		
Internal Team Principal sums invested > 364 days	70	0	0		
Maturity structure of borrowing limits	%	%	%	%	%
Under 12 months	15	0	0%		
12 months to 2 years	15	0	0%		
2 years to 5 years	45	0	0%		
5 years to 10 years	75	23	23%		
10 years to 20 years	100	28	28%		
20 years to 30 years	100	25	25%		
30 years to 40 years	100	12	12%		
40 years to 50 years	100	2	2%		
50 years and above	100	10	10%		

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Economic Background and Borrowing Update**Economic Background**

As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. It is expected that the Bank of England will keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.

In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was “finely balanced”. Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.

The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.

The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

A summary overview of the future path of Bank Rate

Link's central forecast for interest rates was previously updated on 25th September and sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

The Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed".

This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

Borrowing

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy. A list of the approved limits is shown in Appendix B. The Prudential Indicators were not breached during the second quarter of 2023/24 and have not been previously breached. The schedule at Appendix C details the Prudential Borrowing approved and utilised to date.

No new external borrowing has currently been undertaken to date in 2023/24.

The Council has not undertaken any new borrowing for a number of years, and has been utilising cash balances to internally “borrow” for prudential borrowing schemes. This has enabled the Council to benefit from increased interest costs compared to the returns that could be generated on the cash balances. This approach has been effective during a period where the Council has held significant cash balances.

PWLB rates increased over the second quarter, which is to be expected as the Base Rate has also increased over this period. The table below shows the high/low/average PWLB rates for the first six months of the financial year.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

Debt Rescheduling

Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

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	Committee and Date	Item
	Audit Committee	
	23 rd November 2023	
	10:00am	Public
		
		

Audit Committee Self Assessment 2023

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

Shropshire Council’s Audit Committee aims to comply with the Chartered Institute of Public Finance and Accountancy’s guidance on the function and operation of audit committees. There is significant compliance with the code and an improvement plan to address partial compliance.

2. Executive Summary

- 2.1. Members are asked to review and comment on the self-assessment of good practice questionnaire attached to this report. The questionnaire allows members to assess the effectiveness of the Audit Committee and identify whether there are any further improvements that could be made which would improve its overall effectiveness. There are a few areas of partial compliance with good practice, these are identified to be considered and to have appropriate action taken.

3. Recommendations

Members are asked to:

- 3.1. Consider the self-assessment of good practice attached at **Appendix A and C**. Identify any errors or amendments required.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Audit Committee has a key function in ensuring effective corporate governance, risk and control arrangements are in place within the Council. The effectiveness of the committee should be judged by the contribution it makes to, and beneficial impact it has on, the Council's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements which empower an effective Audit Committee. By reviewing effectiveness annually using a good practice self-assessment, it can be established that the Committee is demonstrating a high degree of performance, is soundly based, and has a knowledgeable membership unimpaired in any way. Completion of the self-assessment is essential and can also be used to support the planning of the Audit Committee work programme, its training plans and inform the Committee's annual report to Council.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or consultation consequences of this proposal.

5. Financial Implications

- 5.1. There are no financial implications in terms of reviewing the assessment, but any resulting activities may require funding if they are not already allowed for in the base budget.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. Therefore, no effect to report.

7. Background

- 7.1. The Chartered Institute of Public Finance and Accountancy, CIPFA, produced guidance on the function and operation of audit committees; 'Audit Committees in Local Authorities and Police, 2022 edition'. The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK.
- 7.2. Shropshire Council has used this guidance to self-assess the Audit Committee against this recommended practice as an indicator of the Committee's effectiveness; following which any changes or improvements identified to enhance the Committee's performance should be managed. The updated 2022 guidance included a revised self-assessment which mirrored the original with some changes to the phrasing of the questions and the order in which they appear. **Appendices A and C** are the updated versions with the responses mapped across. **Appendix C** includes reference to the evidence support supporting compliance.

- 7.3. The Section 151 Officer and the Chief Audit Executive (CAE) have completed an initial review of the self-assessment, based on information from previous assessments and with knowledge of the Committee's compliance with recommended practices, for members to consider, discuss and amend as appropriate. Members consider the effectiveness of the Committee using the assessment model in detail at training sessions in both September and October of 2022. In preparation for 2023/24, the self-assessment has been updated and circulated to members for consideration prior to this meeting, attached as **Appendix A**. Changes are shown in blue text and underlined.
- 7.4. There have been no changes to membership since the previous training skill evaluations were completed and therefore no further updates are sought on these. Continued learning from the original training self-assessments is important and the data extracted continues to be used to inform training sessions and identify areas for continued improvement. Information from self-assessments is considered against ongoing requests from committee members in response to current topics.
- 7.5. Training sessions provided since October 2021 have included:
- Strategic Risk and Risk management.
 - Treasury Management.
 - Financial Management.
 - Resources Directorate and how the revised structure will help provide assurance on the internal control, risk management and governance environment of the Council.
 - People Directorate and how Adult and Children's Services are working to provide assurances on the internal control, risk management and governance environment of the Council.
 - Governance replacement for the Clinical Commissioning Group going forward and the Assurance processes for the Council.
 - Audit Committee effectiveness review
 - Climate change assurances required by the Committee.
 - Legal and Governance
 - Procurement
 - Service planning and Performance management
- 7.6. In addition to training sessions the following information has been shared with and between members:
- Guidance for audit committees on cloud services, NAO
 - Climate change risk, a good practice guide for audit and risk assurance committees, NAO
 - CIPFA, Audit Committee update, helping committees to be effective
 - CIPFA, Audit Committees, practical guidance, 2022 edition
- 7.7. **Appendix B** provides a summary from the self-assessment detailed above, showing the areas members have identified for future focus, refresh sessions and where training has been provided.
- 7.8. The Audit Committee training requirement was last reviewed in August 2021. This will be refreshed following Council elections in 2025.
- 7.9. Following the current review of the Audit Committee self-assessment of good practice, one area of partial compliance was identified and question 13 has now

been assessed as compliant given the appointment of the independent Audit Committee member in January 2023. The area of partial compliance is summarised below with the proposed actions to improve for members to consider as components in an action plan looking forward.

SAR ¹	Partial compliance	Proposed action
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Members continue to raise awareness as to the role and purpose of the Audit Committee and the value that can be added by all to improve governance, risk management and internal controls. Members can refer others to the Induction training of Audit and Members outside of the Audit Committee are welcome to attend training sessions where topics are beneficial to all.

Question 1: Do Members wish to make any adjustments to the self-assessment?

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA: Audit Committees in Local Authorities and Police, 2022 edition

Local Member: N/A

Appendices

Appendix A - Self-assessment of good practice November 2023

Appendix B - Audit Committee – self assessment supporting information: Knowledge and Skills baseline assessment August 2021

Appendix B2 - Improvement plan for an effective Audit Committee to be refreshed annually in December

Appendix C - Self-assessment of good practice showing evidence

¹ SAR = Self-assessment reference

Appendix A: Self-assessment of Good Practice – November 2023

Good practice questions		Yes	Partly	No
Audit Committee purpose and governance				
1.	Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?	✓		
2.	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	✓		
3.	Has the committee maintained its advisory role by not taking on any decision-making powers?	✓		
4.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	✓		
5.	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?		✓	
6.	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	✓		
7.	Does the governing body hold the audit committee to account for its performance at least annually?	✓		
8.	Does the committee publish an annual report in accordance with the 2022 guidance, including: <ul style="list-style-type: none"> • compliance with the CIPFA Position Statement 2022 • results of the annual evaluation, development work undertaken and planned improvements • how it has fulfilled its terms of reference and the key issues escalated in the year? 	✓		

Page 75

Good practice questions		Yes	Partly	No
Functions of the committee				
9.	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?			
	Governance arrangements	✓		
	Risk management arrangements	✓		
	Internal control arrangements, including: <ul style="list-style-type: none"> • financial management • value for money • ethics and standards • counter fraud and corruption 	✓		
	Annual governance statement	✓		
	Financial reporting	✓		
	Assurance framework	✓		
	Internal audit	✓		
	External audit	✓		
10.	Over the last year, has adequate consideration been given to all core areas?	✓		
11.	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	✓		
12.	Has the committee met privately with the external auditors and head of internal audit in the last year?	✓		

Page 76

Good practice questions		Yes	Partly	No
Membership and support				
13.	Has the committee been established in accordance with the 2022 guidance as follows?	✓		
	<ul style="list-style-type: none"> Separation from the executive 	✓		
	<ul style="list-style-type: none"> A size of committee that is not unwieldy and avoids the use of substitutes 	✓		
	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 	✓		
14.	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	✓		
15.	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	✓		
16.	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	✓		
17.	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	✓		
18.	Is adequate secretariat and administrative support provided to the committee?	✓		
19.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	✓		
Effectiveness of the committee				
20.	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	✓		

Good practice questions		Yes	Partly	No
21.	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	✓		
22.	Are meetings effective with a good level of discussion and engagement from all the members?	✓		
23.	Has the committee maintained a non-political approach to discussions throughout?	✓		
24.	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	✓		
25.	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	✓		
26.	Do audit committee recommendations have traction with those in leadership roles?	✓		
27.	Has the committee evaluated whether and how it is adding value to the organisation?	✓		
28.	Does the committee have an action plan to improve any areas of weakness?	✓		
29.	Has this assessment been undertaken collaboratively with the audit committee members?	✓		

Appendix B1: Audit Committee – self assessment supporting information: Knowledge and Skills baseline assessment August 2021

This is used as a baseline and therefore not revisited every year. In line with the 2022 guidance this will be refreshed in 2024.

	Confident > Comfortable > Not Confident					Rank
Overview of the governance structures of the Council and decision-making processes. Knowledge of the organisational objectives and major functions of the Council	Blue	Blue	Orange	Orange	Orange	M
An understanding of the audit committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee.	Blue	Blue	Blue	Orange	Green	M
Awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for delivery of the internal Audit service in the authority and how the role of the head of internal audit is fulfilled	Orange	Orange	Orange	Green	Green	M
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.	Blue	Orange	Orange	Green	Green	M
Knowledge of the role and functions of the external auditor and who currently undertakes this role; the key reports and assurances that external audit will provide; arrangements for the appointment of auditors and quality monitoring undertaken.	Blue	Blue	Blue	Blue	Orange	H
Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee	Blue	Blue	Orange	Green	Green	M
Understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the organisation’s arrangements for tackling fraud.	Orange	Orange	Orange	Green	Green	M

Page 79

	Confident > Comfortable > Not Confident					Rank
Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangement to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.	Blue	Blue	Blue	Orange	Orange	H
Aware that the Effectiveness Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: - <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management. 	Orange	Orange	Green	Green	Green	L
Able to focus on material issues and overall position, rather than being side-tracked by detail.	Blue	Blue	Orange	Orange	Orange	M
Able to frame questions that draw out relevant facts and explanations.	Blue	Blue	Blue	Orange	Orange	H
Able to understand the reasons for weaknesses in internal control and seek assurances that a solution will be found, providing clear challenge to ensure that actions and allocations of responsibility are clear.	Blue	Blue	Orange	Orange	Green	M
Able to understand the practical implications of recommendations to understand how they might work in practice.	Blue	Blue	Orange	Orange	Orange	M
Able to support the use of plain English in communications, avoiding jargon, acronyms, etc.	Blue	Blue	Blue	Blue	Orange	H

Page 80

	Yes<>No<>Partially					Rank
Knowledge gained from a professional qualification in accountancy	Orange	Orange	Orange	Orange	Orange	L
Knowledge gained from a professional qualification in internal audit	Blue	Orange	Orange	Orange	Orange	L
Risk management qualification or practical experience of applying risk management or knowledge of risks and opportunities associated with major areas of activity.	Blue	Blue	Orange	Orange	Green	M
Legal qualification and knowledge of specific areas of interest to the committee, for example, constitutional arrangements, data protection or contract law.	Orange	Orange	Orange	Orange	Green	L
Direct experience of managing or working in a service area similar to that operated by the authority.	Orange	Orange	Orange	Orange	Orange	L

	Yes<>No<>Partially					Rank
Knowledge of relevant legislation, risks and challenges associated with major service areas which will help the audit committee to understand the operational context						M
Project management qualifications or practical knowledge of project management principles.						L
Knowledge gained from management or development work in IT.						L

Key to ranking

Level of confidence reported in skills set and knowledge across most committee members.

H	High
M	Medium
L	Low

Training delivered and planned for 2022/23

Age Group	Rank	Skills: Core	Evidence of training since April 2021
	M ²	Organisational knowledge	
	M	Audit Committee role and functions	June 2021 ³ (MI); June 2021 ⁴ (AC); Sept 2021
	M	Governance	June 2021 (MI) (AC); Sept 2021
	M	Internal Audit	June 2021 (MI); Sept 2021
	M	Financial management and accounting	June 2021 (MI) (AC); Dec 2021
	H	External Audit	June 2021 (MI) (AC)
	M	Risk Management	June 2021 (AC); Dec 2021; Jun 2022
	M	Counter-fraud	June 2021 (AC); Sept 2021
	H	Values of good governance	June 2021 (MI) (AC); Sept 2021
	L	Treasury management	June 2021 (AC); Jan 2022; Jun 2022
	M	Strategic thinking and understanding of materiality	
	H	Questioning and constructive challenge	
	M	Focus on improvement	Sept 2021
	M	Able to balance practicality against theory	

² Based on 5/8 completed responses in August 2021. All permanent members completed the evaluation.

³ (MI) Member Induction available to all, not restricted to Audit Committee members.

⁴ (AC) Member training specific to Audit Committee

Rank	Skills: Core	Evidence of training since April 2021
H	Clear communication skills and focus on the needs of users	
	Skills: Specialist	
L	Accountancy	June 2021 (MI) (AC) Dec 2021
L	Internal Audit	June 2021 (MI) (AC); Sept 2021
M	Risk Management	June 2021 (AC); Planned December 2021
M	Governance and Legal	June 2021 (MI) (AC); Jun 2022 and June 2023
L	Service knowledge relevant to the functions of the organisation	Sept 2021; Feb 2022; Jun 2022 and Oct 2022
L	Programme and project management	
L	IT system and IT governance	
	IT Service Delivery and Assurance	June 2023 (AC)
	Service Planning and Performance Management	September 2023 (AC)
	Procurement	September 2023 (AC)
	Analysis of the effectiveness of Audit Committee; Sept 2022 and Oct 2022	
M/H	Promoting the principles of good governance and their application to decision making.	
M/H	Contributing to the development of an effective control environment.	
H	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	
H	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	
H	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	
M/H	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	
M	Supporting the development of robust arrangements for ensuring value for money.	
H	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risk.	
M	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	

Appendix B2: Improvement plan for an effective Audit Committee to be refreshed annually in November

SAR ⁵	Partial compliance	Proposed action	Review November 2023
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Members continue to raise awareness as to the role and purpose of the Audit Committee and the value that can be added by all to improve governance, risk management and internal controls. Members can refer others to the Induction training of Audit.	Ongoing and Members outside of the Audit Committee are welcome to attend training sessions where topics are beneficial to all.

⁵ SAR = Self-assessment reference

Appendix C: Self-assessment of Good Practice showing evidence

	Good practice questions	Yes/ No/ Partially	Evidence
Audit Committee purpose and governance			
1.	Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?	Yes	Constitution, Terms of Reference Actual meetings, details on internet.
2.	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	Yes	ToR ⁶ paragraph (para) 42 reviewed, revised and reapproved at November Audit Committees.
3.	Has the committee maintained its advisory role by not taking on any decision-making powers?	Yes	ToR paragraph (para) 45. The Committee will have no delegated powers, other than those assigned from Council to approve the Statement of Accounts when required, but can require relevant officers, members and agencies to attend at any meeting where such attendance would be expedient to the work of the Committee.
4.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	Yes	ToR from para 9 reviewed, revised and reapproved at November Audit Committees.
5.	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Partially	Key officers and members are aware. This may not be fully embedded with all members ⁷ of the Council and sometimes there is confusion over the scrutiny/ audit committee role. Awareness is worked on by key members and officers at every opportunity. Officers and Portfolio Holders are invited to Audit Committee to discuss major risks and control issues. Discussions take place between the Chairman, CEO, senior officers and Portfolio Holders as required.

Page 84

⁶ Terms of reference⁷ Induction presentations have been delivered on this topic.

	Good practice questions	Yes/ No/ Partially	Evidence
			<p>Member training is sometimes extended to a wider member audience, an example of which was the Treasury Management training January 2022</p> <p>The annual report from Committee to Council informs all members of the Committee's activities.</p> <p>Proposed Action: <i>Members continue to raise awareness as to the role and purpose of the Audit Committee and the value that can be added by all to improve governance, risk management and internal controls. Members can refer others to the Induction training of Audit and Members outside of the Audit Committee are welcome to attend training sessions where topics are beneficial to all.</i>⁸</p>
6.	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	Yes	<p><u><i>ToR para 9-18.</i></u></p> <p><u><i>ToR Para 44.</i></u></p> <p><u><i>The Committee's work plan identifies areas of governance that it provides support on, this is further demonstrated by Committee agendas.</i></u></p> <p><u><i>The Annual Assurance report to Council presented to the June/ July Committee confirms this and the Annual Governance Statement identifies significant areas for improvement which the Committee can focus on.</i></u></p> <p><u><i>An update was provided to the Audit Committee in September 2023 regarding progress against the actions identified in the 2022-23 AGS.</i></u></p>

⁸ Blue italics proposed actions are picked up and formulate the improvement plan for the Audit Committee

	Good practice questions	Yes/ No/ Partially	Evidence
7.	Does the governing body hold the audit committee to account for its performance at least annually?	Yes	No complaints from Council. Annual report to Council appears on July Audit Committee agenda allows members to comment and challenge the Committee's work. Evidence that the Committee is reviewing issues aligned to the Strategic Risks of the Council and the Annual Governance Statement action plans.
8.	Does the committee publish an annual report in accordance with the 2022 guidance, including:	Yes	
	<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 		Detailed within the annual report to Council July 2023.
	<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 		Detailed within the annual report to Council July 2023.
	<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 		Detailed within the annual report to Council July 2023.
Functions of the committee			
9.	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?	Yes	
	<ul style="list-style-type: none"> Governance arrangements 		ToR para 9+
	<ul style="list-style-type: none"> Risk management arrangements 		ToR para 13+
	<ul style="list-style-type: none"> Internal control arrangements, including: <ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 		ToR para 11+ ToR para 47 (f) ToR para 4

	Good practice questions	Yes/ No/ Partially	Evidence
	<ul style="list-style-type: none"> Annual governance statement 		ToR para 9, 10
	<ul style="list-style-type: none"> Financial reporting 		ToR para 37+
	<ul style="list-style-type: none"> Assurance framework 		ToR para 12
	<ul style="list-style-type: none"> Internal audit 		ToR para 19+
	<ul style="list-style-type: none"> External audit 		ToR para 31+
10.	Over the last year, has adequate consideration been given to all core areas?	Yes	Evaluation is through the: <ul style="list-style-type: none"> Self-assessment of compliance with this best practice document, reported in December. Annual report to Council is written to map back to the terms of reference. Annual work plan, reported to March Committee, which maps back to the ToR. Agendas, minutes and reports of Committee support that all core areas are being reviewed. Specific training sessions to review the Committee's effectiveness in September and October 2022.
11.	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	Yes	Wider areas are: <ul style="list-style-type: none"> Matters at the request of Statutory Officers or other committees – if these are brought to the Committee they would be considered in line with the ToR, para 6. Ethical Values – The Committee does not have responsibility for reviewing ethical standards. A separate Standards Committee which has this responsibility is held as and when required. <i>However, the Committee supports standards and ethics, para 10+.</i> Treasury Management – The Committee covers this responsibility as evidenced by its ToR para 39+.
12.	Has the committee met privately with the external auditors and head of internal audit in the last year?	Yes	External Audit attend each Audit Committee meeting and are present for the private session at each meeting.

	Good practice questions	Yes/ No/ Partially	Evidence
Membership and support			
13.	Has the committee been established in accordance with the 2022 guidance as follows?	Yes	
	<ul style="list-style-type: none"> Separation from the executive 	Yes	ToR, para 1 Where it has been recognised at any time that Members have conflicting responsibilities, they have resigned from the Committee.
	<ul style="list-style-type: none"> A size of committee that is not unwieldy and avoids the use of substitutes 	Yes	ToR, para 1
	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 	Yes	The Audit Committee recruited an independent member in January 2023.
14.	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	Yes	Completion of self-assessment confirms appropriate knowledge and skills are in place. Evidenced by attendance and behaviour at Committee and resulting recommendations and minutes, available publicly. The Chair has extensive experience and works closely with the S151 Officer and Chief Audit Executive (CAE) to retain current knowledge and management of risks. The Chair can identify and influence future training requirements for all Committee members.
15.	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	Yes	Completion of the skills assessment (completed Summer 2021). To be refreshed in 2024.

	Good practice questions	Yes/ No/ Partially	Evidence
16.	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Yes	Demonstrated by: <ul style="list-style-type: none"> • Completion of the skills assessment (completed Summer 2021). • Committee work plan (February/March Committee agenda) • Evidence of regular training including agendas, training documents etc. available on request.
17.	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Yes	Training self-assessments were completed by members, summer 2021, and refreshes of the Audit Committee work plan and self-assessment inform the training plan looking forward. There are areas to build upon given the experience of members.
18.	Is adequate secretariat and administrative support provided to the committee?	Yes	Administrative support provided by Committee Services with dedicated Committee Officer assigned to the administration of the Audit Committee. Regular qualified and experienced secretarial support is provided to all Committee meetings.
19.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Yes	Demonstrated by regular attendance at all Committees by these key stakeholders and the professional way the meetings are managed. Interviews with all parties would help to support this conclusion.
Effectiveness of the committee			
20.	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Yes	Committee receives verbal feedback from members, officers and external audit. Annual assurance report to Council allows consideration of this by all members.
21.	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	Yes	The Chair has extensive experience and works closely with the S151 Officer and Chief Audit Executive (CAE) to retain current knowledge and management of risks. Demonstrated in minutes and by attendees at Committee and by clear requests for further information in a few high-risk areas.

	Good practice questions	Yes/ No/ Partially	Evidence
22.	Are meetings effective with a good level of discussion and engagement from all the members?	Yes	Demonstrated in agendas, minutes and reports of the Committee. All unsatisfactory and limited audit areas are reported to Committee and members invite officers from such areas to provide management updates on progress against agreed control improvements.
23.	Has the committee maintained a non-political approach to discussions throughout?	Yes	Demonstrated in agendas, minutes and reports of the Committee.
24.	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	Demonstrated in agendas, minutes and reports of the Committee. All unsatisfactory and limited audit areas are reported to Committee and members invite officers from such areas to provide management updates on progress against agreed control improvements.
25.	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	Yes	Where there is a need to escalate such issues further, the Committee would do this through known member and officer channels. Clarity has been provided and explored at governance training sessions on how this works in practice.
26.	Do audit committee recommendations have traction with those in leadership roles?	Yes	Demonstrated in agendas, minutes and reports of the Committee. All unsatisfactory and limited audit areas are reported to Committee and members invite officers from such areas to provide management updates on progress against agreed control improvements.
27.	Has the committee evaluated whether and how it is adding value to the organisation?	Yes	Demonstrated by the year-end report sent to Council in September (agreed by Audit Committee in July) which sets out delivery in the following areas: <ul style="list-style-type: none"> • Promoting the principles of good governance and their application to decision making; advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively. • Contributing to the development of an effective control environment.

Page 90

	Good practice questions	Yes/ No/ Partially	Evidence
			<ul style="list-style-type: none"> • Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks. • Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence. • Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements. • Supporting the development of robust arrangements for ensuring value for money. • Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. • Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability. <p>In addition, agendas and work is planned and shows clearly where the levels of assurance are coming from, providing opportunity to challenge and ensure a balanced information base is received by members.</p> <p>Members conducted a session on the Committee's effectiveness in September and October 2022 and agreed an action plan, the key elements of which are reported earlier in this report.</p>
28.	Does the committee have an action plan to improve any areas of weakness?	Yes	Results from this self-assessment are incorporated into an action plan.
29.	Has this assessment been undertaken collaboratively with the audit committee members?	Yes	Assessment shared with Audit Committee members and considered formally at the November 2023 Audit Committee.

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	Committee and Date	Item
	Audit Committee	
	23 rd November 2023	
	10:00am	Public
		
		

Internal Audit Charter

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

The Charter demonstrates how Internal Audit complies with Public Sector Internal Audit Standards. The Audit Committee approves the Charter which incorporates the mission, code of ethics, definition and core principles of Internal Audit. There are no significant changes proposed in 2023.

2. Executive Summary

2.1. The Internal Audit Team works to a Charter which complies with the Public Sector Internal Audit Standards (PSIAS) as applied in the UK, based on international standards. The Charter is reviewed and considered by the Audit Committee on an annual basis. There are no significant changes.

3. Recommendations

3.1. The Committee is asked to consider and endorse, with appropriate comment, the Internal Audit Charter (**Appendix A**).

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Audit Committee has a key function in ensuring that effective corporate governance arrangements are maintained in the Council. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function and complies with the Public Sector Internal Audit Standards.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. There are no direct financial implications from adopting the Charter.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

- 7.1. The Public Sector Internal Audit Standards (PSIAS) 2017 are mandatory for internal audit in public services, including local government. They reflect and are based upon the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors. In addition, amendments were made to the public-sector requirements and public-sector interpretations which form part of the PSIAS. The Internal Audit Charter continues to reflect the standards.
- 7.2. The IIA and IPCPA completed a consultation on the current standards in early 2023. The CAE will advise the committee of any changes to the standards and how these will be implemented at Shropshire Council. It is envisaged that this will be late 2023 or early 2024.
- 7.3. Public Sector Internal Audit Standard 1000 requires that Purpose, Authority and Responsibility be defined in an Audit Charter. The Charter establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's reporting relationship with the Audit Committee; authorises access to personnel, records, and physical properties relevant to audit work; and defines the scope of internal audit activities. The senior management and board representatives for Internal Audit's client organisations is set out in **Annex B** of the Charter. Changes are shown in **bold, underlined and italic** font.

- 7.4. There is no change to the areas of potential conflict from previous years, the details of which are repeated here. The role of Head of Policy and Governance post commenced from 1 April 2023 which includes responsibility for Information Governance. A new Internal Audit Manager post was appointed to from 1 June 2023 which adds a layer of independence from the CAE in the operational management of the audit team on a day-to-day basis. This is in line with CIPFA guidance on the Role of the Head of Internal Audit¹.
- 7.5. The Internal Audit Manager has direct access to the Chief Executive, Chairman of the Audit Committee, Leader of the Council, S151 Officer and Monitoring Officer to ensure independence is maintained. In addition, the post holder is required to be CCAB qualified and therefore bound by their professional body code of ethics as well as the general requirement to adhere to the NOLAN principles on standards in public life.
- 7.6. The Internal Audit Charter refers to;
- The nature of assurance services provided to the Council.
 - Organisational independence
 - Individual objectivity
 - Impairment to independence or objectivity
 - Proficiency and due professional care
 - Continuing professional development
 - Quality assurance and improvement programme – internal and external.
- 7.7. The Charter will communicate the contribution that Internal Audit makes to the Council and includes:
- Internal Audit's mission
 - Purpose, principles and responsibilities
 - Independence and objectivity
 - Competencies and standards
 - Planning
 - Nature of work
 - Reporting
 - Quality assurance
 - Fraud and corruption
 - Rights of access.
- 7.8. Final approval of the Internal Audit Charter resides with Shropshire Council's Audit Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Accounts and Audit Regulations 2015

Public Sector Internal Audit Standards 2017

Internal Audit Quality Assurance External Assessment, February 2022

¹ [The role of the head of internal audit | CIPFA](#)

CIPFA Statement on the role of the head of internal audit in public service organisations, 2019 edition

CIPFA Local government application note for the United Kingdom Public Sector Internal Audit Standards 2019 edition

Local Member: N/A

Appendices

Appendix A - Internal Audit Charter with annexes A and B



Internal Audit Charter

Mission Statement

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.



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General Enquiries: 0345 678 9000

INTERNAL AUDIT CHARTER

INTRODUCTION

1. This charter defines for the Council and the community Internal Audit's activities, purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)². It establishes Internal Audit's position within the Council, including functional reporting relationships with the Audit Committee³, authority to access personnel, records, and physical properties relevant to the undertaking of its engagements⁴; and defines the scope of the Internal Audit activity. Final approval of this Charter rests with the Audit Committee⁵.
2. The PSIAS which encompasses the mandatory elements of the Institute of Internal Auditors (IIA) define Internal Audit as follows: *"Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resource."*
3. The basis of internal financial administration within the Council lies in the Financial Rules contained in the Council's Constitution. This Charter should be read in conjunction with the relevant sections of these Financial Rules.
4. The authority and requirement for an internal audit function derives from two pieces of legislation: *Section 151 of the Local Government Act 1972*, requires that authorities 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The *Accounts and Audit Regulations 2015* require that a relevant body must 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Any officer or member of a relevant body shall if the body requires—make available such documents, records and information and explanations as are considered necessary by the internal auditors.
5. The Financial Rules (Part 4, Appendix C2) state the Section 151 Officer has a 'statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective internal audit'.

² PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practices by CIPFA, the internal audit standard setters for Local Government.

³ See glossary for translation of the terms used in the Public Sector Internal Audit Standards in respect of Shropshire Council's Internal Audit activity and those of its external clients.

⁴ Engagement is the term in the PSIAS used to represent audit work.

⁵ The Audit Committee is referenced in the PSIAS as the Board.

6. In accordance with good practice, The Audit Committee will review this Charter annually after consultation with senior management⁶.

INTERNAL AUDIT PURPOSE AND RESPONSIBILITIES

Purpose

7. Internal Audit led by the Chief Audit Executive (CAE)⁷ is ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.’⁸

8. **Internal Audit risk based planning is aligned with the strategic objectives of the Council as set out in the Shropshire Plan⁹. The Internal Audit team supports the Council in achieving its vision through the delivery of the Internal Audit plans and consultancy activities.**

Principles

9. Internal Audit, the auditors and the internal audit activity, comply with the following principles in delivering and achieving internal audit’s mission:
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is positioned appropriately and resourced adequately.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance¹⁰.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.

Objectives

10. Internal Audit’s objective is to give assurance and an opinion to the Section 151 Officer, Audit Committee and the Council, on the adequacy of the Council’s risk management, governance and control environment and the extent to which it can be relied upon, in line with the Accounts and Audit (England) Regulations 2015.

Responsibilities

11. Internal Audit is responsible for conducting an independent appraisal of all the Council’s (and that of its external clients) activities, financial or otherwise, including services provided in partnership or under contract with external organisations. It provides this service to the Council and all levels of management.

⁶ Senior management comprises of the Head of the Paid Service, Monitoring Officer, Section 151 Officer and directors.

⁷ The ***Head of Policy and Governance*** is the Council’s Chief Audit Executive as defined in the PSIAS.

⁸ Source Public Sector Internal Audit Standards April 1st, 2017.

⁹ [The Shropshire Plan 2022-2025 | Shropshire Council](#)

¹⁰ Assurance opinions and recommendation categories are defined in Annex A

12. Internal Audit complies with the requirements of the Public Sector Internal Audit Standards (PSIAS) including the Definition of Internal Auditing, the Principles and the Code of Ethics (see **Annex A**) and other relevant guidance; including those issued by individual auditors' professional bodies.
13. The scope of internal audit includes:
 - reviewing, appraising and reporting on the following;
 - the soundness, adequacy and application of internal controls;
 - the extent to which the Council's assets are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance, inefficient administration, poor value for money or other causes;
 - the suitability and reliability of financial and other management data developed within the Council;
 - conducting selected value for money reviews of the efficiency and economy of the planning and operation of the Council's functions;
 - providing a responsive, challenging and informative internal advice and consultancy service for committees and services;
 - undertaking any non-recurring studies as directed by the Section 151 Officer;
 - advising on or undertaking fraud investigation work, except for benefit fraud, in accordance with the Council's Fraud Investigation procedure, prosecutions policy and the disciplinary guide;
 - participating in the National Fraud Initiative; and
 - Periodically undertaking an audit needs assessment taking into consideration the authority's risk management process.
14. Internal Audit also conduct special reviews or assignments where requested by management, which fall outside the approved work plan and for which a contingency is included in the audit plan.

INDEPENDENCE AND OBJECTIVITY

15. Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out their responsibilities in an unbiased manner.
16. **The role of Head of Policy and Governance post commenced from 1 April 2023 which includes responsibility for Information Governance. A new Internal Audit Manager post was appointed to from 1 June 2023 which adds a layer of independence from the CAE in the operational management of the audit team on a day-to-day basis.**
17. Objectivity is an unbiased mental attitude that allows internal auditors to perform audit reviews in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not allow their judgement on audit matters to be influenced, distorted, or subordinated by others.
18. Threats to objectivity and independence must be managed at the individual auditor, audit, functional and organisational levels.

19. Internal Audit has no executive responsibilities and is independent of the activities that it audits to enable Auditors to provide impartial and unbiased professional evaluations, opinions and recommendations. Internal Audit is free to plan, undertake and report on its work as the CAE deems appropriate, in consultation with relevant managers. Counter fraud is a responsibility of the CAE but remains independent of the services from where counter fraud controls are operating.
20. The CAE has direct access to the Section 151 Officer, the External Auditor, senior managers, the Leader, Audit Committee and other members as required.
21. The CAE fosters constructive working relationships and mutual understanding with management, external auditors and with other review agencies.
22. Constructive working relationships make it more likely that internal audit work will be accepted and acted upon, although the internal auditor does not allow their objectivity or impartiality to be impaired.
23. Internal auditors are required to have an impartial, unbiased attitude characterised by integrity and objectivity in their approach to work. They avoid conflicts of interest and a register of interests is maintained. Audit reviews are planned to ensure potential conflicts are avoided. To ensure integrity and objectivity are not impaired, auditors will not audit areas of previous responsibility for a period of at least twelve months after the responsibility ended. Auditors should not allow external factors to compromise their professional judgement and must maintain confidentiality in their work.
24. The CAE cannot give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate risk management processes, control systems, accounting records, financial processes and governance arrangements i.e. the control environment, exist without depending on internal audit activity to identify weaknesses.
25. The CAE is to be consulted about significant proposed changes in the internal control system and the implementation of new systems and shall make recommendations on the standards of control to be applied.
26. This need not prejudice the audit objectivity when reviewing the systems later.

COMPETENCIES AND STANDARDS

27. Audits must be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.
28. The CAE holds a relevant professional accountancy/audit qualification and is suitably experienced. In addition, the CAE must maintain a team of staff who are properly trained to fulfil all their responsibilities and continue to enhance their knowledge, skills and competencies through continuing professional development.

29. Internal auditors are expected to:
- exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
 - apply confidentiality as required by law and best practice and
 - obtain and record sufficient audit evidence to support their findings and recommendations.

INTERNAL AUDIT PLANNING

30. The CAE produces the Council's annual risk-based audit plan, in consultation with the Section 151 Officer, to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The plan considers the Accounts and Audit (England) Regulations 2015, the management of risk, previous internal/external audit work, discussions with the Head of the Paid Service and senior managers, external networking intelligence, local and national risks, comments from the Audit Committee and any requirements of the External Auditor.
31. The Plan is subject to regular reviews and revisions as required to reflect changes to the risk environment and these changes are approved when significant. The Plan includes an element of contingency to allow Internal Audit to be responsive to changing risks and requests for assistance from managers. It is the responsibility of the Section 151 Officer to ensure that the budget¹¹ and resources allocated to Internal Audit are sufficient to ensure delivery of the plan and to report any concerns to the Audit Committee. The Audit Committee agree the annual risk based plan and any significant change to the plan during the year.
32. The Internal Audit team has retained a suitable mix of skills in finance, information technology, contract management, governance, establishments, systems, counter fraud, investigations and project management. To help supplement the internal resources and respond to demand during periods of change, additional audit time will be purchased from external contractors to deliver the plan.

NATURE OF WORK

33. The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

34. The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
- promoting appropriate ethics and values within the organisation;
 - ensuring effective organisational performance management and accountability;
 - communicating risk and control information to appropriate areas of the organisation;
 - coordinating the activities of, and communicating information among, the audit committee, external and internal auditors and management;

¹¹ The budget, including the remuneration, the Audit Service Manager is approved by Council.

- the internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

Risk Management

35. Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:
- organisational objectives support and align with the organisation's mission;
 - significant risks are identified and assessed;
 - appropriate risk responses are selected that align risks and their mitigation with the organisation's risk appetite;
 - relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.
36. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.
37. When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by managing risks.

Control

38. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance operations and information systems regarding the:
- achievement of the organisation's strategic objectives;
 - reliability and integrity of financial and operational information;
 - effectiveness and efficiency of operations and programmes;
 - safeguarding of assets; and
 - compliance with laws, regulations, policies, procedures and contracts.
39. In accordance with the PSIAS, most individual audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below:
- identify and record the objectives, risks and controls;
 - establish the extent to which the objectives of the system are consistent with higher level corporate objectives;
 - evaluate the controls in principle to decide if they are appropriate and can be reasonably relied upon to achieve their purpose;
 - identify any instances of over and under control;
 - determine an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing;
 - arrive at conclusions and produce a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

40. To reduce duplication of effort Internal Audit will work in partnership to identify and place reliance on assurance work completed elsewhere in the Council. A computerised audit management system, supported by working papers, is used to streamline working practices. This reflects best professional practice.

INTERNAL AUDIT REPORTING

41. Internal Audit findings are reported in writing to appropriate managers against four assurance opinions (good, reasonable, limited and unsatisfactory). The CAE sets standards for reporting, review and approval before issue. The reports:
- prompt management action to implement recommendations for change, leading to improvement in performance and control;
 - provide a formal record of points arising from the assignment, and where appropriate, of agreements reached with management;
 - state scope, purpose and extent of conclusions;
 - make recommendations relative to the risk which are appropriate, relevant and flow from the conclusions;
 - acknowledge the action taken or proposed by management; and
 - ensure that appropriate risk-based arrangements are made to determine whether action has been taken on internal audit recommendations, or that management has understood and assumed the risk of not acting.
42. The CAE reports regularly to the Section 151 Officer and at least three times a year to the Council's Audit Committee on progress against the annual audit plan and other issues of concern in respect of the control environment and emerging issues. The Audit Committee meet at least four times per year and they have a detailed work plan agreed for the year. In addition, the CAE produces an annual report to the Section 151 Officer and Audit Committee on the main issues raised by Internal Audit during the year and on the performance of Internal Audit. The annual report:
- includes an opinion on the overall adequacy and effectiveness of the Council's control environment (definitions in Annex A);
 - discloses any qualifications to that opinion, together with the reasons for the qualification;
 - presents a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
 - draws attention to any issues the CAE considers particularly relevant to the preparation of the Annual Governance Statement;
 - compares the work undertaken with the work as planned and summarises the performance of the Internal Audit function against its performance measures and criteria;
 - comments on compliance with these standards and communicates the results of the Internal Audit quality assurance and improvement programme.

QUALITY ASSURANCE

43. To ensure Internal Audit independence, the audit of any areas managed by the CAE will be conducted by an appropriate auditor and reviewed by an audit senior. The

CAE will take no part in the audit or review process other than in the role of auditee. The final report will be issued to the Section 151 Officer **and the Assistant Director, Legal and Governance (Monitoring Officer)** as the CAE's line manager.

44. The CAE will develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity and conforming to the relevant standards. This will include an on-going internal assessment covering adequate supervision of work performed, an internal review process and the retention of appropriate evidence. In addition, at least once every five years, an external assessment of Internal Audit by an appropriate person¹² external to the Council will be conducted. The timing, form of the assessment, qualifications of any external assessor, results and any improvement plans will be agreed with and reported to the Audit Committee in the annual report¹³. Significant deviations will be considered for inclusion in the Annual Governance Statement.
45. The CAE develops and maintains a set of performance measures which are reported to the Section 151 Officer and Audit Committee. **These are also documented within the service plan and within individual Performance Development Plan (PDP) documents for all members of the team.**

FRAUD AND CORRUPTION

46. The Internal Audit Service is not responsible within services for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management.
47. The CAE should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications when giving an opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

RIGHTS OF ACCESS

48. Under the Council's Financial Rules, internal auditors have the authority to:
- access at reasonable times, premises or land used by the Council;
 - access all assets, records, documents, correspondence and control systems except for those from which they are statutorily prevented;
 - require and receive any information and explanation considered necessary concerning any matter under consideration;
 - require any employee of the Council to account for cash, stores or any other Council property under his/her control and produce supporting evidence and assets for inspection if required;
 - access records belonging to third parties, such as contractors, when required.

Reviewed November 2023

¹² Qualified independent assessor or assessment team

¹³ For both internal and external reviews

Public Sector Internal Audit Standards

The definition of Internal Auditing within the Standards is: Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Overall Assurance Opinion

Overall Assurance Opinion is provided on the organisation's risk management, governance and internal control processes to confirm that they are operating effectively. Opinions consider the expectations of senior managers, the board and other stakeholders and are supported by appropriate, reliable and useful information.

Overall Assurance Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
Substantial	Limited number of medium risk related weaknesses identified but generally only low risk rated weaknesses have been found in individual assignments/ observations. No one area is classified as high or/ critical risk	Unqualified
Reasonable	Medium risk rated weakness identified in individual assignments/ observations that are not significant in aggregate to the system of governance, risk management or control. High risk rated weaknesses identified in individual assignments/ observations that are isolated to specific systems, processes and services. None of the individual assignment reports/ observations have an overall high or critical risk	
Limited	Medium risk related weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected and/or High risk rated weaknesses identified in individual assignments/ observations that are significant in aggregate but discrete parts of the system of internal control remain unaffected, and/or Critical risk rated weaknesses identified in individual assignments/ observations that are not widespread to the system of internal control, and More than a minority of the individual assignment reports/ observations may have an overall report classification or rating of high or critical risk	

Overall Assurance Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
No Assurance	<p>High risk rated weaknesses identified in individual assignments/ observations that in aggregate are widespread to the system of internal control and/or</p> <p>Critical risk rated weaknesses identified in individual assignments/ observations that are widespread to the system of internal control or</p> <p>More than a minority of the individual assignment reports/ observations have an overall report classification of either high or critical risk.</p> <p>Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk</p>	Qualified
Disclaimer	<p>An opinion cannot be issued because insufficient internal audit work has been completed due to either:</p> <ul style="list-style-type: none"> -restrictions in the agreed audit programme, which means that audit work would not provide sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control, or - unable to complete enough reviews and gather sufficient evidence to conclude on the adequacy of arrangements for governance, risk management and control 	Qualified

Audit assurance opinions for engagements are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place and consideration of the engagement results and their significance.

Audit assurance Opinions for engagements are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Audit recommendation categories are an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority.

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Consultancy Activity

Audit can, where resources and skills exist, provide independent and objective consultancy services, which apply the professional skills of Internal Audit through a systematic and disciplined approach, and may contribute to the opinion that Internal Audit provides on the control environment.

Consultancy comprises the range of services, which may go beyond Internal Audit's usual assurance roles, provided to assist management in meeting the objectives of the Council.

The nature and scope of the work may include:

- Facilitation;
- Process and/or control design;
- Training;
- Advisory services and
- Risk assessment support.

As with any piece of work, it is important to clearly define the terms of reference for the involvement of Audit in any consultancy activities, so that both the client and the auditor know what is expected from the involvement of Audit.

Any auditor asked to provide consultancy services or undertake a consultancy-style activity should consult their manager or the CAE before agreeing to provide such services. For any significant additional consulting services not already included in the plan, approval will be sought from the Audit Committee prior to accepting the engagement.'

Code of Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are four principles in the code of ethics:

1. **Integrity** – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
2. **Objectivity** – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process

being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

3. **Confidentiality** – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4. **Competency** – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.¹⁴

¹⁴ Information can be found at www.public-standards.gov.uk

Glossary of Terms for External Clients where they are different to the Council

Cornovii Development Ltd

Senior Management	Managing Director
Board	Cornovii Development Board

Oswestry Town Council

Senior Management	Town Clerk
Board	Town Council

Shropshire County Pension Fund

Senior Management	Pension Fund Administrator
Board	Pensions Committee

STaRH

Senior Management	Managing Director and direct reports
Board	Finance, Audit and Risk Sub Committee

West Mercia Energy

Senior Management	Treasurer Managing Director
Board	Joint Committee

	Committee and Date	Item
	Audit Committee	
	23 rd November 2023	
	10:00am	Public



Annual review of the Counter Fraud, Bribery and Anti-Corruption Strategy

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

Whilst the Council can never be free from fraud activities, it continues to be focused on acknowledging, preventing and pursuing fraud, bribery and corruption and Audit Committee members reaffirm the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.

2. Executive Summary

2.1. This report outlines the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

2.2. The Counter Fraud, Bribery and Anti-Corruption Strategy has been reviewed and continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on, or from within, the Council, thus demonstrating the continuing and important role the strategy plays in the corporate governance and internal control framework. This report also provides an update on the action plan to ensure continuous improvement in the fight against fraud, bribery

and corruption providing an update to members in response to national and local issues.

3. Recommendations

- 3.1. The Committee is asked to consider, and endorse with appropriate comment, the Counter Fraud, Bribery and Anti-Corruption Strategy and measures undertaken and detailed in this report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The adoption and promotion of an effective Counter Fraud, Bribery and Anti-Corruption approach helps the Council encourage the detection of fraud and irregularities proactively and manage them appropriately.
- 4.2. In aligning the Council's Counter Fraud, Bribery and Anti-Corruption Strategy with CIPFA's Code of practice on managing the risks of fraud and corruption, the Council continues to apply best practice. Potential fraud risks are assessed across the Council and activities in place to mitigate these.
- 4.3. Internal Audit, working to the Public Sector Internal Audit Standards (PSIAS), has a responsibility to evaluate the potential for the occurrence of fraud and any subsequent management response. This report sets out some of the practices employed to evaluate and manage these risks including involvement with the National Fraud Initiative.
- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. All revisions and activities can be met from within existing budgets.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

- 7.1. The Council sets itself high standards for both members and officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and initiatives to prevent, detect and report on fraud, bribery and corruption, including a Speaking up about Wrongdoing policy, Anti Money

Laundering (AML) procedures and guidance, all supported by an overarching Counter Fraud, Bribery and Anti-Corruption Strategy.

7.2. The Counter Fraud, Bribery and Anti-Corruption Strategy is contained in part five of the Constitution, last reviewed and updated in February 2023. In reviewing the Strategy, only minor adjustments have been made to reflect structure changes at the Council and the move to a more digital approach. All proposed changes are identified in the Strategy in bold italic, underlined font.

7.3. The Strategy can be located on the Council's website alongside Speaking up about Wrongdoing policies for both staff and the public and Anti Money Laundering (AML) procedures and guidance. A review of these has identified minor changes which have been reflected in the Strategy and supporting policies, procedures and guidance.

8. Additional Information

Counter Fraud, Bribery and Anti-Corruption Strategy

8.1. Shropshire's strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This aligns with CIPFA's Code of practice on managing the risks of fraud and corruption and recognises that the strategy will enable the Council to:

- Acknowledge and understand fraud risks;
- Prevent and detect more fraud; and
- Pursue and punish fraud and recover losses.

8.2. The Strategy reflects best practice from the National Fraud Authority (NFA) Fighting Fraud Strategies and guidance from organisations such as ALARM (the National Forum for Public Sector Risk Management) and the IIA (Institute of Internal Auditors).

8.3. It is recognised that to reduce losses to fraud, bribery and corruption to an absolute minimum, a strategic approach with a clear remit covering all areas of fraud, bribery and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud, bribery and anti-corruption culture, create a strong deterrent effect and prevent fraud, bribery and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud, bribery and corruption and seek to apply sanctions and recover losses where they are found).

8.4. The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the Council's focus clearly on outcomes (e.g. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.).

8.5. The strategy continues to emphasise the Council's remit to reduce losses to fraud, bribery and corruption to an absolute minimum. It:

- Demonstrates links between 'policy' work and 'operational' work. Has robust arrangements and executive support to ensure counter-fraud, bribery and corruption measures are embedded throughout the Council.
- Shows agreement by both the political and executive authority for the Council's approach.
- Acknowledges fraud and identifies accurately the risk.
- Creates and maintains a strong structure to pursue its remit including:
 - Having the necessary governance, authority and support;
 - Providing for specialist training and accreditation;
 - Completing appropriate propriety checks;
 - Developing effective relationships with other organisations.
- Enables actions to tackle the problem by:
 - Integrating different actions;
 - Building a strong counter fraud and anti-corruption culture;
 - Having clear actions to deter any problem;
 - Acting to prevent fraud and corruption;
 - Early detection of any issues;
 - Investigating appropriately in accordance with clear guidance;
 - Having clear and consistent sanctions where fraud or corruption is proven;
 - Having clear policies on redressing losses.
- Focuses on outcomes and not merely activity.

National Picture

CIFAS Fraudscape 2023

8.6. CIFAS is a fraud prevention service in the United Kingdom. It is a not-for-profit membership association representing organisations from across the public, private and voluntary sectors. In their 2023 Fraudscape document, they report over 409,000 cases of fraudulent conduct reported to the National Fraud Database (NFD), an increase of 14% on the previous year and the highest volume of cases ever recorded. High risk areas of fraud include:

- Identity fraud has grown by 23% to 277,000 with 86% of this occurring through online channels. Identity fraud accounted for 68% of all fraud cases in 2022.
- Misuse of facility ¹ is the second highest recorded case type with over 70,000 cases, a reduction of 11% since 2021.
- Over 37,000 cases of facility takeover were recorded in 2022 which is consistent with figures recorded in 2021. A large number of the cases related to taking over existing accounts on retail and telecoms sites to order goods to sell on.
- False applications increase by 40% compared to 2021 levels, with nearly 24,000 cases recorded. False documents are an issue with a rise in false utility bills being used to support false applications for products and services.

8.7. The CIFAS report summarised by stating that:

¹ Misuse of Facility cases primarily relate to misuse of bank accounts

- Volumes of cases recorded to the NFD are the highest level ever recorded , with over 409,000 cases.
- 68% of cases concerned identify fraud, demonstrating the challenge organisations face in verifying customers through digital channels.
- There is increasing evidence of technology driven threats, such as bot attacks targeting organisations to access customer accounts.
- The risk of insider threat should be a priority due to the financial struggles brought about by the cost of living crisis that many employees may be experiencing.
- Remote working makes it difficult to manage the risk of insider threat. It is therefore essential that organisations conduct regular screening of staff and contractors as well as wellbeing checks.

8.8. The full report is available at:

<https://www.fraudscape.co.uk/#welcome>

Stopping Scams and Protecting the Public Purse

8.9. In May 2023 the Government published their fraud strategy Stopping scams and protecting the public purse. The report estimates that fraud now accounts for over 40% of crime and costs the public nearly £7 billion a year but accounts for less than 1% of police resource. It recognises that these proceeds are funding organised crime and terror and that new technologies are facilitating scams, making them easier to carry out and harder to police.

8.10. A new National Fraud Squad (NFS) has been established and there are plans to replace Action Fraud with a new system for victims to report fraud and cyber crime to the police. The NFS will work alongside the Serious Fraud Office (SFO) to ensure complex fraud cases are investigated by the most appropriate agency.

8.11. The full strategy is available at:

<https://www.gov.uk/government/publications/fraud-strategy/fraud-strategy-stopping-scams-and-protecting-the-public>

Fighting Fraud and Corruption Locally (FFCL); A Strategy for the 2020s

8.12. The Fighting Fraud and Corruption Locally Strategy (FFCL) 2020 is England's counter fraud and corruption strategy for local government. It continues to be the definitive guide for council leaders, chief executives, finance directors, and all those with governance responsibilities. It is aimed at local authorities who undertake work in the counter fraud area. The Companion contains good practice and a checklist for local authorities to use as part of making sure they have the right processes and resources in place. The Council's Counter Fraud, Bribery and Anti-Corruption Strategy continues to be aligned to this checklist.

8.13. The Audit Committee approved an Action Plan to ensure that the Council continues to protect its assets and further improve its resilience to fraud and corruption. The following has been and continues to be delivered:

Action Plan

Action	Implementation Date and Update
To proactively use the results of previous fraud risk assessments and publicly available information from recognised organisations to direct counter fraud resources in the annual Internal Audit Plan.	Completed and ongoing.
To refresh the Council's suite of anti-fraud policies, strategies and procedures and to ensure that they continue to be relevant to national guidance.	Annually in November. Completed and ongoing.
To remind all staff and members of their role in sustaining a strong counter fraud, bribery and anti-corruption culture and the appropriate reporting channels where any fraud is suspected.	Annually in November. Completed through directorates and management meetings.
To undertake an annual Fraud Risk Assessment covering the Council's main areas of exposure to fraud and to use the results to influence the Council's approach moving forward.	Annually in November. Completed and ongoing.
To update the Council's e-learning module on Fraud Awareness and to promote its uptake by all employees.	Completed and ongoing.
To be an active participant in the National Fraud Initiative (NFI) and to investigate robustly suspected cases of fraud identified through NFI and report outcomes to Audit Committee.	Biannually in November. Completed and ongoing.
To refresh the Fraud Awareness pages on the web site and to engage with managers through targeted communications to emphasise their obligations to operate effective systems of internal control which are designed to reduce the risk to the Council of fraud, error or inadvertent loss.	Completed and ongoing annually in November.
Refresh of the Council's Money Laundering Policy, communication of and training on.	Completed and ongoing.

CIPFA's Counter Fraud Assessment Tool

8.14. This tool is designed to help councils assess their counter fraud arrangements against the standards set out in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. The tool is used as a basis for ongoing improvement and development planning alongside assurance on the adequacy and effectiveness of the Council's counter fraud arrangements. The action plan reported on within this report is reflective of the improvements identified when applying this tool.

8.15. Whilst no organisation is fraud proof, Shropshire Council continues to take robust steps to improve its resilience and to meet the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Leadership has acknowledged its responsibilities for managing risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements to carry it out, and is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the Council and meeting the standards of this code contributes to good governance.

National Fraud Initiative (NFI)

8.16. The National Fraud Initiative (NFI), run by the Cabinet Office, is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council continues to participate in this exercise.

8.17. In December 2022 the Cabinet Office reported the 2020/21 exercise identified and prevented £443m fraud and error, £417m in England, the main categories of which were:

- Pension fraud and overpayments (£250m)
- Fraudulently or wrongly received, council tax single person discount (£44.7m)
- False housing applications (£21.8m)

8.18. The December 2022 national report in respect of the 2020/21 data matching exercise is available online ([2022-12-02 NFI report 2022 12v3 - JQ.pdf](#) ([publishing.service.gov.uk](#)))

8.19. The Council has submitted the data for the 2022/23 matching process and is working through the results. Further updates will be shared with the Audit Committee when they are available.

Transparency Requirements

8.20. Legislation on transparency applies to anti-fraud activities. The Local Government Transparency Code sets out the minimum data that local authorities should be publishing, the frequency with which it should be published and how it should be published. The Council has complied with these requirements, the results of which can be found on the web site.²

Update on Regulation of Investigatory Powers Policy and Guidance (RIPA) Activity

8.21. RIPA Policy and Guidance sets out the approach the Council will take with respect to the authorisation and use of surveillance activity to deliver the Council's statutory and public duties, whilst protecting individuals' right to privacy. The Council's existing Regulation of Investigatory Powers Policy was adopted in August 2015, and updated in February 2022³. The updates ensure that any surveillance activities undertaken by the Council are compatible with the human right to privacy by ensuring compliance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA), the European Convention on Human Rights (ECHR) and the Human Rights Act 1998 (HRA). The Audit Committee's governance role is reinforced in the refreshed policy and guidance.

² <https://shropshire.gov.uk/open-data/>

³ [RIPA POLICY AND GUIDANCE \(shropshire.gov.uk\)](#)

- 8.22. The Policy addresses the use of activities that involve:
- the surveillance of individuals;
 - the use of undercover officers and informants, known as Covert Human Intelligence Sources (CHIS); and
 - the obtaining of communications data.
- 8.23. All Council applications to acquire communications data are processed through the National Anti-Fraud Network who act as the Council's Single Point of Contact (SPoC). National Anti-Fraud Network (NAFN) engages with the applicant and the Office for Communications Data Authorisations (OCDA) to obtain authorisations on the Council's behalf. A senior manager at service manager level or above within the Council must be made aware of all applications before they are submitted to NAFN for processing.
- 8.24. The Investigatory Powers Commissioner's Officer (IPCO) are no longer routinely undertaking annual inspections. They have requested that each local authority should provide a written update, in the first instance, on its compliance with the legislation to enable IPCO to assess whether or not a remote, or in some cases, in-person, inspection is required. Following a submission by the Executive Director for People, Tanya Miles, the IPCO confirmed in July 2023 that he was satisfied that the Council's reply provided assurance that ongoing compliance with RIPA 2000 and the Investigatory Powers Act 2016 will be maintained. The next inspection is due in 2026.

Whistleblowing Policy

- 8.25. The Council has a whistleblowing policy for the public and one for its employees. Both policies have been reviewed and updated in respect of key contacts and staff information. There have been no changes proposed to the process of 'blowing the whistle.' An annual reminder is circulated to all employees to raise awareness as to the availability of this policy.
- 8.26. The Whistleblowing Policy is available to staff via the Intranet pages and is also available to them, along with members and the public, via the website; allowing it to be accessed from any computer. This is particularly important as it allows staff to access the policy outside of a work environment, where they may be reluctant to be seen accessing the Whistleblowing policy.

Anti-Money Laundering (AML) Procedure

- 8.27. There are no revisions proposed to the Council's Anti-Money Laundering procedure and guidance, they continue to reflect The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Training is available on the Council's electronic training tool, Leap into Learning. The AML Officer and deputies continue to stay aware of their requirements. In addition, Executive Directors continue to spread awareness, identify any money laundering risks in their areas to be shared at least annually with the AML Officer and identify employees who need training.

Serious Organised Crime Checklist

- 8.28. Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. Organised crime groups may seek to benefit from public services in different ways, including to raise money through fraudulent activity and to use businesses / services used by local authorities to

launder criminal proceeds. In this way public money can be lost to local authorities and can ultimately fund other illegal activity.

8.29. The Home Office Serious and Organised Crime report and checklist provides a methodology to assess the risk from serious and organised crime and corruption and is essential in allowing the Council to identify areas of concern, potential vulnerabilities and to act to strengthen processes and structures that safeguard public money. The checklist evaluates our response and activities in relation to:

- Awareness, Strategy, Guidance and Training
- Risk Management
- Communication and Information/ Intelligence Sharing
- Whistleblowing
- Assurance
- Operational controls for
- Licensing
- Planning/ Development management
- Social Housing
- Procurement
- Insider threat

8.30. Executive Directors, Heads of Service and key Procurement Officers continue to evidence activities against the checklist providing a balanced assessment of the Council's exposure to the risks. In the main, at this high level, risks appear well managed and where improvements can be made, actions have been highlighted as part of an improvement plan. The Council's Commissioning and Assurance Board continues to oversee operational management of these actions and are in the process of reviewing the checklist with a refreshed version available in December 2023.

Awareness and training

8.31. Fraud awareness training is available on the Council's eLearning tool, Leap into Learning and continues to result in positive feedback from recipients. Questions explore awareness and knowledge of counter fraud procedures including the availability of the whistleblowing policy. Audit Committee members have been provided access to the training to complete and experience it first-hand.

Qualified officers

8.32. Internal Audit has officers trained, up to date and capable of undertaking investigations in a professional manner as the need arises. One officer is an accredited CIPFA Counter Fraud Technician. Other members of the Audit team have considerable experience in conducting investigations. Given current demands, time has been focused on investigations over proactive prevention work. Balanced against this is that lessons learnt from investigations are used to inform management of control issues and the need for improvements to prevent reoccurrences. These reports are shared with Executive Directors.

Shropshire Council counter fraud risks and plans

8.33. In terms of potential for fraud, the counter fraud risk assessment has been refreshed and shared across all directorates. There is no change to the high-risk area of housing benefits and cybercrime. Grant risks have fallen out of this category reflecting the reduced value and quantity of business grants being managed.

High

- Housing benefits
- Cybercrime

Thirteen medium risk areas continue to be identified; the list of risks is:

Medium

- Payroll, fraudulent travel, expense, overtime and timesheets
- Pension continues after death
- Employee commits benefit fraud
- Inappropriate and incorrect contract awards
- False invoicing
- Debtors; claiming false exemptions, failing to raise a debt, suppressing recovery action
- Housing applications for financial assistance with repairs, homelessness and lettings
- Council tax discounts
- NDR reliefs
- Parking abuse including blue badge use/disabled parking
- Direct payments / personal budgets
- Property and taxi licenses
- School, diversion of resources.

8.34. There are several steps in place, continuing, planned or underway to help to explore, identify and mitigate these fraud risks:

- Housing benefit investigations are referred to the Department of Work and Pensions Single Fraud Investigation Service for action. Housing Benefits, Internal Audit and Human Resources officers continue to jointly risk assess any employees that are suspected of benefit fraud to consider if internal investigations are required or Council assets within the employee's control may be at risk. A Housing Benefit audit is currently in progress as part of the 2022/23 Audit plan.
- The 2022/23 NFI exercise including data matching for payroll, pensions, creditors, housing benefit, council tax, concessionary travel passes, blue badges, resident parking permits, taxi driver licences are reported on within this report.
- To reduce the risk of cybercrime and the impact it would have on all areas of the Council, we are completing an ongoing programme of IT Audit work of key infrastructure systems, including internet security, firewall management, Microsoft Azure and Office 365 and Encryption. We are also part of a multi-agency working group which is developing a draft Local Resilience Forum ICT and Cyber Response Framework to manage the tactical aspects of a multi-agency response to a cyber-attack.
- Internal Audit resources have been deployed to provide assurance and advice in respect of initiatives such as; data analytics for financial systems; recruitment processes; procurement / implementation of new systems and internal control self-assessments.
- The current year audit plan includes several internal audit reviews that have been conducted, or are planned, to help ensure appropriate controls are in place, and are operational, to counter the fraud risks identified from the risk assessment:
 - IT reviews, as detailed earlier in this section

- Payroll
 - Payroll data analytics (quarterly)
 - Sickness Management and other Leave
 - Travel and Subsistence
 - Procurement Cards
 - Counter fraud work, 2022 NFI participation, review of policies and delivery of training and awareness campaigns
 - Debt recovery
 - Sales ledger
 - Grant reviews across all Council services
 - Contracts and tendering including financial evaluations
- In line with the operational risk management review timetable, fraud risks will be fully reviewed during November 2023.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA: Code of practice on managing the risks of fraud and corruption, October 2014

The Bribery Act 2010

NFA Fighting Fraud Together, the strategic plan to reduce fraud

Fighting Fraud Locally: The Local Government Fraud Strategy 2020

Fraud Strategy: Stopping Scams and Protecting the Public Purse May 2023

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

Regulation of Investigatory Powers Policy February 2022

Home Office Serious and Organised Crime report and checklist 2017

Cifas Fraudscape 2023 Full Digital Report

Local Member: N/A

Appendices

Appendix A - Counter Fraud Bribery and Anti-Corruption Strategy

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Counter Fraud, Bribery and Anti-Corruption Strategy

POLICY STATEMENT AND STRATEGY

Document Details:

Owner/Lead Officer: Executive Director of Resources (Section 151 Officer)

Date: *November 2023*

Review Arrangements: Next Review Date – **November 2024**



www.shropshire.gov.uk
General Enquiries: 0345 678 9000

Counter Fraud, Bribery and Anti-Corruption Policy Statement

This Statement sets out Shropshire Council's (the Council's) policy in relation to fraud, bribery and corruption. It has the full support of both the Council's senior management and elected members. **The Shropshire Plan 2022 to 2025 sets out the overall priorities for the Council. A key element of this is the objectives regarding healthy organisation and the management and control of its finances. Ensuring appropriate resources are assigned to tackling fraud is key to the delivery.**

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets, aligned to Nolan's seven principles of public life (**see Appendix 2**). To achieve the objectives set out within the Council's Corporate Plan, the Council needs to maximise the financial resources available to it. To do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, bribery and corruption and other forms of financial irregularity.

The Council advocates **strict adherence** to its anti-fraud, bribery and corruption framework and associated policies. Whilst individual circumstances of each case will be carefully considered, in most cases there will be a **zero-tolerance** approach to fraud, bribery and corruption in all its forms. The Council will not tolerate fraud, bribery or corruption by its members, employees, suppliers, contractors, partners, service users or the public and will take all necessary steps to investigate all allegations of fraud, bribery or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in the Members' Code of Conduct and Employees' Code of Conduct, both documents forming part of the overall Constitution of the Council.

The Council fully recognises its responsibility for spending public money and holding public assets. The prevention and if necessary, investigation of fraud and corruption is seen as an important aspect of its duties which it is committed to undertake. The procedures and the culture of the Council is recognised as important in ensuring a high standard of public life.

The Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. Members and employees are expected to lead by example and will be accountable for their actions.

The Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships of which the Council is a member. This will be done through applying appropriate elements of this Strategy to all partnership working, where it is relevant to do so. For partnership working, responsibility for codes of conduct and policies of this nature generally lies with the relevant individual organisation in the partnership. Where appropriate, the Council will draw the attention of the partner organisation to its concerns.

This Policy Statement is underpinned by a Counter Fraud, Bribery and Anti-Corruption Strategy. The Strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption. It sets out the key responsibilities to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

Counter Fraud, Bribery and Anti-Corruption Strategy

1. Introduction

Shropshire Council (the Council) advocates **strict adherence** to its counter-fraud framework and associated policies. In most cases this would be a **zero-tolerance** approach to all forms of fraud, bribery, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine the standards of public service that the Council seeks to achieve;
- Reduce the level of resources and services available for the residents of Shropshire; and
- Have major consequences which reduce public confidence in the Council.

This Strategy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The Strategy provides overarching governance to the Council's suite of counter fraud policies and procedures which include:

- The Council's Constitution, incorporating the members' code of conduct, employees' code of conduct, contract procedure rules and financial procedure rules.
- Speaking up about wrongdoing policy.
- Gifts and hospitality policy.
- Registration and disclosure of pecuniary interests and conflicts of interest policy.
- Anti-money laundering policy.
- Acceptable use of electronic services information security policy.
- Contract terms and conditions and standard instructions for tenderers.
- Hours of work and how to record them policy.

This Strategy adheres to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations to support good governance and demonstrate effective financial stewardship and strong public financial management. This Council has resolved to adopt the principles of the Code and report on conformance with it annually.

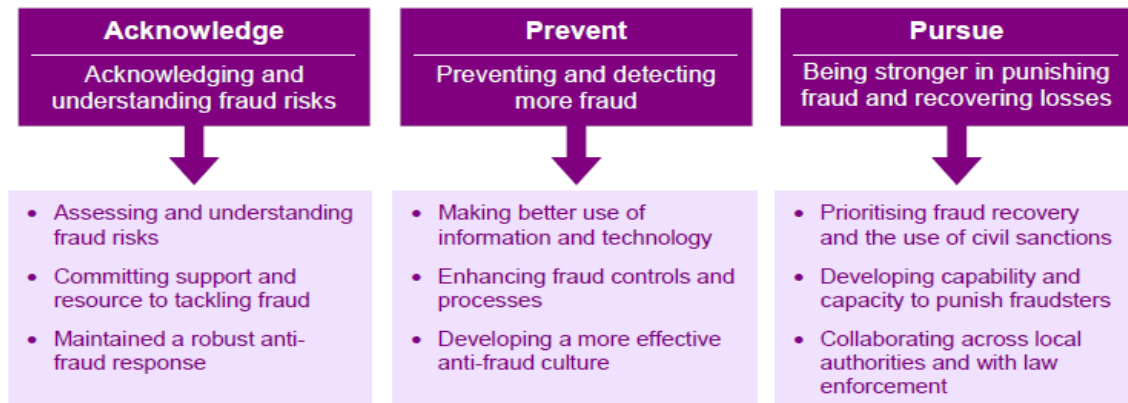
The five key elements of the CIPFA Code are to:

Acknowledge the responsibility of the governing body – in the Council's case elected members and the senior managers – for countering fraud, bribery and corruption.	ACKNOWLEDGE
Identify the fraud, bribery and corruption risks.	
Develop an appropriate counter-fraud, bribery and anti-corruption strategy.	PREVENT
Provide resources to implement the strategy.	

Act in response to fraud, bribery and corruption

PURSUE

The five elements link to three key themes: **Acknowledge**, **Prevent** and **Pursue**, contained within the Local Government Fraud Strategy: Fighting Fraud Locally.



2. Definitions

What is Fraud?

The Fraud Act 2006 identifies fraud as a single offence which can be committed in three separate ways:

- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

Whilst the Act does not provide a single definition, fraud may be described as: *"Making dishonestly a false representation with the intention to make a gain for oneself or another, or, to cause loss to another or expose him to a risk of loss."* Or *"Dishonest conduct with the intention to make gain or cause a loss or the risk of a loss to another"*.

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. There are four key offences under the Bribery Act 2010:

- Bribery of another person (section 1).
- Accepting a bribe (section 2).
- Bribing a foreign official (section 6).
- Failing to prevent bribery (section 7).

Shropshire Council is classed as a "commercial organisation" under the Act. There is also a corporate offence under the Act for a failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation.

What is Corruption?

Corruption is the deliberate misuse of a position for direct or indirect personal gain. The Council defines the term "corruption" as: *"The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or employees."*

The Bribery Act 2010 makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe. The Act also created the Corporate Offence of "Failing to prevent bribery on behalf of a commercial organisation" (corporate liability).

To protect itself against the corporate offence, the Act requires an organisation to have "adequate procedures in place to prevent bribery". This Strategy, the Council's codes of conduct and the Speaking about wrong doing policy, along with the education of staff (e.g. through induction, e-learning etc.) are designed to meet the requirement.

What is Theft?

Theft is the misappropriation of cash or other tangible assets. It is defined in the 1968 Theft Act: 'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.

3. Scope

The Council will not tolerate fraud, bribery, corruption or other forms of financial irregularity by anyone. Consequently, this Strategy applies to a wide range of persons, including:

- All Council employees (including volunteers, temporary staff and agency staff);
- Elected members;
- Staff and Committee members of Council funded voluntary organisations;
- Council partners;
- Maintained schools;
- Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working);
- Service users; and
- Members of the public.

As well as more "traditional" areas of fraud, bribery and corruption, such as theft of money, false accounting and corrupt practices, the strategy also encompasses misuse of assets, illegal use or disclosure of data and fraud perpetrated through the improper use of IT systems.

4. Strategy Aims and Objectives

The aims and objectives of this strategy are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Shropshire residents and visitors;
- Create and promote a robust 'anti-fraud' culture across the Council which highlights its zero tolerance of fraud, bribery, corruption and theft;
- Have in place effective counter fraud systems and procedures which:

- Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
- Proactively deter, prevent and detect fraud, bribery, corruption and theft;
- Investigate suspected or detected fraud, bribery, corruption and theft;
- Enable the Council to apply appropriate sanctions and recover all losses; and
- Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken;
- Ensure the rights of people raising legitimate concerns are properly protected;
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

5. What is the Council's Approach to Countering Fraud?

Managing the Risk of Fraud and Corruption

Whilst all stakeholders have a part to play in reducing the risk of fraud, **see Appendix 3**, members and senior management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity. Members and employees are expected to lead by example in ensuring adherence to established rules and procedures and to ensure that all procedures and practices are legally sound and honest.

As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered within their individual service areas and in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. Senior managers' Annual Governance Statements will include reference to measures taken to counter fraud, bribery and corruption in their areas.

Members also have an important role to play and open and honest dialogue between members and employees is encouraged.

Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be viewed as distrust, but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Good corporate governance procedures are a strong safeguard against fraud and corruption. The Audit Committee is a key member forum for ensuring sufficient weight is given to counter fraud, bribery and anti-corruption activity and is positioned to review assurances from managers, members, risk and other business data ("second line of defence").

The Council's Internal Audit Service undertakes risk-based assurance work each year centred on a management approved Internal Audit Plan.

6. Fighting Fraud Locally: Govern, Acknowledge, Prevent, Pursue and Protect

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by means of a strategic approach consistent with that outlined in both CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and in the Local Government Fraud Strategy

– Fighting Fraud Locally, and its key themes of Govern, Acknowledge, Prevent, Pursue and Protect: -

Govern	Executive Support over Controls and Processes	We will have robust arrangements and executive support to ensure counter fraud, bribery and anti-corruption measures are embedded throughout the Council.
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ACKNOWLEDGE	Committing Support	The Council's commitment to tackling fraud threat is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. Staff awareness of fraud risks is maintained through e-learning and other training. Our suite of counter fraud strategies, policies and procedures is widely published and kept under regular review.
	Assessing Risks	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. Elected members and senior managers have an important role to play in scrutinising risk management procedures and risk registers. Also, the Internal Audit Service will carry out assurance work in areas of higher risk to assist management in preventing fraudulent activity.
	Robust Response	We will strengthen measures to prevent fraud. Internal Audit will work with management and our internal partners such as Human Resources, Finance, Legal and policy makers to ensure new and existing systems and policy initiatives are adequately fraud proofed.

PREVENT	Better Use of Information Technology	We will make use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. We will also use computer assisted audit techniques, search engines and data matching facilities at a local level to investigate suspected frauds. Any such exchange or use of information will be undertaken in accordance with the principles contained in the Data Protection Act 2018. We will play an active part in the National Fraud Initiative (NFI) data matching exercise.
	Fraud Controls and Processes	We will educate managers on their responsibilities for operating effective internal controls within their service areas. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine Audit reviews will seek to highlight vulnerabilities in the control environment and make recommendations for improvement.

Anti-Fraud Culture	<p>We will promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool and provide information on all aspects of our counter fraud work.</p> <p>In addition, personal development plans provide employees with specific skills that further support the counter fraud, bribery and anti-corruption culture, i.e. updated financial training, information security training, etc.</p>
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PURSUE	Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where possible. See Appendix 4 for the loss recovery approach.
	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.
	Enforcement	We will investigate instances of suspected fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders or received via the whistleblowing procedure. We will work with internal, external partners and organisations, including law enforcement agencies.

<p>PROTECT</p> <p>This theme lies across all pillars of this strategy.</p>	
<p>We will protect the Council and our residents. We will do this by protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. Our responsibilities will also cover protecting public funds, protecting the Council from fraud and cyber-crime and from future frauds.</p>	

7. Responsibilities

Specific responsibilities for all stakeholders involved in this strategy are set out in **Appendix 3**.

8. Reporting, Advice, Support

The Council's approach to potential fraud can be demonstrated in its Fraud Response Plan/ Flowchart – see **Appendix 1**.

It is often the alertness of members, employees and the public that facilitates detection. If anyone believes that someone is committing a fraud or suspects bribery or corrupt practices, these concerns should be raised in the first instance directly with line management. If necessary, a route other than a normal line manager may be used to raise such concerns. Examples of such routes are:

- **Head of Paid Service, executive directors, heads of service or senior managers.**
- **Internal Audit's Standards Hotline on 01743 252627.**
- **National Benefit Fraud Hotline 0800 854 440 – or 0800 678 3722 for Welsh speakers.**

Where managers are made aware of suspected fraud by employees, they have responsibility for passing on those concerns to the Section 151 Officer and / or Head of Policy and Governance. Managers should react urgently to evidence of potential fraud or corruption. Headteachers of maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence **should not** be included in the notification procedure.

Reporting is essential to the Counter-Fraud, Bribery and Anti-Corruption Strategy and:

- Ensures the consistent treatment of information regarding fraud, bribery and corruption.
- Facilitates proper investigation by experienced auditors or investigators.
- Ensures the proper implementation of a fraud response investigation plan.
- Ensures appropriate employment procedures are followed.
- Ensures the interests of the people of Shropshire and the Council are protected.

The Council's Whistle Blowing Policy (Speaking Up about Wrong Doing) is intended to encourage and enable employees and/or partners to raise serious concerns. In respect of benefit fraud, the public and employees are encouraged to report it through the dedicated phone and email address available on the Council's web pages.

Members of the public can also report concerns through the Council's complaints procedures or by contacting their elected member, the External Auditor or the Local Government Ombudsman.

9. Investigations

Investigations - To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions of fraud or corruption, as detailed above.

In more complex cases, investigations will be carried out by Internal Audit. Otherwise, Audit will give guidance to service managers on how to carry out investigations.

The Council's employees will work with other public-sector bodies including; the Department of Work and Pensions (DWP), the Police, Inland Revenue, Customs and Excise and the Immigration Service for the purposes of preventing, detecting and investigating crime.

Any allegation of fraud, bribery or corruption received will be followed up through the agreed procedures of the Audit Investigations Manual and the Council's Disciplinary Procedures. The Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering legislation.

Criminal Offences - The Monitoring Officer will provide guidance as to whether a criminal offence has occurred. In such cases the Council will seek a prosecution unless the decision is taken, following advice from the Monitoring Officer, that it would be inappropriate to do so.

Disciplinary Action - The Executive Director (after taking relevant HR advice) will decide whether disciplinary action should be taken against an employee.

Elected Members - The Chief Executive and the Monitoring Officer, will advise on action in relation to members.

Compensation - Where a case has been proved, the relevant Executive Director and Executive Director of Resources (Section 151 Officer), with advice from the Monitoring Officer, will agree whether and how much to pursue as compensation. The Executive Director will also inform the Insurance service where it is believed an insurance claim can be made.

Recording – The *Chief Audit Executive* (CAE) will maintain a fraud database where summary details of financial irregularities will be recorded.

Reporting - The CAE routine progress reports to the Audit Committee will include summary details on investigations into suspected fraud, bribery or corruption once the outcomes are finalised, especially with any cases that are subject to Police investigation. In addition, the CAE also reports annually on fraud and corruption activity through:

- The National Fraud Initiative and
- The Local Government Transparency Code.

Where a fraud has occurred, management must make any changes necessary to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight where there has been a failure of supervision or a breakdown or absence of control.

10. Strategy Review

The Section 151 Officer and the Audit Committee will ensure the continuous review and amendment of this Strategy, and the Action Plan contained within it, to ensure that it remains compliant with good practice, national and public-sector standards and continues to meet the needs of Shropshire Council.

APPENDIX 1



FRAUD RESPONSE PLAN

INTRODUCTION

1. The Council has a **zero tolerance** approach to all forms of fraud, corruption and theft. This means the toughest sanctions will be applied where fraud is proven – disciplinary, legal and criminal.
2. This Fraud Response Plan is part of the Counter Fraud, Bribery and Anti-Corruption Strategy. The aim is to reduce fraud and loss to an absolute minimum and keep it there.
3. You should follow this response plan if you are an employee, member, partner, contractor or Shropshire resident. All, in the public interest, have a responsibility to report any suspicion of fraud and to co-operate in any investigation, if necessary
4. **Fraud** is a crime and involves a deception which is deliberate and intended to provide a direct or indirect personal gain.
5. **Corruption** is the deliberate misuse of position for direct or indirect personal gain such as: offering, giving, requesting or accepting a bribe or reward which influences an individual's or someone else's.
6. **Theft** is where someone steals cash or other property belonging to someone else with no intention of returning it.
7. **Bribery** is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or commercial advantage.
8. This guidance only tells you what to do if you suspect fraud. For other concerns you should refer to the Grievance, Disciplinary or Corporate Complaints Policies. Alternatively, you can report fraud suspicions using the Speaking up about Wrongdoing process.

WHAT YOU SHOULD DO IF YOU SUSPECT FRAUD

9. Immediately report your suspicions to:
 - Your immediate Supervisor or Line Manager (or more senior management depending on the seriousness and sensitivity of the issues involved and who is thought to be involved in the wrongdoing).
 - The Chief Audit Executive, 07990 086409 or the Section 151 Officer, James Walton on 01743 258915.
 - The Whistleblowing Hotline on 01743 252627 or email audit@shropshire.gov.uk.

- If the fraud is in relation to Benefits details for reporting appear on the Council's web site: <https://www.shropshire.gov.uk/benefits/report-benefit-fraud/>.

TOP TIPS		
10.	DON'T	DO
	Delay: report the matter quickly.	Record your suspicions: write down what you have found, seen and heard.
	Approach or accuse individuals directly: you may alert them and evidence may be destroyed.	Keep any evidence you have in a safe place until you can pass it to the Chief Audit Executive. However, do not do this if such action would risk alerting the suspect.
	Tell anybody else: you don't know who may be involved.	Tell Audit who you are: they will want to talk to you as you may know more than you realise.
	Undertake any investigations yourself: you may spoil the evidence and prevent a criminal prosecution.	Keep outwardly calm and carry out your own work as usual.
SAFEGUARDS		

11. **Harassment, bullying or victimisation** – if you have raised concerns action will be taken to protect you from reprisals and it will be made clear to colleagues that it will be considered a disciplinary matter to mistreat a whistle-blower.
12. **Confidentiality** – The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. It must, however, be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence
13. **Anonymous referrals** –these are not encouraged as they affect the ability to investigate, but any case of suspected fraud, bribery or corruption, however reported, will be looked into.
14. **Malicious referrals** – if it is found that your referral is malicious or has been made for personal gain, action may be taken against you under the Council's Disciplinary Policy or relevant agreement if you work for one of the Council's partners. The matter would be referred to the appropriate senior manager before any action is taken.

INVESTIGATION

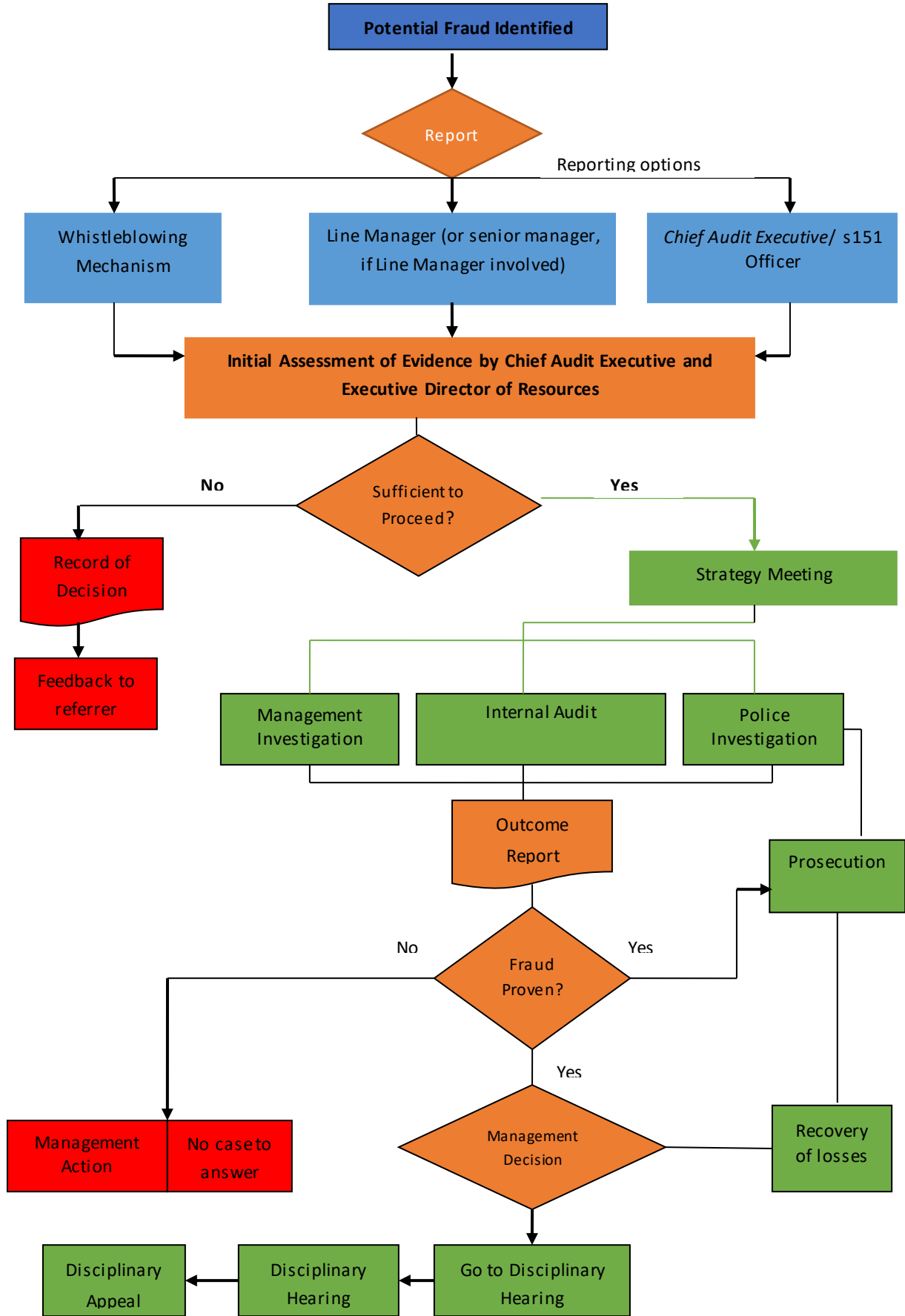
15. All suspected fraud must be referred to the Chief Audit Executive.
16. The Chief Audit Executive will assess the initial information and decide how to proceed. This may include a strategy meeting with the relevant manager where appropriate.

17. Following best practice, Audit will investigate most cases of suspected fraud – management may investigate low level fraud involving an employee after consultation with Audit.

POTENTIAL OUTCOMES

18. **Criminal Prosecution** – the Section 151 Officer, in consultation with the appropriate Executive Director and Chief Audit Executive will authorise the referral to the police for investigation.
19. **Disciplinary Action** – at the end of the investigation, the Chief Audit Executive will produce an investigation report. If this involves an employee and fraud is proven, the likely outcome will be dismissal. If fraud is not proven there may still be matters which need to be considered under the Council's disciplinary procedures.
20. **Recovery through Civil or Criminal Proceedings** – the Council will seek to recover all losses subject to legal advice and where it is cost effective to do so. Any losses caused by an employee will be recovered through salary, pension or insurance.
21. **Weaknesses in the System of Controls** –an Action Plan will be produced to address any system or management weaknesses and to reduce the risk of fraud and error in the future.

Appendix 1 - The Council's typical fraud response plan



APPENDIX 2

NOLAN COMMITTEE REPORT – THE SEVEN PRINCIPLES OF PUBLIC LIFE

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and action that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

SPECIFIC RESPONSIBILITIES

APPENDIX 3

Stakeholder	Specific Responsibilities
Head of Paid Service (CEO)	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud, bribery and corruption.
Monitoring Officer (Assistant Director – Legal and Governance)	To advise members and employees on ethical issues, standards and powers to ensure that the Council operates within the law and statutory codes of practice.
Section 151 Officer (Executive Director of Resources)	To make proper arrangements for the Council's financial affairs and to ensure the Council has an adequately resourced and effective Internal Audit.
Audit Committee	To monitor the effectiveness of the Council's Counter fraud, bribery and anti-corruption strategy and arrangements. To monitor the Council's Whistleblowing policy.
Members	To support and promote the development of a strong counter fraud, bribery and anti-corruption culture.
External Audit	Statutory duty to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud, bribery corruption and theft.
Internal Audit	Responsible for developing and implementing the Counter fraud, bribery and anti-corruption strategy and investigating any issues reported under this policy and the Speaking up about wrongdoing (whistleblowing) policy. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence.
Managers	To promote employee awareness and ensure that all suspected or reported irregularities are referred immediately to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, bribery, corruption and theft and to reduce these risks by implementing robust internal controls.
Employees	To comply with Council policies and procedures, to be aware of the possibility of fraud, bribery, corruption and theft, and to report any genuine concerns to the appropriate management, Head of the Paid Service, the Section 151 Officer, the Monitoring Officer, or Internal Audit.
Public, Partners, Suppliers, Contractors and Consultants	To maintain strong counter fraud, bribery and anti-corruption principles and be aware of the possibility of fraud, bribery and corruption against the Council and report any genuine concerns or suspicions through the identified channels. Public agencies may include the: <ul style="list-style-type: none"> • Police. • External Audit. • Local, regional and national auditor networks. • National Anti-Fraud Network. • CIPFA. • Department of Work and Pensions. • Other local authorities. • Public health.

Shropshire Council – Loss Recovery Approach

Fraud covers a wide range of criminal activity which, as far as the Council is concerned, can be characterised broadly as the dishonest appropriation of the Council's resources (financial or otherwise).

The Council's resources are finite and because the Council has a responsibility to safeguard public monies, fraudulent activities should be regarded with the utmost seriousness.

For the purposes of this Loss Recovery Strategy, there are two overarching considerations which inform the Council's approach to tackling any detected fraud:-

- The first consideration is the need to preserve public funds which, in appropriate circumstances, may involve the Council taking active steps to recover any misappropriated assets or obtain equivalent compensation; and
- The second is the need to ensure due process of law which, in appropriate circumstances, may require the Council to co-operate with law enforcement authorities which may investigate any alleged offences and, if appropriate, prosecute the alleged perpetrator(s).

Although the Council recognises the importance both of preserving public funds and of ensuring due process of law, these considerations may lead the Council to respond to fraud in different ways.

For the purposes of this policy, it is recognised that although it is desirable that fraudulent activity be prosecuted, that course of action may leave the Council worse off financially than it had pursued its own civil remedies.

Financial Considerations in relation to reporting fraud to law enforcement authorities

Criminal prosecutions do not tend to result in high levels of recovery of assets for the Council. This can be attributed to a number of factors:-

- (1) The focus of criminal proceedings is not exclusively upon compensating the victim.
- (2) In proceedings brought by the Crown Prosecution Service, the Council has limited control over the question of whether the Court makes any compensation orders¹.
- (3) There are statutory limits² to the amount of compensation that the Magistrates Courts can order.
- (4) Those convicted of criminal offences may lose their liberty and or their livelihood and thereby are unable to compensate the Council.
- (5) Unlike Civil Courts the Criminal Courts must take account of a defendant's ability to pay before imposing financial penalties.
- (6) Proceeds of Crime Act 2002 proceedings are complex and are restricted to matters dealt with in the Crown Court.

¹ Sections 130 - 133 Powers of Criminal Courts (Sentencing) Act 2000

² Section 40 (1) Magistrates' Courts Act 1980

Civil proceedings may, in appropriate circumstances, offer an increased prospect of achieving a financial recovery but this is highly dependent upon a number of factors including the availability of evidence proving the fraud as well as the ability of the Defendant to meet any judgment.

It is important to treat the civil and criminal avenues as being distinct.

Adopted Strategy

1. In the event that a fraud or financial irregularity is suspected, the Council will determine on a case by case basis, after seeking the advice of the Monitoring Officer or their delegated representative, what further action (if any) will be taken to recover losses from individual(s) or organisations responsible.
2. At the earliest available opportunity the Council will consider whether it is appropriate to pursue civil remedies or refer the matter to law enforcement agencies for investigation and/or prosecution.
3. Before reaching any decision on how to proceed, the Council will seek to avoid any activities which may unnecessarily alert the perpetrator, encourage them to dispose of evidence or otherwise hamper a criminal investigation. This may on occasions not be practicable.
4. In making its decision on whether to pursue civil remedies or report fraudulent activity to law enforcement agencies, the Council will consider the circumstances of the case as well as relevant public interest factors which, without limitation, may include the following:-

Factors which tend to favour a criminal prosecution	Factors which tend to favour Civil Recovery
There is believed to be little prospect of recovery through civil means.	The defendant is known to have assets available for execution or the defendant is working and it is considered that there is a good prospect of recovery.
There is a high level of culpability or wrongdoing	There is lower level of culpability or dishonesty.
Evidence gathered points to there having been a high level of planning of the fraudulent / criminal activity.	The fraud was opportunistic.
It has come to light during the investigation that the defendant is known to have previous convictions for this kind of activity.	The incident is believed to be a one off
The defendant denies any responsibility and is unwilling to co-operate with the Council.	The defendant has acknowledged their wrongdoing and is prepared to co-operate with the Council.
It is likely that the police and CPS are likely to be willing to investigate / prosecute.	Whether it is believed that the Police / CPS are unlikely to investigate.

It should be borne in mind that the above factors are only potential indicators and any decision whether to instigate criminal or civil proceedings can never be an exact science but will be taken in conjunction with legal advice and after careful consideration of the facts.

5. When the Council can demonstrate that it has suffered financial loss and, where it is practical, priority should be given to civil recovery. The Council should give consideration of reporting the allegations to relevant law enforcement agencies.
6. Whilst primarily consideration will be given to pursuing criminal action or civil remedy, there are alternative avenues of loss recovery open to the Council including:
 - Pension Forfeiture - where an employee is a member of the Shropshire County Council Pension Scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme;
 - Bankruptcy, e.g. if it is believed an individual has a poor history of paying;
 - If an individual remains an employee of the Council consideration whether any assessed losses may be recovered from future salary payments;
 - Recovery of losses through the Council's fidelity guarantee insurance cover.
7. Whilst the Council's Insurance Service will give advice where it is believed an insurance claim can be made under the Council's fidelity guarantee insurance, the Council's preferred approach, however, is to seek recovery of losses from the perpetrator and fidelity guarantee insurance will generally be a method of last resort.
8. In more serious cases, the Crown Court has powers of asset recovery under the Proceeds of Crime Act 2002.
9. The Crown Court, when it considers making a confiscation order against a defendant, must determine whether the defendant has a 'criminal lifestyle'. If so, the court must determine whether the defendant benefited from his 'general criminal conduct'.

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	Committee and Date	Item
	Audit Committee	
	23 rd November 2023	
	10:00am	Public



Annual Review of Audit Committee Terms of Reference

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

Effective audit committees bring many benefits to an organisation. To ensure that the Council continues to provide an effective Audit Committee their Terms of Reference are considered and approved by members annually. There are no significant changes proposed in 2023.

2. Executive Summary

2.1. The Audit Committee's Terms of Reference reflect guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in their: Audit Committees, Practical Guidance for Local Authorities and Police 2022 Edition. The Terms of Reference are attached as an Appendix and are reviewed each year. Slight changes have been made to reflect current reporting titles and to further clarify the responsibilities of the Audit Committee in relation to approving the Statement of Accounts, but there are no significant changes proposed. Suggested changes are underlined and shown in bold italics.

3. Recommendations

- 3.1. Members are asked to consider the revised Audit Committee Terms of Reference attached, provide appropriate comment and approve or otherwise the proposed amendments.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Audit Committee terms of reference are reviewed annually to ensure that they are fit for purpose and up to date. They clarify the role of the Audit Committee and ensure that the Council has robust internal control arrangements in place.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. There are no financial implications.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. Therefore, no effect to report.

7. Background

- 7.1. Part of the responsibility of this Committee is to review annually its Terms of Reference, making any recommendations for significant changes in them to Full Council.
- 7.2. The Chartered Institute of Public Finance and Accountancy (CIPFA); defines the purpose of an audit committee as being to provide those charged with governance, independent and high-level focus on the adequacy of governance, risk and control arrangements. By doing this and overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 7.3. The Audit Committee satisfies the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations, 'for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which include the arrangements for the management of risk.' In addition, Section 151 of the Local Government Act 1972 requires the Council to, 'make arrangements for the proper administration of its financial

affairs'. In discharging sound financial management, the Section 151 Officer requires an effective audit committee and an internal audit service which evaluates the effectiveness of its risk management, control and governance processes. Both elements are enshrined in the Public Sector Internal Audit Standards and the supporting Local Government Application Note.

- 7.4. Effective audit committees bring many benefits to the Council. They can:
- Increase public confidence in the objectivity and fairness of financial and other reporting.
 - Reduce the risk of illegal or improper acts.
 - Reinforce the importance and independence of internal and external audit and any other review processes that report to the Committee.
 - Provide a sharper focus on financial reporting, both during the year and at year end, leading to increased confidence in the objectivity and fairness of financial reporting.
 - Assist the co-ordination of sources of assurance and, in so doing, make management more accountable.
 - Provide additional assurance through a process of independent and objective review.
 - Raise awareness of the need for internal control and the implementation of audit recommendations.
- 7.5. It is therefore important that the Terms of Reference are reviewed to ensure that best practice guidance is incorporated.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Chartered Institute of Public Finance and Accountancy's (CIPFA), Audit Committees, Practical Guidance for Local Authorities and Police 2022 Edition

TIS Online CIPFA Audit Committee

Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards, CIPFA 2019

Local Government Act 1972

Accounts and Audit (England) Regulations

Local Member: N/A

Appendices

Appendix A - Audit Committee Terms of Reference

AUDIT COMMITTEE TERMS OF REFERENCE**Membership**

1. The Audit Committee must remain apolitical. It must display unbiased attitudes, treating auditors, the executive and management equally. It can also challenge the Leader and the Head of Paid Service when required. The Audit Committee will comprise:
 - a) Five Members in accordance with the current political balance rules who may be represented by designated substitutes in their absence. Any designated substitute must be appropriately trained. None of the Members should be Members of the Executive, Scrutiny Chairs or Vice Chairs.
 - b) Normally the Section 151 Officer and the Chief Audit Executive (CAE)¹ will attend every meeting. Should the Section 151 Officer feel there is an item on the agenda which would benefit from the Leader's presence, or the presence of a Portfolio Holder, the Chairman of the Audit Committee would be informed and he could invite the Leader or Portfolio Holder to attend.
2. The Committee has the option to recruit a suitably qualified independent member where there is an identifiable benefit.
3. There will be a standing invitation to the External Auditor to attend all meetings and they should attend the Audit Committee at least twice a year to report on the findings of the audit of the Council.
4. Members should champion sound internal controls including standards and ethics.

Meetings

5. The Audit Committee will meet at least four times a year. The Chairman of the Audit Committee may convene additional meetings as they deem necessary.
6. The Head of the Paid Service, the Section 151 Officer, or the CAE may ask the Audit Committee to convene further meetings to discuss issues on which they want the Committee's advice.
7. The Audit Committee, CAE and External Audit have the opportunity for private discussions without the Section 151 Officer or other executive directors being present if issues need exploring in this forum.
8. The Monitoring Officer is responsible for ensuring the Audit Committee is serviced with all necessary papers and support to enable it to fully discharge its responsibilities.

¹ CAE *is the Head of Policy and Governance*

CORE FUNCTIONS

Governance risk and control

9. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
10. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, considering Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and assurances on how effectively the Seven Principles of Public Life are supported².
11. To consider the Council's arrangements for securing value for money, supporting standards and ethics and review assurances and assessments on the effectiveness of these arrangements.
12. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
13. To monitor the effective development and operation of risk management in the Council.
14. To monitor progress in addressing risk-related issues reported to the committee; Seek assurances that action is taken by management in risk related issues identified by auditors and inspectors; Resolve any outstanding differences between internal and external auditors and management when action or major recommendations have not been agreed.
15. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
16. To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.
17. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
18. To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

19. To approve the Internal Audit Charter incorporating the mission, code of ethics, definition and core principles of Internal Audit.
20. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

² <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life-2>

21. To approve, but not direct, the risk-based internal audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
22. To approve significant interim changes to the risk based internal audit plan and resource requirements, including approval of significant additional consulting services.
23. To make appropriate enquiries of both management and the CAE to determine if there are any inappropriate scope or resource limitations.
24. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing of the CAE. To approve and periodically review safeguards to limit such impairments.
25. To consider reports from the CAE on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include:
 - a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand following Internal Audit work.
 - b) Reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance should be included in the Annual Governance Statement.
26. To consider the CAE's annual report, specifically:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
27. To consider summaries of specific internal audit reports as requested.
28. To receive reports outlining the action taken where the CAE has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
29. To contribute to the Quality Assurance and Improvement Programme and to the external quality assessment of Internal Audit that takes place at least once every five years.

30. To support the development of effective communication with the CAE.

External Audit

31. To support the independence of the External Auditor through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the Public-Sector Audit Appointments (PSAA); consider and comment on the selection and rotation of the External Auditor.
32. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
33. To consider specific reports as agreed with the External Auditor and other inspection agencies.
34. To support the quality and effectiveness of the external audit process and to comment on the scope and depth of external audit work to ensure it gives value for money and complies with ethical standards.
35. To commission additional work from external audit as required.
36. To review and advise on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial reporting

37. To review and if necessary, approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. When required, to approve the Annual Statement of Accounts
38. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury Management

39. To consider the robustness of the Council's treasury management strategy, policies and procedures before their submission to Cabinet and Full Council, ensuring that controls are satisfactory.
40. To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity³.
41. To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management in accordance with best practice.

³ Clause 3 Treasury Management Code of Practice

Accountability Arrangements

42. To publish an annual report on the work of the Committee by reporting annually to Full Council on the Committee's findings, conclusions and recommendations; providing its opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements.
43. To report to Council where the Audit Committee wish to raise concerns within their remit, have added value, improved or promoted the control environment and performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.

Work plan

44. In carrying out the core functions the Audit Committee will approve an annual work plan. This will enable members to consider, review and, as appropriate, approve: -
 - a) An annual review of the Terms of Reference for the Audit Committee, making any recommendations for significant changes in them to Full Council.
 - b) Any proposals for the revision of the Internal Audit Charter.
 - c) The CAE's Annual Report and opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
 - d) Regular performance reports on the work completed by Internal Audit and the progress made by directorates in implementing recommended actions.
 - e) Revisions to the annual audit plan as advised by the CAE and agreed by the Section 151 Officer.
 - f) The Council's Statement of Accounts when required or before submission to Full Council for such approval.
 - g) A report on the review of the adequacy of the Council's corporate governance arrangements.
 - h) A report on the Internal Audit system and ongoing Quality Assurance and Improvement Programme.
 - i) A report on the strategic risks of the Council and a review of the adequacy of the Council's risk management arrangements.
 - j) The Council's Annual Governance Statement.
 - k) The External Auditor's work plan, including comments on the scope and depth of external audit work to ensure it gives value for money.
 - l) The External Auditor's Progress and Findings; and Annual Reports following completion of the annual audit of the Accounts.

- m) Reports on any joint projects undertaken by Internal and External Audit.
- n) Reports on Internal Audit investigations including frauds and consideration of recommendations for strengthening internal controls.
- o) The annual review and re-affirmation of the Council's Counter Fraud, Bribery and Anti-Corruption Strategy to ensure on-going training and awareness of all staff regarding Counter Fraud and Anti-Corruption measures.
- p) Any issues within the remit of the Audit Committee referred to it by the Head of the Paid Service, the Section 151 Officer, Monitoring Officer or any Council body for determination.
- q) Treasury Strategy Reports including the Annual Investment Strategy and Minimum Revenue Provision Policy before submission to Full Council.
- r) The mid-year Treasury Strategy Report and Annual Treasury Report before submission to Full Council.

Powers of the Audit Committee

45. The Committee will have no delegated powers, other than those assigned from Council to approve the Statement of Accounts when required, but can require relevant officers, members and agencies to attend at any meeting where such attendance would be expedient to the work of the Committee.

Audit Committee Competency Framework

46. All Members of the Audit Committee should have, or acquire as soon as possible after appointment: -
- a) An understanding of the objectives and current significant issues facing the Council.
 - b) An understanding of the Council's structure including key relationships with external partner organisations.
 - c) An understanding of any relevant legislation or other rules governing the operation of the Council.
 - d) A broad understanding of the local government environment, its accountability structures and current, major initiatives.
47. CIPFA recommends that the Audit Committee should corporately possess an appropriate level of knowledge/skills/experience in: -
- a) The Council's governance and regulatory frameworks.
 - b) Understanding of the wider governance environment in which the Council operates and the accountability structures within that environment.

- c) Financial management and accounting including accounting concepts and standards.
- d) Risk management.
- e) Audit.
- f) Counter fraud.
- g) Treasury management.

And that the Committee should receive appropriate levels of training.

Reviewed November 2023.



Committee and Date

Audit Committee

23rd November 2023

10:00am

Item

Public



Internal Audit Performance 2023/24

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

1. Synopsis

This report summarises Internal Audit's 2023/24 work to date. Delivery is in line with previous delivery records. Lower assurances from reviews are highlighted, providing members with an opportunity to challenge.

2. Executive Summary

- 2.1. This report provides members with an update of work undertaken by Internal Audit in the two months since the September Audit Committee. 50% percent of the revised plan has been completed (**see Appendix A, Table 1**), which is in line with previous delivery records (42% 2022/23; 56% 2021/22).
- 2.2. One reasonable, four limited and four unsatisfactory assurance opinions have been issued. The nine final reports contained 85 recommendations, two of which were fundamental.
- 2.3. This report proposes minor revisions in the coverage of planned activity for Shropshire Council, with a decrease of 61 days from 1,289 days as reported in September 2023 to 1,228 days. Changes to the planned activity reflect adjustments considering both risks and available resources.

- 2.4. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.
- 2.5. Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment;
 - a. the performance of Internal Audit against the 2023/24 Audit Plan.
 - b. Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated. (**Paragraph 8.5 and Appendix A, Table 3**).

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated, and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient, and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity, and inefficiency can go undetected, leading to financial loss and reputational damage.
- 4.2. Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 4.3. 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS). Vacancy management and recruitment, whilst an ongoing risk, is being managed proactively and activities undertaken to mitigate and manage this going forward.

- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

5. Financial Implications

- 5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

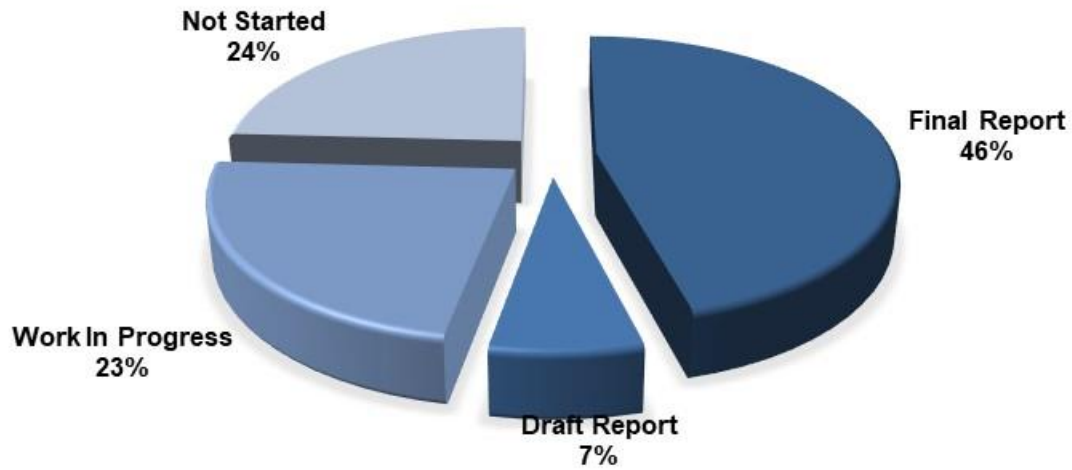
7. Background

- 7.1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness, and economy of financial, governance, risk, and other management controls. The Audit Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.
- 7.2. The 2023/24 Internal Audit Plan was presented to, and approved by the Audit Committee at the 14th February 2023 meeting with adjustments being approved in September. This report provides an update on progress made against the plan up to 20th October 2023 and includes revisions to the plan.

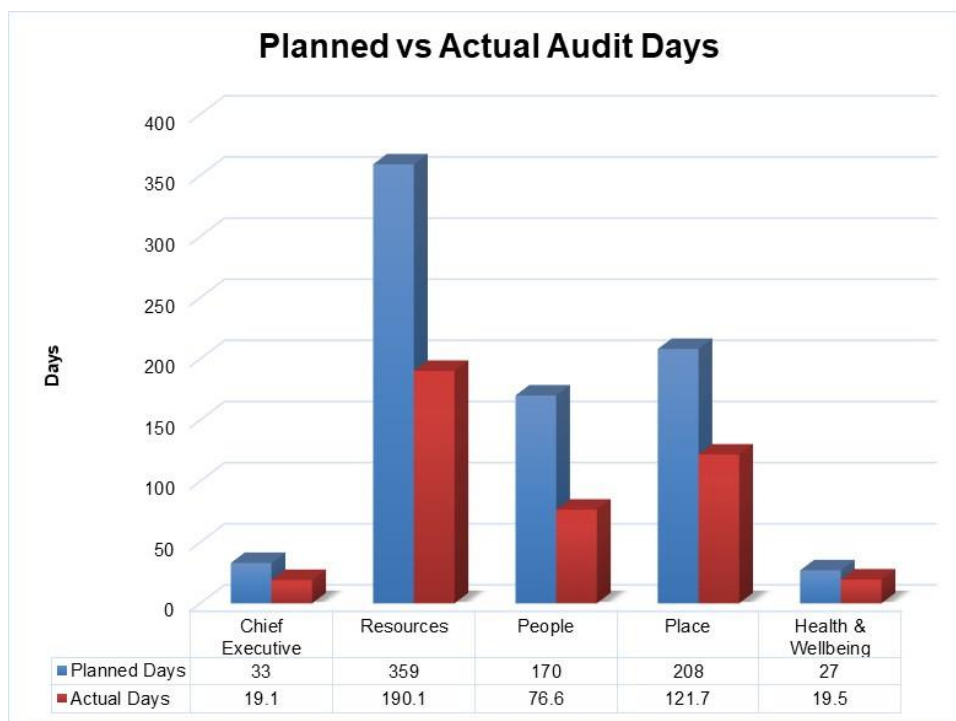
8. Performance Against the Plan 2023/24

- 8.1. Revisions to the 2023/24 plan provide for a total of 1,228 audit days. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.
- 8.2. As a result, performance to date is in line previous delivery records at 50% (42% 2022/23; 56% 2021/22), the team are on track to deliver a minimum of 90% of the revised annual plan by the year end.
- 8.3. In total, nine final reports have been issued in the period from 4th September to 20th October 2023, all are listed with their assurance rating and broken down by service area at paragraph 8.5. The year-to-date position is shown at **Appendix A, Table 2**. The following chart shows performance against the approved Internal Audit Plan for 2023/24:

SUMMARY OF PLANNED AUDITS - STAGES



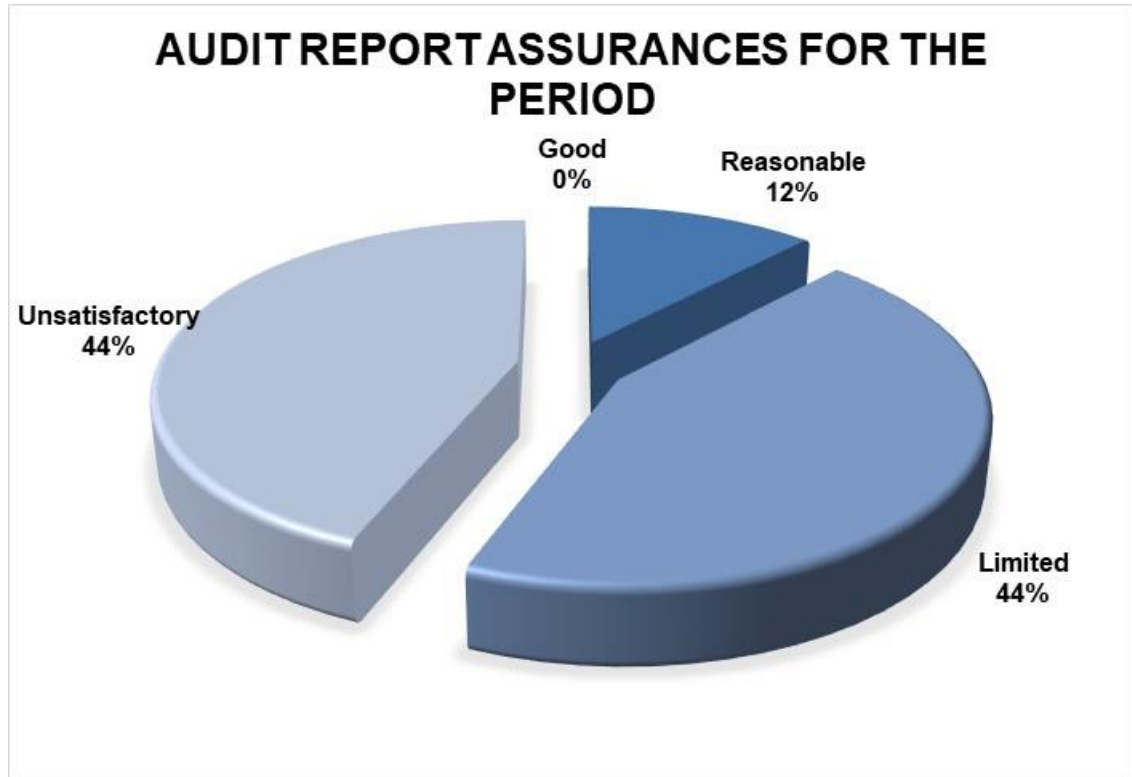
8.4. Audits have been completed over several service areas as planned:



8.5. The following audits have been completed in the period:

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Health and Wellbeing								
Private Water Supplies 2022/23			1			3	6	
	0	0	1	0	0	3	6	0
People - Children								
Brockton Primary School			1			11	8	
Other, including added value and briefing notes						1		
	0	0	1	0	0	12	8	0
Place								
Grey Fleet 2022/23		1				1	6	
Security of Council Buildings - Health and Safety			1			4	6	
Montagu Evans Contract Management				1		3		
Leisure Services Contracts				1		12	9	
Highways - Other Major Contracts 2022/23				1	1	2	1	
	0	1	1	3	1	22	22	0
Resources - Workforce and Improvement								
Travel and Expenses 2022/23			1			3	3	
Other, including added value and briefing notes						3	1	
	0	0	1	0	0	6	4	0
Resources - Legal and Governance								
WhatsApp				1	1			
	0	0	0	1	1	0	0	0
Total	0	1	4	4	2	43	40	0
	0%	12%	44%	44%	2%	51%	47%	0%

8.6. The assurance levels awarded to each completed audit area appear in the graph below:



8.7. The overall spread of recommendations agreed with management following each audit review are as follows:



- 8.8. In the period up to the 20th October 2023, one report has been issued providing reasonable assurances and accounting for 12% of the opinions delivered. This represents a decrease in the higher levels of assurance for this period, compared to the previous year outturn of 59%. This is offset by a corresponding increase in limited and unsatisfactory assurances, currently 88% for the period compared to the previous year outturn of 41%. Details of the year-to-date picture can be found in paragraphs 8.14 to 8.15.
- 8.9. Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in **Appendix A, Table 3**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 4 and 5** and provides a glossary of common terms, **Table 6**.

[Question 1: Do Members wish to receive any updates from managers in relation to the limited and unsatisfactory assurances opinions?](#)

- 8.10. Six draft reports, awaiting management responses, will be included in the next performance report. Work has also been completed for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.
- 8.11. A total of 85 recommendations have been made in the nine final audit reports issued during this period; these are broken down by service area at paragraph 8.5, the year-to-date position is shown at **Appendix A, Table 2**. Two fundamental recommendations have been identified, one of which is detailed below, the other will be covered in the private agenda:

WhatsApp

Recommendation - The issues with ongoing use of WhatsApp highlighted in this audit should be considered by management.

Any decision made to continue using the application should be supported by an appropriate approvals process and consider the inherent risks of the application:

- No appropriate licence.
- Non-compliance with the Data Protection Act 2018 due to the potential storage of data outside the EU, lack of transparency, known data leaks.
- Non-compliance with Shropshire Council Privacy Notice.
- No control over the distribution of data shared and no ability to apply a Data Loss Protection or Retention policy.
- No control over the use of the application once installed.
- No centralised control over security updates and patch management.
- Lack of audit trail or management information.

Should the decision be made to continue using WhatsApp there should be clearly defined roles and responsibilities, including user management (new users, approval, and review), application management (updates, CVEs) and ongoing evaluations against business needs and risks.

Risk - Security weaknesses are exploited within WhatsApp leading to malware being installed. Security weaknesses are exploited leading to data security being compromised. Non-compliance with the Data Protection Act 2018 leading to fines and reputational damage in the event of a data breach.

Management Response - A working group will be convened to review the use of WhatsApp on Council managed devices which will include technical and operational matters consisting of IT, legal, Information Governance and key WhatsApp user representatives. The review will include the assessment of alternative communication technologies. A report will be prepared for IGLOO (Information Governance Leadership and Organisational Oversight) summarising the findings and decision made as to whether its use will continue, with the appropriate mitigating controls implemented or an alternative technology is utilised. Where it is deemed a required business tool, the risks highlighted will be considered and appropriate mitigation implemented to ensure compliance with legislation, licence requirements, security, and operational controls.

Date to be Actioned – March 2024

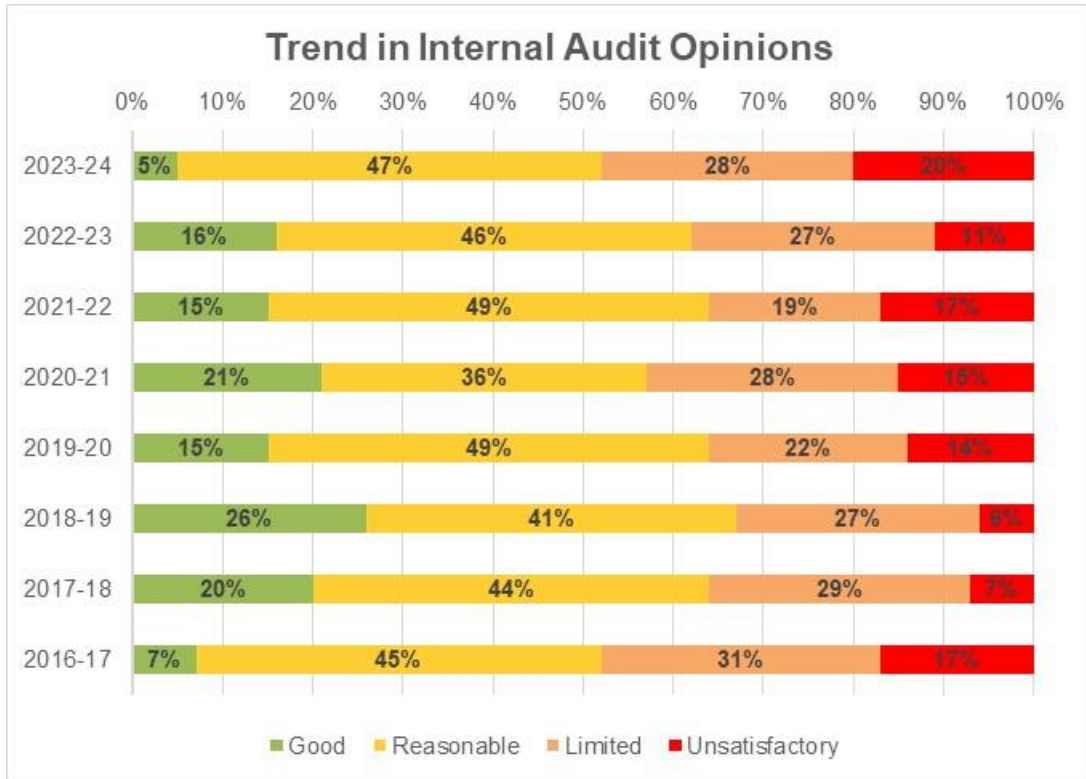
[Question 2: Do Members wish to receive any updates from managers regarding the fundamental recommendation?](#)

- 8.12. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 7** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.
- 8.13. The following demonstrates areas where Audit have added value with unplanned, project or advisory work, not included in the original plan located at Appendix A, Table 1.
- **Weekly Travel Claim Review** – Following the introduction of weekly mileage claims in October 2022 Internal Audit were asked to review the controls in place due to concerns regarding duplicate and excessive claims. The review identified several issues, and a recommendation has been made to consider the benefit of continuing with the weekly process considering the administrative overhead, cost, and control weaknesses.
 - **Payroll verification to establishment**- A counter-fraud review was undertaken to verify that all employee included on departmental establishment lists within the ERP (Enterprise Resource Planning) system are genuine employees. Due to limitations with the way data is stored within various Council systems it was not possible to verify all employees using data analytics. Recommendations have been made to improve the quality of data held to improve controls in this area.
 - **Payroll data analytics** – Analysis of payroll data was undertaken to identify data quality improvements. This information was shared with the HR/Payroll Manager to enable the HR Business Partners to support those not using the system correctly.

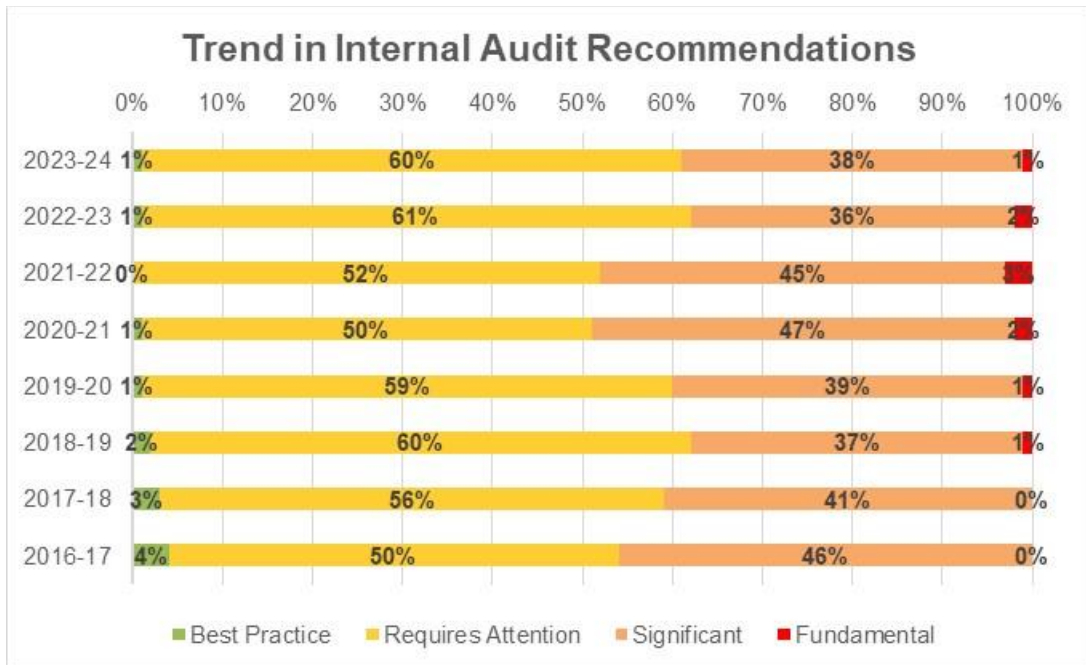
Direction of travel

- 8.14. This section compares the assurance levels (where given), and categorisation of recommendations made, to demonstrate the direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)



Comparison of recommendation by categorisation



8.15. The number of lower-level assurances to date, 48%, is higher than the outturn for 2022/23 of 41%. Full details of the audits completed, and their assurance opinions can be found at **Appendix A, Table 2**.

Performance Measures

8.16. All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Audit Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 28th September 2023

Draft Internal Audit Risk Based Plan 2023/24 - Audit Committee 14th February 2023

Public Sector Internal Audit Standards (PSIAS)

Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 1st April to 20th October 2023

Table 2: Final audit report assurance opinions and recommendation summary 1st April to 20th October 2023

Table 3: Unsatisfactory and limited assurance opinions in the period 4th September to 20th October 2023

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Glossary of terms

Table 7: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April to 20th October 2023

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 20th October 2023

	Original Plan	Revised Plan	20 th October 2023 Actual	% of Original Complete	% of Revised Complete
Chief Executive	28	33	19.1	68%	58%
Health and Wellbeing	25	27	19.5	78%	72%
People	123	170	76.6	62%	45%
Adult Services	28	33	19.6	70%	59%
Children's Services	54	89	22.4	41%	25%
Education and Achievement	41	48	34.6	84%	72%
Place	219	208	121.7	56%	59%
Resources	325	359	190.1	58%	53%
Finance and Technology	235	235	116.1	49%	49%
Legal and Governance	38	42	17.3	46%	41%
Workforce and Improvement	52	82	56.7	109%	69%
S151 Planned Audit	720	797	427.0	59%	54%
Contingencies and other chargeable work	880	192	98.7	11%	51%
Total S151 Audit	1,600	989	525.7	33%	53%
External Clients	199	239	89.6	45%	37%
Total	1,799	1,228	615.3	34%	50%

Please note that a full breakdown of days by service area is shown at **Appendix B**

Table 2: Final audit report assurance opinions and recommendation summary - 1st April to 20th October 2023

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Strategic Transformation Partner Framework		1				3	4	
Communications - Brand Roll Out 2022/23		1					3	1

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
	0	2	0	0	0	3	7	1
Health and Wellbeing								
Community Safety 2022/23		1				1	1	
Health and Wellbeing Board Governance 2022/23		1				2		
Private Water Supplies 2022/23			1			3	6	
	0	2	1	0	0	6	7	0
People - Adults								
Personal Allowances 2022/23		1				1	1	
Comforts Funds Review - Albert Road 2022/23			1			3	4	
Comforts Fund Reviews - Abbots Wood 2022/23				1		5	3	
Comforts Fund Reviews - Aquamira 2022/23				1		5	5	
	0	1	1	2	0	14	13	0
People - Children								
Brockton Primary School			1			11	8	
Other, including added value and briefing notes						1	2	
	0	0	1	0	0	12	10	0
Place								
Property Sales and Acquisitions 2022/23	1							1
Planning 2022/23		1				1	2	
Trading Standards 2022/23		1					4	
Grey Fleet 2022/23		1				1	6	
Blue Badge Scheme 2022/23			1			1	9	
Licensing 2022/23			1			5	8	
School Planning and Transport Arrangements 2022/23			1			5	3	
Security of Council Buildings - Health and Safety			1			4	6	
Montagu Evans Contract Management				1		3		
Leisure Services Contracts				1		12	9	
Highways - Other Major Contracts 2022/23				1	1	2	1	
	1	3	4	3	1	34	48	1
Resources - Finance and Technology								
Construction Industry Tax Deduction Scheme (CIS) 2022/23	1						3	
Debt Recovery 2022/23		1				3	4	
Sales Ledger 2022/23		1				2	4	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Budget Management and Control 2022/23		1				1	2	
Insurance 2022/23		1				1	4	
End User Computing 2022/23		1					2	
Internet Security follow up 2022/23		1				1	5	
Management of Log Files 2022/23		1					6	
Housing Benefits 2022/23		1				2	8	
Northgate - Revenues and Benefits Application 2022/23		1					3	
Physical & Environmental Controls			1			3	5	
Disposal of IT Equipment				1	1	3	4	
IT Contract Management 2022/23				1	1	2	1	
	1	9	1	2	2	18	51	0
Resources - Workforce and Improvement								
Sickness Management and Other Leave 2022/23		1				1	7	1
Occupational Health 2022/23		1				1	3	
Diversity Arrangements 2022/23			1			3	4	
Recruitment Arrangements 2022/23			1			3	5	
Travel and Expenses 2022/23			1			3	3	
Other, including added value and briefing notes						3	1	
	0	2	3	0	0	14	23	1
Resources - Legal and Governance								
WhatsApp				1	1			
	0	0	0	1	1	0	0	0
Total	2	19	11	8	4	101	159	3
	5%	47%	28%	20%	1%	38%	60%	1%

Table 3: Unsatisfactory and limited assurance opinions issued in the period from 4th September to 20th October 2023¹

Unsatisfactory assurance²

Place– Leisure Services Contracts (Unsatisfactory 2019/20)

- Previous audit recommendations have been implemented.
- There is a contract in place and variations / extensions to the contract have been authorised correctly.
- Adequate insurance cover is held in accordance with the contracts.

¹ Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

² Details of the controls not in place for Highways Other Major Contracts and Montagu Evans Contract Management are included on the private agenda.

- There are suitable arrangements in place to provide assurance that service delivery / performance targets are achieved in accordance with the Contract.
- There are suitable arrangements in place to verify that payments to the Contractor are valid and accurate.
- Risks are identified and managed appropriately.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Resources– WhatsApp

- To ensure that the System complies with all external legislation and regulations.
- To ensure that the application authentication and authorisation mechanisms are secure.
- To ensure that users have received the required training.
- To ensure that output is secure, accurate and reaches the intended recipient in a timely manner.
- To ensure that there are continuity processes are in place to ensure system availability.
- To ensure that management/Audit trails are in place.
- To ensure that clear procedures are in place for the authorisation of changes and system changes are applied by appropriately qualified staff.

Limited assurance

People– Brockton Primary School (Unsatisfactory 2021/22)

- Previous audit recommendations have been implemented.
- Budget income is identified, collected, and banked in accordance with procedures.
- Purchases are appropriate, authorised, recorded correctly, and comply with Financial Regulations and Contract Procedure Rules.
- The imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
- The school fund is operated in accordance with the school fund notes of guidance.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Place– Security of Council Buildings (Limited 2019/20)

- Appropriate management arrangements are in place governing the security of Council buildings.
- Appropriate management arrangements are in place to ensure access to Council buildings is restricted to authorised personnel only.
- Appropriate management arrangements are in place to ensure Council buildings are secure when unoccupied.

Public Health– Private Water Supplies (Limited 2017/18)

- Previous recommendations have been implemented.
- Private water supply inspections are carried out by suitably qualified and experienced staff.
- A prioritised programme of private water sampling inspections is maintained.
- Appropriate action is taken promptly when breaches of regulations are identified.
- Income due in respect of private water supply sampling is received.

Resources– Travel and Expenses

- Travel and subsistence payments are appropriately controlled and actioned in an accurate and timely manner.

Table 4: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 5: Audit recommendation categories: an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 6: Glossary of terms

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Chief Audit Executive Annual Opinion

The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the

Chief Audit Executive based on the results of several individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Table 7: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed period with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL TO 20th OCTOBER 2023

	Original Plan Days	August Revision	November Revision	Revised Plan Days	20th October 2023 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE							
Governance	28	10	-5	33	19.1	68%	58%
Communications	0	0	0	0	0.0	0%	0%
CHIEF EXECUTIVE	28	10	-5	33	19.1	68%	58%
RESOURCES							
Finance Transactions	20	13	0	33	33.4	167%	101%
Finance and S151 Officer	63	-21	-4	38	10.4	17%	27%
Financial Management	36	-18	0	18	6.0	17%	33%
ICT	100	30	-20	110	54.7	55%	50%
Information Governance	16	4	0	20	7.3	46%	37%
Revenues and Benefits	0	4	0	4	4.2	0%	105%
Treasury	0	12	0	12	0.1	0%	1%
	235	24	-24	235	116.1	49%	49%
Workforce and Improvement							
Insurance	10	1	0	11	1.8	18%	16%
Human Resources	42	33	-8	67	51.2	122%	76%
Occupational Health & Safety	0	4	0	4	3.7	0%	93%
	52	38	-8	82	56.7	109%	69%
Legal and Governance							
Procurement	38	0	-6	32	17.2	45%	54%
Elections	0	10	0	10	0.1	0%	1%
	38	10	-6	42	17.3	46%	41%
RESOURCES	325	72	-38	359	190.1	58%	53%

	Original Plan Days	August Revision	November Revision	Revised Plan Days	20th October 2023 Actual	% of Original Complete	% of Revised Complete
PEOPLE							
Joint Commissioning							
Commissioning and Governance	8	-8	0	0	0.0	0%	0%
Community and Partnerships	0	18	0	18	17.7	0%	98%
Business Support	5	-5	0	0	0.0	0%	0%
	13	5	0	18	17.7	136%	98%
Adult Social Care							
	15	8	-8	15	1.9	13%	13%
Education and Achievement							
Business Support	0	0	0	0	0.0	0%	0%
Education and Achievement	8	11	0	19	14.9	186%	78%
Primary/Special Schools	33	-14	0	19	19.1	58%	101%
Secondary Schools	0	10	0	10	0.6	0%	6%
	41	7	0	48	34.6	84%	72%
Children's Social Care and Safeguarding							
Children's Placement Services & Joint Adoption	40	31	-10	61	12.8	32%	21%
Assessment & Looked After Children	0	12	0	12	0.1	0%	1%
	40	43	-10	73	12.9	32%	18%
Early Help, Partnership and Commissioning							
	14	2	0	16	9.5	68%	59%
PEOPLE							
	123	65	-18	170	76.6	62%	45%
PLACE							
Business Enterprise and Commercial Services							
Property and Development	26	7	-10	23	15.2	58%	66%
	26	7	-10	23	15.2	58%	66%

	Original Plan Days	August Revision	November Revision	Revised Plan Days	20th October 2023 Actual	% of Original Complete	% of Revised Complete
Economy and Place							
Business Growth and Investment	8	14	3	25	17.2	215%	69%
Development Management	0	8	0	8	0.2	0%	3%
Environment and Sustainability	5	-5	0	0	0.2	4%	0%
Project Development	15	-14	0	1	1.1	7%	110%
	28	3	3	34	18.7	67%	55%
Infrastructure and Communities							
Highways	68	-22	9	55	25.2	37%	46%
Public Transport	10	-2	0	8	8.5	85%	106%
Library Services	10	-10	0	0	0.0	0%	0%
	88	-34	9	63	33.7	38%	53%
Homes and Communities							
Superintendent Registrar	10	-10	0	0	0.0	0%	0%
Business and Consumer Protection	8	12	0	20	9.0	113%	45%
Bereavement	15	-15	0	0	0.0	0%	0%
Leisure Services	18	9	8	35	34.4	191%	98%
Theatre Severn and OMH	10	-10	0	0	0.0	0%	0%
Visitor Economy	8	-8	11	11	10.4	130%	95%
Housing Services	8	14	0	22	0.3	4%	1%
	77	-8	19	88	54.1	70%	61%
PLACE	219	-32	21	208	121.7	56%	59%
HEALTH AND WELLBEING							
Public Health	25	-10	-10	5	4.5	18%	90%

	Original Plan Days	August Revision	November Revision	Revised Plan Days	20th October 2023 Actual	% of Original Complete	% of Revised Complete
Ecology and Pest Control	0	12	0	12	13.6	0%	113%
Community Safety	0	10	0	10	1.4	0%	14%
HEALTH AND WELLBEING	25	12	-10	27	19.5	78%	72%
Total Shropshire Council Planned Work	720	127	-50	797	427.0	59%	54%
CONTINGENCIES							
Advisory Contingency	60	-40	-10	10	4.3	7%	43%
Fraud Contingency	50	0	0	50	26.6	53%	53%
Unplanned Audit Contingency	573	-573	0	0	0.0	0%	0%
Other non-audit Chargeable Work	197	-65	0	132	67.8	34%	51%
CONTINGENCIES	880	-678	-10	192	98.7	11%	51%
Total for Shropshire	1,600	-551	-60	989	525.7	33%	53%
EXTERNAL CLIENTS	199	41	-1	239	89.6	45%	37%
Total Chargeable	1,799	-510	-61	1,228	615.3	34%	50%



Committee and Date

Audit Committee
23rd November 2023

Item

Public



Approval of the Council's Audited Statement of Accounts 2021/22

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support		

1. Synopsis

This report provides for the final approval of the Statement of Accounts for 2021/22, following completion of the audit of the accounts.

2. Executive Summary

2.1. The statutory deadline for publishing the 2021/22 accounts was 30th November 2022. As outlined in previous reports to the Audit Committee, there have been significant delays in finalising the audit of the accounts due to technical accounting issues and delays in carrying out audit work.

2.2. The audit work on the 2021/22 Statement of Accounts is now complete and the auditors are providing an unqualified audit opinion on the accounts 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 2022 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 2021/22; and

- *have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.*

2.3. Grant Thornton have produced the Audit Findings Report on the 2021/22 Statement of Accounts which will be presented as a separate paper on this Audit Committee's agenda.

3. Recommendations

3.1. Consider and approve the 2021/22 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).

3.2. Agree that the Executive Director of Resources be authorised to make any minor adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.

3.3. Agree that the Executive Director of Resources 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 Council are detailed within the Statement of Accounts that has been subject to audit. The Audit Findings Report highlights that the audit work has been focussed on the significant risk areas identified for the audit.

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 of held.

6. Climate Change Appraisal

6.1. The information contained within this report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation.

7. Background

7.1. The Audit Committee has received several reports relating to the approval and audit of the 2021/22 Statement of Accounts, given the protracted audit process as a result of various national issues impacting on the audit opinion being issued:

Audit Committee Date	Report Received
20 th July 2022	Approval of the Council's Draft Statement of Accounts 2021/22
24 th November 2022	Draft Audit Findings Report 2021/22
14 th February 2023	Approval of the Council's Statement of Account Audit Progress Report 31 March 2022
28 th September 2023	Approval of the Council's Statement of Accounts 2021/22

8. Additional Information

Amendments to the 2021/22 Statement of Accounts

- 8.1. Since Audit Committee reviewed and approved the 2021/22 accounts on 28th September, the Council has updated the accounts for two items.
- 8.2. The first amendment relates to a change to the Cashflow Statement to re-categorise investment income which was identified in producing the 2022/23 Statement of Accounts. During the audit of the 2022/23 accounts, this was identified and has highlighted that the treatment of similar transactions for 2021/22 was incorrect and so given that the accounts remained open, should be corrected. As a result, additional details of this change have been included within Note 2 Prior Period Adjustments.
- 8.3. It was also identified in the report to the September 2023 Audit Committee, that the opinion on the accounts was being delayed whilst the Council considered the potential impact that RAAC may have on the Council's asset base. Following this the Council is carrying out a desktop review of all Council buildings to evaluate if RAAC is present and then more investigatory work will be carried out to establish the extent and condition of RAAC. The potential obligation resulting from any remedial work required is not yet known and will not be determined imminently therefore it has been agreed with the auditors that the Council include an additional contingent liability for this item within Note 48 Contingent Liabilities.

Letter of Representation

- 8.4 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.
- 8.5 For Shropshire Council, this letter is produced in consultation with the external auditor, and it is proposed that this is signed by the Executive Director of Resources and the Chairman of the Audit Committee on behalf of the Council.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Approval of the Council's Draft Statement of Accounts 2021/22 – Audit Committee, 20th July 2022

Draft Audit Findings Report 2021/22 – Audit Committee, 24th November 2022

Approval of the Council's Statement of Accounts – Audit Committee, 14th February 2023

Audit Progress Report 31 March 2022 – Audit Committee, 14th February 2023

Approval of the Council's Statement of Accounts 2021/22 – Audit Committee, 28th September 2023

Local Member: All

Appendices [Please list the titles of Appendices]

Appendix 1 - Audited Statement of Accounts 2021/22

Statement of Accounts

2021-2022



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:

- 1.** Narrative Report (pages 1 to 12)
- 2.** The Statement of Responsibilities (page 13)
- 3.** The Audit Opinion and Certificate (pages 14 to 20)
- 4.** The Core Financial Statements comprising:-
 - The Comprehensive Income and Expenditure Statement (page 21)
 - The Movement in Reserves Statement (pages 22 to 23)
 - The Balance Sheet (page 24)
 - The Cash Flow Statement (page 25)
- 5.** The Notes to the Core Financial Statements (pages 26 to 116)
- 6.** Group Accounts:
 - Introduction (pages 117 to 118)
 - The Group Comprehensive Income and Expenditure Statement (page 119)
 - The Group Movement in Reserves Statement (pages 120 to 121)
 - The Group Balance Sheet (page 122)
 - The Group Cash Flow Statement (page 123)
 - The Group Account Notes (pages 124 to 133)
- 7.** The Housing Revenue Account (pages 134 to 137)
- 8.** The Collection Fund (pages 138 to 139)
- 9.** The Pension Fund Accounts (pages 140 to 184)
- 10.** Glossary (pages 185 to 198)

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



Market Hall
The Quarry
Swimming Centre

Victoria Quay
Mardol Gardens Arcade

Museum & Art Gallery
Tourist Information
Music Hall

Station
Castle/Regimental Museum

Barker St. **P** / Bridge St. **P**
Toilets ♀♂♿

Pride Hill Shopping Centre
and Riverside Mall
Darwin Shopping Centre

Toilets ♀♂♿
Police Station
County Court

Introduction

About Shropshire Council

Shropshire Council is a unitary authority which was formed on 1 April 2009. The area covered by the Council is rural with an area of 3,197 square kilometres and a population of just 323,600. The Council represents 91.7% of the county of Shropshire with the remainder of the county being covered by Telford and Wrekin Council.

The Council has recently adopted a new Shropshire Plan which outlines a new vision and priorities for the Council over the next 3 years, in addition to a new performance approach. However for 2021/22 the Council was still working to the previously agreed Corporate Plan and so delivery against this was the focus for the year, and hence this document.

Our Services

In 2021/22 the Council was organised around four directorates:

- **Health and Wellbeing** (including public health, regulatory services and community safety).
- **People** (including the support of and assistance to people with learning or physical disabilities or sensory impairment and older people, and the homeless or mental health services; children's social care and safeguarding; mainstream schools and education; early years and pre-school; special schools and special educational needs provision; education improvement and home to school transport).
- **Place** (including economic growth, broadband, planning services and policy, property services and facilities management, Shire Catering and Cleaning, waste management, highways, public transport, parking, street cleansing, arts, AONB, outdoor partnerships, climate change leisure, libraries, museums, archives, theatre services, bereavement services, registrars and coroners, housing development and housing stock).
- **Resources** (including technology, information intelligence and insight, human resources and organisational development, finance, audit, emergency planning, risk management and insurance, revenues and benefits, pensions, treasury, legal services, democratic services to support elected members, communications and engagement).

Vision for Shropshire

The Corporate Plan 2019/20 to 2021/22 was agreed by Full Council on 13th December 2018. This outlined the vision for the Council which was to "Innovate to thrive".

The Council identified that that economic growth was unlikely to be achieved without support for our communities, including the right homes and schools and healthcare. Our communities equally are unlikely to survive and thrive in the long-term without the right transport and digital infrastructure being put in place at local, regional and national level to support economic growth, and the education and employment opportunities being created that they need, to skill them for life

Narrative Report

and through life. People also need and deserve a quality of life whereby they have access to fresh air and green spaces, benefit from a clean environment, and can contribute to preserving the natural and historic environment in which we live and work here in the beautiful rural county of Shropshire.

Therefore the Council's interlinked priorities are as follows: More people with a suitable home Care for those in need at any age A good place to do business A healthy environment Sustainable places and communities Embrace our rurality and the priorities set out to deliver this was:



Performance

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 each performance 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. A summary of the performance for each priority in 2021/22 is detailed below:

A Healthy Environment

After a year of social restrictions and lockdowns due to the pandemic, leisure and cultural services have started to re-open their services and welcome back visitors.

A Good Place to do Business

The number of people claiming out of work benefits have seen a welcome reduction towards the end of 2021/22.

Sustainable Places and Communities

The pandemic had a significant impact on the level of voluntary support for council provided services, although the amount of volunteer hours has steadily increased during the course of 2021/22, although further work is required to attain the levels experienced pre-pandemic.

More People with a Suitable Home

The number of properties on the council tax valuation list has increased by 1,593 during the course of the year. However there have been delays in the adoption of a homelessness strategy, despite this the service is committed to supporting the homeless and the needs of households at risk of homelessness.

Embrace our Rurality

The level of access to broadband has continued to increase across the county and work has been ongoing on the Council's fourth Local Transport Plan.

Care for those in Need at any Age

The number of referrals to children's services over the course of the year decreased marginally. However, the number and rate of Children who are Looked After by the authority continues to increase. The rate of permanent admissions to nursing or residential homes is well below target demonstrating that adults are receiving appropriate and timely care when they need it.

Revenue Spending Plans for 2021/22

The Council's budget for the provision of services in 2021/22 and the Medium Term Financial Plan to 2025/26 was agreed by Council in February 2021. Our budget for the provision of services in 2020/21. The budget was set against a backdrop of increasing demand pressures for statutory services, such as Children's Social Care and Adult's Services.

The Council has continued to respond to the COVID-19 pandemic in 2021/22, which has resulted in increased costs and reduced income. This cost pressure has been offset by Government funding in full for the year, although it is anticipated that legacy costs resulting from the pandemic will continue as a pressure for the authority.

In total, the Council planned to spend £554.3m (gross) on council services in 2021/22 and planned to deliver new savings of £3.850m in addition to undelivered savings of £5.954m from 2020/21.

The gross budget was financed through Government Grants (£228.4m), Service Income (£117.2m), Council Tax (£170.7m), Business Rates (£43.1m) Top Up Grant (£10.0m), Revenue Support Grant (£6.3m) and a Collection Fund Deficit (-£21.4m).

Revenue Outturn Position for 2021/22

As set out in the table below the 2021/22 outturn was a £2.505m overspend, representing a 0.45% variance on the gross 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 July.

Narrative Report

	Final Budget £000	Actual Outturn £000	Controllable Over/ (Under) £000
Service Expenditure			
Corporate	(51,562)	(53,552)	(1,990)
Health and Wellbeing	2,177	1,755	(422)
People	186,868	190,592	3,724
Place	69,765	70,030	265
Resources	1,398	2,374	976
Strategic Management Board	1	(47)	(48)
Net Budget	208,647	211,152	2,505

The outturn position is an improvement from the projected outturn reported during the course of the year which demonstrates the management action undertaken to bring the outturn overspend within an acceptable tolerance level:

Year End Projected Over/(Under)spend	Quarter 1* £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Corporate	(92)	(1,933)	(2,105)	(1,990)
Health and Wellbeing	0	(327)	(465)	(422)
People	1,964	3,024	4,433	3,724
Place	3,025	1,929	625	265
Resources	2,457	1,690	1,874	976
Strategic Management Board	(23)	(20)	(16)	(48)
TOTAL	7,331	4,363	4,346	2,505

Throughout the year the Council experienced significant increases in the cost of Looked After Children as more and more children required support. Increases in the costs of homelessness resulted in a shortfall in Housing Subsidy also created pressure on Council budgets during the year.

A total of £8.4m of direct adverse cost relating to Covid-19 within Council budgets and was funded as shown below.

Covid-19 Cost impact on Council Budgets 2021/22	£000	£000
Adult Social Care	1,067	
Children's Social Care	2,469	
Learning and Skills	119	
Economic Growth	169	
Highway, Environment and Transport	175	
Leisure	36	
Finance	29	
ICT	2	
Legal Services (Child Care)	388	
Democratic Services	8	
Lockdown Compliance and Reopening Costs	106	
Employee Homeworking Allowances	176	
Additional Expenditure Incurred		4,744
Loss of Income		3,451
Unachieved savings		213
Total Cost impact of Covid-19 2021/22		8,408

Narrative Report

Funded by

Unringfenced MHCLG Grant	7,632
Compensation for Loss of Sales, Fees & Charges Income	243
Cultural Recovery Fund	533

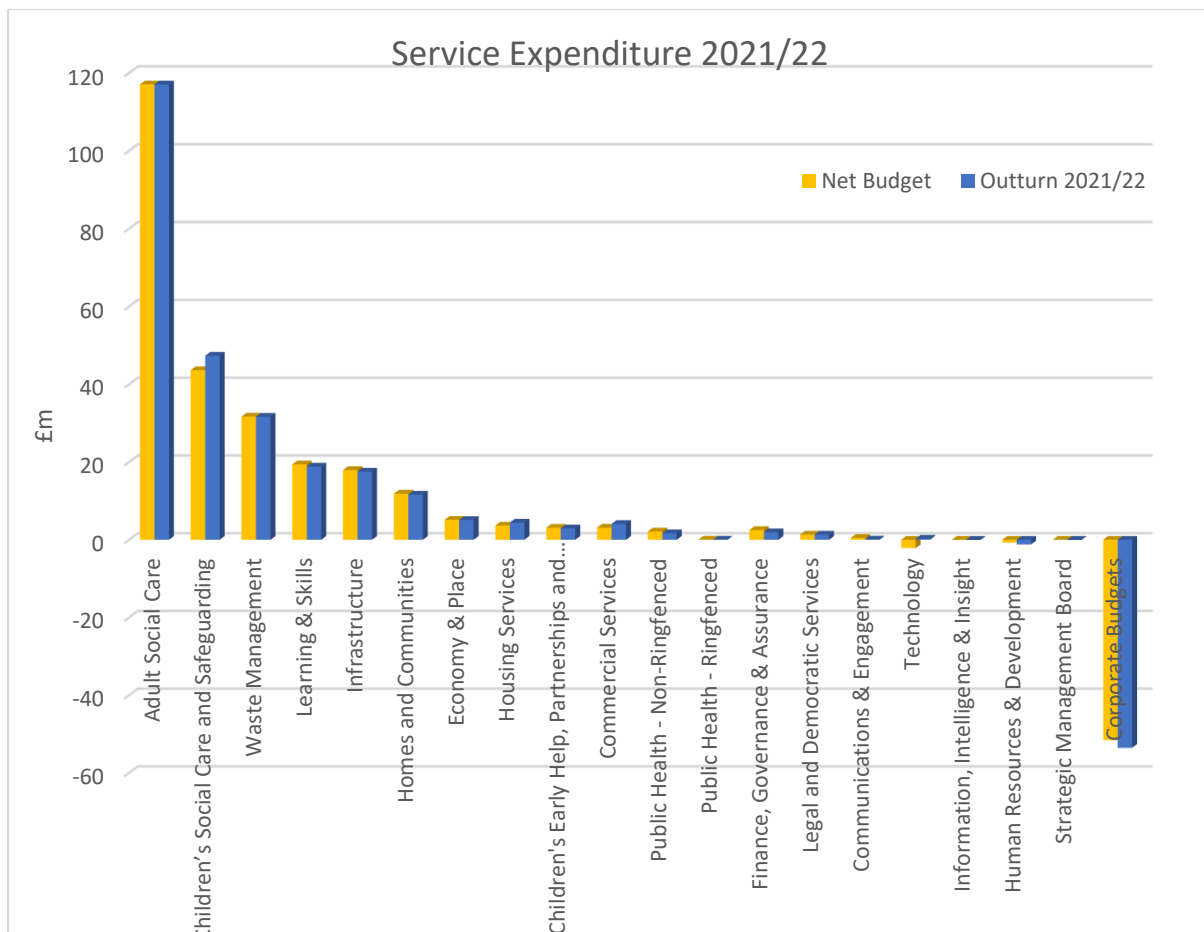
Total Funding applied 2021/22

8,408

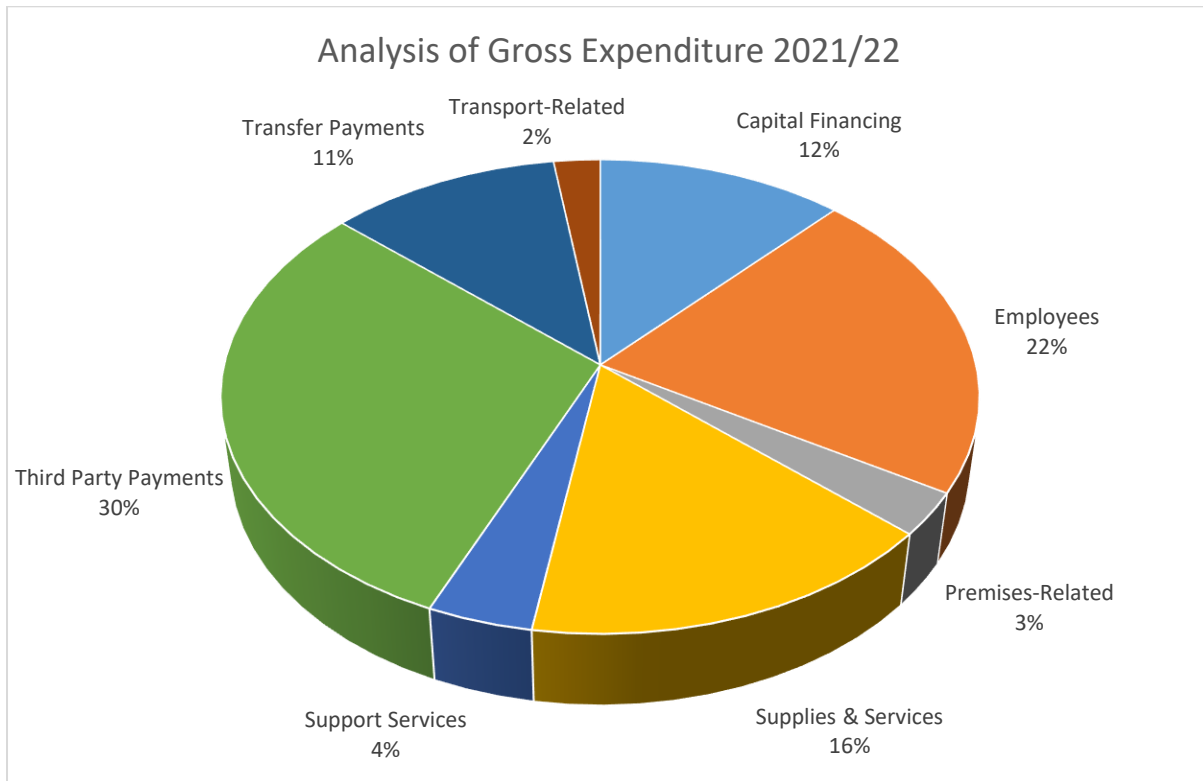
A total of £54.881m in other specific funding streams was deployed against specific activity or passported directly to third parties. Where the Council was required to distribute the grants according to specific criteria, and was therefore acting as an agent, the transactions have been excluded from 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.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 7 and 8 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 £890.819m and this was spent on the following types of expenditure:



Reserves

The Council holds a number of revenue reserves in order to provide some resilience for the Council to cope with unforeseen financial pressures, implementation costs of long term projects or long term contractual commitments.

In 2021/22 the general fund balance reduced by £2.545m to a total of £11.522m. This is due to the overspend within the revenue account during 2021/22 . This balance lies below the risk assessed level of balances calculated for 2021/22.

Earmarked reserves have decreased by £4.020m during 2021/22, which includes an increase in schools delegated balances of £2.196m. Total earmarked reserves are held at £89.638m including school balances of £8.191m.

The most significant earmarked reserves held are the Development Reserve (£18.389m) and the COVID Government Funding Reserve (£14.415m). The Development Reserve holds a number of balances held for project development, and a review of this reserve had identified that a significant balance of this could be released to assist with balancing the 2022/23 budget. The remainder of the reserve will be used for development projects within the Council including the implementation of the new Target Operating Model for the Council planned over the next 2-3 years. The Covid Government Funding Reserve holds funds related to Covid-19 and in particular the S.31 Business Rates Additional Reliefs funding of £13.061m. The Financial Strategy Reserve of £7.043m has been 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 2022/23 after which this fund will be exhausted.

Narrative Report

Capital Outturn Position for 2021/22

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 2021/22 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 2021/22 £000	Actual Spend 2021/22 £000	Variance 2021/22 £000
General Fund			
People	20,990	16,738	(4,252)
Place	52,249	56,712	4,463
Resources	913	778	(135)
Total General Fund	74,152	74,228	76
Housing Revenue Account	9,420	8,100	(1,320)
Total Capital Programme	83,572	82,328	(1,244)

The table below provides a summary of the capital financing for the actual capital expenditure for 2021/22.

Financing	2021/22 £000
Capital Grants & Contributions	60,588
Revenue Contributions	2,024
Major Repairs Allowance	3,276
Self Financing Prudential Borrowing	7,939
Corporate Resources (Prudential Borrowing/Capital Receipts)	8,500
	82,327

The areas of most significant expenditure for schemes undertaken in 2021/22 are as follows:

	Expenditure 2021/22 £000
People	
Disabled Facilities Grants	2,094
Occupational Therapy Equipment	700
Carbon Reduction – Warm Homes	1,347
Children’s Residential Care	652
Schools Condition Schemes	2,479
Devolved Formula Capital	2,052
School Future Place Planning	9,343

Narrative Report

Place

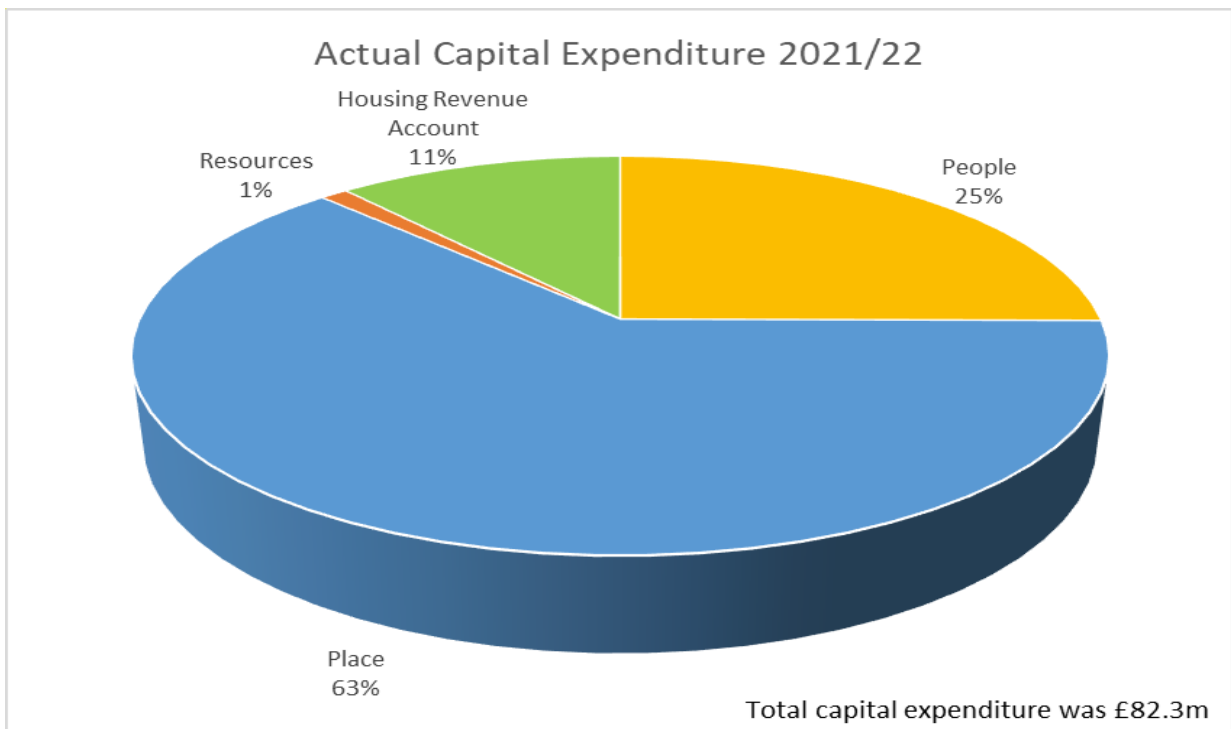
Highways and Transport	22,886
North West Relief Road	5,021
Flood Defences and Water Management	811
Broadband	844
Economic Development	14,455
Commercial Investments	1,349
Corporate Landlord	2,959

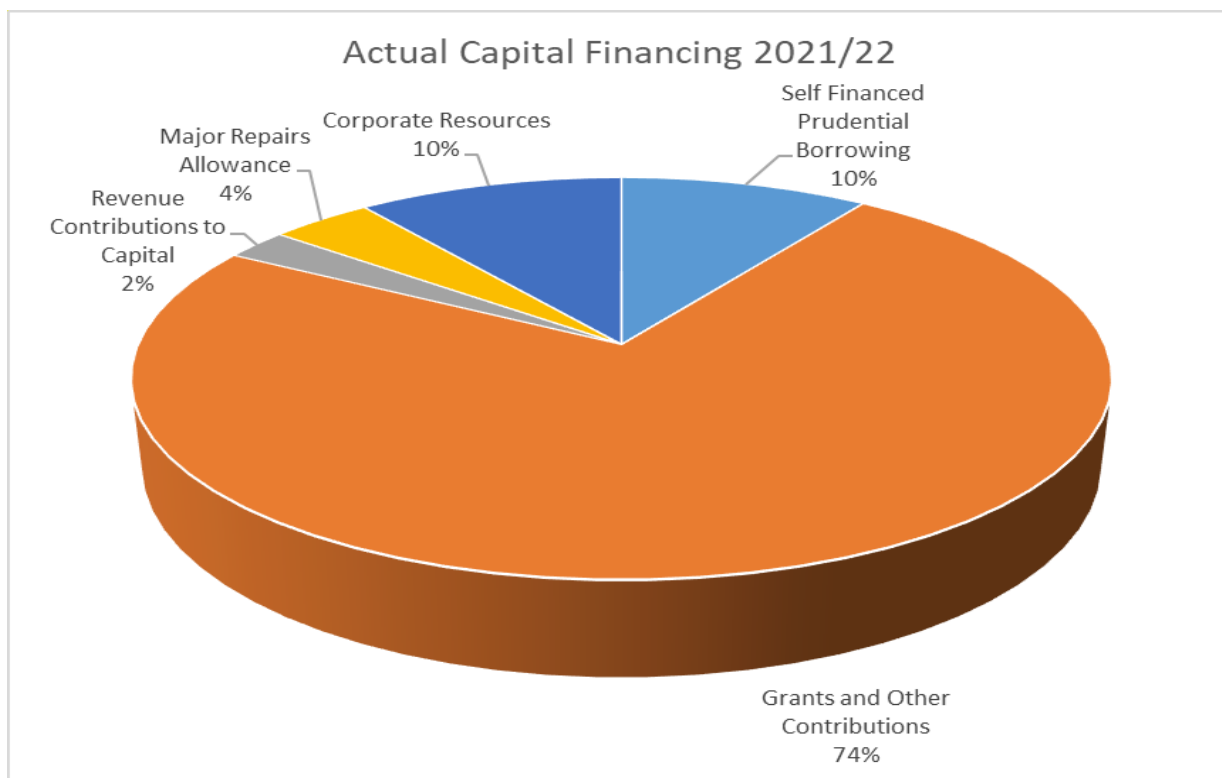
Resources

IT upgrades	600
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Housing Revenue Account

Housing Major Repairs Programme	4,378
House Repurchases	1,114
New Build Programme - Phase 4-6	3,928





Cash Flow Management

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.

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.

The Council held substantial cash balances during 2021/22, largely because of receiving multi-year government funding for COVID-19 during 2021/22. These funds were mainly invested for periods of less than 1 year with the UK Government, money market funds, bodies with high credit ratings and other local authorities. Further details are provided in the Statement of Accounts.

We are satisfied that cashflow levels are sustainable in the short to medium term based on the information we currently have.

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.

Narrative Report

- **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 2022. 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 2021/22 and assets and liabilities as at 31 March 2022.

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.

Outlook for the Council

The Council produced a Medium Term Financial Strategy (MTFS) for the period 2022/23 – 2026/27, and whilst the plan had managed to identify a balanced budget for 2022/23 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.

Following the approval of the 2022/23 MTFS, the UK economy was impacted by the invasion of Ukraine which has pushed inflation levels to their highest level

Narrative Report

since the early 1980s. The impact of this on the Council is that contract prices, fuel, energy and pay inflation is anticipated to be greater than the level originally budgeted for the 2022/23 and potentially future years of the MTFS. Therefore the Council initiated a number of key pieces of work to help address cost pressures in 2022/23 and also start early on plans that would feed into the 2023/24 year and beyond. These included:

- The development and approval of the Shropshire Plan which would outline the vision and key priorities for the Council for the period 2022 – 2025.
- Commissioned a LGA Finance Peer Review to examine the financial strategy, budget process and wider financial management at the Council
- Launched a tactical budget exercise to look at new potential savings that could be delivered in the current year and within the MTFS period.
- Developing a target operating model (TOM) that would shape how the Council operates in the future, closely aligned to the Shropshire Plan.

In terms of the funding position for the Council, the impact of the COVID-19 pandemic has meant that the introduction of 75% business rates retention alongside the fair funding review has been further delayed. However the Council is reviewing its assumptions around potential government funding to assist with financial planning into the medium and long term.

Next year we will be investing over £125 million of capital funding into local projects. The capital programme remains priority led, reflecting the need for growth in the Shropshire economy, significant investment in infrastructure and roads, investment in the current housing stock and developing a new build programme for housing, and 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 and further flooding affecting Shrewsbury 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.

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 2021/22 was formally approved at a meeting of the Audit Committee on 23 November 2023

Brian Williams
Chair of the Audit Committee
23 November 2023

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 2022.

James Walton
Executive Director of Resources
23 November 2023

Section 3

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 2022, 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 2021/22.

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 2022 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 2021/22; 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 (2021) ("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.

Audit Opinion and Certificate

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 2021/22 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.

Audit Opinion and Certificate

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 2021/22, 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

Audit Opinion and Certificate

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 2021/22, 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.

Audit Opinion and Certificate

- 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 2022.

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 2022.

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 2022. 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 2022 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 2022.
- 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 November 2023

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.

2020/21			2021/22			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 7, 8, 9 and 10)			
14,953	(15,934)	(981)	Health and Wellbeing	18,155	(23,768)	(5,613)
8,521	(18,419)	(9,898)	Local Authority Housing	(5,001)	(18,395)	(23,396)
363,452	(175,737)	187,715	People	390,343	(196,221)	194,122
160,455	(41,674)	118,781	Place	144,830	(48,362)	96,468
59,565	(52,017)	7,548	Resources	56,728	(49,605)	7,123
0	0	0	Strategic Management Board	922	0	922
38,197	(37,412)	785	Corporate	26,088	(33,015)	(6,927)
645,143	(341,193)	303,950	Net Cost of Services	632,065	(369,366)	262,699
		15,624	Other Operating Expenditure (Note 13)			15,556
		43,628	Financing and Investment Income and Expenditure (Note 14)			31,848
		(319,838)	Taxation and Non Specific Grant Income (Note 15)			(326,122)
		43,365	(Surplus) or Deficit on Provision of Services			(16,019)
		124,069	(Surplus) or Deficit on Revaluation of Non-Current Assets			(32,260)
		281	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			(2)
		22,416	Remeasurement of the Net Defined Benefit Liability			(25,708)
		146,766	Other Comprehensive Income and Expenditure			(57,970)
		190,131	Total Comprehensive Income and Expenditure			(73,989)

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.

2021/22	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 2021	14,090	93,659	107,749	11,341	5,950	45,087	170,127	40,978	211,105
<u>Movement in reserves during 2021/22</u>									
Surplus or (deficit) on the provision of services	(7,057)	0	(7,057)	23,076	0	0	16,019	0	16,019
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	57,970	57,970
Total Comprehensive Income and Expenditure	(7,057)	0	(7,057)	23,076	0	0	16,019	57,970	73,989
Adjustments between accounting basis & funding basis under regulations (Note 11)	430	0	430	(22,787)	968	1,995	(19,394)	19,394	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(6,627)	0	(6,627)	289	968	1,995	(3,375)	77,364	73,989
Transfers to/(from) Earmarked Reserves (Note 12)	4,059	(4,021)	38	(38)	0	0	0	0	0
Increase/(Decrease) in 2021/22	(2,568)	(4,021)	(6,589)	251	968	1,995	(3,375)	77,364	73,989
Balance at 31 March 2022	11,522	89,638	101,160	11,592	6,918	47,082	166,752	118,342	285,094

Movement In Reserves Statement

2020/21	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
<u>Movement in reserves during 2020/21</u>									
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	(146,766)	(146,766)
Total Comprehensive Income and Expenditure	(50,746)	0	(50,746)	7,381	0	0	(43,365)	(146,766)	(190,131)
Adjustments between accounting basis & funding basis under regulations (Note 11)	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	(219,890)	(190,131)
Transfers to/(from) Earmarked Reserves (Note 12)	(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	(219,890)	(190,131)
Balance at 31 March 2021	14,090	93,659	107,749	11,341	5,950	45,087	170,127	40,978	211,105

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'.

2020/21		2021/22	
£000		£000	£000
992,164	Property, Plant & Equipment (Note 16)	1,054,190	
2,193	Heritage Assets	2,137	
59,261	Investment Property (Note 17)	61,879	
6,393	Intangible Assets	5,381	
599	Assets Held for Sale	599	
1,060,610	Total Non Current Assets		1,124,186
400	Long Term Investment (Note 22)	970	
22,628	Long Term Debtors (Note 22)	17,166	
1,083,638	Total Long Term Assets		1,142,322
	Current Assets		
250	Current Held for Sale Investment Properties (Note 17)	570	
767	Assets Held for Sale	3,866	
70,000	Short Term Investments (Note 22)	119,000	
697	Inventories	808	
99,834	Short Term Debtors (Notes 22, 24 & 25)	82,430	
78,438	Cash & Cash Equivalents (Notes 22 & 26)	45,302	
249,986	Total Current Assets		251,976
1,333,624	Total Assets		1,394,298
	Current Liabilities		
(14,902)	Bank Overdraft (Notes 22 & 26)	(17,714)	
(13,893)	Short Term Borrowing (Note 22)	(1,858)	
(126,217)	Short Term Creditors (Notes 22 & 27)	(126,848)	
(3,912)	Provisions (Note 28)	(3,660)	
(15,443)	Grants Receipts in Advance - Revenue (Note 39)	(6,030)	
(11,773)	Grants Receipts in Advance - Capital (Note 39)	(18,645)	
(186,140)	Total Current Liabilities		(174,755)
1,147,484	Total Assets Less Current Liabilities		1,219,543
	Long Term Liabilities		
(637)	Long Term Creditors (Note 22)	(625)	
(291,568)	Long Term Borrowing (Note 22)	(291,568)	
(103,618)	Other Long Term Liabilities (Note 21)	(100,838)	
(531,883)	Pensions Liability (Note 42)	(536,529)	
(8,673)	Provisions (Note 28)	(4,889)	
(936,379)	Total Long Term Liabilities		(934,449)
211,105	Net Assets		285,094
	Financed by:		
170,127	Usable Reserves (Note 29)	166,752	
40,978	Unusable Reserves (Note 30)	118,342	
211,105	Total Reserves		285,094

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.

2020/21 £000	Revenue Activities	2021/22 £000	£000
43,365	Net (surplus) or deficit on the provision of services	(16,019)	
(120,052)	Adjust net surplus or deficit on the provision of services for non cash movements	(56,995)	
64,552	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	72,403	
(12,135)	Net cash flows from Operating Activities (Note 31)		(611)
(3,272)	Investing Activities (Note 32)	31,184	
30,234	Financing Activities (Note 33)	5,374	
14,827	Net (increase) or decrease in cash and cash equivalents		35,947
78,362	Cash and cash equivalents at the beginning of the reporting period		63,535
63,535	Cash and cash equivalents at the end of the reporting period (Note 26)		27,588

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 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 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 from the date of investment, 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

Notes to the Core Financial Statements

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)
<u>Operational</u>	
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)
<u>Non-operational</u>	
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 £10,000 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 1.10), 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.

Componentisation

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 value in excess of £2.5m.

Derecognition

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 asset.

1.7. Non-Current Assets – Property, Plant and Equipment – Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets the accounts do not disclose the gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over the useful lives of the capital expenditure incurred based on the type of works. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year from year of acquisition.

Useful lives of the various types of works on the highways network are assessed by the Senior Quantity Surveyor in Highways using industry standards where applicable as follows:

Notes to the Core Financial Statements

Part of Highways Network	Life
Carriageways	5 - 20 years (dependant on works)
Footways & Cycle Tracks	20 years
Fences, Walls & Barriers	10 years
Traffic Signals and Pedestrian crossings	15 years
Streetlighting	20 years - Conversions 40 years - New
Bridgeguard, Drainage Structures, Structures	40 - 100 years (dependant on works)
New bridges and structures	100 years

Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

1.8. 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.

1.9. 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.

1.10. 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.

1.11. 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.

1.12. 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 1.16 (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 1.11 (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.

1.13. 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.

1.14. 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**

Museum Service

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.

Archives

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.

1.15. 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.

1.16. 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.

1.17. 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.

1.18. 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. Where the grant has yet to be used to finance capital expenditure it is posted to the capital grants unapplied reserve.

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.

1.19. 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 amortised cost

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 22 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.

1.20. 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.

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.

1.21. 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.

1.22. 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.

1.23. Inventories

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

1.24. 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 2021/22. 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.

1.25. 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 have been consolidated within the Council's accounts on a line by line by line basis and joint ventures have been consolidated using the equity method. Accounting policies have been aligned between the Council and the companies consolidated in the Group.

1.26. Value Added Tax (VAT)

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

1.27. 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.

Notes to the Core Financial Statements

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
 - unlisted 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 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 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.

Notes to the Core Financial Statements

2. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made to the Council's 2020/21 financial statements as a result of a change to the Council's reporting structure and a review of the categorisation of investment income.

The impact of the change to the Council's reporting structure on the Comprehensive Income and Expenditure Statement is detailed below:

Directorates per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Directorates	As restated 2020/21	Revised Directorates
Gross Expenditure	£000	£000	£000	
Adult Services	191,718	(191,718)	0	No longer in use
Housing Revenue Account	8,521	0	8,521	Housing Revenue Account
Children's Services	191,506	(191,506)	0	No longer in use
Finance, Governance & Assurance	55,490	(55,490)	0	No longer in use
Legal & Democratic Services	660	(660)	0	No longer in use
Place	155,637	4,819	160,456	Place
Strategic Management Board	0	0	0	Strategic Management Board
Workforce & Transformation	3,414	(3,414)	0	No longer in use
Corporate	38,197	0	38,197	Corporate
Not in use	0	14,953	14,953	Health & Wellbeing
Not in use	0	363,452	363,452	People
Not in use	0	59,564	59,564	Resources
Cost of services	645,143	0	645,143	

Directorates per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Directorates	As restated 2020/21	Revised Directorates
Gross Income	£000	£000	£000	
Adult Services	(72,664)	72,664	0	No longer in use
Housing Revenue Account	(18,419)	0	(18,419)	Housing Revenue Account
Children's Services	(121,393)	121,393	0	No longer in use
Finance, Governance & Assurance	(51,412)	51,412	0	No longer in use
Legal & Democratic Services	(119)	119	0	No longer in use
Place	(39,288)	(2,386)	(41,674)	Place
Strategic Management Board	0	0	0	Strategic Management Board
Workforce & Transformation	(486)	(486)	0	No longer in use
Corporate	(37,412)	0	(37,412)	Corporate
Not in use	0	(15,934)	(15,934)	Health & Wellbeing
Not in use	0	(175,737)	(175,737)	People
Not in use	0	(52,017)	(52,017)	Resources
Cost of services	(341,193)	0	(341,193)	

Notes to the Core Financial Statements

Directorates per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Directorates	As restated 2020/21	Revised Directorates
Net Expenditure	£000	£000	£000	
Adult Services	119,054	(119,054)	0	No longer in use
Housing Revenue Account	(9,898)	0	(9,898)	Housing Revenue Account
Children's Services	70,113	(70,113)	0	No longer in use
Finance, Governance & Assurance	4,078	(4,078)	0	No longer in use
Legal & Democratic Services	541	(541)	0	No longer in use
Place	116,349	2,433	118,782	Place
Strategic Management Board	0	0	0	Strategic Management Board
Workforce & Transformation	2,928	(2,928)	0	No longer in use
Corporate	785	0	785	Corporate
Not in use	0	(981)	(981)	Health & Wellbeing
Not in use	0	187,715	187,715	People
Not in use	0	7,547	7,547	Resources
Cost of services	303,951	0	303,951	

The impact of the change to the categorisation of investment income on the Cash Flow Statement is detailed below:

Revenue Activities	As reported in the Cash Flow Statement 2020/21	Reclassification	As restated 2020/21
	£000	£000	£000
Net (surplus) or deficit on the provision of services	43,365	0	43,365
Adjust net surplus or deficit on the provision of services for non cash movements	(120,052)	0	(120,052)
Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	70,353	(5,801)	64,552
Net cash flows from Operating Activities (Note 29)	(6,334)	(5,801)	(12,135)
Investing Activities (Note 30)	(9,073)	5,801	(3,272)
Financing Activities (Note 31)	30,234	0	30,234
Net (increase) or decrease in cash and cash equivalents	14,827	0	14,827
Cash and cash equivalents at the beginning of the reporting period	78,362	0	78,362
Cash and cash equivalents at the end of the reporting period	63,535	0	63,535

3. 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 2022/23 Code:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

4. 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:

- The Council takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. The Council considers both the legal ownership of the asset and the circumstances under which schools occupy them, including rights and obligations.

A judgement is 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 substance of the arrangement in addition to the legal form are considered including any rights to take back the school buildings.

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

Notes to the Core Financial Statements

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 and provided to the school under "mere licences" which pass no interest to the school and are always revokable they are not recognised as assets of the school. Therefore 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).

- During 2021/22 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.

5. 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. Where a full valuation is not carried out in year, a desktop valuation review is carried out to update all valuations annually to the Balance Sheet date. Estimates of remaining useful economic life are provided as part of the valuation and are used	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 £2.241m increase in the valuation of Council dwellings and a £4.047m increase in the value of other land and buildings. There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	to calculate the depreciation charge on a straightline basis.	could also result in a risk of material adjustment in the year when the property is revalued.
Property, Plant & Equipment - Infrastructure	<p>Infrastructure assets are measured at historic cost and depreciated over the useful lives of the various types of works on the highways network as assessed by the Senior Quantity Surveyor in Highways using industry standards. Highways assets are assumed to have been fully consumed once the useful life applied has expired.</p> <p>The carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is considered to be nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.</p>	<p>If the useful life of assets is different to the life applied, depreciation is over or under charged in year and the carrying amounts of the assets are misstated.</p> <p>If previous expenditure has not been fully depreciated (carrying amount not nil) at the point replacement expenditure is incurred, the carrying amounts for assets will be overstated.</p>
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 £0.624m movement in the valuation of Investment Properties.
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 these are assessed to establish the likelihood fo the appeal being successful and the potential reduction in rateable value.	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 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £132.923m.
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	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

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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 17 and 22.	inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Accruals	<p>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:</p> <ul style="list-style-type: none"> • Debtors 40% • Creditors 15% 	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 £0.267m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.240m.
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 and cost of living increases has created uncertainty around future collection rates. The estimated impact of this has been included in the calculation however the long-term impact of this is currently unknown.	There is a risk that if collection rates were to deteriorate then the allowance for the impairment of bad debts would need to increase.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 23 November 2023. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. This includes adjustments that have been made to the Defined Benefit Pension figures as disclosed in Note 42.

Notes to the Core Financial Statements

7. 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.

	2020/21					2021/22				
	Net expenditure reported for resource management £000	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net expenditure reported for resource management £000	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,449	(2,777)	(1,328)	347	(981)	Health and Wellbeing	2,144	(8,416)	(6,272)	659	(5,613)
0	(4,180)	(4,180)	(5,718)	(9,898)	Local Authority Housing	0	(3,243)	(3,243)	(20,153)	(23,396)
171,269	(2,241)	169,028	18,687	187,715	People	196,375	(14,258)	182,117	12,005	194,122
65,408	(4,592)	60,816	57,966	118,782	Place	73,214	(10,270)	62,944	33,524	96,468
3,552	2,851	6,403	1,145	7,548	Resources	2,878	2,808	5,686	1,437	7,123
373	(373)	0	0	0	Strategic Management Board	(33)	942	909	13	922
(17,293)	22,108	4,815	(4,030)	785	Corporate	(63,386)	61,610	(1,776)	(5,151)	(6,927)
224,758	10,796	235,554	68,397	303,950	Net Cost of Services	211,192	29,173	240,365	22,334	262,699
0	(260,753)	(260,753)	168	(260,585)	Other Income and Expenditure	0	(234,027)	(234,027)	(44,691)	(278,718)

Notes to the Core Financial Statements

2020/21						2021/22				
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
224,758	(249,957)	(25,199)	68,565	43,365	Surplus or Deficit	211,192	(204,854)	6,338	(22,357)	(16,019)
		91,644			Opening General Fund and HRA Balance			119,090		
		2,247			Transfer of Dedicated Schools Grant Deficit			0		
		93,891			Revised Opening General Fund and HRA Balance			119,090		
		25,199			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(6,338)		
		119,090			Closing General Fund and HRA Balance at 31 March*			112,752		

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

Notes to the Core Financial Statements

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2021/22												
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
Health and Wellbeing	0	(534)	(6,071)	0	(1,805)	(6)	0	(8,416)	64	527	68	659
Local Authority Housing	0	0	0	0	0	0	(3,243)	(3,243)	(20,153)	0	0	(20,153)
People	0	(9,978)	(5,426)	(197)	1,868	(1,234)	709	(14,258)	2,922	9,849	(766)	12,005
Place	0	(4,106)	1,911	(11,565)	(2,145)	4,039	1,596	(10,270)	29,439	4,053	32	33,524
Resources	0	(659)	53	4	2,246	164	1,000	2,808	711	651	75	1,437
Strategic Management Board	0	(14)	909	0	47	0	0	942	0	13	0	13
Corporate	0	17,099	11,921	(9,404)	(15)	(9)	42,018	61,610	(4,592)	(246)	(313)	(5,151)
Net Cost of Services	0	1,808	3,297	(21,162)	196	2,954	42,080	29,173	8,391	14,847	(904)	22,334
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(1,808)	762	21,162	(196)	(2,954)	(250,993)	(234,027)	(44,052)	12,620	(13,259)	(44,691)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	4,059	0	0	0	(208,913)	(204,854)	(35,661)	27,467	(14,163)	(22,357)

Notes to the Core Financial Statements

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 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	
Health and Wellbeing	0	(283)	(811)	0	(1,856)	(3)	176	(2,777)	64	283	0	347	
Local Authority Housing	0	0	0	0	0	0	(4,180)	(4,180)	(5,718)	0	0	(5,718)	
People	0	(4,240)	(2,705)	(194)	2,017	(400)	3,282	(2,240)	15,709	4,240	(1,263)	18,687	
Place	0	(1,899)	5,335	(12,675)	(2,299)	485	6,461	(4,591)	55,940	1,899	127	57,966	
Resources	0	(444)	810	(7)	982	210	1,300	2,851	701	444	0	1,145	
Strategic Management Board	0	0	0	0	(379)	0	6	(373)	0	0	0	0	
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)	68,397	
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	68,565	

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

Notes to the Core Financial Statements

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.

Notes to the Core Financial Statements

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2021/22 £000	2020/21 £000
Expenditure		
Employee benefits expenses	208,928	187,329
Other service expenses	439,988	421,957
Support service recharges	35,375	32,906
Depreciation, amortisation, impairment	20,230	78,028
Interest payments	25,223	26,179
Precepts and levies	9,261	9,072
Payments to Housing Capital Receipts Pool	607	560
(Gain)/Loss on the disposal of assets	5,688	5,992
Total Expenditure	745,300	762,023
Income		
Fees, charges and other service income	(183,086)	(156,368)
Interest and investment income	(1,117)	(1,450)
Income from council tax, non-domestic rates	(224,679)	(204,513)
Government grants and contributions	(352,437)	(356,327)
Total Income	(761,319)	(718,658)
Surplus or Deficit on the Provision of Services	(16,019)	43,365

10. 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	2021/22 £000	2020/21 £000
Health and Wellbeing	(1,083)	(1,262)
Local Authority Housing	(18,425)	(18,442)
People	(64,327)	(53,738)
Resources	(37,351)	(32,905)
Place	(59,422)	(46,490)
Strategic Management Board	(912)	(913)
Corporate	(1,566)	(2,618)
Total Income	(183,086)	(156,368)

Notes to the Core Financial Statements

11. 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.

2021/22	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:						
<i>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:</i>						
Pension costs	27,465	0	0	0	0	(27,465)
Financial instruments	(315)	0	0	0	0	315
Council tax and NDR	(13,176)	0	0	0	0	13,176
Holiday pay	(12)	0	0	0	0	12
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(1,427)	(18,595)	4,245	0	7,434	8,343
Dedicated Schools grant	(659)	0	0	0	0	659
Total Adjustments to Revenue Resources	11,876	(18,595)	4,245	0	7,434	(4,960)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(603)	(3,627)	0	7,733	0	(3,503)
Administrative costs of non-current asset disposals	48	61	0	(109)	0	0
Payments to the government housing receipts pool	607	0	0	(607)	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	(9,340)	0	0	0	0	9,340
Capital expenditure financed from revenue balances	(2,158)	(626)	0	0	0	2,784
Total Adjustments between Revenue and Capital Resources	(11,446)	(4,192)	0	7,017	0	8,621
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(7,057)	0	7,057
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,276)	0	0	3,276

Notes to the Core Financial Statements

2021/22							
	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	
Application of capital grants to finance capital expenditure	0	0	0	0	(5,440)	5,440	
Cash payments in relation to deferred capital receipts	0	0	0	40	0	(40)	
Total Adjustments to Capital Resources	0	0	(3,276)	(7,017)	(5,440)	15,733	
Total Adjustments	430	(22,787)	969	0	1,994	19,394	

2020/21 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:							
<i>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:</i>							
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	

Notes to the Core Financial Statements

2020/21 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	(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
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)

12. 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 2021/22.

	Balance at 31 March 2020 £000	Transfers Out 2020/2021 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 22 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	16,126	(3,152)	4,531	17,505	(4,418)	12,344	25,431
Insurance Reserves	3,764	(377)	352	3,739	(342)	357	3,754
Reserves of trading and business units	0	(197)	197	0	(150)	150	0
Reserves retained for service departmental use	43,909	(23,838)	44,299	64,370	(48,367)	33,998	50,001
School Balances	6,442	(5,418)	7,021	8,045	(6,553)	8,960	10,452
Total	70,241	(32,982)	56,400	93,659	(59,830)	55,809	89,638

Notes to the Core Financial Statements

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 2021/22 Revenue Outturn report.

13. OTHER OPERATING EXPENDITURE

	2021/22 £000	2020/21 £000
Parish Council Precepts	9,110	8,940
Levies	151	132
Payments to the Government Housing Capital Receipts Pool	607	560
(Gains)/losses on the disposal of non-current assets*	5,590	5,454
(Gains)/losses on change in valuation of non-current assets	98	538
	15,556	15,624

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021/22 £000	2020/21 £000
Interest payable and similar charges	25,223	26,179
Pensions interest cost and expected return on pensions assets	10,835	11,267
Interest receivable and similar income	(1,117)	(1,450)
Income and expenditure in relation to investment properties and changes in their fair value	(6,890)	(1,328)
Revenue Impairment Losses	605	1,099
(Surpluses)/deficits on Trading Activities	3,192	7,862
	31,848	43,629

Notes to the Core Financial Statements

15. TAXATION AND NON SPECIFIC GRANT INCOMES

	2021/22 £000	2020/21 £000
Council tax income	(182,336)	(172,667)
Non domestic rates	(42,343)	(31,846)
Non ringfenced government grants	(51,552)	(66,559)
Capital grants and contributions	(49,891)	(48,766)
	(326,122)	(319,838)

16. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2021/22.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways 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 2021	204,772	393,044	21,703	7,843	2,480	2,252	14,734	646,828	123,986
Additions	6,878	2,915	1,293	15	0	0	21,363	32,464	760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(113)	17,109	0	0	0	729	0	17,725	(1,035)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487	1,043	0	0	0	2	0	16,532	(277)
Derecognition – disposals	(2,682)	(3,928)	(13)	0	0	0	0	(6,623)	0
Derecognition – other	0	(2,840)	(1,172)	(61)	(122)	0	0	(4,195)	(169)
Assets reclassified (to)/from Held for Sale	(213)	(3,394)	0	0	0	0	0	(3,607)	0
Other movements in cost or valuation	3	711	0	0	0	305	(77)	942	0
At 31 March 2022	224,132	404,660	21,811	7,797	2,358	3,288	36,020	700,066	123,265
At 1 April 2021	0	0	(10,563)	(3,178)	(638)	(1,006)	0	(15,385)	(7,579)
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,960)	(315)	(65)	(54)	0	(23,576)	(7,069)
Depreciation written out to the Revaluation Reserve	147	14,367	2	0	0	20	0	14,536	4,816

Notes to the Core Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways 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 Surplus/Deficit on the Provision of Services	4,047	1,621	0	0	0	34	0	5,702	273
Impairment losses/(reversals) recognised in the Revaluation Reserve	2	0	0	0	0	0	0	2	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,381	0	0	0	0	0	1,381	0
Derecognition – disposals	0	0	5	0	0	0	0	5	0
Derecognition – other	0	0	1,127	61	123	0	0	1,311	124
Other movements in depreciation and impairment	(2)	(1,381)	0	0	0	0	0	(1,383)	0
At 31 March 2022	0	0	(12,389)	(3,432)	(580)	(1,006)	0	(17,407)	(9,435)
NBV at 31 March 2022	224,132	404,660	9,422	4,365	1,778	2,282	36,020	682,659	113,830
NBV at 31 March 2021	204,772	393,044	11,140	4,665	1,842	1,246	14,734	631,443	116,407

The comparative movements in 2020/21 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways 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	7,806	2,961	2,725	12,863	803,719	143,605
Additions	4,496	1,373	1,131	37	0	0	7,345	14,382	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(138,953)	0	0	0	(120)	0	(139,129)	(19,096)
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

Notes to the Core Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	(5,898)	0
Derecognition – other	(132)	(967)	(1,727)	0	(481)	0	0	(3,307)	(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	0	0	0	(5,474)	8,701	0
At 31 March 2021	204,772	393,044	21,703	7,843	2,480	2,252	14,734	646,828	123,986
Depreciation and Impairments									
At 1 April 2020	0	0	(8,999)	(2,867)	(1,006)	(1,006)	0	(13,878)	(6,686)
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,073)	(311)	(113)	(54)	0	(24,914)	(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	0	481	0	0	2,001	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)	(3,178)	(638)	(1,006)	0	(15,385)	(7,579)
NBV at 31 March 2021	204,772	393,044	11,140	4,665	1,842	1,246	14,734	631,443	116,407
NBV at 31 March 2020	200,025	555,040	13,300	4,939	1,955	1,719	12,863	789,841	136,919

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 £8.15m.

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 2021/22 one further school in the freehold ownership of the Council transferred to Academy status. 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. 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 2021/22 for the school transferring was £3.48m.

At balance sheet date, no Schools had Department of Education approval granted to convert to Academy status.

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 (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.
- Other Land and Buildings – average 5 to 60 years range.
- Vehicles, Plant, Furniture & Equipment – 5 to 25 years.
- Infrastructure – 5 to 100 years.

Capital Commitments

At 31 March 2022, 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 2021/22 and future

Notes to the Core Financial Statements

years budgeted to cost £33.501m. Similar commitments at 31 March 2021 were £38.091m. The major commitments were:

- Highways & Transport schemes - £22.723m
- Whitchurch Medical Practice - 4.737m
- Rural Broadband - £2.122m
- Business Park Regeneration - £1.971m
- School Future Place Planning Programme - £0.780m

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 and are subject to an annual desktop review, in year where a full valuation is not undertaken. 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 some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is 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

Notes to the Core Financial Statements

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	9,422	0	9,422
Valued at Fair Value as at: 31-Mar-22	224,132	404,660	0	2,282	631,074
Total Cost or Valuation	224,132	404,660	9,422	2,282	640,496

All assets were subject to a Full or Desktop Valuations as at 31/03/22 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:

	2021/22 £000	2020/21 £000
Schools, Children's Services and other Education Facilities	73,235	71,369
Culture & Heritage Buildings	59,560	51,649
Leisure & Recreation	52,187	46,163
Highways & Car Parks	25,520	25,784
Social Care	36,813	35,071
Administrative Offices	17,368	16,977

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Waste Management Site	97,673	98,737
Business / Commercial Sites (including Markets)	27,182	28,328
Housing Services (including Gypsy Sites)	7,545	9,678
Smallholdings	6,774	8,234
Other	803	1,054
Total	404,660	393,044

Highway Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2021/22 £000	2020/21 £000
Net book value (modified historical cost):		
At 1 April	360,721	348,638
Additions	32,024	29,954
Derecognition	0	0
Depreciation	(21,654)	(18,980)
Impairment	0	0
Other Movement in cost	441	1,109
At 31 March	371,531	360,721

Reconciliation note to Property, Plant & Equipment in the Balance Sheet:

	2021/22 £000	2020/21 £000
Highway Infrastructure Assets	371,531	360,721
Other PPE Items	682,658	631,443
Total PPE Assets	1,054,189	992,164

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. Given the financial position of the Council over a number of years, we have not had sufficient resources to do anything other than undertake replacement or renewal expenditure when parts of infrastructure assets are worn out.

Notes to the Core Financial Statements

17. 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.

	2021/22 £000	2020/21 £000
Rental income & service charges from investment property	(4,010)	(1,815)
Direct operating expenses arising from investment property	304	315
Net (gain)/loss	(3,706)	(1,500)

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Balance at start of the year	59,261	47,652	250	740
Additions:				
- Purchases	4	6,698	0	0
- Construction	17	1,308	0	0
- Subsequent expenditure	100	116	0	0
Disposals	(116)	(116)	(250)	0
Net gains/(losses) from fair value adjustments	3,340	318	(157)	(490)
Transfers:				
- (To)/from Property, Plant and Equipment	0	3,285	0	0
- (To)/from Current/Long term	(727)	0	727	0
Balance at end of the year	61,879	59,261	570	250

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2022 are as follows:

2021/22	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
Recurring fair value measurements using:	£000	£000	£000	£000
Residential (market rental) properties	0	3,677	0	3,677
Land	0	42,366	0	42,366
Commercial units	0	16,143	0	16,143

Notes to the Core Financial Statements

2021/22	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
Recurring fair value measurements using:	£000	£000	£000	£000
Total	0	62,186	0	62,186

2020/21 comparatives	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
Recurring fair value measurements using:	£000	£000	£000	£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

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

Notes to the Core Financial Statements

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.

18. LONG TERM UNQUOTED EQUITY INVESTMENT

The Council held the following unquoted equity investments:

	2021/22 £000	2020/21 £000
Balance at start of the year	0	19,806
Purchases		
Shrewsbury Retail Unit Trusts	0	3,482
Disposals		
Shrewsbury Retail Unit Trusts	0	0
Revaluation		
Shrewsbury Retail Unit Trusts	(191)	(8,577)
Transfer of investment 31/01/2021	191	(14,711)
Balance at 31 March	0	0

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 2022 was £1 and holds £0.001m in cash.

19. 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

Notes to the Core Financial Statements

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.

	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	477,554	480,053
Capital investment		
Property, Plant and Equipment	64,503	44,340
Investment Properties	120	8,122
Long Term Investment	191	721
Intangible Assets	524	449
Revenue Expenditure Funded from Capital under Statute	18,854	14,424
Capital Loans	3,000	3,250
Sources of finance		
Capital receipts	(7,057)	(5,869)
Capital grants and other contributions	(62,675)	(56,543)
Direct Revenue Financing (Including MRA)	(6,061)	(3,081)
Minimum Revenue Provision	(9,339)	(8,312)
Closing Capital Financing Requirement (including PFI & Finance Lease)	479,614	477,554
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	298,326	293,638
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	86,894	85,130
Closing Capital Financing Requirement – PFI & Finance Lease	94,394	98,786
	479,614	477,554
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	2,602	(4,925)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	3,850	5,167
Assets acquired under finance leases		
Assets acquired under PFI contracts	(4,392)	(2,741)
Increase/(decrease) in Capital Financing Requirement	2,060	(2,499)

20. 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

Notes to the Core Financial Statements

- 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 31/03/22 £000	Year Ended 31/03/21 £000	Year Ended 31/03/22 £000	Year Ended 31/03/21 £000
<i>Non-Current Assets – Land & Buildings</i>				
Balance Brought Forward	16,172	19,297	92,671	108,650
- Depreciation in Period	0	0	(16)	(16)
- Additions	0	0	0	0
- Revaluation/Impairment	(82)	(3,125)	(1,231)	(15,963)
- Derecognition	0	0	0	0
Balance Carried Forward	16,090	16,172	91,424	92,671

Notes to the Core Financial Statements

	QICS PFI		Waste PFI	
	Year Ended	Year Ended	Year Ended	Year Ended
	31/03/22	31/03/21	31/03/22	31/03/21
	£000	£000	£000	£000
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	7,563	8,971
- Depreciation in Period	0	0	(1,963)	(2,108)
- Additions	0	0	760	916
- Derecognition	0	0	(45)	(217)
Balance Carried Forward	0	0	6,316	7,563
Prepayments				
Balance Brought Forward	0	0	10,113	9,744
- Planned Capital Expenditure	0	0	720	369
Balance Carried Forward	0	0	10,833	10,113
Finance Lease Liability				
Balance Brought Forward	(11,398)	(11,737)	(97,501)	(99,534)
- Additions	0	0	0	0
- Early Lifecycle	0	0	0	(916)
- Repayment of Principal	371	339	3,301	2,949
Balance Carried Forward	(11,027)	(11,398)	(94,200)	(97,501)

Details of Payments due to be made under PFI contracts

Year	Service Charges *	Principal	Interest #	Total Unitary Charge Payment
	£000	£000	£000	£000
Amounts Falling Due Within One Year	23,202	4,389	11,652	39,243
Amounts Falling Due Within 2 – 5 Years	105,827	19,678	39,874	165,379
Amounts Falling Due Within 6 – 10 Years	143,689	27,135	46,350	217,174
Amounts Falling Due Within 11 – 15 Years	164,497	40,140	37,093	241,730
Amounts Falling Due Within 16 – 20 Years	65,001	19,659	12,142	96,802
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

21. LEASES

Authority as a Lessee

Finance Leases

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:

Notes to the Core Financial Statements

	31 March 2022 £000	31 March 2021 £000
Buildings	107,514	106,679
Vehicles, Plant and Equipment (PFI)	6,316	7,563
Total	113,830	114,242

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 2022 £000	31 March 2021 £000
Finance lease liabilities (NPV of minimum lease payments)	111,001	114,673
Finance costs payable in future years	147,110	158,737
Minimum lease payments	258,111	273,410

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Not later than one year	16,041	16,116	4,389	5,281
Later than one year and not later than five years	59,552	59,906	19,678	18,581
Later than five years	182,518	197,388	86,934	90,811
Total	258,111	273,410	111,001	114,673

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £105,227. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 20 Private Finance Initiative Schemes.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	389	4,000	4,389
Lease liability (due after 1 year)	10,638	90,200	100,838
Total	11,027	94,200	105,227

Operating Leases

The Council has acquired vehicles and equipment by entering into operating leases, with typical lease lengths of four 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:

Notes to the Core Financial Statements

	31 March 2022 £000	31 March 2021 £000
Expiring not later than one year	53	80
Expiring later than one year and not later than five years	317	325
Expiring later than five years	420	402
Total	790	807

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

	31 March 2022 £000	31 March 2021 £000
Lease payments	911	874
Sub Lease receivable	0	0
Total	911	874

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 2022 £000	31 March 2021 £000
Expiring not later than one year	823	743
Expiring later than one year and not later than five years	1,314	962
Expiring later than five years	1,439	1,565
Total	3,576	3,270

22. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Notes to the Core Financial Statements

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors		31-Mar-22	31-Mar-21
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value through profit or loss										
Long Term Equity Instruments	570	0	0	0	0	0	0	0	570	0
Amortised cost										
Investment	400	400	17,166	22,628	119,000	70,000	43,811	49,441	180,377	142,469
Cash and Cash Equivalents	0	0	0	0	45,190	78,289	0	0	45,190	78,289
Total financial assets	970	400	17,166	22,628	164,190	148,289	43,811	49,441	226,137	220,758
Non-financial assets	0	0	0	0	0	0	38,619	50,393	38,619	50,393
Total	970	400	17,166	22,628	164,190	148,289	82,430	99,834	264,756	271,151

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		31-Mar-22	31-Mar-21
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Principal	(291,568)	(291,568)	(626)	(637)	(26)	(12,026)	(104,252)	(108,147)	(396,472)	(412,378)
Loans accrued interest	0	0	0	0	(1,832)	(1,867)	0	0	(1,832)	(1,867)
Bank Overdraft	0	0	0	0	0	0	(17,714)	(14,902)	(17,714)	(14,902)
PFI and Finance lease liabilities	(100,838)	(103,618)	0	0	0	0	(4,389)	(5,281)	(105,227)	(108,899)
Total Financial Liabilities	(392,406)	(395,186)	(626)	(637)	(1,858)	(13,893)	(126,355)	(128,330)	(521,245)	(538,046)
Non financial liabilities	0	0	0	0	0	0	(18,207)	(12,789)	(18,207)	(12,789)
Total	(392,406)	(395,186)	(626)	(637)	(1,858)	(13,893)	(144,562)	(141,119)	(539,452)	(550,835)

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:

Notes to the Core Financial Statements

	31-Mar-22	31-Mar-21
	£000	£000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	43,811	49,441
Debtors that are not financial instruments	38,619	50,393
Total Debtors as per Balance Sheet	82,430	99,834
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(108,641)	(113,428)
Creditors that are not financial instruments	(18,207)	(12,789)
Total Creditors as per Balance Sheet	(126,848)	(126,217)

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 £2.041m 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.

Notes to the Core Financial Statements

Income, Expense, Gains and Losses

	2021/22		2020/21	
	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	(191)	0	(8,577)	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
Total net gains/losses	(191)	0	(8,577)	0
Interest revenue:				
Financial assets measured at amortised cost	(1,117)	0	(1,450)	0
Other financial assets measured at fair value through other comprehensive income				
Total interest revenue	(1,117)	0	(1,450)	0
Interest expense				
Interest Expense	25,223	0	26,179	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 2022		31 March 2021	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	291,568	378,336	303,568	421,941
- PFI and finance lease liabilities	105,227	165,806	108,899	187,132

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

Notes to the Core Financial Statements

notional future loss arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2022		31 March 2021	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets held at amortised cost				
Loans and receivables:				
Cash	40,200	40,200	32,800	32,800
Fixed Term Deposits	123,300	123,088	115,000	115,173
Short term investments	0	0	0	0
Long term debtors	17,166	17,166	22,628	22,628
Long term investments	970	970	400	400

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) attributable to the commitment to receive interest below 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-22			Total £000
	Quoted prices in active markets for identical assets(Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	378,336	0	378,336
PFI and finance lease liabilities	0	165,806	0	165,806
Total	0	554,142	0	554,142
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	163,288	0	163,288
Total	0	163,288	750	164,038

Notes to the Core Financial Statements

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	31-Mar-21 Other significant observable inputs (Level 2)	Comparative Year Significant unobservable inputs (Level 3)	Total
	£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	187,132	0	187,132
Total	0	609,073	0	609,073
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

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 2022 of 0.5% to 1.57% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2022 of 1.91% to 2.63% 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 2022 of 2.33% to 2.39% based on new lending rates

23. 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;

Notes to the Core Financial Statements

- 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 2022	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2022	Estimated maximum exposure to default and uncollectability at 31 March 2022
	£000	%	%	£000
	A	B	C	(AxC)
Loans and receivables held with counterparties having a default rating of:				
AAA	22,600	0.00	0.00	0
AA	21,900	0.02	0.02	0
A	91,000	0.05	0.05	14
BBB	0	0.14	0.14	0
Other Local Authorities Debtors (Customers)	28,000	0.00	0.00	0
	26,729	Local Experience	Local Experience	Local Experience

Notes to the Core Financial Statements

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 20 days credit. Of the £26.729m outstanding from customers £18.348m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2021/22 £000	2020/21 £000
Less than 3 months overdue	5,252	4,997
3 to 6 months overdue	1,828	4,278
6 months to 1 year overdue	2,018	2,084
More than 1 year overdue	9,250	8,488
	18,348	19,847

Further details on the amounts outstanding from customers which is past its due date for payment is provided in the below table.

2021/22	Adult Services		Place		Other		Total	
	Value of Debt £000	Allowance for impairment losses £000	Value of Debt £000	Allowance for impairment losses £000	Value of Debt £000	Allowance for impairment losses £000	Value of Debt £000	Allowance for impairment losses * £000
Less than 3 months overdue	2,244	0	2,288	4	720	0	5,253	4
3 to 6 months overdue	1,360	0	320	43	148	2	1,828	45
6 months to 1 year overdue	1,448	143	458	86	112	17	2,018	246
More than 1 year overdue	7,381	3,970	1,161	503	708	211	9,250	4,684
	12,433	4,113	4,227	636	1,688	230	18,348	4,979

* Allowance for impairment losses in the table above relates only to sundry debtors. Other allowances for impairment losses in relation to Council Tax, Business Rates and shopping centre debtors are also provided for within the total Debtors figure on the Balance Sheet.

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.

Long term debtors are assessed for expected credit losses by reviewing historical experience of repayments and assessing any current or future events which could result in default of repayments.

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

Notes to the Core Financial Statements

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	2021/22 £000	2020/21 £000
Less than 1 year	0	12,000
Between 1 and 2 years	5,500	0
Between 2 and 5 years	1,100	6,600
Between 5 and 10 years	38,887	28,487
More than ten years	246,081	256,481
	291,568	303,568

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 2022 the Council's total outstanding debt (excluding accrued interest) amounted to £291.594m of which none of these loans were at stepped interest rates. Out of this balance £242.368m 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

Notes to the Core Financial Statements

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 2022, £25.200m 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.

24. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2022.

	2021/22	2020/21
	£000	£000
Debtors:		
Central Government Bodies	23,425	35,214
Other Local Authorities	2,516	3,426
NHS Bodies	3,713	11,818
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	35,336	28,929
Prepayments	17,440	20,447
	82,430	99,834

25. 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:

	2021/22	2020/21
	£000	£000
Less than 1 year	5,172	5,365
1 – 2 years	3,106	2,996
2 – 3 years	2,414	1,880
More than 3 years	7,066	5,901
	17,758	16,142

26. CASH AND CASH EQUIVALENTS

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

Notes to the Core Financial Statements

	31 March 2022 £000	31 March 2021 £000
Bank current accounts	25,905	18,294
Short term deposits with building societies	19,397	60,144
Total Cash and Cash Equivalents	45,302	78,438
Bank Overdraft	(17,714)	(14,902)
Cash Overdrawn	(17,714)	(14,902)

27. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2022.

	2021/22 £000	2020/21 £000
Creditors:		
Central Government Bodies	(44,832)	(37,260)
Other Local Authorities	(2,815)	(1,753)
NHS Bodies	(620)	(125)
Public Corporations and Trading Funds	(14)	0
Other Entities and Individuals	(65,642)	(76,892)
Receipts In Advance	(12,925)	(10,187)
	(126,848)	(126,217)

28. PROVISIONS

The value of provisions held as at 31 March 2022 are as follows:

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Short Term Provisions							
Accumulated Absences Account	2,328	(2,328)	3,026	3,026	(3,026)	3,013	3,013
Environmental Maintenance Provision	0	0	60	60	(60)	0	0
Rent Top Up Provision	35	(35)	0	0	0	0	0
Highways & Transport Provision	834	(429)	0	405	0	0	405
Cultural Provision	191	0	0	191	(191)	0	0
Highways Retention	0	0	0	0	0	110	110
Termination Benefits	188	(188)	230	230	(240)	132	122
Total Short Term Provisions	3,576	(2,980)	3,316	3,912	(3,517)	3,255	3,650
Long Term Provisions							

Notes to the Core Financial Statements

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
AWM	224	(224)	0	0	0	0	0
S106	73	0	0	73	0	0	73
Liability Insurance	4,213	(1,040)	604	3,777	(802)	731	3,706
NDR Appeals	6,390	(3,173)	1,402	4,619	(4,428)	644	835
Tenancy Deposit Clawbacks	179	(23)	48	204	(25)	38	217
Total Long Term Provisions	11,079	(4,460)	2,054	8,673	(5,255)	1,413	4,831
Total Provisions	14,655	(7,440)	5,370	12,585	(8,772)	4,668	8,481

29. USABLE RESERVES

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

	31 March 2022 £000	31 March 2021 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	6,919	5,950
Earmarked Reserves	89,638	93,659
Capital Grants Unapplied Account	47,082	45,087
HRA Balance	11,591	11,341
General Fund Balance	11,522	14,090
Total Usable Reserves	166,752	170,127

30. UNUSABLE RESERVES

	31 March 2022 £000	31 March 2021 £000
Revaluation Reserve	136,176	110,801
Capital Adjustment Account	534,463	494,837
Financial Instruments Adjustment Account	(3,367)	(3,682)
Deferred Capital Receipts Reserve	540	581
Pensions Reserve	(539,406)	(537,647)
Collection Fund Adjustment Account	(7,051)	(20,227)
Accumulated Absences Account	(3,013)	(3,026)
Dedicated Schools Grant Adjustment Account	0	(659)
Total Unusable Reserves	118,342	40,978

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

Notes to the Core Financial Statements

- 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.

	2021/22 £000	2020/21 £000
Balance at 1 April	110,801	245,600
Upward revaluation of assets	42,114	14,596
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9,851)	(138,946)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	32,263	(124,350)
Difference between fair value depreciation and historical depreciation	(4,815)	(8,067)
Accumulated gains on assets sold or scrapped	(2,073)	(2,382)
Other transfers to the Capital Adjustment Account	0	0
Amount written off to the Capital Adjustment Account	(6,888)	(10,449)
Balance at 31 March	136,176	110,801

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

	2021/22 £000	2020/21 £000
Balance at 1 April	494,837	513,890
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	(43,915)	(42,534)

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
- Revaluation losses on Property, Plant and Equipment	22,137	(25,847)
- Revaluation loss on Long Term Investment	(191)	(8,577)
- Amortisation of intangible assets	(1,542)	(1,437)
- Revenue expenditure funded from capital under statute	(18,854)	(14,424)
- 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	(13,213)	(10,316)
	(55,578)	(103,135)
Adjusting amounts written out of the Revaluation Reserve	6,888	10,449
Net written out amount of the cost of non current assets consumed in the year	(48,690)	(92,686)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	7,057	5,869
- Use of the Major Repairs Reserve to finance new capital expenditure	3,276	2,638
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	57,236	50,966
- Application of grants to capital financing from the Capital Grants Unapplied Account	5,440	5,577
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,340	8,312
- Capital expenditure charged against the General Fund and HRA balances	2,784	443
	85,133	73,805
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,183	(172)
Balance at 31 March	534,463	494,837

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(3,682)	(3,998)
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	0	1
Balance at 31 March	(3,367)	(3,682)

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	581	2,149
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(41)	(1,568)
Balance at 31 March	540	581

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(537,647)	(495,700)
Remeasurements of the net defined benefit liability/(asset)	25,708	(22,416)
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	(49,596)	(40,957)
Employer's pension contributions and direct payments to pensioners payable in the year	22,129	21,426
Balance at 31 March	(539,406)	(537,647)

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

Notes to the Core Financial Statements

business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2021/22 £000	2020/21 £000
Balance at 1 April	(20,227)	3,503
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	13,176	(23,730)
Balance at 31 March	(7,051)	(20,227)

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(3,026)	(2,328)
Settlement or cancellation of accrual made at the end of the preceding year	3,026	2,328
Amounts accrued at the end of the current year	(3,013)	(3,026)
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	13	(698)
Balance at 31 March	(3,013)	(3,026)

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.

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Balance at 1 April	(659)	0
Dedicated Schools Grant Adjustment Account Transfer of Opening Balance	0	(2,247)
Restated Opening Balance	(659)	(2,247)
In year Dedicated Schools Grant (over)/underspend	659	1,588
Balance at 31 March	0	(659)

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2021/22 £000	2020/21 £000
Interest received	(922)	(1,641)
Interest paid	25,258	26,299

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

	2021/22 £000	2020/21 £000
Depreciation	43,915	42,534
Impairment and downward valuations	(22,137)	25,847
Amortisation	1,542	1,437
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	0	443
Impairment losses on Investments debited to surplus or deficit on the provision of services in year	191	8,577
Increase/Decrease in Interest Creditors	(34)	(120)
Increase/Decrease in Creditors	(8,676)	30,820
Increase/Decrease in Interest and Dividend Debtors	(195)	191
Increase/Decrease in Debtors	9,656	(10,508)
Increase/Decrease in Inventories	(111)	(125)
Pension Liability	30,353	13,767
Contributions to/(from) Provisions	(4,035)	(2,071)
Carrying amount of non-current assets sold	9,710	9,088
Movement in Investment Property Values	(3,184)	172
	56,995	120,052

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

Notes to the Core Financial Statements

	2021/22 £000	2020/21 Restated £000
Carrying amount of short and long term investment sold	0	0
Capital Grants credited to surplus or deficit on the provision of services	(64,670)	(59,644)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,733)	(4,908)
Non cash adjustments	(72,403)	(64,552)

32. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2021/22 £000	2020/21 Restated £000
Purchase of property, plant and equipment, investment property and intangible assets	64,806	53,124
Purchase of short term and long term investments	104,000	58,482
Other payments for investing activities	3,501	3,884
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,183)	(1,525)
Proceeds from the sale of short term and long term investments	(54,963)	(49,199)
Other receipts from investing activities*	(81,977)	(68,038)
Net cash flows from investing activities	31,184	(3,272)

* This includes capital grants received in year.

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2021/22 £000	2020/21 £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	3,672	3,288
Repayments of short and long term borrowing	12,012	4,012
Other payments for financing activities*	(10,310)	22,934
Net cash flows from financing activities	5,374	30,234

* Represents the difference between the preceptors/Central Government share of cash collected and net cash paid in relation to Council Tax and NDR

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021/22 1 April £000	Financing cash flows £000	Non-cash changes Acquisition £000	Other non- cash changes £000	2021/22 31 March £000
Long-term borrowings	291,568	0	0	0	291,568
Short-term borrowings	13,892	(12,034)	0	0	1,858
On balance sheet PFI liabilities	108,899	(3,672)	0	0	105,227
Total liabilities from financing activities	414,359	(15,706)	0	0	398,653

Notes to the Core Financial Statements

	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

35. MEMBERS' ALLOWANCES

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

	2021/22 £000	2020/21 £000
Basic Allowances	881	849
Special Responsibility Allowances	249	271
Expenses	9	4
Total	1,139	1,124

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 15 th April 2020)	2021/22 £0	£0	£0	£0	£0	£0
	2020/21 £6,375	£0	£124,036	£130,411	£1,109	£131,520
Acting Interim Chief Executive (25 th February 2020 to 30 th September 2020)	2021/22 £0	£0	£0	£0	£0	£0
	2020/21 £10,305	£0	£0	£10,305	£1,845	£12,150
Acting Interim Chief Executive (25 th February 2020 to 30 th September 2020)	2021/22 £0	£0	£0	£0	£0	£0
	2020/21 £10,305	£0	£0	£10,305	£1,845	£12,150
Chief Executive - Andy Begley (started in post on 1 st October 2020)	2021/22 £157,208	£0	£0	£157,208	£27,354	£184,562
	2020/21 £78,604	£0	£0	£78,604	£13,677	£92,281
Executive Director of Adult Services (left post on 30 th September 2020)	2021/22 £0	£0	£0	£0	£0	£0
	2020/21 £68,123	£0	£0	£68,123	£11,853	£79,976

Notes to the Core Financial Statements

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
Executive Director of Adult Services (in post 1 st October 2020 to 30 th September 2021)	2021/22	£65,503	£0	£0	£65,503	£11,398	£76,901
	2020/21	£62,883	£0	£0	£62,883	£10,942	£73,825
Executive Director of People (started in post on 1 st October 2021)	2021/22	£68,123	£0	£0	£68,123	£11,853	£79,976
	2020/21	£0	£0	£0	£0	£0	£0
Director of Public Health (direct report to the Chief Executive from 1 st October 2021)	2021/22	£55,023	£0	£0	£55,023	£9,574	£64,597
	2020/21	£0	£0	£0	£0	£0	£0
Executive Director of Children's Services (left post on 30 th September 2021)	2021/22	£68,671	£0	£117,589	£186,260	£11,853	£198,113
	2020/21	£136,247	£0	£0	£136,247	£23,707	£159,954
Executive Director of Place	2021/22	£136,247	£0	£0	£136,247	£0	£136,247
	2020/21	£136,247	£0	£0	£136,247	£0	£136,247
Executive Director of Resources (Interim Executive Director from 1 st December 2020 to 26 th May 2021) ^o	2021/22	£126,639	£0	£0	£126,639	£22,035	£148,674
	2020/21	£41,922	£0	£0	£41,922	£6,699	£48,621
Director of Legal and Democratic Services, Monitoring Officer (left post 30 th September 2021)	2021/22	£59,958	£0	£97,840	£157,798	£8,748	£166,546
	2020/21	£115,286	£0	£0	£115,286	£20,060	£135,346
Director of Finance, Governance & Assurance, S151 Officer (left post on 30 th November 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£76,857	£0	£0	£76,857	£13,361	£90,218
Director of Workforce & Transformation (left post on 31 st October 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£72,557	£0	£121,687	£194,244	£11,701	£205,945

^o An element of the total remuneration paid to the Executive Director of Resources is recharged to Shropshire County Pension Fund (£16,820), Shropshire & Wrekin Fire Authority (£16,660), the Marches LEP (£22,598), West Mercia Energy (£10,182) and West Mercia Supplies (£765) to reflect the various treasurer roles undertaken within those organisations.

* Excludes 2021/22 pay award received in 2022/23

Notes to the Core Financial Statements

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 £	2021/22 No. of Employees	2020/21 No. of Employees
50,000 – 54,999	89	75
55,000 – 59,999	37	39
60,000 – 64,999	32	27
65,000 – 69,999	13	18
70,000 – 74,999	14	23
75,000 – 79,999	18	8
80,000 – 84,999	4	2
85,000 – 89,999	10	16
90,000 – 94,999	5	3
95,000 – 99,999	4	1
100,000 – 104,999	1	1
105,000 and above	2	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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0 - £40,000	17	27	32	18	49	45	358	367
£40,001 - £150,000	4	2	2	2	6	4	517	407
£150,001 +	0	0	2	2	2	2	417	980
	21	29	36	22	57	51	1,292	1,754

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:

	2021/22 £000	2020/21 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	175	167
Fees payable to external audit for the certification of grant claims and returns	23	14
Fees payable in respect of other services provided by the external audit during the year	9	8
Total	207	189

Notes to the Core Financial Statements

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 2021/22 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2021/22 before academy recoupment	48,389	185,982	234,371
Academy and high needs figure recouped for 2021/22	(6,096)	(124,530)	(130,626)
Central provision with schools and de-delegated budgets	2,906	(2,906)	0
Early years maintained settings included in ISB on S251	(975)	975	0
Re-allocation of high needs to ISB	876	(876)	0
Total DSG after academy recoupment for 2021/22	45,100	58,645	103,745
Brought forward from 2020/21	(659)	0	(659)
Agreed initial budget distribution in 2021/22	44,441	58,645	103,086
In year adjustments	(211)	0	(211)
Final budget distribution in 2021/22	44,230	58,645	102,875
Actual central expenditure	(44,088)	0	(44,088)
Actual ISB deployed to schools	0	(57,230)	(57,230)
Early years maintained settings included in ISB on S251	0	(975)	(975)
Final expenditure in 2021/22	(44,088)	(58,205)	(102,293)
Carry forward to 2022/23	142	440	582

39. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22 £000	2020/21 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(6,253)	(6,219)
Local Services Support Grant	(318)	(266)
New Homes Bonus	(5,943)	(8,367)
Business Rates Relief Grant	(21,590)	(30,694)
Rural Service Support Grant	(6,941)	(6,614)
Covid-19 LA Support Grant	(7,632)	(13,438)
Local Council Tax Support Grant	(1,878)	0

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Other Grants	(997)	(961)
Capital Grants & contributions	(49,891)	(48,766)
Total	(101,443)	(115,325)
Credited to Services		
DWP Housing Benefit	(45,743)	(48,931)
DWP Housing Benefit Admin Subsidy	(640)	(680)
MHCLG Waste PFI	(3,186)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(103,535)	(97,693)
DFE Pupil Premium Grant	(3,576)	(3,588)
DFE UFSM	(1,647)	(1,797)
DFE PE & Sports	(1,471)	(1,054)
Teachers Pay Grant	(28)	(779)
Teachers Pension employer contribution grant	(79)	(2,437)
DfT Bus Services Operators Grant	(512)	(512)
Strengthening Families	(753)	(821)
Resettlement	(116)	(137)
HO Asylum Seekers	(765)	(785)
DoH Public Health Grant	(12,426)	(12,314)
MHCLG/DoH Adult Social Care New Burdens	(9,112)	(7,883)
Independent Living Fund Grant	(1,512)	(1,512)
Improved Better Care Fund	(11,515)	(11,515)
DWP Discretionary Housing Payment Grant	(435)	(545)
School monitoring and brokering grant	(310)	(337)
Flexible Homelessness grant	(701)	(359)
Apprenticeship Levy	(814)	(563)
DWP Household Support Fund	(2,089)	0
DfE Holiday Activities and Food Programme	(648)	(39)
MHCLG Rough Sleepers Initiative	(538)	(198)
MHCLG Domestic Abuse Duty Capacity Building Fund	(579)	(50)
DfT CBSSG Restart	(406)	0
Dft Better Deal for Bus Users	(319)	0
Covid-19 Loss of Sales, Fees and Charges Income Compensation Grant	(243)	(3,635)
Covid-19 Job Retention Scheme	(52)	(1,282)
Covid-19 Business Support Grants	0	(4,555)
Covid-19 LRSG/ARG	(6,983)	(7,829)
Covid-19 Adult Social Care Infection Control Fund	(1,154)	(1,702)
Covid-19 Winter Grant Scheme	(258)	(783)
Covid-19 Workforce Capacity Fund	(2,672)	(697)
Covid-19 Contain Outbreak Management Fund	(8,813)	(611)
Covid-19 Track & Trace Service	(361)	(766)
Covid-19 Cultural Recovery Fund	(533)	0
Covid-19 Hardship Fund	0	(1,540)

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Covid-19 Other Grants	(5,816)	(3,317)
Other Grants	(4,353)	(4,169)
Capital Grants & contributions	(14,779)	(10,878)
Total	(250,995)	(241,002)

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 Balance b/f £000	Grant Income £000	Grant Expenditure £000	Grant Repaid £000	Grant Balance c/f £000
BEIS Business Support and Restart Grants	(166)	(26,053)	24,072	0	(2,147)
Covid-19 LRSG/CSP/CBL Grant	(11,586)	(6)	106	11,486	0
Covid-19 Rapid Testing Fund	0	(1,842)	1,699	106	(37)
Covid-19 Adult Social Care Infection Control Fund	0	(3,149)	2,621	403	(125)
Covid-19 Test and Trace Support Payments	(425)	(264)	835	0	146
Total	(12,177)	(31,314)	29,333	11,995	(2,163)

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-22 £000	31-Mar-21 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(2,938)	(5,598)
Department for Education	(2,307)	(1,374)
Environment Agency	(450)	(349)
Homes England	0	(90)
Highways England	0	(15)
Homes & Communities Agency	(523)	0
Department for Business, Energy & Industrial Strategy	(4,578)	0
Historic England	(64)	0
Other Grants & Contributions	(7,785)	(4,347)
Total	(18,645)	(11,773)

Notes to the Core Financial Statements

	31-Mar-22	31-Mar-21
	£000	£000
Grants Receipts in Advance (Revenue Grants)		
MHCLG Tackling Troubled Families	0	(12)
Standards Fund	(812)	(844)
CBSSG Restart	(1,126)	(992)
Covid-19 Track & Trace Service	0	(361)
Covid-19 Contain Outbreak Management Fund	0	(6,844)
Covid-19 LRSG/ARG	0	(3,814)
Covid-19 National Leisure Recovery Fund	0	(465)
Rough Sleepers Initiative	(86)	(170)
Better Deal for Bus Users	0	(319)
MHCLG Social Services PFI	(210)	(210)
Asylum Seekers	0	(193)
Adoption Support Fund	(341)	(381)
Council Tax Rebate	(585)	0
DfT – Bus Capacity	(182)	0
DfT – Local Transport Authority Bus Recovery Funding	(229)	0
DWP – Covid-19 Winter Grant Scheme	(566)	0
Other Grants	(1,893)	(838)
Total	(6,030)	(15,443)
TOTAL	(24,675)	(27,216)

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. The balance held at the end of the financial year is detailed in the below table. The Neighbourhood Fund due to Parish and Town Councils is held on the Balance Sheet within Creditors, the remaining balance is held within Capital Grants Unapplied.

	2021/22		2020/21	
	£000	£000	£000	£000
Opening Balance April		(31,188)		(28,426)
Receipts received	(8,228)		(7,898)	
Expenditure incurred	5,111		5,136	
Closing Balance		(34,305)		(31,188)
Closing Balance allocated to:				
Neighbourhood Fund	1,586		1,515	
Strategic Fund	4,203		3,546	
Local Area Fund	28,516		26,127	
Total		34,305		31,188

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 2021/22, the Council paid £6.625m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for April 2021 to March 2022 was 23.68%. The amount paid for 2020/21 were £6.605m and the contribution rate was 23.68%. 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 2021/22, the Council paid £0.021m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2020/21 were £0.026m 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.

Notes to the Core Financial Statements

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(39,303)	(29,197)
- past service gain/(cost)	(53)	(1,194)
- curtailment gain/(cost)	595	701
	(38,761)	(29,690)
Financing and Investment Income and Expenditure:		
- net interest expense	(10,835)	(11,267)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(49,596)	(40,957)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	55,528	147,895
- experience (gain)/loss	(93,083)	29,988
- actuarial gains and losses arising on changes in demographic assumptions	40,758	0
- actuarial gains and losses arising on changes in financial assumptions	22,505	(200,299)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(23,888)	(63,373)
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	49,596	40,957
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(22,129)	(21,426)

Assets and Liabilities Recognised in the Balance Sheet

	2021/22 £000	2020/21 £000
Present value of the defined benefit obligation	(1,600,739)	(1,531,034)
Fair value of plan assets	1,064,210	999,151
Net liability arising from defined benefit obligation	(536,529)	(531,883)

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

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening fair value of scheme assets at 1 April	999,151	845,840
Interest income	21,054	20,482

Notes to the Core Financial Statements

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	55,528	147,895
Contributions from employer	22,129	21,426
Contributions from employees into the scheme	6,319	5,850
Benefits paid	(38,504)	(41,247)
Other	(1,467)	(1,095)
Closing fair value of scheme assets at 31 March	1,064,210	999,151

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening balance at 1 April	(1,531,034)	(1,341,540)
Current Service Cost	(38,717)	(28,644)
Interest Cost	(31,889)	(31,749)
Contributions from scheme participants	(6,319)	(5,850)
Remeasurement gain/(loss):		
Experience gains/(losses)	(93,083)	29,988
Actuarial gains/(losses) arising from changes in demographic assumptions	40,758	0
Actuarial gains/(losses) arising from changes in financial assumptions	22,505	(200,299)
Other	0	0
Past service costs	(53)	(1,194)
Losses/(gains) on curtailment	(779)	(364)
Benefits paid	38,504	41,247
Liabilities extinguished on settlements	2,255	1,607
Lump Sum Deficit Repayment	(2,887)	5,764
Closing balance at 31 March	(1,600,739)	(1,531,034)

Local Government Pension Scheme Assets

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

	2021/22 £000	2020/21 £000
Cash and cash equivalents	17,879	2,936
Equity investments:		
UK quoted	51,508	45,018
Global quoted	486,982	448,225
Sub-total equity	538,490	493,243
Bonds:		
Overseas Global Fixed Income	69,706	71,442

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Overseas Global Dynamic	67,364	68,506
Other class 2 - absolute return bonds	64,491	66,549
Sub-total bonds	201,561	206,497
Property:		
Property funds	39,695	38,168
Sub-total property	39,695	38,168
Alternatives:		
Private Equity	88,862	87,042
Infrastructure	36,396	31,317
Hedge Funds	65,662	62,634
BMO – LDI Manager	36,822	34,253
Property Debt	22,242	27,402
Insurance Linked Securities	15,218	15,659
Private Debt	1,383	0
Sub-total alternatives	266,585	258,307
Total assets	1,064,210	999,151

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 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1yrs	23.0yrs
Women	24.4yrs	25.1yrs
Longevity at 65 for future pensioners:		
Men	23.4yrs	24.3yrs
Women	26.2yrs	26.7yrs
Rate of inflation	3.30%	2.70%
Rate of increase in salaries	4.55%	3.95%
Rate of increase in pensions	3.40%	2.80%
Rate for discounting scheme liabilities	2.80%	2.10%

Notes to the Core Financial Statements

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)	1,652,889	1,554,343
Rate of inflation (increase or decrease by 0.25%)	1,675,739	1,531,494
Rate of increase in salaries (increase or decrease by 0.25%)	1,610,625	1,596,607
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,470,693	1,736,539

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 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

Notes to the Core Financial Statements

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 £22.115m expected contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2021/22 (15 years 2020/21).

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.

	31 st March 2022 £000
Balance on Pensions Reserve	(539,406)
2022/23 Lump Sum Deficit Repayment	2,877
Balance on Pensions Liability	(536,529)

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

Notes to the Core Financial Statements

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 2021/22 was £19.698m compared with £21.426m for 2020/21.

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 £18.309m to organisations where members and senior officers are employed and £0.505m 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 £1.465m from the pension fund for the costs of administration it provided in 2021/22 compared with £1.476m for 2020/21.

The Council also has group relationships with West Mercia Energy, West Mercia Supplies Pension, Shropshire Towns & Rural Housing and Cornovii Developments 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 114.

During 2021/22 expenditure of £14.381m and income of £0.690m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £1.101m and a debtor balance of £0.271m as at 31st March 2022.

During 2021/22 income of £0.869m was incurred between Shropshire Council and Cornovii Developments Ltd.

During 2021/22 Shropshire Council paid West Mercia Energy £4.220m.

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	59,057	(65,347)	(6,290)
Secondary	3,707	(3,271)	436
Special	2,184	(2,542)	(358)
Total	64,948	(71,160)	(6,212)

Notes to the Core Financial Statements

The number of Shropshire Council maintained schools in 2021/22 was:

	31st March 2022	31st March 2021
Primary	83	84
Secondary	1	1
Special	1	1
Total	85	86

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.

	2021/22		2020/21	
	£000	£000	£000	£000
Opening Creditor 1 April		(29,828)		(38,417)
Funding Received:				
Growth Deal	(9,300)		(19,676)	
Growth Hub	(462)		(641)	
Core Funding	(526)		(544)	
Capacity and Other Project Funding	(113)		(47)	
Careers & Enterprise	(225)		(329)	
Match Funding – Partner Contributions	(149)		(90)	
Marches Investment Fund	(458)		(265)	
Interest Received	(144)		(179)	
		(11,377)		(21,771)
Expenditure:				
Growth Deal Projects	27,321		26,754	
Growth Hub	461		507	
Capacity Funding Projects	120		192	
Careers & Enterprise	262		144	
Marches Investment Fund Expenditure	0		1,587	
LEP Review Project	0		72	
LEP Management Costs	1,318		1,104	

Notes to the Core Financial Statements

	2021/22		2020/21	
	£000	£000	£000	£000
		29,482		30,360
Marches LEP Creditor		(11,723)		(29,828)

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	2021/22	2020/21
	£000	£000
Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	0	0
Shropshire CCG	11,918	12,960
	11,918	12,960
Expenditure met from the Better Care Fund:		
Shropshire Council	11,918	12,960
Shropshire CCG	0	0
	11,918	12,960
Non-Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	17,357	16,987
Shropshire CCG	15,444	14,220
	32,801	31,207
Expenditure met from the Better Care Fund:		
Shropshire Council	15,736	14,747
Shropshire CCG	15,443	14,220
	31,179	28,967
Total Better Care Fund		

Notes to the Core Financial Statements

Financing	2021/22	2020/21
	£000	£000
Total funding provided to the Better Care Fund:	44,719	44,167
Total expenditure met from the Better Care Fund:	43,098	41,927
Net Underspend Arising on the Better Care Fund During the Year	1,621	2,240

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. This practice continued during 2021/22, although the resulting costs were slightly reduced.

The underspend that has arisen during 2021/22 relates to Disabled Facilities Grants. This is largely as a result of a backlog of adaptations works as a result of Covid-19, and particularly contractors not being able to access residents' properties due to social distancing restrictions. The remaining grant balance will be carried forward, is fully committed and is ringfenced for adaptations.

The Council acts as the principal for the Pooled Fund and therefore all income and expenditure incurred in relation to this is accounted for within the Council's Income and Expenditure Statement. Income and expenditure incurred directly by the Council in relation to the Non-Pooled Fund is accounted for in the Council's Income and Expenditure Statement.

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.	9,609	9,907	293,488	(2,400)
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	8,232	(3,847)	168,751	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	8,747	(7,238)	367,205	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	1,367	(3,600)	60,433	0
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	26,514	7,549	640,732	(30)

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

Notes to the Core Financial Statements

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 2022 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	3	7	27	0	(£0.132m)
Association of Local Councils	3	0	1	0	(£0.037m)
Coverage Care from 1/3/1997	2	30	128	11	£1.111m
Coverage Care from 13/1/2013	10	21	12	2	£0.448m
Perthyn	3	12	6	0	£0.007m
Shropshire Towns & Rural Housing	132	49	25	2	(£0.007m)
Connexus Housing One Ltd	3	2	15	2	£0.727m

Notes to the Core Financial Statements

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	13	4	1	0
Bethphage from 1/7/2017	7	1	1	0
Energize Shropshire Telford & Wrekin	1	0	0	0
Enterprise South West Shropshire	1	1	0	0
South Shropshire Leisure Ltd *	13	24	5	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.

On the 30th August 2023 the Department of Education issued a list of schools affected by Reinforced Autoclaved Aerated Concrete (RAAC) and also published new guidance advising education settings to vacate areas that are known to contain RAAC, unless suitable mitigations are in place. All records held for local authority schools in Shropshire have been checked and the Council understand these to be unaffected by RAAC. At the time of finalising these accounts, a desktop review of other Council properties is being carried out and preliminary work would suggest that there will be limited implications of RAAC on these as well. If the existence of RAAC is confirmed, there will be significant investigatory work required to establish the extent of RAAC and therefore at this stage we are unable to consider the potential obligations that could arise from any remedial work required to remove or replace RAAC in these properties.

49. CONTINGENT ASSETS

The Council currently has an appeal lodged with HMRC with regard to VAT treatment for waste sent for landfill, which may result in a reimbursement to the Council of VAT paid over to the Government.

The claim for reimbursement is subject to a legal case being pursued nationally and if successful will provide legal precedent to be applied. Therefore the value involved within the claim cannot be reliably estimated. Timescales on this case is 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 2021 to 31 March 2022. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2022, with comparative figures for the previous financial year.

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 2021/22 Shropshire Towns and Rural Housing Limited had total income of £14.610m, total expenditure of £15.027m, assets of £8.670m and liabilities of £10.751m.

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 2021/22 West Mercia Energy had total income of £68.321m, total expenditure of £68.148m, assets of £14.110m and liabilities of £12.505m.

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 2021/22 West Mercia Supplies (Pensions) had total income of £0.215m, total expenditure of £0.153m and liabilities of £6.888m.

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.

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 2021/22 the amounts incorporated into the group accounts for SSC No. Limited are income of £0.001m, total expenditure of £0.004m, assets of £0.001m and liabilities of £0.003m.

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 2021/22 the amounts incorporated into the group accounts for Cornovii Developments Limited are total expenditure of £0.766m, income of £0.902m, assets of £7.218m and liabilities of £7.102m.

Group Accounts

The Group Comprehensive Income & Expenditure Statement

2020/21			2021/22			
Group Expenditure	Group Income	Group Net Expenditure		Group Expenditure	Group Income	Group Net Expenditure
£000	£000	£000		£000	£000	£000
			Expenditure on Continuing Services			
14,953	(15,934)	(981)	Health and Wellbeing	18,155	(23,768)	(5,613)
8,558	(19,036)	(10,478)	Local Authority Housing	(3,858)	(19,344)	(23,202)
363,452	(175,737)	187,715	People	390,343	(196,221)	194,122
159,975	(41,223)	118,752	Place	144,801	(48,735)	96,066
59,565	(52,017)	7,548	Resources	56,728	(49,605)	7,123
0	0	0	Strategic Management Board	922	0	922
38,472	(37,412)	1,060	Corporate	26,088	(33,015)	(6,927)
644,975	(341,359)	303,616	Net Cost of Services	633,179	(370,688)	262,491
		15,624	Other Operating Expenditure			15,556
		43,884	Financing and Investment Income and Expenditure			32,232
		(319,838)	Taxation and Non Specific Grant Income			(326,122)
		43,287	(Surplus)/Deficit on the provision of services			(15,843)
		(194)	Associates & Joint Ventures Accounted for on an equity basis			(94)
		0	Tax expenses of subsidiaries			0
		43,093	Group (Surplus)/Deficit			(15,937)
		124,069	(Surplus) or deficit on revaluation of non-current assets			(32,260)
		281	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve			(2)
		24,108	Remeasurement of pension assets and liabilities			(27,203)
		148,458	Other Comprehensive Income and Expenditure			(59,465)
		191,551	Total Comprehensive Income and Expenditure			(75,402)

Group Accounts

Group Movement in Reserves Statement

2021/22	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 2021	14,090	93,659	107,749	11,341	5,950	45,087	170,127	40,978	211,105	(5,253)	205,852
Movement in reserves during 2021/22											
Surplus or (deficit) on the provision of services	5,771	0	5,771	23,076	0	0	28,847	0	28,847	(12,910)	15,937
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	57,970	57,970	1,495	59,465
Total Comprehensive Income and Expenditure	5,771	0	5,771	23,076	0	0	28,847	57,970	86,817	(11,415)	75,402
Adjustments between Group Accounts and authority accounts	(12,828)	0	(12,828)	0	0	0	(12,828)	0	(12,828)	12,828	0
Net Increase/Decrease before Transfers	(7,057)	0	(7,057)	23,076	0	0	16,019	57,970	73,989	1,413	75,402
Adjustments between accounting basis and funding basis under regulations	430	0	430	(22,787)	968	1,995	(19,394)	19,394	0	(11)	(11)
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,627)	0	(6,627)	289	968	1,995	(3,375)	77,364	73,989	1,402	75,391
Transfers to/from Earmarked Reserves	4,059	(4,021)	38	(38)	0	0	0	0	0	0	0
Increase/Decrease in 2021/22	(2,568)	(4,021)	(6,589)	251	968	1,995	(3,375)	77,364	73,989	1,402	75,391
Balance at 31 March 2022	11,522	89,638	101,160	11,592	6,918	47,082	166,752	118,342	285,094	(3,851)	281,243

Group Accounts

2020/21 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	Authority's 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	(146,766)	(146,766)	(1,692)	(148,458)
Total Comprehensive Income and Expenditure	(39,196)	0	(39,196)	7,381	0	0	(31,815)	(146,766)	(178,581)	(12,970)	(191,551)
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)	(146,766)	(190,131)	(1,420)	(191,551)
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	(219,890)	(190,131)	(1,435)	(191,566)
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	(219,890)	(190,131)	(1,435)	(191,566)
Balance at 31 March 2021	14,090	93,659	107,749	11,341	5,950	45,087	170,127	40,978	211,105	(5,253)	205,852

Group Accounts

Group Balance Sheet at 31 March 2022

31 March 2021			31 March 2022			
SC £000	Adjustments £000	Group £000		SC £000	Adjustments £000	Group £000
992,164	26	992,190	Property, Plant & Equipment	1,054,190	25	1,054,215
2,193	0	2,193	Heritage Assets	2,137	0	2,137
59,261	0	59,261	Investment Property	61,879	0	61,879
6,393	0	6,393	Intangible Assets	5,381	0	5,381
599	0	599	Assets Held for Sale	599	0	599
1,060,610	26	1,060,636	Total Non-Current Assets	1,124,186	25	1,124,211
400	0	400	Long Term Investment	970	(570)	400
0	(1,571)	(1,571)	Investments in Associates and Joint Ventures	0	(1,339)	(1,339)
22,628	(4,210)	18,418	Long Term Debtors	17,166	(238)	16,928
1,083,638	(5,755)	1,077,883	Total Long Term Assets	1,142,322	(2,122)	1,140,200
			Current Assets			
250	0	250	Current Held for Sale Investment Properties	570	0	570
767	0	767	Assets Held for Sale	3,866	0	3,866
70,000	0	70,000	Short Term Investments	119,000	0	119,000
697	1,157	1,854	Inventories	808	4,478	5,286
99,834	(188)	99,646	Short Term Debtors	82,430	(4,880)	77,550
78,438	8,939	87,377	Cash & Cash Equivalents	45,302	8,500	53,802
249,986	9,908	259,894	Total Current Assets	251,976	8,098	260,074
1,333,624	4,153	1,337,777	Total Assets	1,394,298	5,976	1,400,274
			Current Liabilities			
(14,902)	0	(14,902)	Bank Overdraft	(17,714)	0	(17,714)
(13,893)	0	(13,893)	Short Term Borrowing	(1,858)	0	(1,858)
(126,217)	(417)	(126,634)	Short Term Creditors	(126,848)	(1,123)	(127,971)
(3,912)	0	(3,912)	Provisions	(3,660)	0	(3,660)
(15,443)	0	(15,443)	Grants Receipts in Advance – Revenue	(6,030)	0	(6,030)
(11,773)	0	(11,773)	Grants Receipts in Advance – Capital	(18,645)	0	(18,645)
(186,140)	(417)	(186,557)	Total Current Liabilities	(174,755)	(1,123)	(175,878)
1,147,484	3,736	1,151,220	Total Assets Less Current Liabilities	1,219,543	4,853	1,224,396
			Long Term Liabilities			
(637)	0	(637)	Long Term Creditors	(625)	0	(625)
(291,568)	0	(291,568)	Long Term Borrowing	(291,568)	0	(291,568)
(103,618)	0	(103,618)	Other Long Term Liabilities	(100,838)	0	(100,838)
(531,883)	(8,989)	(540,872)	Pensions Liability	(536,529)	(8,704)	(545,233)
(8,673)	0	(8,673)	Provisions	(4,889)	0	(4,889)
(936,379)	(8,989)	(945,368)	Total Long Term Liabilities	(934,449)	(8,704)	(943,153)
211,105	(5,253)	205,852	Total Assets Less Liabilities	285,094	(3,851)	281,243
			Financed by:			
170,127	5,668	175,795	Usable Reserves	166,752	6,636	173,388
40,978	(10,921)	30,057	Unusable Reserves	118,342	(10,487)	107,855
211,105	(5,253)	205,852	Total Reserves	285,094	(3,851)	281,243

Group Accounts

Group Cash Flow Statement

SC £000	2020/21 Adjustments £000	Group £000	Revenue Activities	SC £000	2021/22 Adjustments £000	Group £000
43,365	(272)	43,093	Net (surplus) or deficit on the provision of services	(16,019)	82	(15,937)
(120,052)	3,839	(116,213)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(56,995)	2,376	(54,619)
64,552	(33)	64,519	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	72,403	(37)	72,366
(12,135)	3,534	(8,601)	Net cash flows from operating activities	(611)	2,421	1,810
(3,272)	(3,319)	(6,591)	Investing activities	31,184	(1,981)	29,203
30,234	(275)	29,959	Financing activities	5,374	0	5,374
14,827	(60)	14,767	Net (increase) or decrease in cash and cash equivalents	35,947	440	36,387
78,362	8,880	87,242	Cash and cash equivalents at the beginning of the reporting period	63,535	8,940	72,475
63,535	8,940	72,475	Cash and cash equivalents at the end of the reporting period	27,588	8,500	36,088

Notes to Group Accounts

G1. Accounting Policies

G1.1 General

The single entity accounting policies detailed on pages 26-48 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.

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.

G1.3 Basis for Consolidation

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's balances is 23.9%. 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 2022.

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 WMS Pensions 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 2022.

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.

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.

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.

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)
<u>Operational</u> 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

Group Accounts

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	SC Share (23.9%)
	£000	£000
Turnover	(68,321)	(16,313)
Cost of Goods Sold and Operating Expenses	68,148	16,271
Interest and Investment Income	0	0
Net Operating Surplus	(173)	(41)
Distribution of Surplus to Member Authorities	0	0
Net Surplus for the year	(173)	(41)

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)	SC Share (25%)
	£000	£000
Turnover	(215)	(53)
Cost of Goods Sold and Operating Expenses	5	1
Interest and Investment Income	148	37
Net deficit for the year	(62)	(15)

G4. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£14.640m) and expenditure (£14.833m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.193m 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 £13.691m).

G5. Consolidation of SSC No.1 Ltd

The operating income (£0.001m) and expenditure (£0.004m) of SSC No1. Ltd, giving a net expenditure of £0.003m has been included within Place in the Net Cost of Services.

Group Accounts

G6. Consolidation of Cornovii Developments Ltd

The operating expenditure (£0.568m) and income (£0.902m) of Cornovii Developments Ltd has been included within Place in the Net Cost of Services.

G7. Investment included in Group Balance Sheet

	WME £000	SC Share (23.9%) £000
Assets		
Plant & Equipment	7	2
Short term debtors	10,797	2,578
Cash and cash equivalents	3,306	789
Total Assets	14,110	3,369
Liabilities		
Short term creditors	(12,241)	(2,923)
Other long term liabilities	(264)	(63)
Total Liabilities	(12,505)	(2,986)
Net Investments in Associates and Joint Ventures	1,605	383

	WMS(P) £000	SC Share (25%) £000
Assets		
Short term debtors	0	0
Total Assets	0	0
Liabilities		
Short term creditors	(178)	(44)
Other long term liabilities	(6,710)	(1,678)
Total Liabilities	(6,888)	(1,722)
Net Investments in Associates and Joint Ventures	(6,888)	(1,722)

G8. Property, Plant & Equipment in Group Balance Sheet

The figures below provide information on the movement of non-current assets during 2021/22.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways 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 2021	204,772	393,044	21,744	7,843	2,480	2,252	14,734	646,869	123,986
Additions	6,878	2,915	1,295	15	0	0	21,363	32,466	760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(113)	17,109	0	0	0	729	0	17,725	(1,035)

Group Accounts

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487	1,043	0	0	0	2	0	16,532	(277)
Derecognition – disposals	(2,682)	(3,928)	(13)	0	0	0	0	(6,623)	0
Derecognition – other	0	(2,840)	(1,172)	(61)	(122)	0	0	(4,195)	(169)
Assets reclassified (to)/from Held for Sale	(213)	(3,394)	0	0	0	0	0	(3,607)	0
Other movements in cost or valuation	3	711	0	0	0	305	(77)	942	0
At 31 March 2022	224,132	404,660	21,854	7,797	2,358	3,288	36,020	700,109	123,265
At 1 April 2021	0	0	(10,578)	(3,178)	(638)	(1,006)	0	(15,400)	(7,579)
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,964)	(315)	(65)	(54)	0	(23,580)	(7,069)
Depreciation written out to the Revaluation Reserve	147	14,367	2	0	0	20	0	14,536	4,816
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,047	1,621	0	0	0	34	0	5,702	273
Impairment losses/(reversals) recognised in the Revaluation Reserve	2	0	0	0	0	0	0	2	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,381	0	0	0	0	0	1,381	0
Derecognition – disposals	0	0	5	0	0	0	0	5	0
Derecognition – other	0	0	1,127	61	123	0	0	1,311	124
Other movements in depreciation and impairment	(2)	(1,381)	0	0	0	0	0	(1,383)	0
At 31 March 2022	0	0	(12,408)	(3,432)	(580)	(1,006)	0	(17,426)	(9,435)
NBV at 31 March 2022	224,132	404,660	9,446	4,365	1,778	2,282	36,020	682,683	113,830
NBV at 31 March 2021	204,772	393,044	11,166	4,665	1,842	1,246	14,734	631,469	116,407

Group Accounts

The comparative movements in 2020/21 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways 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	7,806	2,961	2,725	12,863	821,795	143,605
Additions	4,496	4,491	1,157	37	0	0	7,345	17,526	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(138,953)	0	0	0	(120)	0	(139,129)	(19,096)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,447	(41,976)	0	0	0	(353)	0	(40,882)	9
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	(5,898)	0
Derecognition – other	(132)	(967)	(1,727)	0	(481)	0	0	(3,307)	(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	0	0	0	(5,474)	(3,249)	0
At 31 March 2021	204,772	393,044	21,744	7,843	2,480	2,252	14,734	646,869	123,986
Depreciation and Impairments									
At 1 April 2020	0	0	(9,009)	(2,867)	(1,006)	(1,006)	0	(13,888)	(6,686)
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,078)	(311)	(113)	(54)	0	(24,919)	(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

Group Accounts

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Derecognition – other	0	11	1,509	0	481	0	0	2,001	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)	(3,178)	(638)	(1,006)	0	(15,400)	(7,579)
NBV at 31 March 2021	204,772	393,044	11,166	4,665	1,842	1,246	14,734	631,469	116,407
NBV at 31 March 2020	200,025	573,101	13,305	4,939	1,955	1,719	12,863	807,907	136,919

Highway Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2021/22 £000	2020/21 £000
Net book value (modified historical cost):		
At 1 April	360,721	348,638
Additions	32,024	29,954
Derecognition	0	0
Depreciation	(21,654)	(18,980)
Impairment	0	0
Other Movement in cost	441	1,109
At 31 March	371,531	360,721

Reconciliation note to Property, Plant & Equipment in the Balance Sheet:

	2021/22 £000	2020/21 £000
Highway Infrastructure Assets	371,531	360,721
Other PPE Items	682,683	631,469
Total PPE Assets	1,054,215	992,190

Group Accounts

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. Given the financial position of the Council over a number of years, we have not had sufficient resources to do anything other than undertake replacement or renewal expenditure when parts of infrastructure assets are worn out.

G9. Cash and Cash Equivalents

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

	31 March 2022 £000	31 March 2021 £000
Bank current accounts	34,405	27,233
Short term deposits with building societies	19,397	60,144
Total Cash and Cash Equivalents	53,802	87,377
Bank Overdraft	(17,714)	(14,902)
Cash Overdrawn	(17,714)	(14,902)

G10. Pension Liability

Assets and Liabilities Recognised in the Balance Sheet

	2021/22 £000	2020/21 £000
Present value of the defined benefit obligation	(1,625,094)	(1,554,568)
Fair value of plan assets	1,079,861	1,013,696
Net liability arising from defined benefit obligation	(545,233)	(540,872)

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

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening fair value of scheme assets at 1 April	1,013,696	857,377
Interest income	21,360	20,767
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	56,252	149,952
Contributions from employer	22,848	22,069
Contributions from employees into the scheme	6,556	6,085
Benefits paid	(39,363)	(41,438)
Other	(1,488)	(1,116)
Closing fair value of scheme assets at 31 March	1,079,861	1,013,696

Group Accounts

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2021/22	2020/21
	£000	£000
Opening balance at 1 April	(1,554,568)	(1,359,880)
Current Service Cost	(40,133)	(29,783)
Interest Cost	(32,377)	(32,189)
Contributions from scheme participants	(6,556)	(6,085)
Remeasurement gain/(loss):		
Experience gains/losses	(93,138)	30,290
Actuarial gains/losses arising from changes in demographic assumptions	40,916	0
Actuarial gains/losses arising from changes in financial assumptions	22,987	(204,172)
Other	0	0
Past service costs	(53)	(1,194)
Losses/(gains) on curtailment	(903)	(364)
Benefits paid	39,363	41,438
Liabilities extinguished on settlements	2,255	1,607
Lump Sum Deficit Repayment	(2,887)	5,764
Closing balance at 31 March	(1,625,094)	(1,554,568)

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2021/22	2020/21
	£000	£000
Cash and cash equivalents	18,142	2,979
Equity investments:		
UK quoted	52,265	45,672
Global quoted	494,144	454,750
Sub-total equity	546,409	500,422
Bonds:		
Overseas Global Fixed Income	70,731	72,482
Overseas Global Dynamic	68,355	69,503
Other class 2 - absolute return bonds	65,439	67,518
Sub-total bonds	204,525	209,503
Property:		
Property funds	40,279	38,724
Sub-total property	40,279	38,724
Alternatives:		
Private Equity	90,169	88,309
Infrastructure	36,931	31,773

Group Accounts

	2021/22 £000	2020/21 £000
Hedge Funds	66,628	63,546
BMO – LDI Manager	37,364	34,752
Property Debt	22,569	27,801
Insurance Linked Securities	15,442	15,887
Private Debt	1,403	0
Sub-total alternatives	270,506	262,068
Total assets	1,079,861	1,013,696

G11. Unusable Reserves

	31 March 2022		31 March 2021	
	Total £000	SC Share £000	Total £000	SC Share £000
Shropshire Towns & Rural Housing – Pensions Reserve	8,704	8,704	8,989	8,989
West Mercia Energy – Pensions Reserve and Capital Adjustment Account	257	61	317	76
West Mercia Supplies – Pensions Reserve	6,888	1,722	7,426	1,857
Total	15,849	10,487	16,732	10,922

G12. 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	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	12,828	0	0	0	12,828	0	12,828	(12,828)	0
Total adjustments between Group Accounts and authority accounts	12,828	0	0	0	12,828	0	12,828	(12,828)	0

Section 7

Housing Revenue Account



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.

HRA INCOME AND EXPENDITURE STATEMENT

2020/21		2021/22	
£'		£	£
	Expenditure		
5,508,381	Repairs & Maintenance	6,057,685	
3,915,222	Supervision and Management	3,717,200	
121,333	Rents, rates taxes and other charges	144,544	
3,910,780	Depreciation – Dwellings	4,047,050	
185,280	- Other	197,780	
(5,357,702)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(19,534,419)	
46,840	Debt Management Costs	54,800	
25,000	Provision for Bad or Doubtful Debts	38,000	
8,355,134	Total Expenditure		(5,277,360)
	Income		
(17,395,866)	Dwelling Rents	(17,453,740)	
(109,683)	Non Dwelling Rents	(108,801)	
(4,385)	Other Income	(5,451)	
(909,300)	Charges for Services and Facilities	(827,379)	
0	Contributions towards expenditure	0	
(18,419,234)	Total Income		(18,395,371)
(10,064,100)			(23,672,731)
191,083	HRA Share of Corporate & Democratic Core		314,409
(9,873,017)	Net Cost of HRA Services		(23,358,322)
(269,234)	(Gain) or loss on sale of HRA Assets		(821,248)
2,988,342	Interest payable and similar charges		2,988,070
(81,567)	Interest and Investment Income		(43,232)
(27,400)	Income & Expenditure in relation to investment properties & change in fair values		(36,051)
(117,998)	Capital grants and contributions receivable		(1,804,818)
(7,380,874)	(Surplus) or deficit for the year on HRA Services		(23,075,601)

Housing Revenue Account

MOVEMENT ON THE HRA STATEMENT

2020/21		2021/22
£		£
(10,140,313)	Balance on the HRA at the end of the previous year	(11,341,017)
(7,380,874)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(23,075,601)
6,110,170	Adjustments between accounting basis and funding basis under statute	22,786,452
(1,270,704)	Net increase or (decrease) before transfers to or from reserves	(289,149)
70,000	Transfers to or (from) Reserves	38,400
(1,200,704)	(Increase) or Decrease in year on the HRA	(250,749)
(11,341,017)	Balance on the HRA at the end of the current year	(11,591,766)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2021/22	2020/21
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,140	3,165
Flats	874	877
	4,014	4,042
Change in Stock		
Stock at 1 April	4,042	4,050
Less: Sales – Right to Buy	(45)	(17)
Sales – Other	(1)	(1)
Disposal/restructuring	0	0
Acquisition – full ownership	18	10
Acquisition – shared ownership	0	1
	4,014	4,043

2. RENT ARREARS

	2021/22	2020/21
	£	£
Due from Current Tenants	81,245	97,759
Due from Former Tenants	106,256	115,332
Total Rent Arrears as at 31 March	187,500	213,091
Pre-Payments	(652,427)	(633,579)
Net Arrears	(464,927)	(420,488)

As at 31 March 2022, the total provision set aside for HRA related bad debts is £0.391m.

Housing Revenue Account

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	204,773,247	1,045,000	303,898	361,568	206,483,713	268,450	62,032	206,814,195
Additions	6,877,292	0	8,557	1,206,428	8,092,277	0	0	8,092,277
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(112,981)	160,000	0	0	47,019	0	0	47,019
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487,369	0	0	0	15,487,369	6,800	0	15,494,169
Derecognition – disposals	(2,681,650)	0	0	0	(2,681,650)	0	(62,032)	(2,743,682)
Derecognition – other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	13,003	0	0	0	13,003	0	(13,003)	0
Other movements in cost or valuation	(224,175)	0	0	365,000	140,825	0	226,664	367,489
As at 31 March 2021	224,132,105	1,205,000	312,455	1,932,996	227,582,556	275,250	213,661	228,071,467
Accumulated Depreciation and Impairment								
At 1 April 2020	0	0	(116,690)	0	(116,690)	0	0	(116,690)
Depreciation Charge	(4,194,400)	(16,690)	(33,740)	0	(4,244,830)	0	0	(4,244,830)
Depreciation written out to the Revaluation Reserve	147,350	16,690	0	0	164,040	0	0	164,040
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,047,050	0	0	0	4,047,050	0	0	4,047,050
Impairment losses/(reversals) recognised in the Revaluation Reserve	2,489	0	0	0	2,489	0	0	2,489
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	(2,489)	0	0	0	(2,489)	0	0	(2,489)
As at 31 March 2021	0	0	(150,430)	0	(150,430)	0	0	(150,430)
Net Book Value								
As at 31 March 2022	224,132,105	1,205,000	162,025	1,932,996	227,432,126	275,250	213,661	227,921,037
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

Housing Revenue Account

There is a difference of £334.532m between the tenanted valuation and the District Valuer's Vacant Possession Value of £557.553m at 1 April 2021.

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.

	2021/22	2020/21
	£	£
Usable Capital Receipts	992,871	1,360,367
Revenue Contributions utilised in year	898,926	430,537
Major Repairs Allowance	3,276,361	2,638,117
Government Supported borrowing	1,399,060	0
Government Grants and Contributions	1,532,300	117,998
Total Capital Expenditure on Housing Stock	8,099,518	4,547,019

5. CAPITAL RECEIPTS

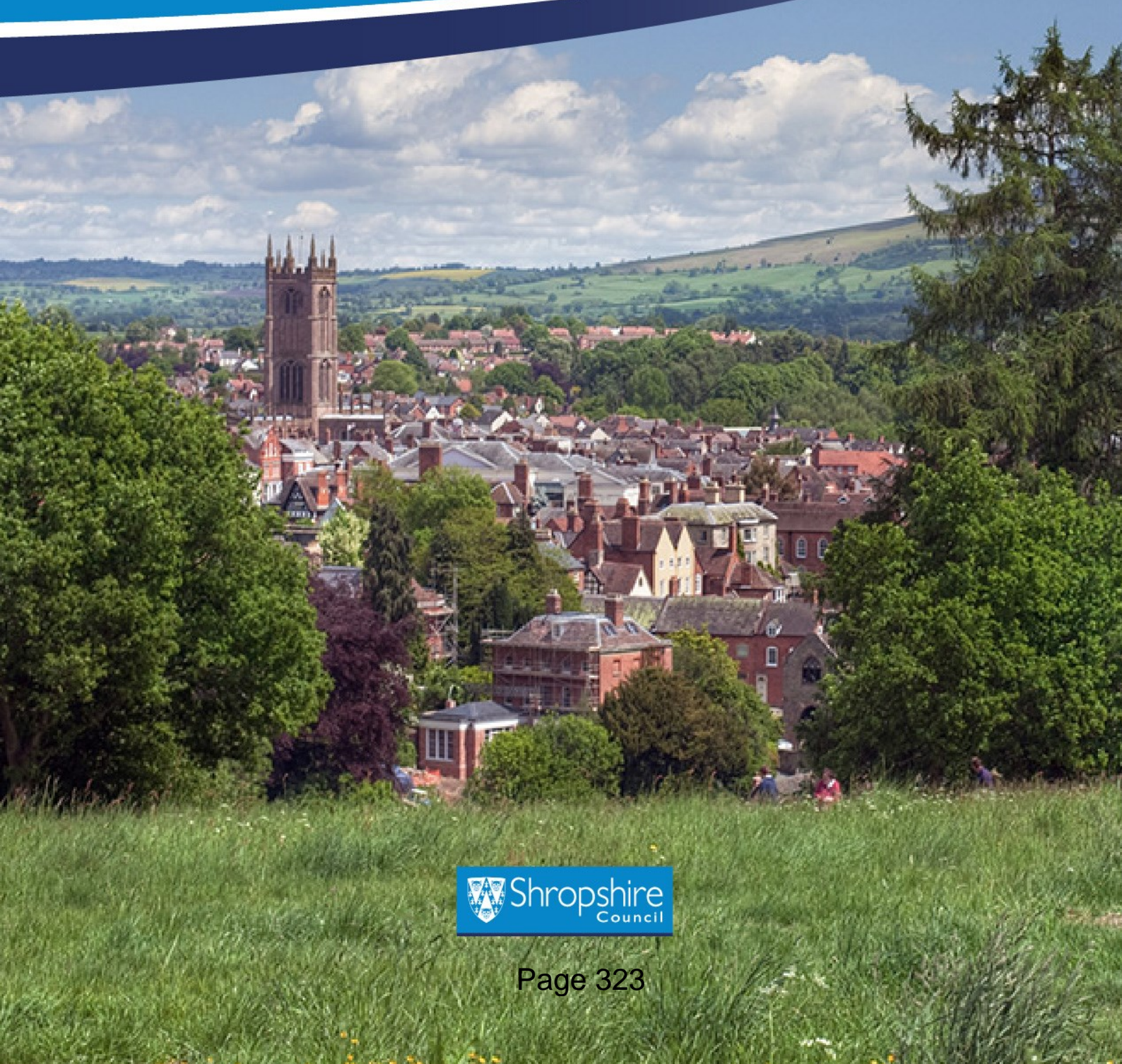
Capital receipts from the disposal of Housing Revenue Account Assets are shown below. 75% of Capital Receipts arising from Right to Buy disposals are subject to National Pooling arrangements payable to CLG.

	2021/22	2020/21
	£	£
Sale of Council Houses under Right to Buy (RTB)	3,238,900	1,134,000
RTB Discounts Repaid	0	0
Other Land & Buildings	0	0
Mortgage Receipts	0	0
Total Capital Receipts from HRA Asset Disposals	3,238,900	1,134,000
Less Capital Receipts subject to Pooling requirement	(607,015)	(561,054)
Net Capital Receipts from HRA Asset Disposals	2,631,885	572,946

6. HOUSING REPAIRS ACCOUNT

	2021/22	2020/21
	£	£
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.

2020/21			2021/22			
Council Tax £000	NDR £000	Total £000		Council Tax £000	NDR £000	Total £000
Income:						
(210,018)	0	(210,018)		(222,926)	0	(222,926)
			Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)			
			Transfers from General Fund			
1	0	1	- Transitional relief	2	0	2
(1,333)	0	(1,333)	- Discretionary relief	(1,160)	0	(1,160)
0	(40,451)	(40,451)	Income collectable from business ratepayers	0	(58,771)	(58,771)
0	(507)	(507)	Transitional Protection Payments	0	(82)	(82)
(211,350)	(40,958)	(252,308)	TOTAL INCOME	(224,084)	(58,853)	(282,937)
Expenditure:						
			Precepts			
172,874	41,689	214,563	- Shropshire Council and Parish and Town Councils	179,782	43,073	222,855
25,573	0	25,573	- West Mercia Police & Crime Commissioner	27,307	0	27,307
11,611	831	12,442	- Shropshire & Wrekin Fire Authority	11,846	858	12,704
0	41,560	41,560	- Central Government	0	42,895	42,895
			Charges to Collection Fund			
0	449	449	- costs of collection	0	453	453
			Bad and doubtful debts			
(589)	2	(587)	- write offs	(141)	1	(140)
2,132	740	2,872	- allowance for impairment	2,180	998	3,178
			Appeals rates			
0	(3,173)	(3,173)	- write offs	0	(4,428)	(4,428)
0	(440)	(440)	- provisions	0	(3,294)	(3,294)
			Contributions			
3,355	1,119	4,474	- Towards previous year's estimated Collection Fund surplus/(deficit)	(659)	(42,920)	(43,579)
214,956	82,777	297,733	TOTAL EXPENDITURE	220,315	37,636	257,951
3,606	41,819	45,425	Deficit/(Surplus) for the Year	(3,769)	(21,217)	(24,986)
(2,810)	(1,490)	(4,300)	Balance brought forward	796	40,329	41,125
796	40,329	41,125	Balance carried forward	(2,973)	19,112	16,139

NOTES TO THE COLLECTION FUND

1. GENERAL

In 2021/22 businesses were awarded expanded retail and nursery reliefs as part of the Government's response to the COVID-19 pandemic. This decision was made post the setting of the precepts for 2021/22. 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 2021/22 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 2022/23.

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 2021/22 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1		5/9	16.56
A		6/9	11,701.17
B		7/9	23,015.70
C		8/9	23,513.84
D		9/9	19,087.60
E		11/9	18,706.24
F		13/9	11,871.47
G		15/9	7,281.37
H		18/9	557.98
			115,751.93
Adjustment for MoD Properties (613.46 Band D Equivalents) and Collection Rate (97.7%)			(2,062.94)
			113,688.99

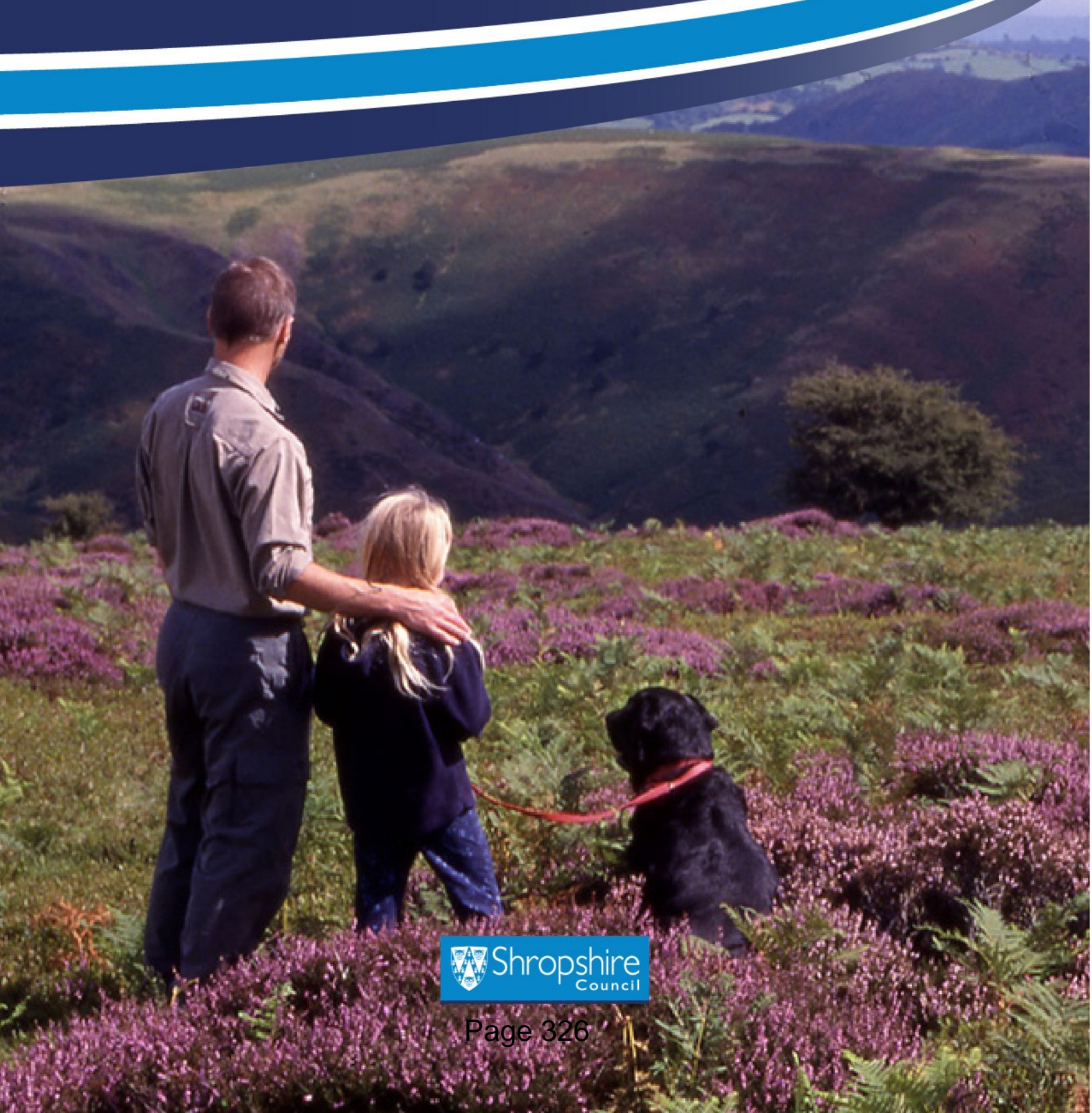
3. NON-DOMESTIC RATES (BUSINESS RATES)

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%).

At 31 March 2022, the total non-domestic rateable value for all business premises in Shropshire was £234,188,138. The multiplier set by Government to calculate rate bills in 2021/22 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 £145 million in 2021/22 to be valued at £2.339 billion at the end of the year. The Fund increased in value by 7.5% over the year and outperformed against its benchmark by 1.0%. Financial markets across the world again performed strongly during 2021/22 resulting in the increase in the Fund value during the year.

The Shropshire Fund had positive investment returns in a number of asset classes. The strongest returns were generated in Private Equity which generated strong returns of 24.4%, Property delivered returns of 22.6% and the Fund's Infrastructure manager produced returns of 21.5%. The active global equity portfolio generated returns of 13.0% and these are the reasons the fund performance was above benchmark during the year.

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 2021 before agreeing a revised strategic asset allocation in March 2021. The revised investment strategy has started to be implemented during 2021/22, the remainder will be implemented over the next 6 months once new targeted return funds are launched at LGPS Central.

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. 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 2023/24.

The fund was recognised as a Tier 1 signatory to the Stewardship Code, the highest rating given by the Financial Reporting Council, which is very positive news. The fund is currently working on becoming a signatory to the revised Stewardship Code. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues. In 2020 and 2021 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 Reports 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 has now implemented during 2021/22. Further details relating to this and the significant progress which has been made during the year with regards climate risk monitoring, setting a net zero target, responsible investment, climate risk training and the Fund's carbon footprint are included within the Corporate Governance section of the annual report.

Pension Fund Accounts

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 £55.3 billion of assets (£28.5 billion invested as at March 2022), 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 67 permanent staff and a number of additional appointments were made during the year, including the appointment of two more staff within the Responsible Investment team, Investment Operations manager, Portfolio manager and junior analyst, Communications manager, Chief Stakeholder Officer and a Chief Legal, Compliance and Risk Officer. In addition, a second graduate recruitment programme was launched in 2021 and recruited to following on from the success of the first programme. The third graduate programme has just been launched in June 2022 and expected to be recruited to in September 2022.

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 151 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, was also the current Chair of the Shropshire County Pension Fund in 2021/22.

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 Fund has committed £65 million to an Infrastructure Fund, £120 million into a Private Debt fund and £30 million to a Private Equity Fund. Initial subscriptions were made in August and December 2021 into the Private Debt

Pension Fund Accounts

and Infrastructure Funds. In May 2022, £120 million was transitioned into LGPS Central's active global sustainable equity sub-fund. Further assets are expected to transfer during 2022/23 into a targeted return sub fund once launched in October 2022.

Over the last 12 months The Pensions Administration Team have ensured the benefits it looks after for scheme members are paid accurately, on time and in line with scheme regulations. To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential and fund officers continued to monitor the timeliness and accuracy of submission of this data.

During 2021/22, the number of team members increased with four new posts created to increase resource capability to ensure successful delivery of the upcoming work. As Covid-19 restrictions eased during the year, the team continued to work from home. All key administration tasks are performed while remote working and the team have continued to deliver an effective service. Monthly team meetings have continued virtually but there has been a need to bring staff together occasionally in person to work collaboratively or to induct new team members. To embed new members of staff and grow individual knowledge, e-learning training and online knowledge hubs have been utilised. 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 continued to progress work on the McCloud remedy by undertaking data analysis. Several policies were reviewed and updated in line with statutory guidance and the team's working practices. The fund's usual in-person annual meeting could not be held in 2021 due to restrictions in place because of the Covid-19 pandemic. However, key fund investment issues and pension administration updates were available to members on the fund's website which were the main topics due to be covered at the annual meetings. The team demonstrated its commitment to tackling pension scams and protecting scheme members by signing up to the Pension Regulator's Pensions Scams Pledge.

The information above and other developments are all covered in more detail on the following pages.

Pension Fund Accounts

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £000		2021/22 £000
	Income	
	Contributions	
(70,005)	Employers (Note 7)	(41,967)
(16,471)	Employees (Note 7)	(17,320)
(5,263)	Transfers In from other pension funds (Notes 3, 7)	(10,170)
(91,739)	Total Income	(69,457)
	Expenditure	
	Benefits Payable	
64,750	Pensions (Note 7)	66,544
10,497	Commutation of pensions and lump sum retirement benefits (Note 7)	11,080
1,334	Lump Sum Death Benefits (Note 7)	1,322
	Payment to & on Account of Leavers	
190	Refund of contributions (Note 7)	220
20,016	Transfers to other funds (Notes 3, 7)	4,942
96,787	Total Expenditure	84,108
5,048	Net (additions) / withdrawals from dealings with scheme members	14,651
17,826	Management Expenses (Note 8)	17,492
22,874	Net additions/(withdrawals) including fund management expenses	32,143
	Returns on Investments	
(25,477)	Investment Income (Notes 3, 9)	(15,862)
(16,779)	(Gain)/loss on cash and currency hedging	(47,334)
102	Taxes on Income (Note 10)	135
(343,417)	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	(114,349)
(385,571)	Net return on investments	(177,410)
(362,697)	Net (increase)/decrease in the net assets available for benefits during the year	(145,267)
1,831,323	Opening net assets of the scheme	2,194,020
2,194,020	Closing net assets of the scheme	2,339,287

Pension Fund Accounts

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2022

31-Mar-21		31-Mar-22	
£000		£000	%
	Long Term Investments		
1,315	Equities (Note 11b)	1,315	0.06
	Investment Assets		
104,048	Equities (Note 11b)	109,022	4.66
	Pooled Investment Vehicles		
2,063,901	Other Managed Funds (Note 11b)	2,203,838	94.21
	Other Investment Balances		
685	Loans (Note 11b)	685	0.03
	Cash Deposits		
16,950	Deposits (Note 11a)	17,436	0.74
3,500	Temporary Investments (Note 27)	2,500	0.11
2,190,399	Total Investment Assets	2,334,796	99.81
	Long Term Debtors		
	Lifetime and Annual Tax Allowances (Note 18)	1,055	0.04
	Current Assets		
4,322	Contributions due from Employers (Note 18)	5,653	0.24
2,443	Other Current Assets (Note 18)	1,061	0.05
245	Cash Balances (Note 27)	26	0.00
	Current Liabilities		
(577)	Unpaid Benefits (Note 19)	(422)	(0.02)
(2,812)	Other Current Liabilities (Note 19)	(2,882)	(0.12)
2,194,020	Net Assets of the Scheme – Available to Fund Benefits as at 31 March	2,339,287	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 2022

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 221 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2022	31 March 2021
Number of employers with active members	157	146
Number of employees in the scheme		
Shropshire Council	5,807	5,771
Other employers	10,683	10,749
Total	16,490	16,520
Number of pensioners in the scheme		
Shropshire Council	5,805	5,626
Other employers	6,311	5,945
Total	12,116	11,571

Pension Fund Accounts

Shropshire County Pension Fund	31 March 2022	31 March 2021
Number of deferred pensioners in the scheme		
Shropshire Council	8,456	8,591
Other employers	9,497	9,497
Total	18,253	18,088

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 2022. 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 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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.

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 2021/22.

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.

Pension Fund Accounts

- 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 relating to the pensions administration team are charged direct to the Fund. Council recharges for management,
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Pension Fund Accounts

accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

Oversight and governance

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment fees 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 returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Fees charged by external investment managers and custodian are set out 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 2021/22 £0.807m (2020/21 £1.271m).

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 2021/22, £0.147m of fees is based on such estimates (2020/21 £0.077m).

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. The Pension Fund's view is that the market value of this investment at 31 March 2022 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 2022 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 three 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). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	<p>The total private equity investments in the financial statements are £195.9 million. There is a risk that this investment may be under or over-stated in the accounts.</p> <p>A 5% movement in the valuation would equate to a £9.8 million adjustment to the value of these assets</p>
Infrastructure	Infrastructure investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	<p>The infrastructure investments in the financial statements are £106.8 million. There is a risk that this investment may be under or over-stated in the accounts.</p> <p>A 5% movement in the valuation would equate to a £5.3 million adjustment to the value of these assets</p>
Property Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	<p>The total property debt investments in the financial statements are £48.3 million. There is a risk that this investment may be under or overstated in the accounts.</p> <p>A 5% movement in the valuation would equate to a £2.4 million adjustment to the value of these assets</p>
Private Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	<p>The total private debt investments in the financial statements are £4.3 million. There is a risk that this investment may be under or overstated in the accounts.</p> <p>A 5% movement in the valuation would equate to a £0.2 million adjustment to the value of these assets</p>
Insurance Linked Securities	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	<p>The total insurance linked securities investments in the financial statements are £33.5 million. There is a risk that this investment may be under or overstated in the accounts.</p> <p>A 5% movement in the valuation would equate to a £1.7 million adjustment to the value of these assets</p>

Pension Fund Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
Hedge Funds	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	<p>The total hedge fund value in the financial statements is £143.7 million. There is a risk that this investment may be under or overstated in the accounts.</p> <p>A 5% movement in the valuation would equate to a £7.2 million adjustment to the value of these assets</p>

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 2022, and when these accounts were authorised, that require any adjustments to be made.

Non adjusting events

Global markets have been very volatile since the 31st March 2022 due to a number of macroeconomic factors such as the war in the Ukraine, global inflation and the impacts of the political instability in the UK. These issues have resulted in a reduction in the fund value by approximately 5% since the date of the accounts. There have also been significant impacts in the Liability Driven Investments (LDI) market as a result of the mini budget at the end of September. The fund had limited exposure to the LDI market with investments representing approximately 3% of the Pension Fund's Assets under Management as at 31st March 2022. The Fund had already decided to exit this market and no further collateral calls have been made by the fund to maintain its investments at this level. At the 31st October 2022 the Fund's LDI investments represented less than 0.5% of the Assets under Management.

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. 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).

2021/22	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contributions Received</u>				
Employees	6,289	1,909	9,122	17,320

Pension Fund Accounts

2021/22	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
Employers	17,319	5,470	19,178	41,967
Transfers In	5,102	750	4,318	10,170
Total Income	28,710	8,129	32,618	69,457
<u>Payments Made</u>				
Pensions	37,499	8,737	20,308	66,544
Lump Sums	4,268	2,115	4,697	11,080
Death Benefits	338	249	735	1,322
Refunds	58	28	134	220
Transfers Out	2,240	517	2,285	4,942
Total Expenditure	44,303	11,646	28,159	84,108

2020/21 comparative figures	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contributions Received</u>				
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
<u>Payments Made</u>				
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

*2020/21 Transfers Out figure includes £16.430m bulk transfers out.

This table shows a breakdown of the employers contributions above:

	2021/22	2020/21
	£000	£000
Employers normal contributions	34,604	**54,083
Employers deficit contributions	6,215	***14,263
Employers augmentation contributions	1,148	1,659
	41,967	70,005

** 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).

Pension Fund Accounts

Management Expenses	2021/22 £000	2020/21 £000
Administrative costs	1,148	1,135
Investment management expenses	15,046	15,231
Oversight and governance costs	1,298	1,460
	17,492	17,826

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 £0.807m (2020/21 £1.271m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £3.670m in respect of transaction costs (2020/21 £3.028m).

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	2021/22 £000	2020/21 £000
Management Fees	8,865	8,901
Performance Fees	807	1,271
Other Fees	1,682	1,989
Transaction Costs	3,670	3,028
Custody Fees	22	42
	15,046	15,231

The costs incurred by the fund in administering the fund totalled £1.148m for the year ended 31 March 2022 (2020/21 £1.135m).

Administrative Costs	2021/22 £000	2020/21 £000
Employee Costs	777	753
IT	245	218
Consultants	50	75
Printing, Postage & Design	26	39
Office Accommodation	14	21
Subscriptions	14	14
Other Costs	22	15
	1,148	1,135

Pension Fund Accounts

The costs incurred by the fund in Oversight and Governance totalled £1.298m for the year ended 31 March 2022 (2020/21 £1.460m).

Oversight & Governance costs	2021/22 £000	2020/21 £000
Investment advice	269	427
Employee costs (pensions investment)	220	234
Actuarial advice	86	74
LGPS Central Pooling costs	532	582
Responsible engagement overlay	50	50
External audit	41*	22
Performance analysis	32	28
Internal audit	17	22
Legal & Committee	21	7
Other Costs	30	14
	1,298	1,460

*The External audit figure for 2021/22 comprises the current year audit fee paid of £28,952 as noted in the audit plan and non audit fees payable 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.

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	618	434	0	184	0
<u>Pooled Investments Vehicles</u>					
Global Equity	2,711	1,266	0	1,392	53
Fixed Income	3,112	1,816	0	1,204	92
Hedge Fund of Funds	1,865	803	807	0	255
Infrastructure	1,955	1,855	0	0	100
Pooled property investments	1,116	259	0	857	0
Private Equity	2,744	1,781	0	0	963
Private Debt	14	14	0	0	0
Property Debt	585	410	0	0	175
Insurance Linked Securities	304	227	0	33	44
	15,024	8,865	807	3,670	1,682
Custody Fees	22				
Total	15,046				

Pension Fund Accounts

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
2020/21 comparative figures	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	709	366	0	343	0
<u>Pooled Investments Vehicles</u>					
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				
Total	15,231				

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund over the last 12 months.

	2021/22 £000	2020/21 £000
Dividends from equities	(4,235)	(3,053)
Income from pooled investment vehicles	(11,593)	(8,344)
Interest on cash deposits	(34)	(35)
Other	(0)	(14,045)
	(15,862)	(25,477)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2021/22 £000	2020/21 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax – equities	44	30
Withholding tax – pooled	91	72

Pension Fund Accounts

2021/22	2020/21
£000	£000
135	102

11. INVESTMENTS

This table shows investment assets by type of investment

	2021/22	2020/21
	£000	£000
Investment Assets		
Equities	109,022	104,048
Pooled Funds		
Global Equity	1,069,331	999,156
Fixed Income	511,499	511,776
Hedge Fund of Funds	143,746	137,333
Infrastructure	106,817	69,301
Pooled property investments	90,509	75,611
Private Equity	195,854	180,438
Property Debt	48,346	57,777
Insurance Linked Securities	33,463	32,509
Private Debt	4,273	0
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	17,436	16,950
Temporary Investments	2,500	3,500
Total	2,333,481	2,189,084
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	2,334,796	2,190,399

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type	Value as at 1 April		Purchases at cost and derivative payments		Sale proceeds and derivative receipts		Other cash transactions		Change in market value		Value as at 31 March	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
2021/22												
Equities	105,363		35,246		(33,198)		(183)		3,109		*110,337	
Pooled Investment Vehicles – Other Managed Funds	2,063,901		86,912		(43,673)		(14,510)		111,208		*2,203,838	
Other Investment Balances	685										685	
Sub total	2,169,949		122,158		(76,871)		(14,693)		114,317		2,314,860	

Pension Fund Accounts

Investment type	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
2021/22						
Cash deposits – with Managers	16,950	1,157	(387)	(316)	32	16,950
Temporary Investments	3,500			(1,000)		3,500
Total	2,190,399	123,315	(77,258)	(16,009)	**114,349	2,334,796

* Within the Pooled Investment Vehicles - other managed funds total of £2203.838m are £532.499m of level 3 investments as at 31 March 2022. Within the Equities figure of £110.337m are £1.315m of level 3 investments as at 31 March 2022. The value of the level 3 investments was £409.372m as at 1st April 2021 which increased to £533.814m as at 31 March 2022. The increase in value is due to transfers into level 3 of £69.301m, purchases of £86.207m, sales of £43.410m and change in market value of £12.344m.

** The total change in market value for 2021/22 as per the table above is £114.349m. This figure is made of up of profit on sales of £11.138m, market value gains offset by directly charged fees of £12.956m and also the difference between book cost and market value for the whole Fund which for 2021/22 was £90.255m

Investment type	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
2020/21 Comparative figures						
Equities	79,061	56,114	(52,719)		22,907	*105,363
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 £2063.901m 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.

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).

Pension Fund Accounts

Collateralised lending generated income of £0.006m in 2021/22 (2020/21 £0.003m) and this is included within investment income in the Pension Fund Account. At 31 March 2022 £5.522m worth of stock (via the Custodian) was on loan (2020/21 £2.841m), for which the Fund was in receipt (via the Custodian) of £5.927m (2020/21 £3.055m) worth of collateral representing 107% (2020/21 108%) 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

The pension fund doesn't have any direct investments in 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
Quoted fixed income bonds	Level 1	Quoted market value based on current yields	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single	NAV based pricing set on a forward pricing basis	Not required

Pension Fund Accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity fund investments	Level 2	price where single price published 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 3	Discounted Cash Flows, Market valuations of comparable companies & Binding sale agreements	Enterprise Value / EBITDA multiple, Discount Rate	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
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.
Private Debt	Level 3	Valuations received directly from the manager of the underlying investment and comply with revised International Private Equity and Venture Capital Valuation Guidelines 2018	Inputs are unobservable and are dependent on the valuations provided by the manager of the underlying investment	Valuations could be affected by changes to the valuation of the underlying investment portfolio arising from changes to estimates and differences between unaudited and audited accounts
Property Debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available,	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this

Pension Fund Accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines	indicative market interest rates for similar products EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	valuation may have been impaired Valuations could be affected by changes to expected cashflows or by 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 2022 and 31 March 2021.

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-22 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	195,854	205,647	186,061
Hedge Funds	5%	143,746	150,933	136,559
Insurance Linked	5%	33,463	35,136	31,790
Infrastructure	5%	106,817	112,158	101,476
Private Debt	5%	4,273	4,487	4,059
Property Debt	5%	48,346	50,763	45,929
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		533,814	560,505	507,123

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

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	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
				Level 1	Level 2	Level 3
2021/22			£000	£000	£000	£000
Equities	Majedie Asset Management	UK Equities	109,014	109,014		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	8,151	8,151		
	Pimco Europe Ltd	Global Bonds	137,299		137,299	
	HarbourVest Partners Ltd	Private Equity	195,854			195,854
	Aberdeen Property Investors	Property Unit Trusts	90,509		90,509	
	Blackrock Global Infrastructure Partners	Hedge Fund Infrastructure	143,746			143,746
			88,473			88,473

Pension Fund Accounts

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
				Level 1	Level 2	Level 3
2021/22			£000	£000	£000	£000
	Legal & General	Global Equities	701,925		701,925	
	Blackrock	Fixed Interest	149,154		149,154	
	T Rowe Price	Global Dynamic Bonds	150,456		150,456	
	BMO**	LDI	74,590	74,590		
	Securis	Insurance Linked Securities	33,463			33,463
	DRC	Property Debt	48,346			48,346
	LGPS Central Ltd	Global Equities	359,255	359,255		
	LGPS Central Ltd	Private Debt	4,273			4,273
	LGPS Central Ltd	Infrastructure	18,344			18,344
Cash Deposits & Other (including net Current Assets)			25,120	25,120		
Total			2,339,287	576,130	1,229,343	533,814

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
				Level 1	Level 2	Level 3
2020/21			£000	£000	£000	£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 Unit Trusts	75,611		75,611	
	Property Investors					
	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	
	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		
Cash Deposits & Other (including			24,762	24,762		

Pension Fund Accounts

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
				Level 1	Level 2	Level 3
2020/21			£000	£000	£000	£000
net Current Assets)						
Total			2,194,020	454,976	1,329,672	409,372

* Share Capital investment in LGPS Central Ltd has been carried at cost

**BMO Liability Driven investment has moved from level 2 to level 1 as a result of the fund moving to daily dealing

14b. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Investment type	Value as at 1 April	Transfers into Level 3	Transfers out of Level 3	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Other cash transactions	Unrealised gains and losses	Realised gains and losses	Value as at 31 March
	£000	£000	£000	£000	£000	£000			£000
2021/22									
Equities (unquoted)	1,315								1,315
Private Equity	180,438			28,121	(22,405)	(4,384)	11,371	2,713	195,854
Infrastructure	0	*69,301		52,546	(10,055)	(1,955)	(5,584)	2,564	106,817
Hedge Fund	137,333					(1,865)	(2,087)	10,365	143,746
Insurance Linked Securities	32,509					(304)	840	418	33,463
Property Debt	57,777				(9,706)	(585)	275	585	48,346
Private Debt	0			5,540	(1,244)	(14)	(23)	14	4,273
Total	409,372	69,301	0	86,207	(43,410)	(9,107)	4,792	16,659	533,814

* Transferred from level 2 to level 3 in 2021/22 due to an increase in significant unobservable inputs

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 2022			31 March 2021		
	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	110,337			105,363		
Pooled Investment Vehicles – Other Managed Funds	2,203,838			2,063,901		

Pension Fund Accounts

	31 March 2022			31 March 2021		
	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
Other Investment Balances - Loans		685			685	
Cash		19,962			20,695	
Debtors		7,769			6,765	
Total Assets	2,314,175	28,416	0	2,169,264	28,145	0
Financial Liabilities						
Creditors			(3,304)			(3,389)
Total Liabilities	0	0	(3,304)	0	0	(3,389)
Total	2,314,175	28,416	(3,304)	2,169,264	28,145	(3,389)

15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2021/22 £000	2020/21 £000
Financial Assets		
Fair value through profit and loss	114,349	343,417
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
	114,349	343,417

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

Pension Fund Accounts

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 2022/23 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	20.3%
Global Equities (passive)	19.2%
Unconstrained bonds	5.7%
Property	12.5%
Private Equity	28.3%
Hedge Funds	9.3%
Infrastructure	19.2%
Property Debt	7.4%
Insurance Linked Securities	4.5%
LDI	24.4%
Private Debt	8.1%

Pension Fund Accounts

Should the market price of the Fund investments increase/decrease in line with the above, the change in the net assets available to pay benefits would be as follows.

Asset type	Value as at 31 March 2022 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
2021/22				
Net Assets including Cash and Other	26,427	0	26,427	26,427
Investment Portfolio Assets				
UK Equities	107,579	20,440	128,019	87,139
Global Equities (unconstrained)	368,849	74,876	443,725	293,973
Global Equities (passive)	701,925	134,770	836,695	567,155
Unconstrained Bonds	463,909	24,904	461,813	412,005
Property	90,509	11,314	101,823	79,195
Private Equity	195,854	55,427	251,281	140,427
Hedge Funds	143,746	13,368	157,114	130,378
Infrastructure	106,817	20,509	127,326	86,308
Property Debt	48,346	3,578	51,924	44,768
Insurance Linked Securities	33,463	1,506	34,969	31,957
LDI	74,590	18,200	92,790	56,390
Private Debt	4,273	346	4,619	3,927
	2,339,287	379,238	2,718,525	1,960,049

Asset type	Value as at 31 March 2021 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
2020/21 Comparative Figures				
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
Total assets available to pay benefits	2,194,020	357,055	2,551,075	1,836,965

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 2022 and 31 March 2021 is set out below.

Pension Fund Accounts

Asset Type	As at 31 March 2022 £000	As at 31 March 2021 £000
Cash and cash equivalents	19,936	16,950
Cash balances	26	245
Bonds	511,499	444,379
Total change in assets available	531,461	461,574

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 2022				
Cash and cash equivalents	19,936	0	19,936	19,936
Cash balances	26	0	26	26
Bonds	511,499	5,115	516,614	506,384
Total	531,461	5,115	536,576	526,346

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

During 2021/22 the Fund received £0.002m (2020/21 £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 £0.030m. 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 (2020/21 £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

Pension Fund Accounts

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

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 2022				
Overseas Equities	338,057	33,806	371,863	304,251
Overseas Private Equity	195,854	19,585	215,439	176,269
Overseas Private Debt	2,891	289	3,180	2,602
Overseas Pooled Property	93	9	102	84
Overseas Infrastructure	95,528	9,553	105,081	85,975
Cash balances	10,036	1,004	11,040	9,032
Total change in assets available	642,459	64,246	706,705	578,213

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 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
Cash balances	9,982	998	10,980	8,984
Total	563,831	56,383	620,214	507,448

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 2022 and 31 March 2021 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 2022 is

Pension Fund Accounts

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 2022 £000	As at 31 March 2021 £000
Handelsbanken Instant Access Account	AA	1,500	2,000
Nat West Instant Access Account	A+	0	1,500
Barclays	A+	1,000	0
Total		2,500	3,500

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 2022 was £2.5m (31 March 2021 £3.5m).

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 2022 was £9.543m (31 March 2021 £7.756m). The Fund does not have access to an overdraft facility.

Pension Fund Accounts

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:

Pension Fund Accounts

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 2022. An analysis of debtors outstanding as at 31 March 2022 is shown below:

Long term Debtors	2021/22 £000	2020/21 £000
Lifetime and annual tax allowances*	1,055	0
Total	1,055	0

* The HMRC annual allowance limits the tax relief on pension contributions each year and the Life time allowance limits the total amount of savings in a pension pot without facing a tax charge when drawing it. The Pension Fund pays the tax charge upfront on behalf of those members affected and who elect for 'scheme pays'. The Fund is reimbursed by the members via pension deductions over time.

Debtors	2021/22 £000	2020/21 £000
Contributions due - employees	1,510	1,260
Contributions due - employers	4,143	3,062
Other entities and individuals	1,061	2,443
Total	6,714	6,765

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2022. An analysis of creditors outstanding as at 31 March 2022 is shown below:

	2021/22 £000	2020/21 £000
Central Government bodies	(709)	(670)
Other Local Authorities	(1,470)	(1,441)
Other entities and individuals	(1,125)	(1,278)
Total	(3,304)	(3,389)

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

Pension Fund Accounts

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 471 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2021/22 contributions to schemes amounted to £0.538m (2020/21 £0.611m). The combined value of the AVC funds as at 31 March 2022 was £5.985m (31 March 2021 £4.916m).

21. RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.465m (2020/21 £1.475m) 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 £1.606m (2020/21 £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 Executive Director of Resources (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 2022. The Fund was owed interest of £0.032m (31 March 2021 £0.032m) on the loan to LGPSC at 31 March 2022. The rate of interest applied to the LGPSC loan is average overnight LIBOR plus 4.5% margin. This loan is due to be repaid to the fund in 2027.

Pension Fund Accounts

In addition, the Fund invested in the LGPSC Global Equity sub-fund in 2019 & LGPSC Infrastructure and Private Debt sub-funds in August and December 2021 respectively. The Fund incurred costs totalling £1.778m in respect of these investments of which £0.010 was payable to LGPSC at 31 March 2022.

The Fund incurred costs totalling £0.519m (2020/21 £0.562m) in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2021/22 of which £0.123m (31 March 2021 £0.105m) was payable to LGPSC at 31 March 2022.

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:

	2021/22 £000	2020/21 £000
Short-term benefits*	113	111
Post employment benefits**	35	47
Total	148	158

* 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 6.25% (£146 million) strategic asset allocation to both Private Equity and Infrastructure, a 3.5% (£82 million) strategic allocation to Property Debt & a 4.0% (£94 million) strategic allocation to Private Debt. It is necessary to over commit the strategic asset allocation because some of these investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2022 £287m 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 2022 the fund's Private Equity investments totalled £195.854m (31 March 2021 £180.438m).

As at 31 March 2022 £198m has been committed to investment in Infrastructure via Global Infrastructure Partners and LGPS Central Add/Opportunistic Infrastructure Partnership. Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2022 the fund's Infrastructure investments totalled £106.817m (31 March 2021 £69.301m).

As at 31 March 2022 £66m has been committed to investment in Property Debt via DRC & £120m committed to investment in Private Debt, both via LGPS Central. Investments will be made as opportunities arise over the next 2-3 years. As at 31 March 2022 the fund's Property Debt and Private Debt investments totalled £48.346m & 4.273m respectively (31 March 2021 £57.777m and nil respectively).

23. CONTINGENT ASSETS

17 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 2022 £2.5 million was invested (31 March 2021 £3.5million). The cash balance in the Pension Fund account as at the same date was £0.026m (31 March 2021 £0.245m).

28. FUND STRUCTURE UPDATE

In March 2021 following several investment strategy workshops the Pension Committee agreed the Fund's new strategic asset allocation which is detailed below:

Asset	% of Fund
Targeted return funds (e.g.absolute return bonds, hedge funds, insurance linked securities)	25%
Property Debt	3.5%
Equities	50%
Private Debt	4%
Indirect Property	5%
Private Equity	6.25%
Infrastructure	6.25%

Pension Fund Accounts

The revised strategy started to be implemented during 2021/22 and is expected to be completed following the launch of the LGPS Central targeted return fund in October 2022.

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. Just over 30% of total global equities are being protected at this time. The equity protection strategy was decreased during 2021/22 to c.£390 million following the strong bounce back in global equity markets following the pandemic. During December 2021 and June 2022 due to the war in Ukraine and volatility in financial markets, the equity protection options were rolled for a further year with Legal and General and now expire in December 2022 and June 2023. Full updates are provided to Pension Committee each quarter on the equity protection strategy.

During the financial year, the Fund committed £120 million into the new LGPS Central Private Debt Fund and £65 million into an LGPS Central Infrastructure fund. In December 2021, the Fund committed £30m to the LGPS Central Private Equity Fund. The fund is still in the early capital commitment stage and no funds have been drawn down to date but are expected in the last quarter of 2022.

In March 2022, following agreement from the Pension Committee a redemption request was submitted to Majedie. Funds from the Majedie UK Equity Fund were transitioned in full to the LGPS Central Global Sustainable Equity Fund in May 2022. Further assets are expected to transfer to LGPS Central during 2022/23 when new funds are launched, these include targeted return, indirect and direct property funds.

Funds also transitioned from the Legal & General passive global equity fund benchmarked against the FTSE AW developed index into the Solactive Low Carbon Net Zero aligned Fund in March 2022 with Legal & General.

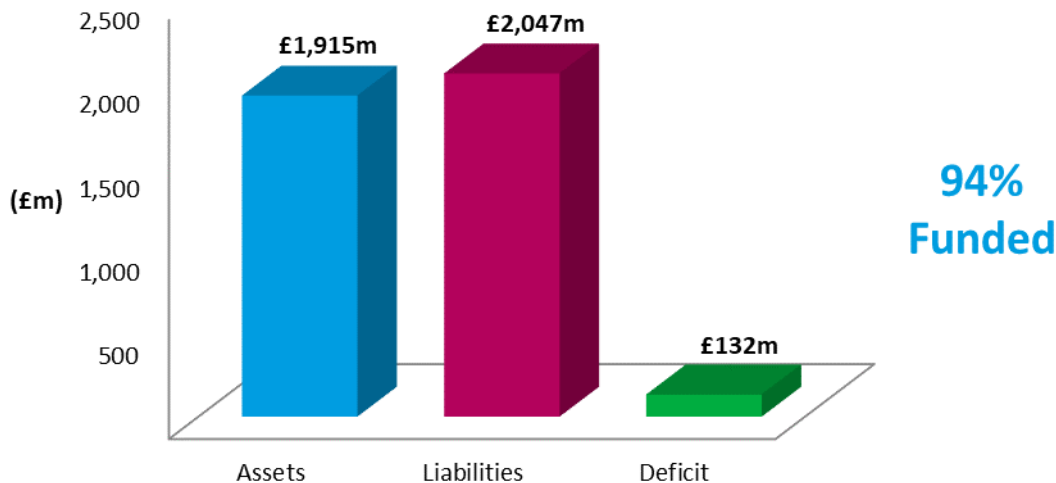
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2022 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 the last actuarial valuation the average recovery period adopted was 19 years, and the total initial recovery payment (the "Secondary rate" for 2021-2022) was 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.

Pension Fund Accounts

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 was 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 as at the last valuation.

Impact of COVID-19/Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. 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. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, 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 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases	3.95% per annum	4.65% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI 2021). 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 increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.4%.

Pension Fund Accounts

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £3,408 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£71 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£54 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £12 million due to "actuarial gains" (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 2022 pension increase award was more 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 2022 is therefore £3,521 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 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
Faculty of Actuaries
Mercer Limited

Mark Wilson
Fellow of the Institute and
of Actuaries

June 2022

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 2022 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 2021/22.

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 2022 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 2021/22; 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 2021/22 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

Pension Fund Accounts

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.

Pension Fund Accounts

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 13, 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 2021/22, 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 2021/22, The Local Audit and Accountability Act 2014,

Pension Fund Accounts

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, manual journals above performance materiality and unusual journals identified from a review of the full year journal activity;
 - the valuation of level 2 and 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; 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.
- Our 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.

Pension Fund Accounts

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

[Date]

Section 10 Glossary



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 Account	Absences 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	<p>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.).</p> <p>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.</p>
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 31 st 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	<p>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.</p> <p>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.</p> <p>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.</p>
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.

Glossary

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.

Glossary

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.
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.

Glossary

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.

Glossary

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.
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.

Glossary

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	<p>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.</p> <p>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.</p>
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.

Glossary

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.

Glossary

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.

Glossary

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.

Glossary

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.

Glossary

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	<p>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.</p> <p>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.</p>
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.

Glossary

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.
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.

Statement of Accounts 2021-2022

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