

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

Date: 12 July 2022
My Ref:
Your Ref:

Committee:
Audit Committee

Date: Wednesday, 20 July 2022
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

Members of the public will be able to access the live stream of the meeting by clicking on this link:

<https://shropshire.gov.uk/auditcommitteemeeting20july22/>

If you wish to attend the meeting, please e-mail democracy@shropshire.gov.uk to check that a seat will be available for you.

Members of Audit Committee

Rosemary Dartnall
Simon Harris (Vice Chairman)
Nigel Lumby

Brian Williams (Chairman)
Roger Evans

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 22 February 2022 (Pages 1 - 8)

The Minutes of the meeting held on the 22 February 2022 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 5.00pm on Thursday 14 July 2022.

5 Members questions

To receive any questions of which Members of the Council have given notice. The deadline for notification for this meeting is 5.00pm on Thursday 14 July 2022.

6 Second line assurance: Annual Whistleblowing report (Pages 9 - 14)

The report of the Assistant Director - Workforce and Improvement is attached.

Contact: Sam Williams (01743) 252817

7 Second line assurance: Strategic Risks update (Pages 15 - 20)

The report of the Risk, Insurance and Resilience Manager is attached.

Contact: Angela Beechey (01743) 258915

8 Third line assurance: (a) Internal Audit Performance Report and (b) Annual report 2021/22 (Pages 21 - 68)

The report of the Head of Audit is attached.

Contact: Ceri Pilawski (01743) 257739

9 Third line assurance: Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2021/22 (Pages 69 - 82)

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

10 Overall assurance: Annual Governance Statement and a review of the effectiveness of the Council's internal controls and Shropshire's Code of Corporate Governance 2021/22 (Pages 83 - 134)

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

11 Third line assurance: Annual Assurance report of Audit Committee to Council 2021/22 (Pages 135 - 152)

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

12 Second line assurance: Financial outturn report 2021/22 (Pages 153 - 200)

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

13 Second line assurance: Approval of the Council's Statement of Accounts 2021/22 (Pages 201 - 426)

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

14 Third line of assurance: External Audit: Audit progress report and sector update (Pages 427 - 440)

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

15 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 15 September 2022 at 10.00 am.

16 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.

17 Exempt minutes of the previous meeting held on the 22 February 2022
(Pages 441 - 442)

The Exempt Minutes of the meeting held on the 22 February 2022 are attached for confirmation.

Contact: Michelle Dulson 01743 257719

18 First line assurance: Highways Management assurance report incorporating Fix my Street update (Pages 443 - 484)

The exempt report of the Assistant Director Infrastructure is attached.

Contact: Steve Smith (01743) 253949

19 Third line assurance: Fraud, special investigation and RIPA updates (Exempted by Categories 2, 3 and 7) (Pages 485 - 490)

The exempt report of the Principal Auditor is attached.

Contact: Katie Williams (01743) 257737



Committee and Date

Audit Committee

20 July 2022

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 22 FEBRUARY 2022 10.00 AM - 1.00 PM

Responsible Officer: Michelle Dulson

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

Present

Councillors Brian Williams (Chairman), Rosemary Dartnall, Simon Harris (Vice Chairman), Nigel Lumby and Roger Evans

49 Apologies for Absence / Notification of Substitutes

No apologies for absence were received from Members.

50 Disclosable Pecuniary Interests

Members were 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.

51 Minutes of the previous meetings held on the 16 September and 22nd October 2021

RESOLVED:

That the minutes of the meetings of the Audit Committee held on 16 September 2021 and 22 October 2021 be approved as a true record and signed by the Chairman.

52 Public Questions

The Chairman advised that 2 questions had been received from Stephen Mulloy. A copy of the questions and the responses provided are attached to the signed minutes and available from the web page for the meeting.

53 Member Questions

The Chairman advised that a question had been received from Councillor Roger Evans. A copy of the questions and the responses provided are attached to the signed minutes and available from the web page for the meeting.

By way of supplementary question Councillor Evans commented that the site was not a vacant site but that the building was derelict and should be considered as an abandoned building.

54 Second line assurance: Treasury Strategy Mid-Year Report 2021/22

The Committee received the report of the Executive Director of Resources which provided an economic update for the first six months of 2021 and included a review of the investment portfolio and borrowing strategy for 2021/22 and confirmed compliance with Treasury and Prudential limits.

Referring to Cornovii Development Limited (CDL), Members noted that three loans had been consolidated into a single loan; the loan arrangements had been based on treasury requirements. Initially as CDL had been a start up, higher risk company, the rates for the three initial loans had been set accordingly at a higher rate.

The Executive Director of Resources added that as assets were built by CDL the loan rates may fall over a period of time. He stressed that the rates were applicable at the time and there was no requirement for CDL to borrow from the Council nor was there any requirement for the Council to lend to the company.

Responding to a Member's concern regarding the Council's current investment list indicating investment in some other local authorities, the Executive Director of Resources stated that the Council would always recoup its investment as local authorities by Statute could not go into liquidation. Furthermore, the Council was not lending to any local authorities that had a low credit rating.

RESOLVED:

That Members accept the position as set out in the report.

55 Second line assurance: Treasury Strategy 2022/23

The Committee received the report of the Executive Director of Resources which proposed the Treasury Strategy for 2022/23 and recommended Prudential and Treasury Indicators for 2022/23 to 2024/25.

Responding to a Member's query, the Executive Director of Resources explained the position relating to both long term and short-term investment rates. He explained that the rates detailed within the report related to December 2021 and the rates changed daily. The Council's existing borrowing was at a fixed rate and any increase in base rates would have an impact on future borrowing, however, borrowing was undertaken in accordance with borrowing thresholds and was based on capital requirements at a certain period in time. He added that all borrowing had to be needed and justified; the Council did not borrow in advance of need.

Responding to a Member's acknowledgement that borrowing would not jeopardise the future revenue account, the Executive Director of Resources stressed that the situation relating to borrowing charges was continually assessed and kept under constant review together with any resultant review of the Capital Strategy.

In order to aid interpretation of complex issues, the Executive Director of Resources agreed to provide pictorial information regarding the Council's prudential indicators and reserves position to future meetings of the Committee. Members agreed that any questions relating to prudential indicators be made ahead of future meetings for answers to be provided on these complex issues at the meetings.

RESOLVED:

That the Audit Committee endorse, with appropriate comment, the Treasury Strategy 2022/23

56 Second line assurance: Strategic Risk Update

The Committee received the report of the Risk and Insurance Manager which set out the current strategic risk exposure following the December 2021 quarterly review.

In the absence of the Risk and Insurance Manager, the Head of Audit explained that 16 strategic risks had been identified; the Executive Directors undertook a rolling review of strategic risks on a weekly basis considering one risk each week. She added that an annual strategic risk workshop was held where each risk was reviewed and challenged, and a subsequent report made to Cabinet.

In considering the content of the report Members were of the general opinion that further information was required in order to improve understanding of the scores, the derivation of risks, the management of risk, in fact, the risk management process itself. Together with a further report at the next meeting, a Member training session was also considered to be beneficial to assist Members' understanding of the Council's management of risk.

RESOLVED:

- i) That Members accept the position as set out in the report.
- ii) That an update report be provided to the next meeting providing additional information relating to derivation of risks and explanation of scores.
- iii) That a Member training session be arranged with Member questions being submitted prior to the meeting to increase the benefit of the session.

57 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative

The Committee received the report of the Head of Audit which outlined 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.

The Head of Audit stated that the Counter Fraud, Bribery and Anti-Corruption Strategy had been reviewed and an update was provided on the action plan to ensure continuous improvement in the fight against fraud, bribery and corruption.

She drew Members' attention to the following points within the report:

- Action Plan and activities against key actions;
- Annual assessment to ascertain strengths and weaknesses regarding the management and prevention of fraud;
- Whistleblowing Policy (a report to be made to a future meeting of the Committee);
- Management of counter-fraud processes;
- Fluidity of plans and recognition that the local demographic may not be the same as national headliners.

Finally, answering a Member's concerns regarding the lack of a dedicated Council Tax fraud team, she stressed that there was nevertheless a resource tackling this issue and this represented a challenge to a dedicated team who were motivated to ensure that any fraud did not reoccur. She stated that further information on this issue would be provided to a future meeting.

RESOLVED:

That Members endorse the Counter Fraud, Bribery and Anti-Corruption Strategy and measures undertaken and detailed in the report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption.

58 Governance Assurance: Annual review of Audit Committee Terms of Reference

The Committee considered the report of the Executive Director of Resources which provided an updated version of the Terms of Reference for the Audit Committee for approval. It was noted that there had been no significant changes made.

RESOLVED:

That the revised Audit Committee Terms of Reference be approved.

59 Governance Assurance: Annual Audit Committee Self-Assessment

The Committee received the report of the Executive Director of Resources following the request to Members to review and comment on the self-assessment of good practice questionnaire. The self-assessment had allowed Members to assess the effectiveness of the Audit Committee and to identify any further improvements that could be made which would improve the Committee's overall effectiveness.

The Chairman commented that three of the current membership had not been members of the Council when the information within the report had been compiled and he looked forward to the results of the 2022 feedback which should show Members increased confidence.

RESOLVED:

- i) That the self-assessment of good practice attached at Appendix A be endorsed.
- ii) That the analysis of training requirements attached at Appendix B be endorsed.

iii) That the Action Plan be reviewed and revised to improve areas of weakness.

60 Governance Assurance: Draft Audit Committee work plan and future training requirements

The Committee received the report of the Head of Audit which set out the Audit Committee work plan for 2022/23 and a learning and development plan for Members of the Committee.

The following additional areas were identified and it was understood that this was an evolving picture:

- Cyber training and risk assurance
- Risk management training
- Follow up on treasury management.

The Chairman added that the document being considered was a working draft and subject to ongoing change.

RESOLVED:

That Members approve: -

- a) The Audit Committee work plan for 2022/23 as set out in Appendix A;
- b) The learning and development plan for Members of the committee taking in to account information in Appendices A and B.

61 Governance Assurance: Internal Audit Quality Assurance - External Assessment Outcomes 2021/22

Members received the report of the Head of Audit which detailed the outcomes of the external assessment of the Council's Audit Services. This had concluded that Audit Services self- assessment was accurate fully conformed to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

RESOLVED:

That the Audit Committee endorse the information set out in the report

62 Third line assurance: Internal Audit Charter

The Committee received the report of the Head of Audit which set out the Internal Audit Charter. She added that there had been no significant changes.

RESOLVED

That the Audit Committee endorse the Internal Audit Charter as set out at Appendix A to the report.

63 Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2021/22

The Committee received the report of the Head of Audit which summarised the work of Internal Audit for the year 2021/22 to date.

She drew particular attention to the pie chart illustrating the work in progress and covering the risks across Directorates and the table illustrating the key work since the last report to Committee.

The Chairman commented on the significant risk caused by low staffing level within the team. The Head of Audit reported that recruitment procedures were in train.

Responding to a Member's concerns regarding the Kier contract, the Head of Audit agreed that an update on the contract could be provided to the next meeting in order to Members to receive assurances on that issue.

RESOLVED:

That the Audit Committee endorse: -

- a) The performance to date against the 2021/22 Audit Plan.
- b) The adjustments required to the 2021/22 plan to take account of changing priorities set out in Appendix B and
- c) 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.
- d) That an update on the Kier contract be provided to a future meeting of the Committee, as soon as possible.

64 Third line assurance: Report of the Audit Review of Risk Management

The Committee received the report of the Principal Auditor detailing the results of the Internal Audit review of the Risk Management system which had been assessed as 'reasonable' with the identification of minor control weaknesses. The focus of the review had been on user compliance with processes around operational and project risks.

She added that the operational risk registers were held in a standard spreadsheet format across all departments and maintained by each service area. This allowed operational risks to move up to the strategic risk register if necessary.

RESOLVED:

That the Committee endorse the findings from the review of Risk Management by Internal Audit.

65 Third line assurance: Internal Audit Plan 2022/23

Members received the report of the Head of Audit setting out the proposed risk based Internal Audit Plan for 2022/23.

She explained that the Plan provided coverage across the high risk areas of the Council and delivered internal audit services to a range of external organisations. The proposed Plan considered the requirement to produce an annual internal audit opinion and assurance framework. Should minor adjustments be needed before the finalisation of the Plan these would be agreed by the Section 151 Officer and reported to a future Audit Committee.

Members noted the ongoing impact of the Pandemic but recognised that business areas were picking up. The current low staffing position of the Audit team was understood and the measures being taken to address the vacancies were noted. The Head of Audit stressed that the quality of the work provided by the team remained sound, as exemplified by the external assessment.

RESOLVED

That the Committee endorse the approach taken to create the proposed Internal Audit Plan for 2022/23 and its adoption be approved.

66 Third line assurance: External Audit, Audit progress report and sector update

Members received the report of the External Auditor providing the Audit Committee with an update on progress by Grant Thornton in delivering their responsibilities as the Council's External Auditors, and other relevant updates and emerging issues.

The Key Audit Partner, assisted by the Engagement Manager, provided an update on the current position and explained that appropriate evidence was awaited to resolve some final queries, however the audit of the Council's Financial Statements was substantially complete.

In answer to a Member's comment, the Key Audit Partner explained that remote working had proved to be a challenge regarding information gathering but, in normal circumstances, the external audit timescale would be 4 to 5 months. He anticipated that the 2021/22 would be by the end of November and the 2022/23 publication date would be by the end of September.

RESOLVED

That the Audit Committee note the report

67 Date and Time of Next Meeting

Members were advised that the next meeting of the Audit Committee was calendared to be held on the 30 June 2022 at 10.00 am. However, given the timescales and workload of the Committee, the Chairman advised of the possibility of an additional meeting date to balance the workload and reduce the number of items for consideration at any given meeting.

68 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.

69 Exempt minutes of the previous meeting held on the 16th September 2021

RESOLVED:

That the exempt minutes of the meeting of the Audit Committee held on 16 September 2021 be approved as a true record and signed by the Chairman.

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

The Committee received the exempt report of the Principal Auditor 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:

That the contents of the report be noted

Signed (Chairman)

Date:



Committee and Date

Audit Committee

20 July 2022

Item

Public

2021/2022 Review of Whistleblowing - 'Speaking Up About Wrongdoing'

Responsible Officer

Sam Williams Assistant Director Workforce and Improvement

e-mail: Sam.Williams@shropshire.gov.uk Tel: 01743 252817

1. Synopsis

Whistleblowing provides a process for concerns to be raised in relation to work, such as fraud, adult/child protection or harassment and bullying allegations. This report provides an update to the Shropshire Council Audit Committee on the number of whistleblowing cases raised regarding Council employees over the last year.

2. Executive Summary

- 2.1 The Whistleblowing "Speaking up about Wrongdoing" process forms a key element of the Councils Corporate Governance arrangements. This report provides an update to the Shropshire Council Audit Committee on the number of cases raised regarding Council employees over the last year (excluding school-based employees).
- 2.2 The Whistleblowing Policy is available to all staff via the Intranet pages and is also available to them, along with members, contractors, partners and the public, via the [website](#); allowing it to be accessed from any computer
- 2.3 In 2021/22 there were twenty-five whistleblowing reports, this is a 29% reduction compared to the previous year.
- 2.4 All whistleblowing reports in 2021/2022 have been via email. The most reported theme was financial incident which includes theft, tenancy and tax fraud. Nine cases were referred to an external third party.
- 2.5 The Council Whistleblowing process provides an effective route to enable employees, elected members, contractors and others to raise concerns about fraud, corruption, adult/child protection or harassment and bullying allegations.

3. Recommendations

The Audit Committee is asked to:

- a. Consider and approve, with appropriate comments on the contents of the report

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Council has in place an effective Counter Fraud, Bribery and Anti-Corruption Strategy. The Council proactively encourages the detection of fraud and irregularities and the appropriate management of them. The Whistleblowing policies contribute to our zero tolerance of fraud, bribery and corruption.
- 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. The management and investigation of issues raised in response to this policy are met from approved 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. Therefore, no effect.

7. Background

- 7.1. This is an annual report to Audit Committee on whistleblowing arrangements.
- 7.2. The Whistleblowing Policy is available to all staff via the Intranet pages and is also available to them, along with members, contractors, partners and the public, via the [website](#); allowing it to be accessed from any computer/mobile device. 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.
- 7.3. Whistleblowing is when a worker reports suspected wrongdoing at work. Officially this is called 'making a disclosure in the public interest'. A worker can report things that aren't right, are illegal or if anyone at work is neglecting their duties, including:
- someone's health and safety is in danger
 - damage to the environment
 - a criminal offence
 - the company isn't obeying the law (like not having the right insurance)
 - covering up wrongdoing.
- 7.4. The way a worker can 'blow the whistle' on wrongdoing depends on whether they feel they can tell their employer.
1. The worker should check their employment contract or ask Human Resources if their company has a whistleblowing procedure.
 2. If they feel they can, they should contact their employer about the issue they want to report.
 3. If they can't tell their employer, they should contact a prescribed person or body.

7.5 A worker can only tell the prescribed person or body if they think their employer:

- will cover it up
- would treat them unfairly if they complained
- hasn't sorted it out and they've already told them

7.6 Dismissals and whistleblowing

A worker can't be dismissed because of whistleblowing. If they are, they can claim unfair dismissal. They'll be protected by law as long as certain criteria are met.

7.7 Types of whistleblowing eligible for protection

These are called 'qualifying disclosures'. They include when someone reports:

- that someone's health and safety is in danger
- damage to the environment
- a criminal offence
- that the company isn't obeying the law (like not having the right insurance)
- that someone's covering up wrongdoing
- a miscarriage of justice

7.8 Who is protected?

The following people are protected:

- employees
- agency workers
- people that are training with an employer, but not employed
- self-employed workers, if supervised or working off-site

An individual is also protected if they work in a school or sixth-form college, whether an employee or an agency worker. NHS workers who work under certain contractual arrangements, e.g., certain GPs and dentists, are also protected.

A worker will be eligible for protection if:

- they honestly think what they're reporting is true
- they think they're telling the right person
- they believe that their disclosure is in the public interest

7.9 Who isn't protected?

Workers aren't protected from dismissal if:

- they break the law when they report something, e.g., they signed the Official Secrets Act
- they found out about the wrongdoing when someone wanted legal advice ('legal professional privilege'), e.g., if they're a solicitor

Workers who aren't employees can't claim unfair dismissal because of whistleblowing, but they are protected and can claim 'detrimental treatment'.

7.10 Tribunals

Workers dismissed for whistleblowing can go to an employment tribunal. If the tribunal decides the employee has been unfairly dismissed, it will order that they are:

- reinstated (get their job back)
- paid compensation

A tribunal judge can reduce any compensation awarded by 25% if they find the person has acted dishonestly.

A whistleblower who is bullied at work will also be able to bring a claim to the employment tribunal against their employer or colleagues.

8. Additional Information

8.1 2021/22 Whistleblowing Reports

8.1.1 In 2021/22, there were twenty-five cases reported under the whistleblowing arrangements for Shropshire Council. All reports have been received via email. The most reported theme was financial incident, which includes theft, tenancy and tax fraud. Nine cases, none of which were employees, were referred to a third party such as Department Work and Pensions (DWP) and Action Fraud.

8.1.2 2021/22 Table of Whistleblowing reports and outcomes

Theme	Number
Grant Fraud	2
Financial incident: Theft, Tenancy and Tax Fraud	8
Benefit Fraud	1
Planning	3
Safeguarding / discrimination	5
Highways	1
Staffing issues	1
Procurement	1
Data Protection	1
Other	2
Outcomes for all themes	Number
No case to answer	13
Referred to third party (DWP/Action Fraud)	9
Managed via another policy/procedure	2
Management action	1

8.2 Comparison to previous years

8.2.1 There has been a 29% decrease in the number of incidents reported than in the preceding year, with the preferred route of “blowing the whistle” being via email. This route of reporting is consistent with the previous year and is likely to be due to more remote working. The number of incidents reported in the last five years are shown in Table 8.2.3. The number of cases reported can fluctuate year on year so a drop of 29% is not unusual. The policy is periodically reflected in email updates and news items on the Intranet throughout the year.

8.2.2 When comparing the route of report to previous years; in 18/19 and 19/20 the preferred route was a verbal report. In 2020/21 there were thirty-five cases reported under whistleblowing arrangements for Shropshire Council, the majority of which were relating to grant fraud. In 2019/20 there were twenty cases reported and most of these were relating to fraud and property issues.

8.2.3 Table of Whistleblowing Reports for last five years

Year	Case	% Change
21-22	25	29% decrease
20-21	35	43% increase
19-20	20	39% decrease
18-19	33	51% increase
17-18	16	Similar previous year (15 reports)

9. Conclusions

9.1. The 'Speaking up about Wrongdoing' process forms a key element of the Council's Corporate Governance arrangements and is continuing to be a route employees use to raise concerns, as well as a route which is also open to elected members, contractors, partners and others.

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

None

Cabinet Member Cllr Lezley Picton (Leader of the Council) Cllr Brian Williams (Chair of Audit Committee) Cllr Gwilym Butler (Portfolio Holder Resources)

Local Member N/A

Appendices N/A



<u>Committee and Date</u>
Audit Committee – 20 th July 2022

<u>Item</u>
<u>Public</u>

STRATEGIC RISK REPORT JULY 2022

Responsible Officer Angela Beechey
 e-mail: Angela.beechey@shropshire.gov.uk Tel: 01743 252073

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 March 2022 quarterly 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

3.1. 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 are three strategic risks which are financial based, 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 quarterly basis ensuring that the level of risk exposure is monitored regularly in our rapidly changing environment.
- 7.2. The review on this occasion was achieved through virtual meetings with the nominated strategic risk leads followed by virtual meetings with the Executive Directors responsible for the strategic risks.
- 7.3. In addition, the annual strategic risk workshop with the Executive Director Team took place during which each of the strategic risks was discussed in detail, reviewing the ownership of each risk, the definition, controls and any slippages, assurances and the new year-end target scores were agreed.
- 7.4. As a result of the review and the workshop, several changes have been made to the strategic risk list including some risks being archived. These changes are detailed below.
- 7.5. The Strategic Risks are held within a SharePoint site where controlled access is available for everyone who has an additional control and access is available to the Executive Directors. The risks are therefore able to be updated in real-time.
- 7.6. As at the March 2022 review there were 14 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 - March 2022 REVIEW					
Risk	Risk Owner	L	I	Status	Travel
Ability to fund Adult Services.	Tanya Miles	5	5	25	=
Ability to fund Children's Services.	Tanya Miles	5	5	25	=
Cyber Attack	James Walton	5	5	25	=
Failure to safeguard vulnerable children.	Tanya Miles	5	4	20	=
The response to and the recovery from Covid 19 on the authority and the continuation of service delivery	Andy Begley	4	4	16	=
The effects of climate change.	Mark Barrow	4	4	16	=
Failure to deliver the Commercial Strategy within agreed timescales and to levels approved by Council within the Financial Strategy prevents the Council from meeting savings targets and corporate outcomes.	Mark Barrow	4	4	16	=
Inability to deliver a Balanced Budget	James Walton	4	4	16	↑
Failure to manage and mitigate the mental health & wellbeing of Staff	James Walton	5	4	20	↑
Failure to safeguard vulnerable adults	Tanya Miles	5	3	15	=
ICT infrastructure reliance	James Walton	2	5	10	↓
Failure to deliver the Economic Growth Strategy prevents the Council from meeting the corporate outcomes.	Mark Barrow	3	4	12	=
Governance	James Walton	4	3	12	=
Impact of pressures in the wider Health & Care System	Rachel Robinson	5	4	20	New
Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.	James Walton	2	4	8	Archive
Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes.	Andy Begley	2	4	8	Archive
Failure to adhere to legislation in relation to DOLs and implement the replacement scheme Liberty Protection Safeguards.	Tanya Miles	2	3	6	Archive

7.7. There were several changes to the risk scores during the review and these are detailed below.

7.7.1 **Inability to deliver a Balanced Budget – James Walton**

There is a specific scoring mechanism in place for this risk as set by the risk owner to reflect the specific nature of this risk. Following the review it was agreed that the likelihood could be reduced to a 4 as the council has achieved a balanced budget for year 1 but has not got one for year 2. However, the impact was increased to a 4 from a 3 taking into consideration the uplift in social care costs due to inflation, increased costs of living and the effects of covid. This increased the risk score overall to a 16.

7.7.2 **Failure to manage and mitigate the mental health & wellbeing of Staff – James Walton**

It was acknowledged that there had been numerous slippages within the additional controls of this risk and this was due to the pressures on HR as well as all areas of the council. The ongoing impacts of Covid on service delivery are evident and the general well-being of staff was highlighted in the Pulse survey results. Stress absences within staff are still high. As a consequence it was agreed that the impact score should be increased to a 4, giving a total score of 20 and a high risk.

7.7.3 **ICT Infrastructure Reliance – James Walton**

When reviewing this risk it was acknowledged that due to the actions taken to date, the likelihood of a failure of the infrastructure had been reduced from a 3 to a 2. However, it was also recognised that the impact remained high at a 5. Giving the risk an overall score of 10 making this a medium risk.

7.7.4 During the workshop the relevance of the risks were challenged and it was agreed that the following risks should be archived –

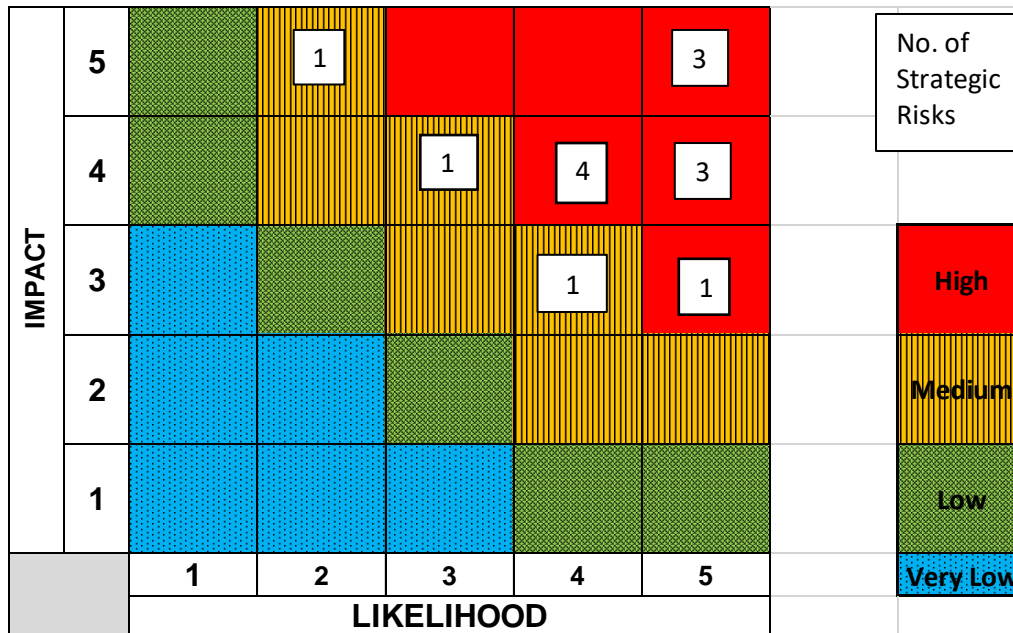
Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need – it was felt that the controls and additional controls were all areas that are picked up operationally and within other strategic risks so this particular risk could be archived.

Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes – it was felt that this was being picked up by work underway with the Target Operating Model and delivering agreed priorities following the approval of the Shropshire Plan by Council in May 2022.

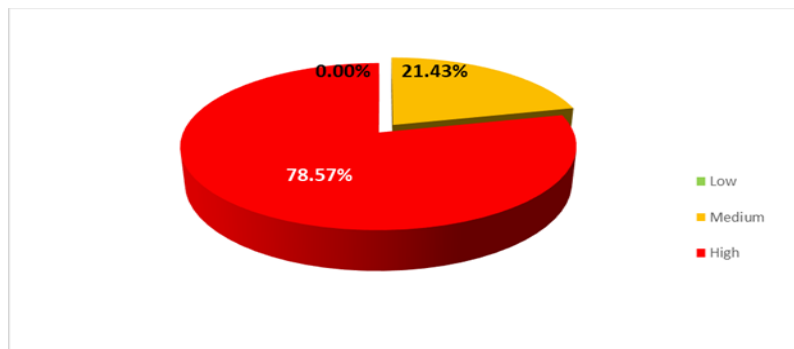
Failure to adhere to legislation in relation to DOLs and implement the replacement scheme Liberty Protection Safeguards – it was agreed that this was a risk which was best managed at an operational risk level and was not a strategic risk. It was recognised that the risk itself is being extremely well managed.

7.7.5 Whilst discussing new risks within the workshop it was agreed that a new public health strategic risk was required to recognise the extreme pressures impacting on the local authority through increased complexity, service and staffing pressures. Also the impact of covid and cost of living increases together with the role of the authority within the ICS. This new risk has been created by Rachel Robinson and defined as **Impact of pressures in the wider Health & Care System** and has been scored as a high risk with a likelihood of 5 and an impact of 4.

7.8. Our current risk exposure, when plotted on our matrix is demonstrated as follows: -



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.



7.10. All of the assurances during this review have been updated and any differences were discussed at the workshop.

7.11. The target scores were discussed at the strategic risk workshop. When these were analysed only two of the risks reached their year-end target. This was not surprising considering the last two years and the impact Covid has had on staff, both from service delivery and mental wellbeing. New target scores were given for each risk and these will be monitored as the year progresses.

7.12. During the workshop the risks where slippage had occurred within implementation dates for the additional controls were discussed. It

was agreed that further monitoring of the slippages needs to be undertaken by the risk owners.

7.13. Discussions were held around emerging risks and the risk of the council’s ability to respond to concurrent incidents which may affect service delivery and the welfare of the staff to be able to respond was identified. The last two/three years have seen the authority morph from one crisis to another – from flooding, avian flu, Covid and other more minor incidents. It was agreed that a specific workshop would be held to review this exposure and agree mitigations.

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 Director Team have undertaken to review each strategic risk one by one on a cyclical basis at their weekly 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 March 2022.
- 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 owner to a committee meeting to discuss their risk.

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

Annual Governance Statement

Opportunity Risk Management Strategy

Cabinet Member (Portfolio Holder)

Gwilym Butler, Portfolio Holder Resources

Local Member

N/A

Appendices[Please list the titles of Appendices]



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
20 th July 2022	
10:00am	<u>Public</u>

INTERNAL AUDIT PERFORMANCE 2021/22

Responsible Officer Ceri Pilawski

e-mail: ceri.pilawski@shropshire.gov.uk

Telephone: 01743 257739

1 Synopsis

This report summarises Internal Audit's work for the last two months of 2021/22 to inform the year end opinion. Progress was on target. Areas attracting lower assurances 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 final two months of 2021/22 since the previous update at the February Audit Committee.
- 2.2 97% percent of the revised plan has been completed (**see Appendix A, Table 1**). One good, six reasonable, four limited and three unsatisfactory assurance opinions have been issued in the period from 15th January to 31st March 2022. The 14 final reports contained 110 recommendations, two of which were fundamental.
- 2.3 Internal Audit continues to add value to the Council in supporting its business continuity processes and the delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

3 Decisions

The Committee is asked to consider and endorse, with appropriate comment;

- 3.1 The performance against the 2021/22 Audit Plan.
- 3.2 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.

REPORT

4 Risk Assessment and Opportunities Appraisal

- 4.1 The 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. 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).
- 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

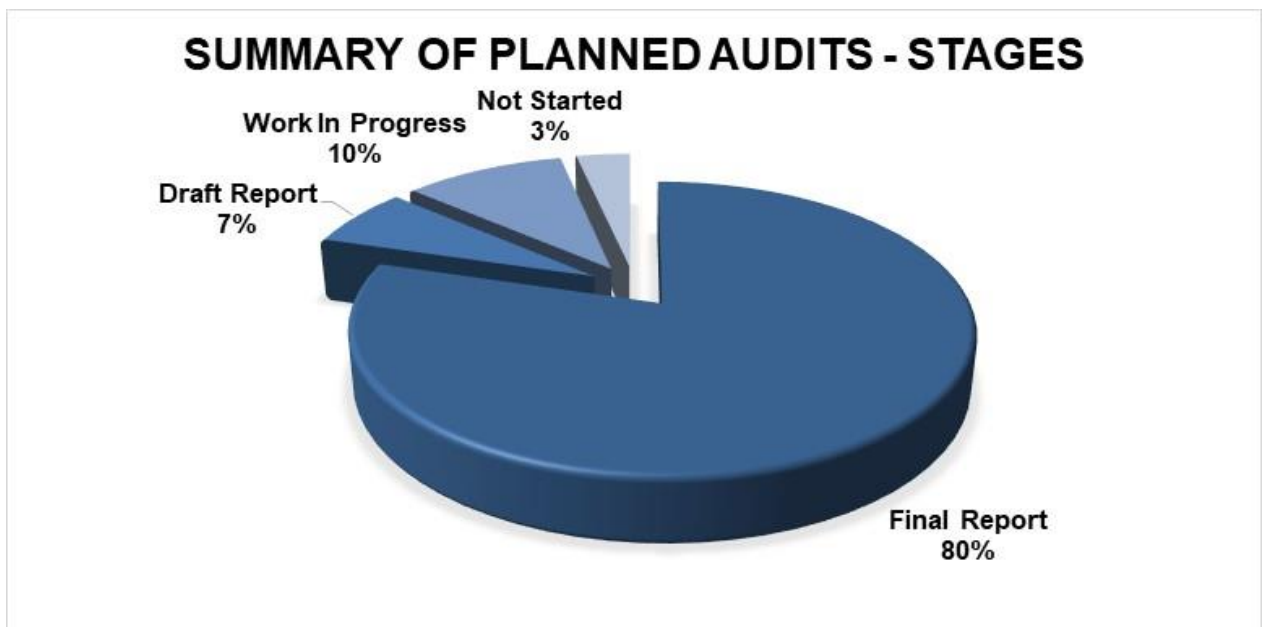
- 6.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7 Background

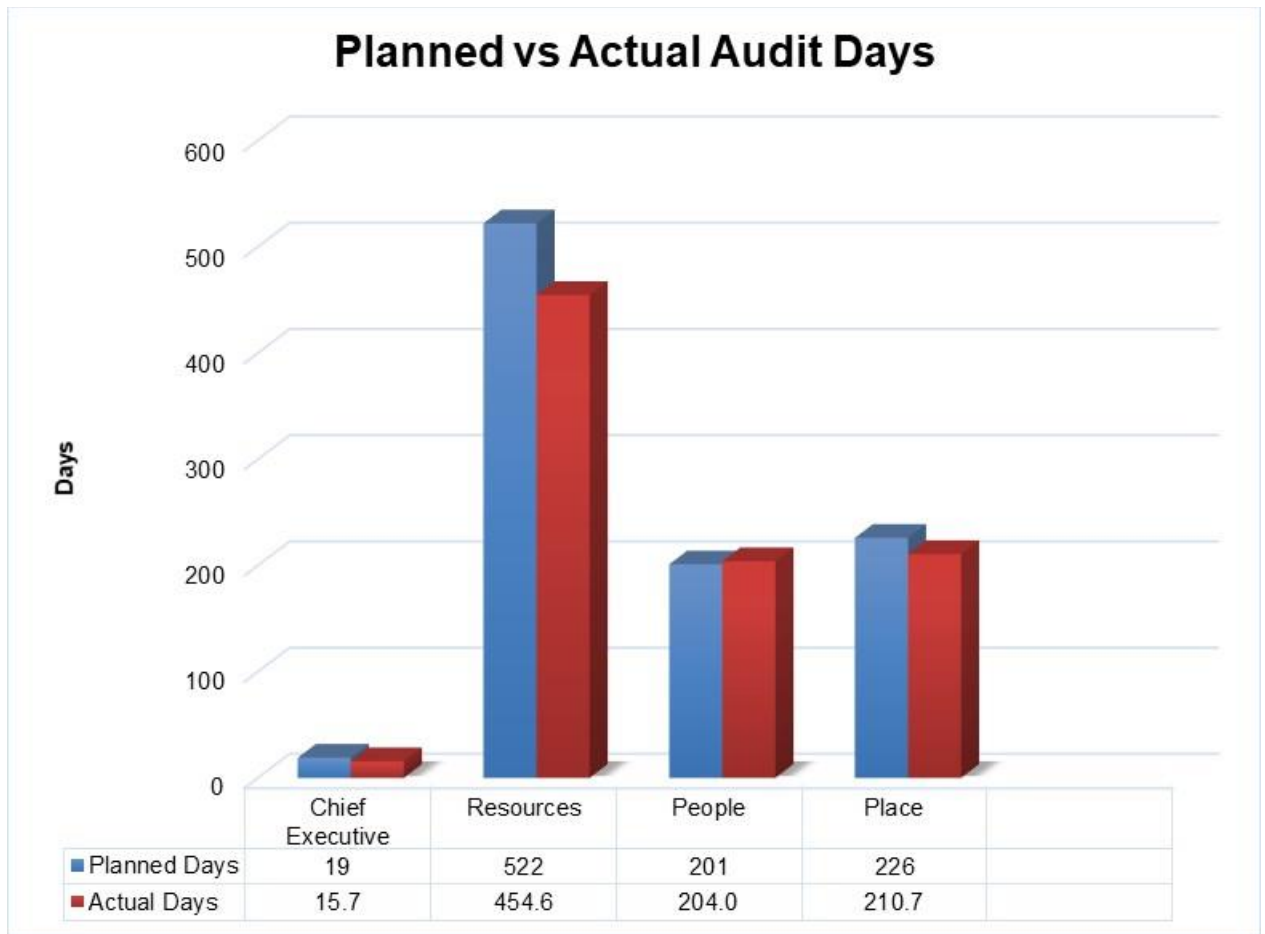
- 7.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
- 7.2 The 2021/22 Internal Audit Plan was presented to, and approved by, members at the 4th March 2021 Audit Committee, with adjustments being approved in September 2021 and February 2022. This report provides an update on progress made against the plan up to 31st March 2022.

8 Performance against the plan 2021/22

- 8.1 The 2021/22 plan provides for a total of 1,708 days. Over the year there have been significant changes in planned audit activity which has been adjusted to reflect changes in resources and risks, as the Service delivers in an agile way. Performance is in line with previous delivery records at 97% (97% 2020/21), the team has achieved the target to deliver a minimum of 90% of the revised annual plan by the year end.
- 8.2 In total, 14 final reports have been issued in the period from 15th January to 31st March 2022. All are listed with their assurance rating and broken down by service area at paragraph 8.4. the year to date position is show at **Appendix A, Table 2**. The following chart shows performance against the approved Internal Audit Plan for 2021/22:



- 8.3 Audits have been completed over several service areas as planned:

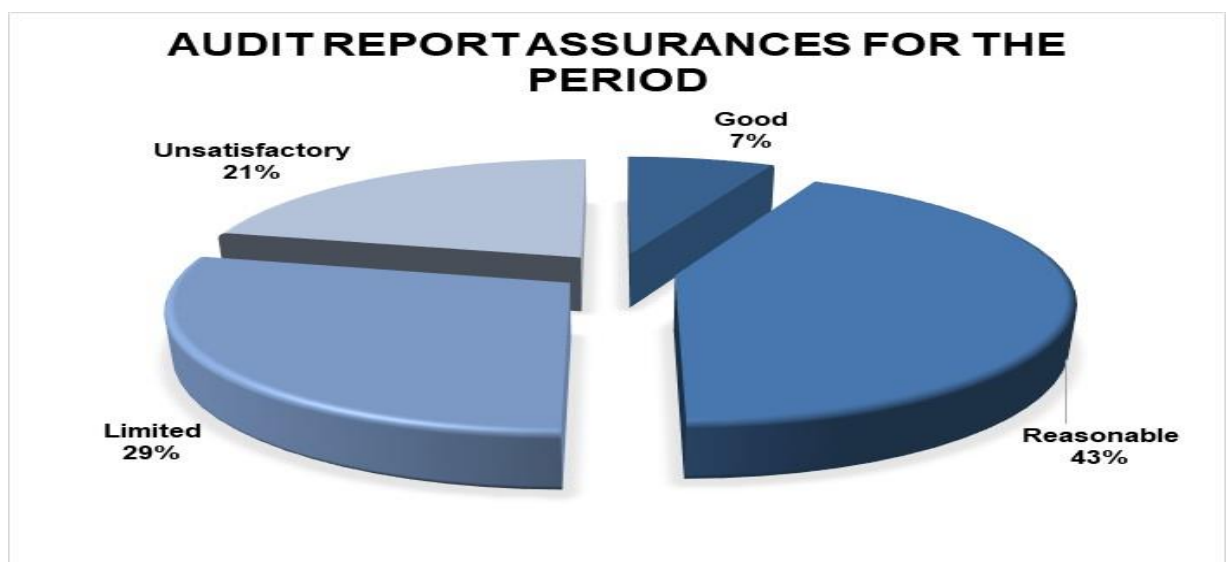


8.4 The following audits have been completed in the period:

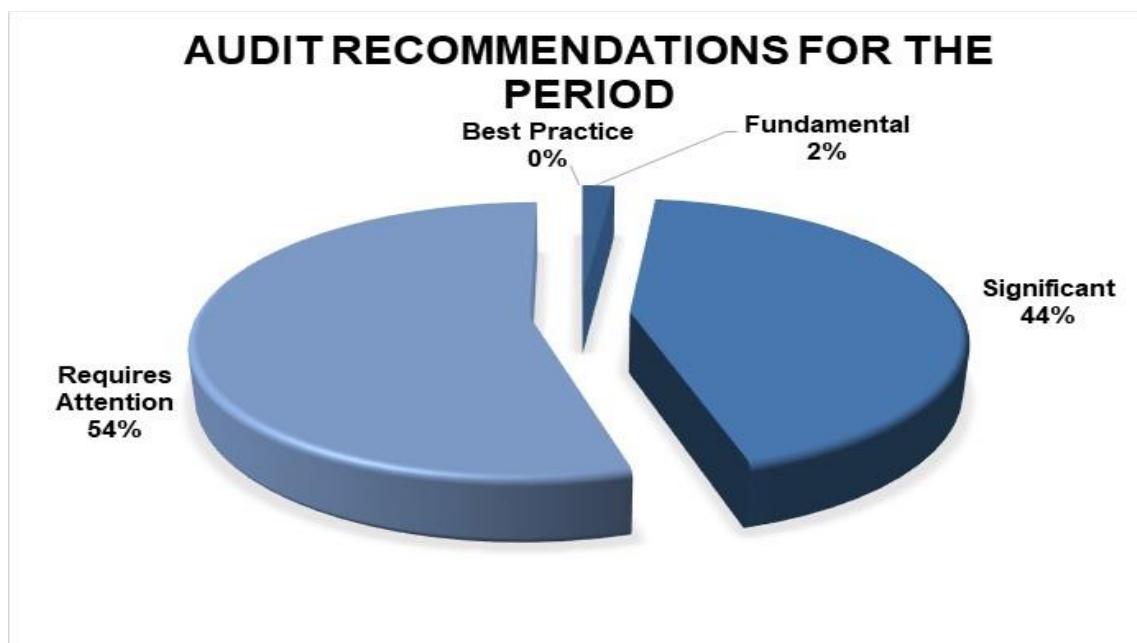
Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Corporate Governance		1						
	0	1	0	0	0	0	0	0
People - Adults								
Controcc Application		1				1	4	
Deferred Payments			1			8	5	
	0	1	1	0	0	9	9	0
Place								
Shirehall Reconfiguration and Maintenance		1				1		
The Lantern				1		11	10	
	0	1	0	1	0	12	10	0

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Resources - Finance (Finance, Revenues & Benefits, Procurement and Treasury)								
Business Rates (NDR)	1						5	
Council Tax Collection		1				3	4	
Income Collection		1				3	8	
	1	2	0	0	0	6	17	0
Resources - Business Intelligence (Information and Insight, IT, Communications and Information Governance)								
Patch Management		1				1	5	
Information Security Management			1			3	5	
IT Code of Practice			1			2	4	
Legacy Infrastructure and Systems			1			2	5	
IT Business Administration Follow-up				1	1	5	1	
Microsoft Management Arrangements				1	1	3	3	
Other, including added value and briefing notes						5	1	
	0	1	3	2	2	21	24	0
	1	6	4	3	2	48	60	0
	7%	43%	29%	21%	2%	44%	54%	0%

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



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



8.7 In the period 15th January to 31st March 2022, seven reports have been issued providing good or reasonable assurances and accounting for 50% of the opinions delivered. This represents a decrease in the higher levels of assurance for this period, compared to the previous year outturn of 57%. This is offset by a corresponding increase in limited and unsatisfactory assurances, currently 50% compared to the previous year outturn of 43%.

8.8 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**.

8.9 Four 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.

8.10A total of 110 recommendations have been made in the 14 final audit reports issued during this period; these are broken down service area at paragraph 8.4, the year to date position is show at **Appendix A, Table 2**. Two fundamental recommendations have been identified which are detailed below:

- IT Business Administration Recommendation** - As recommended in 2020/21, a contract for the provision of ICT hardware i.e. PC's, laptops and mobile devices should be secured in line with the Council's Contract Procedure Rules at the earliest opportunity.

Risk - Non-compliance with the Council's Contract Procedure Rules resulting in a failure to ensure that legal requirements are met and value for money is achieved which could result in a financial and reputational loss to the Council. Without a contract, terms and conditions are not agreed and supplier performance and costs cannot be easily measured or addressed. This could result in a financial loss to the Council if the supplier ceased to provide goods or was not delivering or performing as expected and goods needed to be sought elsewhere at short notice.

Original Management Response - Activity is underway to procure a contract for this provision, it has been delayed due to limited staff time and other procurement activities requiring attention. Given current lead times on these activities we are forecasting April for this to be complete – it is also a pre-requisite of a formal PC Replacement programme. In the interim when equipment is purchased multiple quotes are sought and individual purchases are below the procurement threshold, however it is recognised that this is not a sustainable position.

Date to be Actioned – 31st April 2022

Management Response, July 2022 – the budgets for IT equipment and support hardware is being centralised from 1 July to secure efficiency and equity in the replacement of necessary IT equipment for all staff; Recent approaches to the market has indicated that suppliers are dealing with significant supply lines and there are delays for many products; there is also work in hand internally to scope the overall contract needs in terms of both backlog replacement needs and a rolling (three year) replacement programme, allowing colleagues to determine the contract needed and support the procurement; the revised target date for letting this contract is Dec 2022. In the meantime, existing contracts are used to secure best value. The later delivery date will enable the adoption of latest technology across the whole Council and is also linked into the 'Digital County' initiatives which supports The Shropshire Plan.

Revised date to be Actioned – 31st December 2022

- **Microsoft Arrangements**

Recommendation - There should be a fundamental review of the services. The Council should establish where it is in relation to the cloud adoption framework to meet its digital transformation goals.

Risk – The absence of appropriate resourcing leads to poor management of the platforms, increasing the risk of configuration error leading to a cyber event.

Management Response –Implementation of the new Corporate and Digital strategy should address this.

Date to be Actioned - Following the formal adoption of the digital strategy and after direction and approval by the Executive Director of Resources on the approach. Q4 2022.

Management Response, July 2022 - the strategy is targeted for September 2022; adoption of cloud-based solutions will be part of that

strategy, and these solutions are also part of the Digital County initiative which supports The Shropshire Plan.

8.11 It is management'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.

8.12 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**.

- Digital Strategy advice on the composition and content of the draft.
- Advice and evaluation of data insights tool (Intelligent-I) in respect of governance, finance, procurement, project management and the initial business case.
- Consultancy and advice on the approach to the corporate phishing email test, working with members of the Information Security Information Group to ensure that the objectives of the testing were met.
- Spear Phishing cyber response, analysis of report prepared following the corporate phishing email testing, providing comment, challenge and an infographic based on the results from the event to aid communications on the topic.
- Supporting Finance to establish processes to pay the energy support grant out to council tax clients with appropriate counter fraud processes and in an efficient and effective way aligned with Council policies and processes,
- Dog Wardens interim report on improvements to the control environment to provide the latest assurance to managers.
- During the ongoing business continuity response to the impact of Covid, provision of Audit Resources to support the delivery of Household Support Fund grants to households to help with essentials such as food, utilities and clothing.
- Independent Service Fund Contract advice on contractual arrangements on reconciliations and nature of records maintained for domiciliary care.
- Advice on the management and administration of the ResourceLink application for processing external Payrolls.
- Consultancy and advice to school's management following a cyber incident at a school including support on communications sent to schools regarding measures that can help to prepare for such an incident
- Supporting and advising on the establishment of processes to provide for Ukrainian Homes Grants whilst safeguarding individuals and countering susceptibility to fraud and inadequate housing.

Performance measures

8.13 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 2021/22 – Audit Committee 22nd February 2022

Internal Audit Performance and Revised Annual Audit Plan 2021/22 – Audit Committee 16th September 2021

Draft Internal Audit Risk Based Plan 2021/22 - Audit Committee 4th March 2021

Public Sector Internal Audit Standards (PSIAS)

Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit

(Coronavirus) (Amendment) Regulations 2020

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of the Audit Committee

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 1st April to 31st March 2022

Table 2: Final audit report assurance opinions and recommendation summary 1st April to 31st March 2022

Table 3: Unsatisfactory and limited assurance opinions in the period 15th January to 31st March 2022

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Glossary of terms

Table 7: Recommendation follow up process (risk based)

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 31st March 2022

	Original Plan	Revised Plan	31 st March 2022 Actual	% of Original Complete	% of Revised Complete
Chief Executive	36	19	15.7	44%	83%
Resources	769	522	454.6	59%	87%
Finance	512	315	270.1	53%	86%
Workforce and Development	68	52	45.4	67%	87%
Business Intelligence	189	155	139.0	74%	90%
Legal and Democratic			0.1	0%	0%
People	285	201	203.9	72%	101%
Adult Social Care	95	77	76.3	80%	99%
Public Health	19	0	0.0	0%	0%
Public Protection	8	10	9.8	123%	98%
Bereavement	38	16	15.9	42%	99%
Children's Services	83	23	22.0	27%	96%
Schools	42	75	79.9	190%	107%
Place	195	226	210.7	108%	93%
S151 Planned Audit	1,285	968	884.9	69%	91%
Contingencies and other chargeable work	493	483	543.3	110%	112%
Total S151 Audit	1,778	1,451	1,428.2	80%	98%
External Clients	222	257	227.0	102%	88%
Total	2,000	1,708	1,655.2	83%	97%

Table 2: Final audit report assurance opinions and recommendation summary - 1st April to 31st March 2022

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Corporate Governance 2020/21		1						
Corporate Governance 2021/22		1						
	0	2	0	0	0	0	0	0
People - Adults								
CM2000 Decommissioning	1							
Parking Cash Collection 2020/21		1				3	5	
Appointeeships and Deputyships		1				4	13	
ASC Management Controls Audit (Safeguarding)		1				5	5	
Adult Social Care Assessments		1				1	1	
Controccc Application		1				1	4	
Deferred Payments			1			8	5	
Other, including added value and briefing notes					1	11		
	1	5	1	0	1	33	33	0
People - Children								
Supporting Families Grant	1						1	
Trinity Primary School		1				5	11	1
Bishops Castle Community College			1			13	15	
Brockton Primary School				1	1	27	11	
	1	1	1	1	1	45	38	1
Place								
Housing Provision - Development Cornovii	1						1	
Housing Strategy		1				1		
Smallholdings Estate		1				2	1	
Local Transport Plan (LTP)		1					2	
Shirehall Reconfiguration and Maintenance		1				1		
Repurposing Project PH 2020/21			1			8	3	
Highways Term Maintenance - Kier Contract			1			14	7	
Tree Safety 2020/21				1	1			

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Registrars Service - Income Collection				1		7	1	
Dog Warden's Follow Up				1	1			
The Lantern				1		11	10	
Other, including added value and briefing notes					1	4	2	
	1	4	2	4	3	48	27	0
Resources - Finance (Finance, Revenues & Benefits, Procurement and Treasury)								
COVID Test and Trace Grants	1						1	
Business Rates (NDR)	1						5	
Comino Application 2020/21		1				1	4	
Adobe Sign		1				2	4	
Procurement Arrangements		1						
Council Tax Collection		1				3	4	
Income Collection		1				3	8	
Other, including added value and briefing notes						3	2	
	2	5	0	0	0	12	28	0
Resources - Workforce and Development (HR, Risk & Insurance and Health & Safety)								
Covid PPE procurement and allocation	1						3	
Apprenticeship Levy 2020/21		1				2	6	
Risk Management		1				1	4	
	1	2	0	0	0	3	13	0
Resources - Business Intelligence (Information & Insight, IT, Communications and Information Governance)								
Equitrac	1					1	1	
Digital Mailroom Project		1				1	1	
IT Change Management		1					3	
Patch Management 2021/22		1				1	5	
Encryption 2020/21			1			4	3	
Microsoft Dynamics CRM Application			1			2	7	
Information Security Management			1			3	5	
IT Code of Practice			1			2	4	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Legacy Infrastructure and Systems			1			2	5	
Internet Security 2020/21				1	2	2	8	
IT Business Administration Follow-up				1	1	5	1	
Microsoft Management Arrangements				1	1	3	3	
Other, including added value and briefing notes					1	7	9	
	1	3	5	3	5	33	55	0
Resources - Legal and Democratic								
Members Allowances 2020/21		1				3	7	
	0	1	0	0	0	3	7	0
Total	7	23	9	8	10	177	201	1
Percentage	15%	49%	19%	17%	3%	45%	52%	0%

Table 3: Unsatisfactory and limited assurance opinions issued in the period from 15th January to 31st March 2022¹

Unsatisfactory assurance

Place – The Lantern (Unsatisfactory 2019/20)

- Previous audit recommendations have been implemented.
- Budget income is identified, collected and banked in accordance with procedures.
- Payment is made to bona fide employees only for the work performed through the Payroll system.
- Regular budget monitoring is performed and any significant variations are investigated.

Resources – IT Business Administration Follow Up (Unsatisfactory 2020/21)

- Policies and procedures are in place to ensure compliance with internal and external requirements.
- A process is in place for procuring new IT Services and equipment.
- Appropriate contracts are in place that are subject to continuous monitoring.
- Suitable arrangements are in place for purchasing.

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.

- Suitable arrangements are in place for the receipt of goods and services.

Resources – Microsoft Management Arrangements

- To ensure that Microsoft configuration management responsibilities clearly defined.
- To ensure that permissions reflect any delegated responsibilities.
- To ensure that administration and security procedures are documented.
- To ensure that update procedures are in place and are co-ordinated.

Limited assurance

People – Deferred Payments (Limited 2015/16)

- Previous audit recommendations have been implemented.
- Written procedures and policies are in place in relation to deferred payments.
- A process exists to ensure that deferred payment applications are received and processed appropriately.
- Deferred payment Agreements are recorded on the Financial Systems.
- Deferred payment accounts are controlled in an appropriate manner.

Resources – Information Security Management

- To ensure that an information security policy is in place and is reviewed on a regular basis to determine that it is updated to reflect changes to the operating environment and new threats.
- To ensure that processes are in place for the management oversight of the information security function.
- To ensure that the security policy is implemented in operational security policies and procedures, together with appropriate investments in services, personnel, software and hardware.
- To ensure that appropriate processes are in place to ensure that all types of information are classified in a consistent manner by formally approved Information Asset Owners. Management provide clear accountability for authorised collection, management and disposal of data.
- To ensure that the information security function has established processes to ensure that routine testing of information-security-related controls is performed in accordance with regulatory requirements and risk assessments that have identified high risk or vulnerable assets.
- To ensure that an incident management policy has been established that defines the classification of information security incidents and the actions to be executed when an information security incident is identified, and the process has been communicated to units who are first responders.

Resources – IT Code of Practice

- Policies are created according to a defined format and are distributed following a distribution list based on subject matter and relevance; the scope of the policies are appropriate to ensure that the information security is adequate to address the risk tolerance.

- Appropriate monitoring of compliance with acceptable use rules is in place and staff are aware of these measures. Where breaches occur, these are investigated to a satisfactory standard.

Resources – Legacy Infrastructure and Systems

- To ensure that appropriate management arrangements are in place to identify systems running on legacy operating systems/infrastructure.
- To ensure where legacy systems, operating systems and infrastructure are present that they are segregated from the primary network
- To ensure that the cost of maintaining and supporting legacy systems, operating systems and infrastructure is adequately tracked.

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.

Head of Internal Audit Annual Opinion

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

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<u>Committee and Date</u>
Audit Committee
20 th July 2022
10am

<u>Item</u>
<u>Public</u>

INTERNAL AUDIT ANNUAL REPORT 2021/22

Responsible Officer Ceri Pilawski

e-mail: Ceri.pilawski@shropshire.gov.uk

Tel: 01743 257739

1. Synopsis

- 1.1. *This report provides a summary of Internal Audit's work over 2021/22. Based on 389 recommendations across 47 reports and supporting evidence the Head of Audit's opinion provides 'Limited assurance' on the Council's framework for governance, risk and internal control.*

2. Executive Summary

- 2.1. This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2022. It informs on delivery against the approved annual audit plan and includes the Head of Audit's opinion on the Council's internal controls, as required by the Public Sector Internal Audit Standards (PSIAS). This in turn, contributes to delivering the Accounts and Audit Regulations 2015 requirement to have internal audit, *'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'*.
- 2.2. Final performance has been good with the revised plan being delivered above the 90% delivery target, in compliance with the Public Sector Internal Audit Standards and to the satisfaction of customers. Thirty good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 7% increase in the higher levels of assurance compared to the previous year, offset by a 7% decrease in limited and unsatisfactory opinions. The number of unsatisfactory opinions has remained relatively static at 17% (15% 2020-21).
- 2.3. Based on the Internal Audit work undertaken, and management responses received, I can offer *Limited assurance* for the 2021/22 year

that the Council's framework for governance, risk management and internal control is sound and working effectively.

- 2.4. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon my opinion. Managers' priorities have continued to be diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

3. Decisions

The Committee is asked to consider and endorse, with appropriate comment;

- 3.1. Performance against the Audit Plan for the year ended 31 March 2022.
- 3.2. That Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2021/22.
- 3.3. The Head of Audit's **Limited assurance**, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2021/22 based on the work undertaken and management responses received.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures. It is closely aligned to the Council's strategic and operational risk registers and is delivered in an effective manner; where Internal Audit independently and objectively

examine, evaluate and report on the adequacy of its customers' control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses, and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss, poor value for money and reputational damage.

- 4.2. Internal Audit operates a strategic risk-based plan. The plan is revisited each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. This results in a comprehensive range of audits being undertaken in the year, supporting the overall opinion on the control environment. The plan contains a contingency provision which can be utilised during the year to respond to unforeseen work demands that may arise. At the end of the 2021/22 year the ongoing impact of Coronavirus meant that the Council was continuing with its business continuity plans and the impact of this is reflected in delivery of the planned audits at this time and the year-end opinion.
- 4.3. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental or equalities consequences of this proposal.
- 4.4. Internal Audit customers are consulted on the service that they receive. Feedback is included in this report and continues to be very positive.

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. This report is the culmination of the work of the Internal Audit team during 2021/22 and seeks to provide:
- An update on the internal audit work undertaken.
 - An annual opinion on the adequacy of the Council's governance arrangements.
 - Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.
- 7.2. As the Accountable Officer, the Executive Director of Resources (Section 151 Officer) has responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the Council's assets, in accordance with local government legislation. This includes section 151 of the Local Government Act 1972 which requires the Council to plan for the proper administration of its financial affairs.
- 7.3. The Accounts and Audit Regulations 2015 require the Council to have internal audit to; 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. In addition, Internal Audit are expected to comply with the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.

Scope and Purpose of Internal Audit

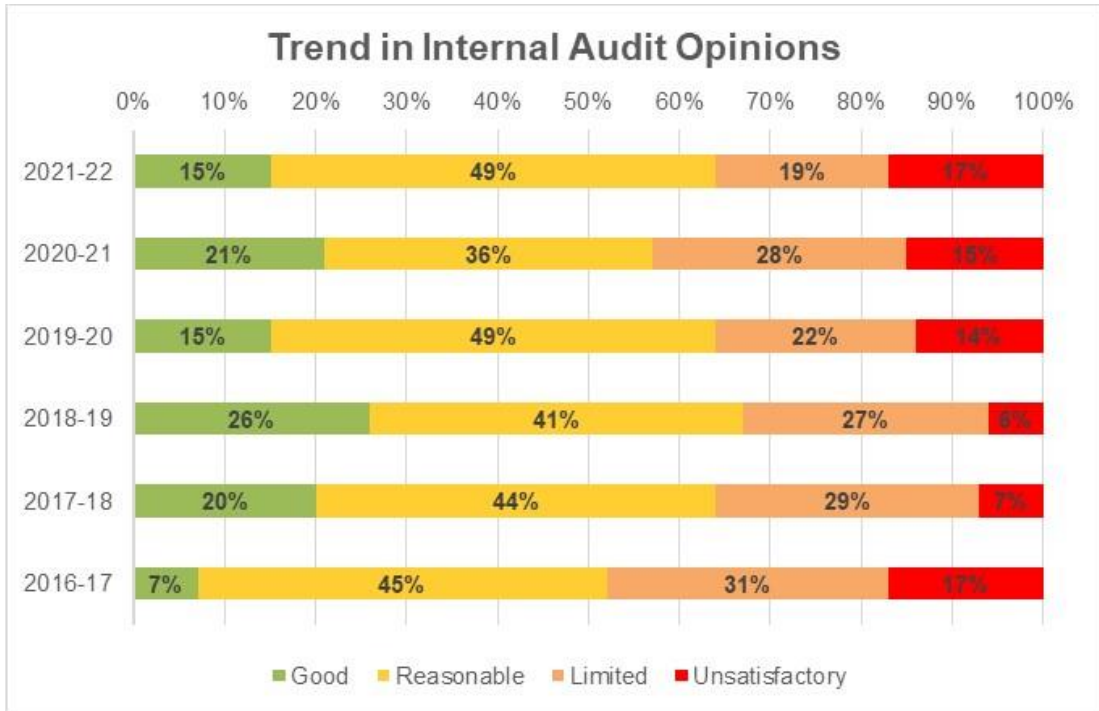
- 7.4. The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Standards has been achieved. This annual report provides an internal audit opinion that can be used by the Council to inform its governance statement as part of the wider framework of assurances considered. The annual internal audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and incorporates a summary of the work in support of the opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This is in accordance with the requirements of the 2015 Accounts and Audit Regulations. In addition, Internal Audit has an independent and objective consultancy role to help line managers improve governance, risk management and control.
- 7.5. The purpose of Internal Audit is to provide the Council, through the Audit Committee, the Chief Executive and the Section 151 Officer, with an independent and objective opinion on risk management, control and

governance processes and their effectiveness in achieving the Council's agreed objectives.

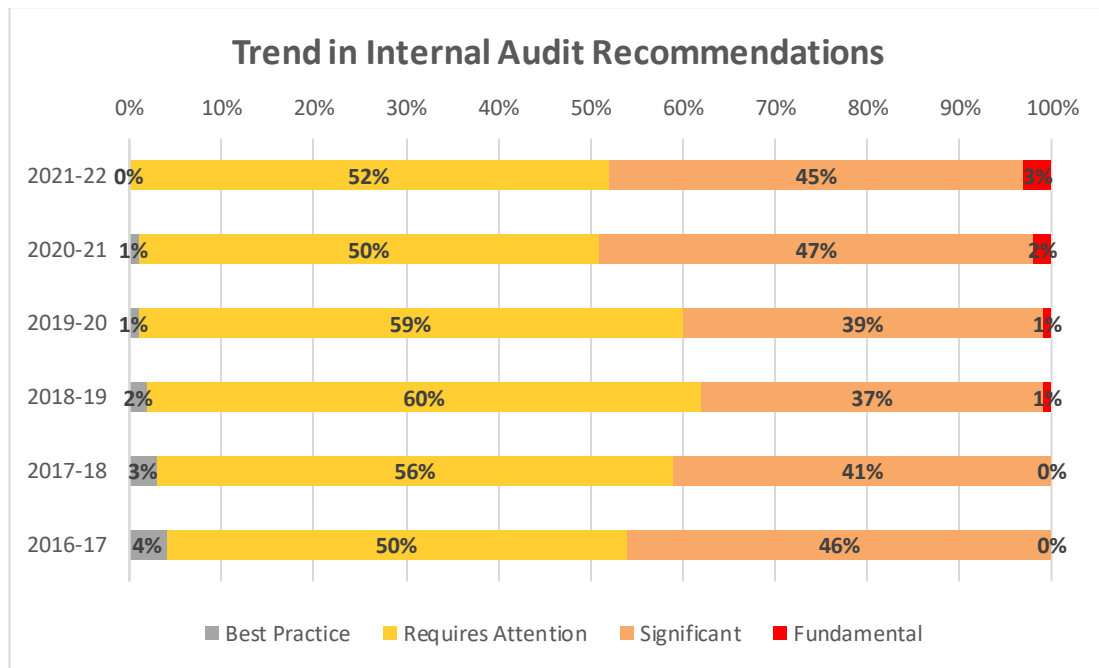
8. Additional Information

An update on the internal audit work undertaken.

- 8.1. The Internal Audit Plan 2021/22 was considered and approved by Audit Committee at its meeting on the 4th March 2021. The Plan provided for a total of 2,000 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to 1,708 days. Revisions were necessary to respond to the Coronavirus and reflected changes to the Council's key risks and requirements.
- 8.2. The Head of Audit can confirm that the service has been free from interference throughout the year. Business continuity plans were mobilised for the complete year and this impacted on delivery in terms of changing scopes as did the impact of reduced resources, but activity still provided sound coverage for her opinion, which is explored later in this report. Final performance has been good and the target to deliver 90% of the annual plan has been achieved. **Appendix A, Table 1.**
- 8.3. The audit findings and performance of audit have been set out in summary reports which have been presented to the Audit Committee during the year. In total 47 final reports have been issued in 2021/22, all are listed with their assurance rating and broken down by service area at **Appendix A, Table 2 and 3**
- 8.4. The following set of tables and graphs compare the assurance levels (where given) and categorisation of recommendations made at the Council to demonstrate a direction of travel in relation to the control environment.
- 8.5. The assurance levels awarded to each completed audit area for 2021/22 are:



8.6. The overall spread of recommendations agreed with management following each audit review for 2021/22 appear in the following chart:



8.7. Thirty good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 7% increase in the higher levels of assurance compared to the previous year, offset by a 7% decrease in limited and unsatisfactory opinions. Eight unsatisfactory opinions and nine limited assurance opinions were issued.

- 8.8. A total of 389 recommendations have been made in the 47 final audit reports issued in the year; these are broken down by audit area and have been reported in more detail in performance reports to the Committee throughout the year. The percentage split of recommendations remains roughly the same with 48% significant and fundamental compared to 49% last year, with a corresponding increase in requires attention recommendations.
- 8.9. The number of fundamental recommendations has increased from 2% (8) to 3% (10) of the total number of recommendations. They were made on the following audits and have been reported to the Audit Committee throughout the year for awareness and appropriate management challenge:
- Adult Social Care Pre Planned Maintenance Contract
 - Brockton School
 - Dog Warden's Follow Up
 - Internet Security
 - IT Business Administration Follow Up
 - Microsoft Management Arrangements
 - Power Platform¹
 - Shrewsbury Town Council Horticultural Maintenance Contract
 - Tree Safety
- 8.10. It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 6** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.
- 8.11. During 2021/22, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI), the results of which will be reported to a later committee, and several internal audit reviews have been conducted to ensure appropriate controls are in place and are operational to counter the risk of fraud, see **Appendix A, Table 2**.
- 8.12. Counter fraud activities were further supported by learning following individual investigations. Where internal control weaknesses have been identified, results are reported in a management report and recommendations made and agreed to help reduce a repeat of any inappropriate activity.
- 8.13. Although Internal Audit is primarily an assurance function, internal audit activity should also add value to the Council. Contingencies are provided in the plan to allow for such activities and review areas reprioritised based on risks. Details of the added value work have been reported to

¹ Line of business intelligence, application development, and application connectivity software applications

the Audit Committee throughout the year in the performance reports, headlines of which appear in **Table 2**.

8.14. Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.

An Annual Opinion on the Adequacy of the Council's Governance Arrangements

8.15. When considering an annual audit opinion, it should be noted that assurances given can never be absolute. The Internal Audit service can however provide the Council with a level of assurance as to whether there are any major weaknesses to be found in risk management, governance and control processes, **Table 7 shows opinion criteria**.

8.16. The matters raised in this report are only those which came to Internal Audit's attention during its internal audit work and are not necessarily a comprehensive statement of all the strengths or weaknesses that exist, or of all the improvements that may be required.

8.17. In arriving at her opinion, the Head of Audit has taken the following matters into account:

- Results of all audits undertaken during the year ended 31 March 2022;
- Results of Corporate Governance review (reasonable assurance) and Risk Management (reasonable assurance);
- Results of fundamental audit reviews, self-assessments and their direction of travel; **Appendix A, Table 3**.
- Implementation of recommendations of a fundamental nature;
- Assurance levels provided and their direction of travel, and those of the recommendation ratings, compared against the risk appetite of the Council;
- Fundamental recommendations not accepted by management and the consequent risks;
- Effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee and/or Council;
- If any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed which may have impinged on Internal Audit's ability to meet the full internal audit needs of the Council; and
- Proportion of the Council's internal audit needs that have been covered to date.

8.18. Further consideration of the assurance levels of completed audits shows:

- i. The plan continued to flex to respond to changes to the risk environment including adjustments in response to COVID requirements, these were approved in September 2021 and February 2022 by Audit Committee. The revised planned work alongside other audit activity has helped provide the appropriate assurance to the Council. Some of the other areas contributing to the opinion appear in **Appendix A, Table 2.**
- ii. Auditors continued to provide support to pandemic activities, which provided a level of assurance. The service also assessed the Council against the Institute of Internal Auditors (IIA) Covid Assessment which provided assurances on Policy development; communication; technology; customers; supply and transportation. Recovery plans were well underway and the lessons learnt from the processes undergone have informed future responses and improved the speed at which the Council could mobilise in such situations if required going forward.
- iii. In some areas, it is acknowledged that services continued to be focused on delivering a response to COVID initiatives, suffered high level of absences and therefore the improvements required to systems were paused. This included some key fundamental financial systems. Several key system audit reviews have been conducted in year and will inform the opinion and some are in draft early 2022/23 that will contribute too; Appendix A, Table 3.
- iv. Where Internal Audit resources have been deployed to support service areas responding to the pandemic, a level of assurance can be taken from the knowledge gained in working within these areas and whilst not independently tested, professional judgement is applied in these unprecedented times and able to reflect on several governance, internal control and risk management issues. Areas are identified in the Appendix and some of the details are expanded below:

Governance

The Head of Audit was the Vice Chair of the Business Continuity Group and support to Business Continuity Team. This has provided a level of confidence in:

- Strategic planning, kept up to date with the Council's response to the pandemic, flooding, closure of Shirehall and other emergency incidents and the associated governance processes.
- Links with partners, volunteers and the community in delivering COVID initiatives.
- Director's decision making, evidence of timely escalation of issues that need addressing.

- Inclusion of all service areas in delivering services and responding to the pandemic.
- Regular meetings with the s151 Officer and Monitoring Officer to understand responses in the current climate.
- Health and safety issues considered and addressed for the work force and wider public.
- Formal virtual meetings established for Member committees.
- IIA Covid assessment.

Resources

- Live reporting on absences, staff resources, capacity, redeployment and secondment processes.
- Provision of data analytics to improve the quality of system data.
- Reconciliation of leave data on payroll systems to manager returns to inform and improve the process.
- Council tax energy support grant processes.
- Household support grants.

People

- Covid Test and Trace grants awarded to people told to self-isolate.
- Covid PPE procurement and allocation.
- Adult Social Care COVID grants.
- Ukrainian homes grant processes.
- Troubled families grant ensuring support is targeted at preventative multi agency work.
- Good Ofsted report received.

Place

- Grants to businesses facing difficulties required extensive and ongoing validation of financial and business checks prior to payment and ongoing counter fraud data matching through the National Fraud Initiative.
- Covid travel demand management grant.

Auditees respected and appreciated the flexibility with which the Team delivered Audit activity during the year whilst maintaining our independence and objectivity.

- v. There are concerns that some of the unsatisfactory assurances are repeat offenders and whilst it is recognised that complex areas take time to turn around, there has been a focus on addressing these by escalating to Executive Directors for appropriate action. The Refocus Programme has not been reviewed since its focus is being realigned once the new Target Operating Model is established in mid-2022.

- vi. Cyber security is key, and the Council's reliance on digital systems significant. Audit reviews in these areas have identified areas of risk that require investment in the control environment. The Service area has seen changes at senior level and the recruitment to key posts is underway and should strengthen delivery going forward. In addition, an updated 2022 Digital Strategy is currently being drafted. Once finalised and published it will direct resources to priorities for the coming years.
 - vii. Given the overall proportion of assurance levels of key systems and delays in delivering improved controls (some of which were fundamental and significant) due to the impact of COVID activity, the level of assurance the Head of Audit can provide to the Council is impacted upon.
 - viii. It is planned to revisit unsatisfactory audits and fundamental recommendations in 2022/23.
- 8.19. When considering the points above, the Head of Audit can offer limited assurance for 2021/22 in her year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively.
- 8.20. All assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

Based on the Internal Audit work, support to the Council in responding to the COVID pandemic and management responses received; I can offer limited assurance for the 2020/21 year on the Council's framework for governance, risk management and internal control. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon my opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income

and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.

8.21. Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, benchmarking the service against others in the sector and evaluating improvements made over the previous twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee’s delivery of its responsibilities and feedback gained from customer satisfaction surveys.

Aspect of measure	Target 2021/22	Actual 2021/22
Percentage of revised plan delivered	90%	97%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	%

8.22. Internal Audit employ a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting audit assignments. All work has been performed in accordance with PSIAS. To ensure the quality of the work performed, a programme of quality measures is used, which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers and partners;
- Receipt of formal feedback from managers to audit findings and recommendations;
- Follow up reviews for reports attracting low assurance levels and recommendation follow up processes;
- The use of satisfaction surveys for each completed assignment;
- Annual appraisal of audit staff and the development of personal development and training plans;
- The maintenance of guidance and procedures.

- 8.23. There have been no instances during the year which have impacted on Internal Audit's independence and/or have led to any declarations of interest.
- 8.24. An annual review of Internal Audit is conducted in the form of a self-assessment and conformed compliance with the Public Sector Internal Audit Standards. The self-assessment forms part of another report on this agenda: 'Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2021/22. In addition, an external assessment conducted by CIPFA and reported on to a February 2022 meeting of this Committee demonstrated compliance with the PSIAS, the external assessment will be repeated in five years' time. The team was also shortlisted early 2022 by the Institute of Internal Auditors for two awards: Outstanding Internal Audit Team in the Public Sector and Inspirational Leader, the results of which will be known by the Committee date.
- 8.25. Internal Audit recognises the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. The Service continually focuses on delivering high quality audit to clients – seeking opportunities to improve where possible.
- Commitment to quality begins with ensuring that appropriately skilled and experienced people are recruited and developed to undertake audits.
 - Audit practice includes ongoing quality reviews for all assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
 - A Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. The quality of audits is evidenced through performance and delivery, feedback from our clients and an annual self-assessment.
 - There is a financial commitment for training and developing staff. Training provision is reviewed continually through the appraisal process and regular meetings with individual auditors. Individual training programmes are developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.
- 8.26. Customers are asked for feedback on their audit experience and quality of the service after most reviews. This helps to ensure that audit work meets client expectations and that quality is maintained. The percentages of excellent and good responses for the last three years are detailed in **Appendix A, Table 8** and remain above our target, but we

are not complacent. The percentage of customers scoring the service as high or excellent has increased slightly (92 to 94%). Where individual ratings are low, or showing a downward trend, we do value the opportunity to explore the reasons for these with our customer to identify the key issues and improve where appropriate and possible.

- 8.27. During the last year several compliments and comments have been received in respect of the service from both questionnaires and directly, a selection of these appears at **Appendix A, Table 9**. Most comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with clients and making the client comfortable and the process as easy as possible whilst still delivering the service. All other comments are followed up with the author to identify where lessons can be learnt and improvements made.
- 8.28. All Internal Audit work has been completed in accordance with the agreed plan and the outcomes of final reports have been reported to the Audit Committee.

Review of the effectiveness of Internal Audit work by the Audit Committee

- 8.29. The Council had a well-established Audit Committee in place which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members received regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates.
- 8.30. The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.
- 8.31. The Council's Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a few reports, an example is the Highways Term Maintenance Contracts.

9. Conclusions

- 9.1. The Internal Audit Service has completed enough independent activity for the Head of Audit to provide an annual opinion on the adequacy of the Council's framework for governance, risk management and internal control, the overall opinion is limited.

9.2. Information on the performance of Internal Audit demonstrates compliance with the PSIAS and no areas of significant concern.

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

Draft Internal Audit Risk Based Plan 2021/22 - Audit Committee 4th March 2021

Internal Audit Performance and Revised Annual Audit Plan 2021/22 – Audit Committee 16th September 2021

Internal Audit Performance and Revised Annual Audit Plan 2021/22 – Audit Committee 22nd February 2022

Public Sector Internal Audit Standards (PSIAS).

PSIAS External Assessment.

Audit management system.

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

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of the Audit Committee

Local Member

All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 2021/22

Table 2: Final audit report assurance opinions issued in 2021/22

Table 3: Audit opinions made on fundamental systems 2021/22

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Recommendation follow up process (risk based)

Table 7: The principles and assurance criteria applied to the Head of Audit's opinion

Table 8: Customer Feedback Survey Forms

Table 9: Summary of compliments and comments 2021/22

Appendix B - Audit plan by service – annual report 2021/22

APPENDIX A

Table 1: Summary of actual audit days delivered against plan 2021/22

	Original Plan	Revised Plan	31 st March 2022 Actual	% of Original Complete	% of Revised Complete
Chief Executive	36	19	15.7	44%	83%
Resources	769	522	454.6	59%	87%
Finance	512	315	270.1	53%	86%
Workforce and Development	68	52	45.4	67%	87%
Business Intelligence	189	155	139.0	74%	90%
Legal and Democratic	0	0	0.1	0%	0%
People	285	201	203.9	72%	101%
Adult Social Care	95	77	76.3	80%	99%
Public Health	19	0	0.0	0%	0%
Public Protection	8	10	9.8	123%	98%
Bereavement	38	16	15.9	42%	99%
Children's Services	83	23	22.0	27%	96%
Schools	42	75	79.9	190%	107%
Place	195	226	210.7	108%	93%
S151 Planned Audit	1,285	968	884.9	69%	91%
Contingencies and other chargeable work	493	483	543.3	110%	112%
Total S151 Audit	1,778	1,451	1,428.2	80%	98%
External Clients	222	257	227.0	102%	88%
Total	2,000	1,708	1,655.2	83%	97%

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

Table 2: Final audit report assurance opinions issued in 2021/22

Summary

Audits 2021 / 22	Assurance	%	Direction of travel ²
7	Good	15	↓
23	Reasonable	49	↑
30	Sub total	64	↑
9	Limited	19	↑
8	Unsatisfactory	17	↓
17	Sub total	36	↑
47	Overall total	100	

Audits 2020 / 21	%	Audits 2019 / 20	%
11	21	11	15
19	36	35	49
30	57	46	64
15	28	16	22
8	15	10	14
23	43	26	36
53	100	72	100

Full details

	Audit	Assurance
1	CM2000 Decommissioning ³	Good
2	Supporting Families Grant	Good
3	Housing Provision - Development Cornovii	Good
4	Covid Test and Trace Grants	Good
5	National Non Domestic Rates	Good
6	Covid PPE ⁴ procurement and allocation	Good
7	Equitrac print management solution	Good
8	Corporate Governance 2020/21	Reasonable
9	Corporate Governance 2021/22	Reasonable
10	Parking Cash Collection 2020/21	Reasonable
11	Appointeeships and Deputyships	Reasonable
12	ASC ⁵ Management Controls Audit (Safeguarding)	Reasonable
13	Adult Social Care Assessments	Reasonable
14	Controcc Application	Reasonable
15	Trinity Primary School	Reasonable
16	Housing Strategy	Reasonable
17	Smallholdings Estate	Reasonable
18	Local Transport Plan	Reasonable
19	Shirehall Reconfiguration and Maintenance	Reasonable

² Based on percentages

³ Care management software

⁴ Personal protective equipment

⁵ Adult Social Care

	Audit	Assurance
20	Comino ⁶ Application 2020/21	Reasonable
21	Adobe Sign	Reasonable
22	Procurement Arrangements	Reasonable
23	Council Tax Collection	Reasonable
24	Income Collection	Reasonable
25	Apprenticeship Levy 2020/21	Reasonable
26	Risk Management	Reasonable
27	Digital Mailroom Project	Reasonable
28	Information Technology Change Management	Reasonable
29	Patch Management 2021/22	Reasonable
30	Members Allowances 2020/21	Reasonable
31	Deferred Payments	Limited
32	Bishops Castle Community College	Limited
33	Repurposing Project Pride Hill 2020/21	Limited
34	Highways Term Maintenance - Kier Contract	Limited
35	Encryption 2020/21	Limited
36	Microsoft Dynamics Customer Relationship Application	Limited
37	Information Security Management	Limited
38	Information Technology Code of Practice	Limited
39	Legacy Infrastructure and Systems	Limited
40	Brockton Primary School	Unsatisfactory (FR) ⁷
41	Tree Safety 2020/21	Unsatisfactory (FR)
42	Registrars Service - Income Collection	Unsatisfactory
43	Dog Warden's Follow Up	Unsatisfactory (FR)
44	The Lantern	Unsatisfactory
45	Internet Security 2020/21	Unsatisfactory (2FR)
46	Information Technology Business Administration Follow-up	Unsatisfactory (FR)
47	Microsoft Management Arrangements	Unsatisfactory (FR)

	Other areas contributing to the opinion	
1	Compliance and Enforcement Surge Funding Grant	Grant
2	Covid Travel Demand Management Grant	Grant
3	Building Digital UK Grant	Grant
4	Local Transport Bus Services Operating Grant	Grant
5	Department for Transport Asset Funding	Grant
6	Cash Collection Review	Consultancy
7	Institute of Internal Auditors Covid Assessment	Consultancy
8	Purchase to Pay Outstanding Order Balances	Consultancy
9	Adult Social Care Covid Grants	Consultancy

⁶ Electronic Document and Records Management System

⁷ FR with fundamental recommendation

	Other areas contributing to the opinion	
10	Counter Fraud Pilot	Consultancy
11	Feedback and Insight Team Health check	Consultancy
12	Environmental Management System Replacement Project	Consultancy
13	National Fraud Initiative	Consultancy
14	Payroll Data Analytics	Consultancy
15	Refocus Programme	Consultancy
16	Schools Financial Value Standard	Consultancy
17	Schools Self Assessments	Consultancy
18	Shirehall System Security Project	Consultancy
19	Community Asset Grants	Consultancy
20	Hire Serve Recruitment Process	Consultancy
21	Purchase to Pay Data Analytics	Consultancy
22	Power Platform	Consultancy
23	Shropshire Council Land Transfers	Consultancy
24	Access Control Data Analytics	Consultancy
25	Fix My Street Project	Consultancy
26	Flexi route Implementation Project	Consultancy
27	Information Technology (IT) Governance, Head of IT Recruitment and IT update Meetings	Consultancy
28	Local Government Service Action Plan	Consultancy
29	Cyber Strategic Risk Consultancy	Consultancy
30	Microsoft Defender security software replacement	Consultancy
31	ISIGIT ⁸ Meetings	Consultancy
32	Digital Skills Programme - Grant Funding Process	Consultancy
33	Duplicate Payments - Fiscal/IDEA ⁹	Consultancy
34	Social Value Fund	Consultancy
35	Adoption of New IT Systems Gateway	Consultancy
36	Application Development Management Arrangements 2021/22	Consultancy
37	Digital Strategy 2022/25 Consultancy	Consultancy
38	Intelligent-I ¹⁰ 2021/22	Consultancy
39	IT Service Delivery Management and Control 2021/22	Consultancy
40	Phishing Awareness testing	Consultancy
41	Dog Wardens Follow Up Testing	Consultancy
42	Council Tax Energy Support Grant 2021/22	Consultancy
43	Household Support Grant	Consultancy
44	Pontesbury Project Individual Service Funds	Consultancy
45	ResourceLink ¹¹ Advice	Consultancy
46	Schools Cyber Security	Consultancy
47	Spear Phishing Cyber response	Consultancy

⁸ Information Systems, Information Governance and IT

⁹ Computer audit assisted software tools

¹⁰ Data reporting facility

¹¹ Payroll and Human Resources software

Other areas contributing to the opinion		
48	Ukrainian Homes Grant	Consultancy

Key

Text in blue	High risk from an audit perspective
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Table 3: Audit opinions made on fundamental systems

Fundamental system	Direction of travel	Level of assurance given
Corporate Governance 21/22	=	Reasonable
Business Rates (NDR)	=	Good
Council Tax	=	Reasonable
Income	=	Reasonable
General Ledger (Draft as at 31/03/22)	=	Limited
Periodic Income (Draft as at 31/03/22)	↑	Reasonable
Risk Management	↓	Reasonable
Payroll (Drafted after 1/4/22)		TBC ¹²
Purchase Ledger (Drafted after 1/4/22)		TBC

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.

¹² To be confirmed at Committee

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: 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 time frame 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.

Table 7: The principles and assurance criteria applied to the Head of Audit’s opinion:

Principles applied to the opinion:

1. Authentic: Opinions are fair, reliable and honest
2. Transparent: Opinions are qualified with evidence or professional judgement
3. Strategic: Macro level information without undue detail
4. Insightful: Information is engaging and generates discussion
5. Resolute: Opinion is delivered with courage and conviction

Assurance criteria applied:

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

Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
	Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk.	
Disclaimer	An opinion cannot be issued because insufficient internal audit work has been completed due to either: -restrictions in the agreed audit programme, which means that audit work would not provide enough evidence to conclude on the adequacy and effectiveness of governance, risk management and control, or - unable to complete enough reviews and gather enough evidence to conclude on the adequacy of arrangements for governance, risk management and control.	Qualified

** Indicators refer not only to Internal Audit reviews, but wider assurance providers and intelligence from across the business that is evidenced, an example would be peer reviews.

Table 8: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2019 / 2020	2020 / 2021	2021/22	Direction of Travel
Pre-audit arrangements	85%	88%	85%	↓
Post-audit briefing	84%	88%	86%	↓
Audit coverage/scope of the audit	84%	82%	89%	↑
Timeliness of production of report	86%	91%	90%	↓
Accuracy and clarity of report	85%	88%	88%	↔
Practicality of recommendations	80%	79%	84%	↑
Professionalism of approach	94%	93%	98%	↑
Communication skills	95%	93%	99%	↑

Item Being Scored	2019 / 2020	2020 / 2021	2021/22	Direction of Travel
Timeliness, competence, manner	86%	85%	88%	↑
Number of forms returned	44	47	34	
% of forms scored as excellent and good	95%	92%	94%	↑

Table 9: Summary of compliments and comments 2021/22¹³

IT Application: The audit was communicated very well and I would like to thank x for being understanding when we needed some flexibility around the audit deadline – which was due to workload pressures with Covid.

It was extremely pleasing that the Auditor had recognised improvement since the previous audit as we have worked hard to rectify previous issues.

I have found this audit extremely useful. Having had a very pressured year I was aware that there were improvements to be made around change management and have been unable to find the time to focus on a review. The audit has helped to clarify where and provide useful recommendations as to what improvements can be and should be made.

A helpful report.

This was a reassuring process and has provided helpful clarity from an independent perspective on the governance of the Company. It was also appreciated that Audit noted the work that had already been initiated in this regard, and took it fully into account, saving time and effort by avoiding duplication.

The audit that was carried out was done very well. I was made to feel comfortable with the evidence gathering and most of this was done via teams in a live environment. We captured most data and evidence gathering in a single session, answering most of the detail needed. Once reviewed, the follow up queries came very soon after the evidence was gathered. This made the process easy to refer to the previous session.

Just a note that we particularly appreciated the way that the main information/documentation required for the audit was requested in one e-mail prior to the audit, keeping requests during the audit to a minimum i.e. generally just follow up questions. As a result the audit ran very smoothly during what is a very busy time for us. Communication during the audit was also excellent, with

¹³ Depersonalised for public reporting

a TEAMS meeting at the commencement and completion of the audit and regular updates on the status of the audit during the audit.

The Auditor's approach, support and communication throughout the audit must be commended. I would also add that she took the time to explain her findings and recommendations in detail prior to issuing the report for the required action plan, so thank you.

Very good piece of work and valuable contribution from the Auditor.

We were happy with the audit process, the professionalism of the Auditor, the considerate and practical nature of the recommendations. Last year's audit has helped us tremendously in reviewing our processes and supporting the delivery of our regional improvement programme. It has also assisted in enhancing our reputation with regional and national partners whom we rely upon for funding and to assist us influencing the national adult social care policy agenda. Thanks for your input again this year and helping to set us on further journey to improve our 'control environment' further.

Can I just say a very big personal thank you to Audit services, in particular for your work this year supporting us through the audit process. The volume of audits as we know can cause us issues and the assistance and forbearance shown as we navigate the programme is much appreciated. Real value to the business is derived as we are challenged to improve our controls and processes and we always take them as an opportunity to be better. I would also say that the Auditor has been very supportive of the Information Governance work and makes a significant contribution to keeping me sane throughout the year.

Whilst the audit was aimed at ICT, a lot of the recommendations have wider implications for the Council as a whole. Either as a cause of some of the difficulties, or as a need to help design solutions to issues and provide necessary resourcing.

Coronavirus had an impact on carrying out the audit because the auditor was called away to other duties as part of the Council's response to the pandemic. This was not a fault of the audit process itself and just an unfortunate consequence of the virus.

We had an exchange before the review about whether this was a review or an audit. A lesson for me as much as anything on the importance of handling what can be sensitive exchanges on matters like this, as there were issues of engagement early on from parties who were concerned at how the review would be conducted, how findings and information would be shared, etc. It's worth thinking about this from the outset to ensure that full cooperation is provided and there is no risk of confusion as to the status of the work undertaken, or how it may be shared or applied.

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2021/22

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE							
Governance	36	-6	-11	19	15.7	44%	83%
CHIEF EXECUTIVE	36	-6	-11	19	15.7	44%	83%
RESOURCES							
Finance							
Finance Transactions	66	1	2	69	42.9	65%	62%
Finance and S151 Officer	265	-108	-45	112	102.9	39%	92%
Financial Management	88	-45	-10	33	24.5	28%	74%
Procurement	48	4	-5	47	45.0	94%	96%
Revenues and Benefits	45	6	2	53	53.3	118%	101%
Treasury	0	1	0	1	1.5	0%	150%
	512	-141	-56	315	270.1	53%	86%
Workforce and Development							
Risk Management and Insurance	7	2	2	11	12.1	173%	110%
Human Resources	56	-5	-15	36	28.1	50%	78%
Occupational Health and Safety	5	0	0	5	5.2	104%	104%
	68	-3	-13	52	45.4	67%	87%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
Business Intelligence							
Corporate Performance Management	0	20	0	20	19.9	0%	100%
ICT	171	-14	-40	117	108.4	63%	93%
Information Governance	18	0	0	18	10.7	59%	59%
	189	6	-40	155	139.0	74%	90%
Legal and Democratic							
Committee Services	0	0	0	0	0.1	0%	0%
RESOURCES	769	-138	-109	522	454.6	59%	87%
PEOPLE							
Adult Social Care							
Social Care Operations	73	-32	3	44	42.5	58%	97%
Social Care Efficiency and Improvement	22	11	0	33	33.8	154%	102%
	95	-21	3	77	76.3	80%	99%
Public Health	19	-12	-7	0	0.0	0%	0%
Public Protection							
Environmental Protection and Prevention	0	10	0	10	9.8	0%	98%
Community Safety	8	-8	0	0	0.0	0%	0%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
	8	2	0	10	9.8	123%	98%
Bereavement							
Bereavement	15	-15	0	0	0.0	0%	0%
Superintendent Registrar	23	0	-7	16	15.9	69%	99%
	38	-15	-7	16	15.9	42%	99%
Children's Safeguarding							
Children's Placement Services & Joint Adoption	40	-15	-25	0	0.6	2%	0%
Safeguarding	20	0	-6	14	13.2	66%	94%
	60	-15	-31	14	13.8	23%	99%
Learning, Employment and Training	8	-8	0	0	0.0	0%	0%
Learning and Skills							
Business Support	8	0	-7	1	0.8	10%	80%
Education Improvements	7	4	-3	8	7.4	106%	93%
Primary/Special Schools	32	1	23	56	61.2	191%	109%
Secondary Schools	10	0	9	19	18.7	187%	98%
	57	5	22	84	88.1	155%	105%
PEOPLE	285	-64	-20	201	203.9	72%	101%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
PLACE							
Business, Enterprise and Commercial Services							
Housing Services	13	-5	2	10	9.5	73%	95%
Property and Development	31	3	2	36	39.9	129%	111%
	44	-2	4	46	49.4	112%	107%
Economic Development							
Business Growth and Investment	13	7	-5	15	15.3	118%	102%
Environment and Sustainability	0	1	0	1	0.8	0%	80%
	13	8	-5	16	16.1	124%	101%
Infrastructure and Communities							
Highways	76	-13	23	86	81.9	108%	95%
Library Services	6	0	25	31	29.2	487%	94%
Public Transport	12	2	3	17	7.9	66%	46%
	94	-11	51	134	119.0	127%	89%
Culture and Heritage							
Theatre Severn and OMH	8	0	-8	0	0.0	0%	0%
Leisure Services	32	-6	4	30	26.2	82%	87%
Visitor Economy	4	0	-4	0	0.0	0%	0%
	44	-6	-8	30	26.2	60%	87%
PLACE	195	-11	42	226	210.7	108%	93%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
Total Shropshire Council Planned Work	1,285	-219	-98	968	884.9	69%	91%
CONTINGENCIES							
Advisory Contingency	60	-10	-15	35	39.3	66%	112%
Fraud Contingency	150	-20	-60	70	67.1	45%	96%
Unplanned Audit Contingency	50	-41	-9	0	0.0	0%	0%
Other non audit Chargeable Work	233	58	87	378	436.9	188%	116%
CONTINGENCIES	493	-13	3	483	543.3	110%	112%
Total for Shropshire	1,778	-232	-95	1,451	1,428.2	80%	98%
EXTERNAL CLIENTS	222	29	6	257	227.0	102%	88%
Total Chargeable	2,000	-203	-89	1,708	1,655.2	83%	97%



<u>Committee and Date</u>
Audit Committee
20 th July 2022
10:00 am

<u>Item</u>
<u>Public</u>

ANNUAL REVIEW OF INTERNAL AUDIT: QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

Responsible Officer

James Walton

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

1. Synopsis

This report confirms, following a self-assessment quality assurance review (QAIP) and an external assessment by Chartered Institute of Public Finance and Accountancy (CIPFA), that Internal Audit complies with the Public Sector Internal Audit Standards (PSIAS).

2. Executive Summary

- 2.1 The Accounts and Audit Regulations 2015 (5) require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 2.2 As part of the Service's Quality Assurance and Improvement Programme (QAIP), this report provides the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards. Compliance with these standards demonstrates an effective Internal Audit Service. Audit Committee is required to review this report and its findings.
- 2.3 This review should be read in conjunction with the Annual Internal Audit report, found elsewhere on this agenda. When read together the two reports demonstrate the effectiveness of internal audit. The update of the self-assessment has confirmed that the Council continues to operate an effective Internal Audit function. There are no areas where the Internal Audit function is not complying with the Code and, whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code.

- 2.4 The PSIAS also contain a requirement for an external assessment of the Internal Audit function once every five years. The Service presented the results of the 2022 assessment to the Committee in February and compliance was recorded. The next assessment is to be undertaken by 31st March 2027.

3. Decisions

The Committee is asked to consider and endorse, with appropriate comment,

- 3.1. The conclusion that the Council employs an effective internal audit to evaluate its risk management, control and governance processes that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to work towards continuing and full compliance where appropriate.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 The Accounts and Audit Regulations 2015 (section 5) require a relevant authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering PSIAS or guidance.
- 4.2 Under the PSIAS, Internal Audit's mission is, 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.' 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. Thereby providing assurances on the Council's internal control systems by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Internal Audit will also continue to align its work with the Strategic Risk Register.
- 4.3 The use of a consistent framework for internal audit across the UK public sector has benefits for both partnership working and for internal auditors who work across different parts of the public sector. The standards are designed to drive improvement and lead to better

public finance arrangements. Under 1310 of the PSIAS there is a requirement for Internal assessments which include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with enough knowledge of internal audit practices.

4.4 Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity and is incorporated into the routine policies and practices used to manage the activity. It uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

4.5 This Report provides Members with details of an annual assessment conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. It is completed by the Head of Audit and discussed with the Section 151 Officer before the results and improvement plan are reported to Audit Committee.

4.6 Under 1312 of the PSIAS there is a requirement for External assessments every five years which include:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

An independent external assessment must be completed by a body independent to the organisation qualified in the practice of internal auditing. Independence for these reviews is critical to ensure an objective external assessment will demonstrate to the Audit Committee compliance with the PSIAS and the improvement plan will show actions to close any gaps.

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

5. Financial Implications

5.1. The Internal Audit service is provided within approved budgets.

5.2. There may be a small cost to enable an external assessment of Internal Audit's conformance with the PSIAS. The Chairman, Section 151 Officer and the Head of Audit have delegated authority to consider the approach/scope of the assessment and agree this with an external assessor and report back to the Committee.

- 5.3. Funding for an external assessment will be met from an approved corporate budget

6. Climate Change Appraisal

- 6.1. Energy and Fuel Consumption – This report does not directly make decisions on energy and fuel consumption. Therefore, no effect.
- 6.2. Renewable Energy Generation – This report does not directly make decisions on renewable energy generation. Therefore, no effect.
- 6.3. Carbon offsetting or mitigation – This report does not directly make decisions on carbon offsetting or mitigation. Therefore, no effect.
- 6.4. Climate Change Adaption – This report does not directly make decisions on climate change adaption. Therefore, no effect.

7. Background

Internal QAIP

- 7.1. The Public Sector Internal Audit Standards (PSIAS) are mandatory for all principal local authorities as updated in 2017. They consist of:
- Mission of Internal Audit;
 - Definition of Internal Auditing;
 - Core Principles for the Professional Practice of Internal Auditing;
 - Code of Ethics; and
 - Standards for the Professional Practice of Internal Auditing.
- 7.2. The 'Mission' of Internal Audit is, 'to enhance and protect organisational value by providing risk based and objective assurance, advice and insight'. Internal Audit's effectiveness is demonstrated when the following principles are present and operating effectively.
- Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence
 - Aligns with the strategies, objectives, and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance
 - Is insightful, proactive and future focused
 - Promotes organisational improvement.

- 7.3. Internal Audit is reviewed using CIPFA's updated Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (April 2019) for compliance with the Standards, the results of which are summarised in **Appendix A**.
- 7.4. The PSIAS aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide the Executive Director of Resources (the Section 151 Officer) with the key assurances he needs in both managing the financial affairs of the Council and producing the annual governance statement.
- 7.5. In complying with the PSIAS, Shropshire Council can provide assurances to Internal Audit's external customers of the teams' professionalism, quality and effectiveness.
- 7.6. **Appendix A** provides an update against the previously approved improvement plan. Most standards are complied with totally. Where there are areas of partial conformance these are detailed below for members to consider further. Members should note that there are no new areas of none or partial compliance. Where further improvements have been identified in areas of compliance these, along with the actions outlined below, appear in the improvement plan within the appendix, to ensure continuing conformance to the standards.

Additional Information

Internal Assessment: Areas of potential non-conformance

- 7.7. There is no change to the areas of potential conflict from previous years, the details of which are repeated here:
- 7.8. **Code of Ethics - Objectivity Standard:** Do internal auditors display objectivity by not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?

Finding: It is important that internal audit is consulted during system, policy or procedure development. Auditors are assigned to business review projects where there is a possibility that internal control systems will be affected. This is an opportunity for internal audit to provide insight, add value and strengthen internal control arrangements. Where specific auditors have been involved in providing such advice, they will be excluded from carrying out the

audit as far as possible i.e. another auditor would be allocated to the audit. If this is not possible, it is felt the benefit of using the experience of developing controls and procedures outweighs concerns of independence and the review process will help to ensure that the review and report remain objective and evidenced based.

Where auditors have been involved in supporting service areas in response to COVID, different auditors will conduct any system reviews initially in these areas.

There is therefore **partial** conformance. This is not considered to be to the detriment of the principles of auditing and the independent review process helps to mitigate any risks, therefore no actions are proposed.

- 7.9. **1100 Independence and Objectivity Standard:** Does the Chief Audit Executive (CAE) confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples **can be** used by the CAE when assessing the organisational independence of the internal audit activity: The board:

Approves the internal audit budget and resources plan.

Finding: It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan and to report any concerns to the Audit Committee.

Approves decisions relating to the appointment and removal of the CAE

Finding: It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan, including the appointment and removal of the CAE, and to report any concerns to the Audit Committee.

Therefore, **partial** conformance: Governance requirements in the UK public sector would not generally involve the board specifically approving the CAE's remuneration. The underlying principle is that the independence of the CAE is safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subjected to audit. In the UK public sector, CIPFA advise that this can be achieved by ensuring that the Chief Executive (or equivalent) undertakes, countersigns, reviews or contributes feedback to the performance appraisal of the CAE and

that feedback is also sought from the Chair of the Audit Committee, this is completed for Shropshire Council.

The Section 151 Officer also seeks, as he deems appropriate, opinions from the Chairs of externally serviced Audit Committees and their key officers on the Head of Audit’s performance for use in her appraisal.

7.10. The above are not considered significant variations in respect of the principles of the PSIAS to require specific mention in the Annual Governance statement and this has been supported by the findings of the external QAIP reported below.

External QAIP

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000	Fully Conforms
Attribute standard 1100	Fully Conforms
Attribute standard 1200	Fully Conforms
Attribute standard 1300	Fully Conforms
Performance standard 2000	Fully Conforms
Performance standard 2100	Fully Conforms
Performance standard 2200	Fully Conforms
Performance standard 2300	Fully Conforms
Performance standard 2400	Fully Conforms
Performance standard 2500	Fully Conforms
Performance standard 2600	Fully Conforms

7.11. The most recent external assessment was conducted by CIPFA and reported to the February 2022 Audit Committee. The service was found to conform fully with all requirements.

7.12. Procurement for the assessment was completed in accordance with contract rules through quotations. The assessment was delivered and full conformance reported. In addition CIPFA noted good

practice and actions that would benefit any modern internal audit function.

- 7.13. An advisory action to explore the merits of the 'Smartanalyser' add on tool for IDEA was made and responded to. In addition, the assessor asked if it was acceptable to the Head of Audit, to put another Audit service in touch with them where the service is in its infancy and looking for best practice and support from a well-established one. This was agreed and initial contact made by officers from a newly formed Unitary Council.

8. Conclusions

- 8.1. Following an updated self-assessment, and an external assessment by CIPFA it is confirmed that Shropshire Council's Internal Audit Service's self-assessment is accurate and the Internal Audit Service fully conforms to the requirements of the PSIAS and CIPFA's Local Government Application Note.

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
- Local government application notes for the UK Public Sector Internal Audit Standards CIPFA 2019
- Completed Conformance Checklist 2022/23 and supporting evidence
- Internal Audit Quality Assurance Improvement Programme – External assessment report, Audit Committee, February 2022.

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member

N/A

Appendices

Appendix A: Public Sector Internal Audit Standards conformance assessment and improvement plan

Appendix A

Public Sector Internal Audit Standards conformance assessment and improvement plan July 2022

Standard	Conform	Observations and actions proposed
Mission	Yes	
Definition of Internal Audit		
Code of Ethics		
Integrity		4.1 Plan ongoing compliance updates with PSIAS at team meetings. Quarterly Head of Audit
Objectivity	Partially	Internal audit is consulted during system, policy or procedure development. Auditors have been assigned to business review projects where there is a possibility that internal control systems will be affected. This is an opportunity for internal audit to add value and strengthen internal control arrangements. Where specific auditors have been involved in providing system advice, they will be excluded from carrying out the audit as far as possible i.e. another auditor would be allocated to the audit. If this is not possible, it is felt the benefit of using the experience of developing controls and procedures outweighs concerns of independence and the review process will help to ensure that the review and report remain objective and evidenced based. Where auditors have been involved in supporting service areas in response to COVID, different auditors will conduct any system reviews initially in these areas.
Confidentiality		4.3 Ensure all filing conforms with retention guidelines. 4.3 Review Audit manual documents and contents are up to date Ongoing Principal Auditors

Standard	Conform	Observations and actions proposed
Competency		4.4 Set dates for appraisals. Autumn 2022 Principal Auditors
Attribute Standards		
1100 Independence and Objectivity		
1110 Organisational Independence	Partially	It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan; including the appointment and removal of the CAE and to report any concerns to the Audit Committee.
1111 Direct Interaction with the Board		
1120 Individual Objectivity		
1130 Impairment to Independence or Objectivity		
1210 Proficiency		5.3.8 Ongoing continuous development of IT skills across the audit team and move the type of audit review conducted by auditors to a more technical one to reflect digital transformation plans and to reflect new systems. March 2022 Principal Auditor (IT) 5.3.9 Continue to embed the data analytics approach to appropriate audits March 2023 Principal Auditor
1220 Due Professional Care		

Standard	Conform	Observations and actions proposed
1230 Continuing Professional Development		
1300 Quality Assurance and Improvement Programme		5.4.1.1 Ongoing review of the Audit manual and the quality review processes to ensure complete compliance with the standards and suitable guidance for staff. March 2023 Head of Audit 5.4.1.2 Complete this assessment and continue to report to Audit Committee annually along with a high-level improvement programme. June 2023 Principal Auditor
1310 Requirements of the Quality Assurance and Improvement Programme		
1311 Internal Assessments		
1312 External Assessments		
1320 Reporting on the Quality Assurance and Improvement Programme		
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'		5.4.25 Report outcome of this assessment to June Audit Committee on compliance with the standards and a resulting QIAP. June 2023 Head of Audit
1322 Disclosure of Non-conformance		

Standard	Conform	Observations and actions proposed
2000 Managing the Internal Audit Activity		
2010 Planning		
2020 Communication and Approval		
2030 Resource Management		
2040 Policies and Procedures		6.1.25 Continue to review policies and procedures March 2023 Head of Audit
2050 Coordination		
2060 Reporting to Senior Management and the Board		6.1.30 Continue to ensure senior managers are informed of changes in the internal control environment. Quarterly throughout the year Head of Audit
2070 External Service Provider and Organisational Responsibility for Internal Auditing		
2110 Governance		
2120 Risk Management		6.2.6.Refresh risk assessments throughout the year As risks change Head of Audit
2130 Control		
2210 Engagement Objectives		
2220 Engagement Scope		
2230 Engagement Resource Allocation		

Standard	Conform	Observations and actions proposed
2240 Engagement Work Programme		
2300 Performing the Engagement		
2310 Identifying Information		
2320 Analysis and Evaluation		
2330 Documenting Information		
2340 Engagement Supervision		
2410 Criteria for Communicating		
2420 Quality of Communications		
2421 Errors and Omissions		
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'		
2431 Engagement Disclosure of Non-conformance		
2440 Disseminating Results		
2450 Overall Opinion		

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<u>Committee and Date</u>
Audit Committee
20 th July 2022
10:00 am

<u>Item</u>
Public

Annual Governance Statement (AGS) and a review of the effectiveness of the Council's Internal Controls and Shropshire Council's Code of Corporate Governance 2021/22

Responsible Officer James Walton
 e-mail: James.walton@shropshire.gov.uk Tel: 01743 255011

1. Summary

1.1. The Council is required to produce an Annual Governance Statement to accompany the Accounts, signed off by the CEO and Leader. The AGS is written as an open and honest reflection of the Council's governance challenges. It identifies areas for improvement in an action plan.

2. Executive Summary

2.1. Shropshire Council is committed to the principles of good corporate governance. It is required, under the Accounts and Audit Regulations 2015, Regulation 6, to produce an Annual Governance Statement (AGS) to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Head of Paid Service. This statement should be considered after a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations.

2.2. As part of the review of the effectiveness of the Council's system of internal controls, Shropshire Council's Code of Corporate Governance has been examined, the results of which have informed the AGS. The Code is compiled based on guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) and identifies how the Council achieved reasonable corporate governance in 2021/22.

2.3. Members are asked to consider the Annual Governance Statement and the basis on which it has been compiled, and comment on the process and its contents. This will help ensure that it remains a true reflection of the internal controls of the Council for 2021/22.

3. Recommendations

- 3.1 The Committee is asked to consider, with appropriate comment, the Annual Governance Statement 2021/22 at **Appendix A**.
- 3.2 The Committee is asked to receive and comment on the Internal Audit conclusion that the Council has reasonable evidence of compliance with the Code of Corporate Governance. The detailed code, incorporating evidence, is contained in **Appendix B**.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 Risk management is part of the overall arrangements for internal control and contributes to the Council's position of strong governance. Corporate Governance is part of the overall internal control framework and contributes to the Council's strong governance arrangements. The AGS has been drafted based on information contained in the risk register alongside data from assurance statements and officer review groups. The strategic risk register is regularly monitored and updated by senior managers and is a useful, up to date tool to identify governance issues. Consequently, this creates a clear link between the AGS, the strategic risk register, business planning and performance.
- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 4.3 There are no environmental consequences of this proposal and consultation has been used to inform the Annual Governance Statement and review of the Code of Corporate Governance by seeking assurances and evidence from senior officers as to the effectiveness of internal controls and governance processes.

5. Financial Implications

- 5.1 Currently there are no financial implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.
- 5.2 By maintaining a system of good governance and managing and mitigating risks where practicable Shropshire Council can ensure that it gets the best value from its assets. The AGS also has a focus on value for money outcomes.

6. Climate Change Appraisal

6.1. The AGS recognises the impact of decisions on the climate and the need to reverse policies to reduce emissions in the climate. There are distinct activities allocated to the Executive Director of Place to consider the impact of key decisions and target management of such issues in line with the Council's Climate Change Strategy.

7. Background

- 7.1. Shropshire Council is required to prepare an Annual Governance Statement (AGS), **Appendix A**. The AGS is an accountability statement from the Council to stakeholders on how well it has delivered on governance over the course of the previous year. The Council demonstrates how it complies with the principles of corporate governance set out in the CIPFA and Solace governance framework; *Delivering Good Governance in Local Government: Framework*, April 2016, containing seven governance principles. Whilst CIPFA has not established any 'set text' for authorities to use in acknowledging their responsibility for the governance framework, by adopting the framework, the Council ensures that its governance arrangements accord with best practice.
- 7.2. The framework is a discretionary code against which the Council is judged. In addition to the Council acknowledging its responsibility for ensuring governance is effective, the AGS should:
- focus on outcomes and value for money;
 - evaluate against the local code and principles;
 - be in an open and readable style;
 - include an opinion on whether arrangements are fit for purpose;
 - include identification of significant governance issues and an action plan to address them;
 - be signed by the chief executive and leading member in a council.
- 7.3 The framework also requires a section to be included in the AGS that accounts for actions taken in the year to address the significant governance issues identified in the previous year's AGS. This has been integrated within each of the relevant principles and the completed Action Plan is attached as **Appendix C**.
- 7.4 The Audit Committee play a very valuable role in the development of the AGS and in the finished look of the statement. The Committee's terms of reference include a requirement to review and report on the adequacy of the Council's Corporate Governance arrangements. Compliance with the Code helps to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

- 7.5 This report looks at those governance arrangements in place for last year to enable the Audit Committee to deliver its year end assurance report. The Committee should also understand the process that has been undertaken to review governance and so should be able to see how the conclusions in the AGS have been arrived at. There should be no real surprises for the Committee allowing it to provide a valuable reality check for the Statement.
- 7.6 The Committee can send an important message about the value and importance of the AGS, which will assist those providing assurance to support its conclusions. Once the AGS has been received and commented upon, the Committee can review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for governance improvements.
- 7.7 Shropshire Council's Code of Corporate Governance, which forms part of the Constitution, is based on the seven core principles referred to in the CIPFA framework:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - B. Ensuring openness and comprehensive stakeholder engagement.
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and strong public financial management.
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 7.8 The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit independently reviews the governance process. In conducting the review, evidence is collated from prime documents and, following discussions with and statements from key officers, this information is compared to known results of Internal Audit reviews. The assurance is then circulated publicly through Audit Committee which allows for further member and officer challenge. The results of this review are included in the Head of Audit's annual report and

will form part of the overall assurance for the Annual Governance Statement.

- 7.9 On a practical basis, the Code contains a corporate governance map defining our framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire. This is felt to be a very useful way of illustrating how the Council achieves good corporate governance.
- 7.10 The Council's formally adopted Code of Corporate Governance is compliant with CIPFA/SOLACE guidance. The Code was reviewed by Internal Audit to determine whether the Council complied with the approved Code of Corporate Governance and is assessed as Reasonable; the evidence in **Appendix B** demonstrates in the areas examined there is generally a sound system of control but there is evidence of non-compliance with some of the controls, these have been escalated to senior management.
- 7.11 The Annual Governance Statement, **Appendix A**, is meaningful and written as an open and honest reflection of the Council's governance and current challenges. It identifies areas for improvement in an action plan and explains how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015. It is structured to reflect each of the principles in turn. Compliance with the Council's existing Code of Corporate Governance has been reviewed and assessed and is reported in **Appendix B**. Significant Governance Issues are identified within the AGS for targeted improvement activities with identified lead officers and time frames and the ongoing impact of COVID19 is considered in the contents.
- 7.12 The Annual Governance Statement is a key corporate document with the Chief Executive (CEO and Head of Paid Service) and the Leader having joint responsibility as signatories for its accuracy and completeness. It is also important that all other senior officers provide assurances to the process. As a corporate document which is owned by all senior officers and members, the preparation of the Annual Governance Statement is overseen and approved by executive directors supported by senior management.
- 7.13 In compiling the Annual Governance Statement, a review of the effectiveness of the Council's systems of internal controls, as required by the Accounts and Audit Regulations 2015 (3), is conducted and information is obtained from a range of sources. As such, the signatories to the statement can assure themselves that it reflects the governance framework for which they are responsible. **Annex A** of the Annual Governance Statement (AGS) Assurance Framework 2021/22 clearly identifies the areas from which assurance and supporting evidence has been obtained, thereby

demonstrating the effectiveness of the Council's systems of internal control. Further key assurances are provided via:

- i) CEO / Head of the Paid Service.
- ii) Executive Directors and senior management.
- iii) Executive Director of Resources, Section 151 Officer and Responsible Financial Officer.
- iv) Monitoring Officer.
- v) Head of Audit.
- vi) Performance and risk management officers and
- vii) External Audit and other review agencies.

7.14 To moderate their views and to identify the significant governance issues to be identified in the AGS, Executive Directors consider managers' assurances (first line of assurance), information from their services and across the authority (second line of assurance), and third-party reports such as Ofsted, peer reviews, internal and external audit (third line of assurance).

7.15 The Annual Governance Statement is a key document which identifies the strong systems and processes the Council has in place to continue its high standards of corporate governance. A copy of the Statement is attached as **Appendix A**.

7.16 Satisfactory governance exists but improvements are required to meet good governance standards whilst delivering services to acceptable standards and achieving a balanced budget. The current year budget, spending pressures, income targets and savings delivery all need to be under constant review and energy focused on achieving a balanced budget and seeking fairer funding. A structural funding gap reported in the Financial Strategy of £65.0m in 2023/24. This is including assumptions made re growth in services such as social care which is expected to increase.

7.17 The Council will strive to achieve the following outcomes:

- To provide a care and support service to adults appropriate to their needs.
- To provide a care and support service to children appropriate to their needs.
- To reduce the risks and impact of attacks and have a clear recovery plan in the event of one.
- To keep children safe.
- To ensure that all stakeholders are safely recovered from the impact of Covid.

- To reduce and mitigate the impact of increased demands on Council Services from the impact of climate change and therefore to life.
- Deliver Projects that achieve savings targets and brings in sustainable income for the Council whilst maintaining a healthy commercial portfolio.
- A balanced budget is delivered.
- Staff are healthy and happy.
- Adults are safe and,
- Establishment of robust co-produced Health and Care system to deliver the desired outcomes.

7.18 The associated risks have been identified, remain under close review and will be managed throughout the year given that they are key to ensuring the continued delivery of high-quality services. In all cases, Executive Directors have targeted where the risk appetite is to be directed for the end of the year.

7.19 Action plans and programmes of monitoring and evaluation are in place and are regularly updated to support both issues over the current and future years. An overall outcome report will be made to the Audit Committee at the end of the year.

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.

International Framework: Good governance in the Public Sector:

International Federation of Accountants and CIPFA, July 2014

CIPFA/ SOLACE: Delivering Good Governance in Local Government Framework 2016 edition

CIPFA/ SOLACE: Delivering Good Governance in Local Government Guidance notes for English Authorities 2016 edition

CFGs Governance risk and resilience framework March 2021

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee.

Local Member: N/A

Appendices

Appendix A - Annual Governance Statement 2021/22

Appendix B - Code of Corporate Governance

Appendix C - Annual Governance Statement 2020/21 Action Plan Update

APPENDIX A ANNUAL GOVERNANCE STATEMENT

Appendix B

Shropshire Council Local Code of Corporate Governance

LOCAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance as follows:
"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved"

The International Framework also states that:

"To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times".

"Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders"

GOOD CORPORATE GOVERNANCE

Shropshire Council is committed to achieving good corporate governance and this Local Code describes how the Council intends to achieve this in an open and explicit way. The local code is based upon the CIPFA SOLACE framework "Delivering Good Governance in Local Government" (April 2016). As laid out in the guidance it *"is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities"*. Consequently, the local Code has been written to reflect the Council's own structure, functions, and the governance arrangements in existence.

*The local code is based on the following seven principles, the first two of which underpin the remaining five with the overall aim of **"Achieving the intended outcomes while acting in the public interest at all times"**.*

The principles are as follows:

Acting in the public interest requires a commitment to and effective arrangements for:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Many of the requirements of the code are included in the Council's constitution and the Council's key strategies and policies.

[Library folder - Shropshire Council Constitution — Shropshire Council](#)

MONITORING AND REVIEW

The Code of Corporate Governance is subject to annual review. This review includes an assessment as to the effectiveness of the processes contained within the Code. This includes annual assessments such as:

- Annual review of the Constitution
- Annual reports of portfolio holders
- Annual reports of the Scrutiny Committees
- Head of Internal Audit Annual Report
- Audit Committee Annual Report
- Council Customer Feedback Report – Complaints, Compliments and Comments
- External Audit Annual Letter

The outcome of this review is reported in the Annual Governance Statement.

The following details how the Council meets the core principles and the systems, policies and procedures it has in place to support this.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Rational: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Shropshire Council's commitment to achieving good governance is demonstrated below:

Behaving with integrity

- Code of Conduct for members to ensure that high standards of conduct are maintained.
- The Monitoring Officer will review any breaches of the Member Code of Conduct.
- The Localism Act 2011 abolished the requirement for the Council to have a statutory Standards committee though the Council has retained a non-statutory committee that can meet if required. Both the Standards Committee and Standards Sub Committee have met in 2021/22.
- An Employee Code of Conduct sets down standards of behaviour and conduct the Council expects of its employees.
- Standard decision-making reporting format and access to drafts ensures that all those responsible for taking decisions have the necessary information on which to do so.
- Code of Conduct in relation to the acceptance of gifts and hospitality and all instances must be recorded. Advice and guidance provided to staff and members on the intranet.
- In accordance with the Localism Act 2011 Registers of Members' pecuniary interests are recorded and published on the Council's website.
- Members' declaration of interests, a standing item on all agendas. Minutes show declarations of interest were sought, and appropriate declarations made.
- Protocols for members on Council Representation on various outside bodies.
- A Corporate Feedback Policy that is published on the Council's website and is supported by a Complaints, Compliments and Suggestion on-line form.
- A Policy for raising a concern "Speaking Up About Wrong-Doing" (Incorporating the Whistleblowing Policy) is in place to protect individuals.

Demonstrating strong commitment to ethical values

- A Constitution which sets out delegations of the executive, committees and senior officers, and the decision-making process to be applied. It also emphasises that the Council will act within the law.
- Terms of Reference exist for all committees.
- The Council have both Contract Procedure Rules defining the Council's process for all

	<p>contracts and Financial Rules defining the safeguards and controls in place for managing public money and assets, these are reviewed on a regular basis.</p> <ul style="list-style-type: none"> • The Council consults with stakeholders and other interested parties to seek feedback before developing key operational documents. • The Council has a clear, well publicised complaints procedure which requires complaints to be dealt with rigorously and promptly. Complaints are monitored by management and Cabinet, together with improvement actions arising from them. • Employee surveys are conducted and employees are consulted on workforce changes to identify actions for improvement. <p>Respecting the rule of law</p> <ul style="list-style-type: none"> • The Constitution identifies the Chief Legal Officer as the Council's Monitoring Officer and sets out the role of the Monitoring Officer. • An Anti-Fraud and Corruption Strategy supported by a Counter Fraud, Bribery and Anti-Corruption Policy which includes a Fraud Response Plan and a Speaking Up About Wrongdoing Policy "Whistleblowing Policy". The strategy is supported by a Whistleblowing hotline for use by employees, stakeholders or the public to report irregularity and fraud. The Audit Committee receive an annual report of whistleblowing activity. • Officers in Legal and Democratic Services play a key role in ensuring that the principles enshrined in the Constitution, sustainable decision making, robust scrutiny, rules of natural justice, standards of conduct, efficiency, transparency, legality and high standards of corporate governance are delivered in practice through the Council's decision-making process. The Service provides advice and guidance on the interpretation of legal developments and has legal officers who are experts in specific areas of Council activities. • Where there have been instances of non-compliance with Contract Rules, and where the recognised approval process has been circumvented these have been identified and escalated to the top of the Council for action. • Where there have been breaches in Health and Safety Legislation these have been immediately actioned upon discovery. • All Committee reports require their authors to address the impact of the recommendations with respect to human rights and wider legislation.
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Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Rational: Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Shropshire Council's commitment to achieving good governance is demonstrated below:

Openness

- Adoption of a Publication Scheme that describes the kinds of information available and provides guidance about how to access personal information and submit a Freedom of Information request.
- The Council has a small Information Governance team committed to ensuring the principles of Data Protection, Freedom of Information and Transparency are followed and all staff are required to undertake data protection training on an annual basis.
- Adoption of a standard reporting format in relation to committee reports. The format includes a risk assessment and opportunities appraisal together with the financial implications attached to any recommendations, and appropriate background papers are cited to ensure full transparency.
- Council and Cabinet meetings are webcast. Agendas, reports and minutes are published on the Council's website. Meetings are open to the public except in the case of exempt items. During the year public meetings have been held in person and virtually in accordance with new legislation and the continued impact of Covid.
- Dates for submitting, publishing and distributing timely reports are set and adhered to.
- The Corporate Plan and Financial Strategy set out the Council's mission and priorities, the impact of Covid means that these will be revisited alongside delivery of a programme of Refocus.
- The Shropshire Compact has been effective in supporting the relationships between Shropshire Council, other public sector bodies and the voluntary and community sector. It acts as an aid to problem solving by clearly setting out roles, responsibilities and commitments.

Engaging comprehensively with institutional stakeholders

- The Council recognises the importance of communicating its vision and uses several channels to this effect.
- The Council aims for a consistent approach to communication, reaching and targeting the key customers, stakeholders and partners in the most appropriate way.
- The Council aims to improve engagement through consistent branding, so that our stakeholders know what we do and who to contact. This ensures compliance with the Code

of Recommended Practice on Local Authority Publicity March 2011. This requires all Council publicity aimed at the public to be clearly and unambiguously identified as being produced by the Council. Material produced should make this evident.

- Our website can help residents understand the Council's vision and purpose and how to access services on a day-to-day level.
- The Shropshire Newsroom (www.shropshirenewsroom.com) hosts all the latest Council news stories with podcasts, videos and photographs available from the corporate Flickr account.
- The Council works with colleagues in the local, regional and national media to complement Shropshire Newsroom and ensure people have access to information about the Council.
- The Council uses relevant social media, as a method of disseminating our information and listening to feedback on issues as they arise.
- The Council uses its Customer Services telephone and face-to-face points as the main first point of contact enabling people to be more efficiently directed to the services they need. The response to Covid has seen an increased level of virtual communications.
- The Council uses the Voluntary and Community Sector (VCS) Assembly weekly news bulletin to promote consultations, policy news, engagement opportunities and partnership working opportunities across the voluntary and community sector.

Engaging stakeholders effectively including individual citizens and service users

- The Council seeks the views from individuals, organisations and businesses on several areas. All Council surveys are delivered online using the corporate approved consultation portal. Links to current consultations are published on the website. Some recent examples of consultations undertaken include the Voluntary Community Sector Assembly State of the Sector survey; budget consultation; Shropshire Plan; Transport plan consultations and Health and Wellbeing survey. The full list of consultations undertaken is available on the Council website.
- Shropshire's Making It Real partnership was set up by Shropshire Council in response to the national 'Think Local Act Personal' initiative and Making it Real Framework. The aim of 'Making it Real' is for personalisation to be a reality for people who use adult social care services. This approach is driven through a series of 'I' statements outlining how adult social care should best meet people's needs; enabling people to live full and independent lives. The partnership works with the local authority to ensure this approach is adopted locally, through influencing and shaping adult social care services in Shropshire.
- Local consultation has taken place using specific consultation and engagement activity for services and service areas. Locality commissioning activity involves engagement with

	<p>communities and service user groups, as well as through structures such as the Local Joint Committees. These have helped to identify the needs and priorities of our citizens and make these our key areas for service delivery. Feedback from such events is used to develop strategic plans, priorities and targets. Widespread local consultation has taken place via service user and customer feedback surveys, public meetings, local partnerships and Local Joint Committees to identify the needs and priorities of our citizens and make these our key areas for service delivery.</p> <ul style="list-style-type: none"> • The Council has a regular update from the Chief Executive to keep individuals abreast of major events such as flooding issue and the COVID 19 pandemic.
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Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

<p>Rationale: The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this</p>	<p>Shropshire Council's commitment to achieving good governance is demonstrated below:</p> <p>Defining Outcomes</p> <ul style="list-style-type: none"> • The Corporate Plan and Financial Strategy set out the Council's vision and priorities together with its aims and actions. • Core strategic plans (such as the Economic Growth, Commercial, Commissioning Strategies and Sustainability, Environment and Climate Change Policy) set out specific aims in detail and compliment the overall Corporate Plan. • There is a clear reporting mechanism for performance information which is presented alongside the financial information for the corresponding period to the Performance Management Scrutiny Committee. Areas of concern are identified and reported quarterly, and exceptions are monitored more frequently; e.g. monthly, providing greater detail and explanation of the issues and actions being taken. The reports are presented to senior managers and Cabinet. The underlying detailed dashboards are also available to Scrutiny members who can identify specific issues they may want to consider. Cabinet may ask Scrutiny to look at specific issues of on-going concern. • The Council have established robust project management arrangements to monitor outcomes and outputs on projects such as Capital Investment and Commissioning and Assurance Boards, this will applied going forward to projects completed under a refreshed Refocus Programme. <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> • The Council has; an Environmental Policy Statement, Towards Zero Carbon, highlighting its
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process and in balancing competing demands when determining priorities for the finite resources available.

commitment to sustainable environment; an Economic Growth Strategy which lays out its approach to sustainable development; a Commercial Strategy which lays out its approach to becoming a more commercially focused organisation embracing commercial culture in terms of how the Council acts to ensure the delivery of High Quality Services as efficiently and effectively as possible and a Social Value Charter, designed to assist commissioners and procurers to maximise opportunities to improve the social, economic and environment condition of our local area through effective commissioning and procurement.

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Rationale: Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of

Shropshire Council's commitment to achieving good governance is demonstrated below:

Determining interventions

- A standardised format of decision-making reports is used to ensure that all relevant information is considered such as analysis of options, resource implications, and outcomes of Equality and Social Inclusion Impact Assessment, etc. Options are clearly defined and analysed to ensure decisions are based on the best possible information.
- The Commissioning Strategy is applied to ensure clear alignment to need and improving outcomes.

Planning interventions

- The Council sought opinions on future budget proposals. They set out what the issues were and invited the public to engage on them.
- As detailed earlier, there is a clear reporting mechanism for performance information which is presented alongside the financial information for the corresponding period and subject to scrutiny at all levels.
- The Council's performance framework links directly to the Council's outcomes. Performance is reported quarterly to members through Cabinet, and in more detail to Scrutiny Committees.

Optimising achievement of intended outcomes

- The annual budget is prepared in line with agreed priorities. The Council publishes its Financial Strategy annually to set an indicative three-year financial plan to fit the longer-term strategic vision as well as a detailed one year budget. This is intended to include

resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

realistic estimates of revenue and capital expenditure.

- Resources are employed to assist commissioners and procurers to demonstrate the range and amount of social value generated or the financial value to society because of the added social value.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the

Shropshire Council's commitment to achieving good governance is demonstrated below:

Developing the entity's capacity

- There is a member induction programme in place, supporting and developing newly elected members. A Community Leadership and Development Framework provides comprehensive development opportunities, and essential sessions. Development interventions are designed in the context of what individual members say they require during their one to one development reviews, and what their roles and responsibilities dictate they need. Member secretaries provide support, and the Member and Officer Protocol clearly stipulates officers' duties to provide professional and technical advice. The Local Member Protocol guides members and officers to behave in a way that promotes excellent communication.
- A Workforce Strategy was adopted to ensure the Council has the right people with the right skills in the right place, at the right level and cost to enable the Council to meet its strategic objectives.
- The Council actively promotes the use of Leap into Learning, an online learning and training platform that allows courses to be tailored to individual officers. This has been extensively used to deliver e learning to a wide variety of employees and to support more conventional training methods by providing a booking and attendance system.
- The Council actively promotes the development of staff through work-based apprenticeship schemes.
- A workforce skills audit was undertaken in respect of the COVID 19 pandemic to allow

operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

redeployment of staff based on skills as required, redeployment is still operational in supporting the Council's response to COVID19

Developing the capability of the entity's leadership and other individuals

- Protocol on Member/Officer Relations that assists both members and officers achieve good working relationships in the conduct of Council business.
- Scheme of Delegation that is reviewed annually considering legal and organisational changes.
- Constitution that sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules.
- Member Development is managed via the Group Leaders and training is provided as needed. Members are updated on legal and policy changes etc. as required.
- Induction programmes for all members and employees.
- Training for employees is made available through Leap into Learning which provides all employees with access to online training courses that can be tailored to the individual, dependent upon role undertaken.
- Staff are regularly appraised which includes the identification of training and development needs and drawing up of training action plans to address these.
- Apprenticeship Programme offering training, skills and experience in local government.
- Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored.
- A coaching connections network group has been established to build a pool of people who are skilled in facilitating personal development tools and to develop internal coaching capacity. This network provides group and individual personal development and coaching support to help people through change.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have

Shropshire Council's commitment to achieving good governance is demonstrated below:

Managing risk

- Risk management arrangements that are embedded across all service areas and help inform decision making.

implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.

Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

- Risk and Opportunity Management Framework that is subject to annual review and reported to the Audit Committee on an annual basis.
- Responsibilities for managing individual risks are contained within the Opportunity Risk Management Strategy.
- The Senior Management Team regularly reviews the strategic risk register and seeks assurances that it is kept up to date and actions to mitigate risks are implemented.
- Operational risks are reviewed by risk owners on a regular basis.
- Council strategic risks have been identified, aligned to the Annual Governance Action Plan and a member of the Senior Management Team assigned as the risk owner. Risk profile and actions plans have been put in place to ensure the risks are mitigated effectively and are reviewed monthly.
- Business Continuity processes have continued to operate thorough the year to manage the risks caused by flooding and the COVID pandemic.

Managing performance

- The Council has five established overview and scrutiny committees which operate under clear terms of reference and rules of procedures laid down in the Constitution. Scrutiny Committee chairs and members have clearly laid down accountabilities in the Constitution. Members may not participate in the scrutiny of decisions they were involved in.
- The Council is part of a long standing and effective Joint Health Overview and Scrutiny Committee with Telford and Wrekin Council. This reflects the reality that most substantial changes to services covered by the statutory duties for Health Scrutiny affect services across both local authority areas and as such would need to be looked at jointly, in line with regulatory direction.
- There is a standardised format for all committee reports which includes background to the report, any recommendations that decisions need to be made upon together with reasons behind those recommendations. A Sharepoint site facilitates approval of draft reports prior to Cabinet by key officers.
- Reports, minutes and decisions under member consideration are published on the website and are available in hard copy in a variety of formats on request.
- Contract Procedure Rules and Financial Regulations set out the Council's arrangements and ensure that processes continue to operate consistently.
- An effective internal audit service is resourced and maintained as evidenced by an External Quality Assurance review 2021/22. Internal Audit prepares and delivers a risk-based audit plan in line with Public Sector Internal Auditing Standards which is kept under review to reflect changing priorities and emerging risks.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

- The Council continues to benchmark its services to assist in identifying areas for review and to ensure that as many performance indicators as possible are performing to the standards that the Council sets. This includes the use of peer reviews to ensure efficiency of operations and learning from External statutory reviews, i.e. Ofsted.

Robust internal control

- There is an effective apolitical Audit Committee with clear terms of reference which are reviewed annually and based on the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Guidance.
- The Audit Committee, which is independent of Cabinet, oversees the management of governance issues, risk management framework, internal control environment, financial reporting and Treasury Management. Its performance is subject to annual self-assessment.
- An annual report is produced by Internal Audit which provides an opinion on the Council's control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA's guide to the role of the Head of Internal Audit.
- Anti-Fraud and Corruption Strategy which is subject to regular review and is approved by the Audit Committee.
- Quarterly fraud reports summarise anti-fraud activity in the year.
- An Annual Governance Statement (AGS) that is subject to review by the Audit Committee.
- Training is provided to Audit Committee members on areas relevant to their role.
- There are frameworks in place in relation to child and adult safeguarding.

Managing data

- The Council has a small Information Governance team committed to ensuring the principles of Data Protection, Freedom of Information and Transparency are followed.
- Information governance and security awareness including individual responsibilities and good practice is raised and embedded with officers and elected members through the mandatory information governance and cybersecurity training. This is reinforced via targeted communications and more recently phishing simulations.
- The Council's Information Management Strategy provides guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.
- Effective information sharing is undertaken in accordance with the Data Protection Act and the Council's Data Protection Policy.
- Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the Council's overall

	<p>Privacy Notices published on our website and individual Privacy Statements on forms, in booklets etc.</p> <ul style="list-style-type: none"> • A formal Data Sharing Framework Protocol between Shropshire and Telford and Wrekin Partnership in respect of jointly delivered health services. • Data verification and validation processes are integrated within systems and processes. <p>Strong public financial management</p> <ul style="list-style-type: none"> • An audited and signed Statement of Accounts is published on an annual basis containing: <ul style="list-style-type: none"> - A statement of responsibilities for the Statement of Accounts. - A statement of the Council's accounting policies. • An Annual Governance Statement signed by the Leader of the Council and the Chief Executive Officer/Head of Paid Service. • Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015), is reviewed annually. • Financial procedures are documented in the Financial Regulations. • Financial Strategy in place. • The financial position is reported quarterly to Cabinet. • Measures invoked in March 2020 in respect of the COVID 19 Pandemic in line with central government guidelines continued throughout the 2021/22 financial year.
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Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

<p>Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able</p>	<p>Shropshire Council's commitment to achieving good governance is demonstrated below:</p> <p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> • Agendas, reports and minutes are published on the Council's website. • Adoption of a style guide document that outlines how to communicate more effectively and to ensure communications are consistent and clear. • Adoption of and implementation against the National Transparency Code. • The Cabinet is the Council's key decision-making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, who is elected by the Council, and up to nine members. When key decisions are to be discussed or made, these are published in the Cabinet forward plan in so far as they can be anticipated. If
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to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

these key decisions are to be discussed with Council officers at a meeting of the Cabinet, this will be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council's overall policies and budget. If it wishes to decide which is outside the budget or policy framework, this must be referred to the Council to decide.

Implementing good practices in reporting

- Annual Financial Statements are compiled, published to timetable and included on the Council's website.
- An annual report from each of the scrutiny committees is presented to Council alongside reports from the portfolio holders; the scrutiny reports detail the past work of the Committees, the present work and future.
- Completion of an Annual Governance Statement (AGS).
- A Business Plan and Financial Strategy setting out the Council's mission and priorities.

Assurance and effective accountability

- The AGS sets out the Council's governance framework and the results of the annual review of the effectiveness of the Council's arrangements. The AGS includes areas for improvement.
- An effective internal audit service is resourced and maintained. The Service has direct access to members and provides assurance on governance arrangements via an annual report containing an opinion on the Council's internal control arrangements.
- External Audit provides an annual opinion on the Council's financial statements and arrangements for securing Value for money.
- The Council actively welcomes peer challenge, reviews and inspections from regulatory bodies.
- The Shropshire Compact is a set of shared principles and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). It acts as guidance to ensure shared understanding of responsibilities and obligations and works towards best practice in partnership.

Appendix B – Shropshire Council’s Corporate Governance Framework

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must always try to achieve the Council’s objectives while acting in the public interest .							
Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	<u>The Constitution</u>	<u>Corporate Plan</u>	<u>Committee Reports</u>	<u>Forward plan</u>	<u>The Constitution</u>	<u>The Constitution</u>	<u>Audit Committee</u>
	<u>Schemes of delegation</u>	<u>Members’ roles and expectations</u>	<u>Corporate Plan</u>	<u>Budget Consultation</u>	<u>Member and staff development</u>	<u>Audit Committee</u>	<u>Committee Framework</u>
	<u>Audit Committee</u>	<u>Local Joint Committees</u>	<u>Committee Framework</u>	<u>Stakeholder Engagement</u>	<u>Member Induction Programme</u>	<u>Committee Framework</u>	<u>Councillors and decision making</u>
	<u>Councillors and decision making</u>	<u>Public Meetings and decisions recorded</u>	<u>Councillors and decision making</u>	<u>Option Appraisals</u>	<u>Recruitment and Selection process</u>	<u>Financial Procedure Rules</u> <u>Contract Procedure Rules</u>	<u>External audit of accounts and Value for money opinion</u>
	<u>Statutory Officers Roles: Chief Executive, Chief Financial Officer, Monitoring Officer, Head of Paid Service. HR policies.</u>	<u>Annual Statement of Accounts and Annual Governance Statement published</u>	<u>Procurement Strategy</u>	<u>Annual Governance Statement / Assurance Framework</u>	<u>Staff Appraisal Process</u>	<u>External audit of accounts and Value for money opinion</u> <u>Financial Strategy</u> <u>Annual Statement of Accounts and Annual Governance Statement published</u>	
	<u>Financial Procedure Rules</u> <u>Contract Procedure Rules</u> <u>Financial Strategy</u>	<u>Council website records all council meetings and key decisions</u>	<u>Public Sector Social Value Act 2012</u>	<u>Financial Strategy</u>	<u>Peer Reviews / External Inspection</u>	<u>Opportunity Risk Management Strategy</u>	<u>Annual Statement of Accounts and Annual Governance Statement published</u>
	<u>Members (E1) and Employees Codes of Conduct</u>	<u>Corporate performance, financial and risk reporting framework</u>	<u>Commissioning Strategy</u>	<u>Councillors and decision making</u>	<u>Benchmarking</u>	<u>Open Data and Transparency Code</u>	<u>Internal Audit Service Head of Audit’s Annual Opinion / Report (Item 10)</u>
	<u>Members / Officers Register of Interests / Register of Gifts and Hospitality</u>	<u>Open Data and Transparency Code</u>	<u>Financial Strategy</u>	<u>Opportunity Risk Management Strategy</u>	<u>Internally led reviews / independent challenge</u>	<u>Strategic and Operational Risk Registers</u>	<u>Financial Strategy</u>
	<u>Protocol for Member Officer Relations (E85)</u>	<u>Customer feedback / Complaints Policy</u>	<u>Social Value Charter</u>	<u>Alternative Service Delivery Models</u>	<u>Alternative Service Delivery Models</u>	<u>Risk Based Internal Auditing Service / Plan (Item 17)</u>	<u>Strategic performance, financial and risk reporting framework</u>
	<u>Counter Fraud, Bribery and Anti-Corruption Policy and Strategy</u>	<u>FOI Publication Scheme</u>	<u>Opportunity Risk Management Strategy</u>	<u>Corporate performance, financial and risk reporting framework</u>	<u>Commissioning Strategy</u>	<u>Internal Audit Service Head of Audit’s Annual Opinion / Report (Item 10)</u>	<u>Open Data and Transparency Code</u>
	<u>Whistleblowing Policy and hotline</u>	<u>Public Consultations</u>	<u>Corporate performance, financial and risk reporting framework</u>	<u>Service Plans</u>	<u>Continuing Professional Development Programmes</u>	<u>Corporate performance, financial and risk reporting framework</u>	<u>Website</u>
	<u>Opportunity Risk Management Strategy</u>	<u>Shropshire Compact</u>	<u>Corporate Climate Change Strategy</u>	<u>Project Management</u>	<u>Safety, Health and Wellbeing Internal health and safety</u>	<u>Counter Fraud, Bribery and Anti-Corruption Policy and Strategy</u> <u>Anti-Money Laundering Policy</u>	<u>FOI Publication Scheme</u>
	<u>Customer feedback / Complaints Policy</u>	<u>Voluntary and Community Sector Assembly</u>		<u>Whistleblowing Policy and hotline</u>	<u>Workforce Strategy</u>	<u>Emergency / Business Continuity Management</u>	<u>Complaints Annual Report</u>
	<u>Financial Strategy</u>		<u>Corporate Plan</u>	<u>Leap into Learning</u>	<u>Information Management Strategy</u>		

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Shropshire Council

Annual Governance Statement

2021/22

Good Governance in the Public Sector comprises the arrangements in place to ensure that the intended outcomes for all interested parties are defined and legally achieved. In delivering good governance, both the Council, and individuals working for and with the Council, aim to achieve the Council's objectives while acting in the public interest.

The Council's Code of Corporate Governance, located in the Constitution¹, summarises the Council's good governance principles and details the actions and behaviours required to demonstrate good governance. Senior managers have provided assurances that the seven core principles have been applied throughout the 2021/22 financial year.

Any significant instances of non-compliance have been identified and escalated to the top of the Council for action. Assurances have been provided by Assistant Directors and above who demonstrate that the Council is doing the right things in the right way for the right people, in a timely, inclusive, open and accountable manner. These arrangements take into consideration the systems, processes, culture and values which direct and control the way the Council works; through which it is accountable to, engages with and leads its communities. **Annex A demonstrates the overall Assurance Framework.**

This statement explains how the Council has complied with the Code and meets the requirements of the Accounts and Audit Regulations. This is supported by a 2021/22 Code of Governance Internal Audit review which provides a **reasonable** level of assurance. It should be noted that Council services have continued to deliver and respond to the pressures emanating from the Covid Pandemic which placed additional and competing demands on all.

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Members and officers recognise the importance of compliance with the Constitution, specifically the Rules; Regulations, Scheme of Delegation and Codes of Conduct; all of which are regularly reviewed and updated. Instances of non-compliance or areas of concern are identified, reported through appropriate channels and managed effectively under established policies and processes and where necessary escalated for further action. The Council has continued to respond effectively to modified statutory timetables and other regulatory requirements around the Covid pandemic with a flexible and proportionate approach.

Officers comply with their professional organisations' codes of conduct in delivering services (E.g. HCPC², AMGPs³, EHORB⁴, SRA, CILEX⁵), against which assessments are conducted to confirm compliance and identify any improvements required. Adult Social Care (ASC) receive regular focused audits which monitor their compliance with

¹ <https://shropshire.gov.uk/committee-services/ecCatDisplay.aspx?sch=doc&cat=13331&path=0%20>

² Health Care and Professions Council

³ Approved Mental Health Act Professionals

⁴ Environmental Health Registration Board

⁵ Solicitors Regulation Authority/ Chartered Institute of Legal Executives

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

the law e.g. Mental Capacity Act, Deprivation of Liberty Safeguards, Care Act and the Mental Health Act. Emergency Planning undertake all duties expected under the Civil Contingencies Act with integrity and work closely with multi-agency partners within the Local Resilience Forum (LRF).

Statutory responsibilities across the Council are discharged openly and proactively, key statutory officers are in place (Monitoring⁶, Section 151⁷ Officer, Head of Paid Service and the Senior Information Risk Owner (SIRO)). Examples of statutory responsibilities delivered include, LGPS⁸ Regulations, CIPFA⁹ Code of Practice, Freedom of Information (FOI), Elections, Treasury Management, Coroner and Registrars' Services. Statutory responsibilities for duties under the Care Act; Special Educational Needs, Education Access, Early Years and place planning, sufficiency and admissions are discharged openly, proactively and in full compliance with Admission Codes. All roles have responded rapidly and flexibly to the pressures of the Covid pandemic and changing legislation; examples continued in delivering vaccinations, testing, grants and lockdown practices.

Finance Business Partners get involved with contract negotiation and management to ensure that external providers of services are acting in line with ethical standards expected by the Council.

Human Resource (HR) and recruitment policies and processes help ensure that the Council complies with employment law and avoids discrimination, these are refreshed regularly and agreed with the recognised trade unions. Employees are well supported, receive training and development opportunities. Policies and procedures are being revisited to reflect new ways of working.

Internal Audit produce a risk-based plan, working closely with Executive Directors and reports provide independent assurance that appropriate governance and internal control standards are maintained, or areas of concern highlighted for action.

The Council has a zero tolerance to fraud and corruption and raised the profile of its intentions to counter fraud with various communications during International Fraud Awareness week. Identified concerns are acted upon and can lead to specific outcomes, learning points and improvements. Millions of pounds of grant money have been awarded to thousands of businesses and individuals providing wider economic benefits for the area; built in preauthorisation counter fraud checks were arranged to minimise fraud; the system was refined and improved with each round of funding and officers resisted pressure to pay before suitable arrangements were embedded to ensure best use of grants.

The Council undertakes a self-assessment of its fraud risks, to identify and understand them. It acknowledges issues and plans to demonstrate that action is taken and outcomes are visible. This process is transparent, reports are taken to

⁶ The Monitoring Officer has three main roles: 1. To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration; 2. To be responsible for matters relating to the conduct of members and officers; and 3. To be responsible for the operation of the Council's Constitution.

⁷ Every local authority shall plan for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs, this is the Section 151 Officer

⁸ Local Government Pension Scheme

⁹ Chartered Institute of Public Finance Managers

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

senior management and those charged with governance. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is available to employees, members, the public and contractors. Any irregularities identified will be investigated by Internal Audit or the appropriate officers within services. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and receive regular outcome reports including an annual report.

Key developments consider green and environmental issues to ensure mitigations are in place; such as noise reductions for tourism venues and acoustic fencing. Equality and Social Inclusion Impact Assessments (ESIIA) are undertaken.

B: Ensuring openness and comprehensive stakeholder engagement

Openness and transparency are demonstrated throughout Council activity. Members represent local people in decision making; reporting processes are transparent, internally through officer and executive director groups, and publicly through Council committee meetings in virtual and face to face forums, increasing accessibility to a wider audience. Compliance has been demonstrated from elections of members, delivered in an open and fair way in accordance with electoral law and extensive engagement with the public and other bodies; through more recently the Council's continued response to the Covid pandemic with communications across several media channels at an unprecedented frequency level, daily at peak times and to a variety of clientele, including regular updates from the Chief Executive informing members and officers of responses to other major events, such as flooding and bird flu.

The Council has a strong Transparency and Freedom of Information agenda. Key decisions are reported and tested where necessary, through the senior team and then to members via Party Leads, Groups, Cabinet and Executive Director meetings. Examples include Cabinet and Council reports, policy approvals and published minutes of meetings (e.g. Information Governance Leadership and Oversight Group [IGLOO] and the Commissioning and Assurance Board). IGLOO and the Information Governance and Information Security (IGIS) Group provides a clear process for the consideration and escalation of information governance and security risks. The groups have been in operation since January 2022, attendance is from across the Council and terms of reference have been refreshed. IGLOO focusses on decisions, compliance and oversight and improvements have been evidenced in response to ICT security and infrastructure concerns.

The Council engages positively and sets out to work in a collaborative open partnership approach with several strategic partners including Central Government departments (Cities and Local Growth Unit, Homes and Communities Agency) and neighbouring local authorities. It is a non-constituent member of the West Midlands Combined Authority; has a proactive Business Board which it services and engages with on key initiatives and policies, which in turn has informed the Local Economic Growth Strategy. The management of One Public Estate continues with other public-sector partners. A multi-agency high cost placement funding panel with Children's Services, Education Services and the Clinical Commissioning Group (CCG) is established to manage high cost placements efficiently.

B: Ensuring openness and comprehensive stakeholder engagement

There is a Local Resilience Forum (LRF) supported throughout the Council, with the Chief Executive attending Gold Command meetings where work is undertaken with community and multi-agency partners ensuring a robust response to emergencies, this has remained key to delivering the ongoing response to Covid. Use of emergency planning arrangements for internal and external gold and silver meetings have increased efficiencies and knowledge sharing.

Engagement and coproduction are a cornerstone of good public health practice, both at strategic and operational levels. Engagement has been and continues to be a key part of strategic partnership and statutory boards, including Shropshire's Integrated Place Partnership and the Health and Wellbeing Board (HWBB). For example, the Joint Strategic Needs Assessment is underpinned by engagement work with key stakeholders and this assessment informs the work and priorities of the HWBB. The team also prioritises strategic engagement with national bodies including, UKHSA¹⁰, OHID¹¹, LGA¹², Health Foundation and universities, etc to inform its approach. An example is engagement with national bodies to champion issues with measuring inequalities from a rurality perspective. Operational examples include engagement on the new drugs and alcohol strategy; Pharmaceutical Needs Assessment; the Whole System Weight Management Strategy and market engagement with potential suppliers as part of tender preparations.

Many Council services are delivered in partnership with other organisations such as the Local Strategic Partnership, Fire Service, STaR¹³ Housing, West Mercia Energy, Shropshire County Pension Fund, town and parish councils, voluntary bodies and trusts. The Safeguarding Executive Board comprises of NHS, police and the third sector creating a strategic forum for planning and delivering services.

The Pension Board has been expanded to six members (from four) and meets more regularly during the year. The Board have had oversight of key decisions by the Pensions Committee this year including review of the investment strategy, equity protection and adoption of a climate change strategy.

Finance produces public reports showing budget monitoring, the Statement of Accounts and in year data to increase transparency of service delivery for stakeholders.

Our commissioning, procurement and contract activity includes early market engagement exercises and a full feedback process to unsuccessful bidders. Alongside comprehensive stakeholder engagement in the commissioning of existing and new services and internal stakeholder engagement in management of procurement projects, such as colleagues in Risk Management, Audit, Insurance, Legal, Finance and Human Resources (HR). The Commissioning and Assurance Board allows for strategic stakeholder engagement and the Council also works with local partnerships.

¹⁰ UK Health Security Agency

¹¹ Office for Health Improvement and Disparities

¹² Local Government Association

¹³ Shropshire Towns and Rural Housing

B: Ensuring openness and comprehensive stakeholder engagement

Annually key stakeholders are consulted on several projects, examples include; the future of Acton Scott; the delivery of the HRA¹⁴ review; Library Transformation Strategy; Shropshire Local Programme; Housing Allocations Policy; Housing Needs survey; draft Sustainable and Affordable Warmth Strategy and Budget consultation. The full list of consultations undertaken is available on the Council website which is well utilised and where required consultations are extended to allow for any local concern that is raised.

Adult Social Care utilises several communication and engagement channels working closely with all those involved in commissioned services; including service users, carers, health and social care colleagues and advocates. Engagement with several boards including; Carers; Provider forums; LD¹⁵/Autism; Mental Health; DP¹⁶; Discharge Alliance group; Safeguarding and System Partnership Board meetings, all help to enrich services delivered. The annual development of the Local Account informs what difference has been made and the team facilitate the Making it Real partnership group which is co-chaired by Social Care's Cabinet lead and an expert by experience.

Children Services have seen stakeholder engagement take place through groups such as the Central Policy group (CPG) attended by headteacher representatives, other working parties, directly with partners and through multi agency groups to promote the best interests of the child and family to improve outcomes. As part of the Shropshire Safeguarding Partnership Board the service contributes to Board activity including multi-agency case file audits, sharing performance data, undertaking Section 11 audits and engaging with the Board's wider activities to promote effective stakeholder engagement. The principles of co-production and partnership working underpin all elements of Special Education Needs (SEND) work with engagement events supporting development of SEND services at a local level. School communications have been timely and locally focused reflecting the dynamics of the constantly changing environment.

Regular dialogue occurs with employees and the recognised trade unions around formal changes to policies and terms and conditions through the recognised collective bargaining processes (Policy Forum, Employees Joint Consultative Committee, Association Secretaries Group (Schools) and Health, Safety and Welfare Committee). The New Ways of Working Group made up of senior managers from across the Council and the Employee Reference Group, made up of a wide range of employees across all service areas, are engaged in discussions around alternative ways of working following the Covid pandemic and helping to shape proposals for the future. Equality Impact Assessments are also carried out on proposals to ensure inclusivity.

Communications are made with customers and stakeholders via our websites, Newsroom and Departmental Customer Relations Team, providing an excellent customer experience and resolution service. The Team works closely with businesses from a regulatory perspective and adopts a collaborative supportive approach to compliance with a strong focus on transparency and proportionality. A Communications forward plan is shared with Directorates to ensure the correct priorities are addressed; public information supports consultations to ensure these

¹⁴ Housing Revenue Account

¹⁵ Learning Development

¹⁶ Direct Payments:

B: Ensuring openness and comprehensive stakeholder engagement

are fully understood (Acton Scott, Whitchurch, Shrewsbury Town Centre traffic changes) and the public is enabled to influence outcomes; 'Meet the Leader' events are arranged with the public and responses are made to media enquiries, social media observations and stakeholder communication activities on behalf of partners, such as the ICS¹⁷.

Public views on a very broad range of subjects are captured, providing guidance to services on how to conduct such activity to meet best practice. Officers work closely with the voluntary sector to embed strong partnership working and open dialogue, involving them in any discussion on changes to services, policies or future direction.

The creation and use of a new SharePoint for all Cabinet Reports provides a level of transparency in decision making across senior officers of the Council never available previously. A clear sign-off process for key professionals in Resources and Place Directorates ensures clarity and strong governance in the creation of reports before they are finalised. These reports are then signed off by EDT with the Monitoring Officer in attendance in advance of send out to Members.

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Workforce Strategy (under review) sets the direction for the Council in terms of its workforce, which then translates into team plans and individual's objectives so that all actions are related to the Shropshire Plan, the Council's vision, values and strategic objectives.

Human Resources (HR) have supported services to have the right employees with the right skills, at the right time and cost in the right place, to enable the Council to provide efficient and effective services to the community and realise sustainable, economic, social and environmental benefits. From a compliance perspective, they ensure that services are not putting the health and safety of employees at risk which could lead to costly repercussions. Shropshire HR provides specialist advice to private and public sector businesses across the County on a not for profit basis, which reduces the cost of the internal HR service to the Council. Upskill Shropshire is the Council's approach to the use of the Apprenticeship Levy. We partner with Training Providers across Shropshire (and beyond) to provide high quality apprenticeship training to our employees. We continued to support several of our Looked After Children in apprenticeships across the Council and transfer levy monies, in line with funding rules, to organisations across Shropshire to support apprenticeship training.

In responding to the ongoing Covid pandemic, all Service teams have reprioritised non-essential work to support business continuity/service recovery activities including the redeployment of employees across the workforce to meet service needs. There are still identified resourcing pressures that remain.

The Insurance team provided assurance for the Council in its management of insurance liabilities and by actively challenging service areas and the insurance providers/ brokers to ensure that cover is cost effective and robustly managed.

¹⁷ Integrated Care System

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

As with all Resource services, an agile approach to leadership and delivery has been adopted, as emergency situations have arisen (as with the ongoing Covid pandemic), resources have been flexed and adapted to meet needs and deliver appropriate support.

There is a continued reduction in demand for office space and the need for travel, some of the Council's traditional approaches to service delivery and learning from this is informing the target operating model (TOM) which is underpinning the new Shropshire Plan from April. The new Shropshire Plan¹⁸ will hold all the SDP¹⁹ priorities and targets with clear evidence links and positive impacts relating to safer and stronger economies and enhancing our environmental and sustainability priorities.

The use and uptake of digital technology has increased; customers are encouraged to self-serve; the Council has a plant a tree scheme offset by customers moving to e-billing which is around twenty five per cent for Council Tax. Ninety per cent of new Housing Benefit applicants are online with work ongoing with partners (CAB²⁰ and Age UK) to support customers in this.

Employees and members are encouraged to consider their environmental footprint especially in relation to printing, mileage claims and use of equipment. Sustainability advancements have been delivered with Shropshire Council increasingly using technology with improvements in communications; increased home working, electronic signatures on documents; better secure sharing of documents, virtual member and officer meetings and cybersecurity.

Partnership initiatives, such as the Strengthening Families programme in Early Help has supported whole families; improved school attendance and academic achievement of children and young people, supported family members into employment and lessened the impact of anti-social behaviour on a community or neighbourhood.

Health and Wellbeing Directorate whilst primarily focused on delivering positive outcomes in relation to health, wellbeing and prevention, requires the need to achieve social and economic benefits. The Service is improving an individual or communities' social connections, working with the voluntary and community sector and considering the employment and economic needs of vulnerable people. The Public Health Outcomes Framework has several measures that enable progress to be tracked in these areas, this forms part of the measures both for the Council and our strategic partnership work, including via the Health and Wellbeing Board and the Shropshire Integrated Place Partnership. Environmental benefits are also considered as part of commissioning, contract tender and management processes, alongside operating procedures for internal delivery teams which consider the potential to reduce the negative impact on the environment of their ways of working. Formal Health Impact Assessments are conducted for work programmes and strategies and

¹⁸ The Shropshire Plan brings the Strategic Plan, together with the Financial Strategy, Performance Management Framework and the delivery plans to create the suite of strategic plans and related policy/guidance

¹⁹ Service Design Partnership for health and social care

²⁰ Citizens Advice Bureau

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

these consider the economic, social and environmental issues, alongside responding to emerging challenges such as the ongoing cost of living crisis and work to support the Social Task Force. Another example is work with our NHS²¹ partners through the Population Health Board where economic regeneration and impact on environment are key deliverables.

Commissioning of supported living services considers the economic benefits to the individuals who will be moving into these schemes, that rents are affordable, the care and support provided is of a good quality and a cost that is reasonable and affordable. Accommodation commissioned is chosen with the individual who will be moving in to ensure that they like the area; it enables opportunities for social interaction in the community and independence building; it is adaptable to changing needs to establish a home for life.

The Council aims to comply with the principles of the Chartered Institute of Public Finance Accountancy (CIPFA), Financial Management Code 2019 (FM Code) and where there are outstanding matters or areas for improvement, as part of the wider Refocus Programme aim to address these. The impact of Covid has continued to test financial resilience and will continue to do so in coming years. The medium and long-term planning elements of the FM Code remained challenging.

Shropshire Council is the administering authority for Shropshire County Pension fund. The Local Government Pension Scheme company (LGPS Central Limited) manages nine Local Pension Funds of which the Shropshire County Pension fund is one. Governance arrangements are led by the Company's Board and the Council contributes to the Shareholder Forum.

In Adult Social Care, new policies on direct payments have been introduced following extensive research, co-production and consultation.

The ILACS²² inspection of Shropshire Children's Services provided positive feedback regarding the Virtual School and aspects of the Education Access Service focussed on Elective Home Education and Children Missing Education.

The embedding of Social Value within the commissioning and procurement processes (including award criteria) are well established and professionally supported. Sustainable development principles are fundamental to the determination of all new development proposals across Shropshire. Embedded in both the locally adopted development plan policies and national guidance. Climate Change continues to be a priority and all Cabinet and Council reports are reviewed to ensure that outcomes consider environmental and climate change benefits, the Climate Change Task force leads and coordinates delivery of the Climate Change Strategy which is targeted to achieve net zero carbon emissions by 2030. A delivery plan underpins the strategy to assist with the various programmes of work to achieve this target.

Waste and Transport Services are clear in their outcomes regarding economic, social and environmental benefits and benchmark themselves against others on this basis.

²¹ National Health Service

²² Inspecting Local Authority Children's Services

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Funding pressures in Highways has led to a focus on delivering the most amount of improvement to the highway network within the confines of funding constraints. The service trialled a programme of works that considered the carbon impact of activity and the social value that could be delivered alongside it resulting in the first carbon neutral programme of maintenance to be delivered in the country.

Activities at both STAR Housing and Cornovii Development Limited (CDL) are focussed fully across economic, social, and environmental benefits. The development of homes that are affordable to buy or rent and the development of homes that perform to a high environmental standard, whilst maintaining affordability for delivery and occupation are key to both companies.

The Culture, Leisure, Theatre (CLT) service continues to operate with a commercial approach.

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

All decisions are taken correctly by Cabinet, Council or delegation to committees or appropriate officers. Reports are considered by Legal, Finance, Risk Management and lead service areas before decisions are made to ensure they present the information required to fully inform reasoned decision making.

Implications for delivery of services and or increases in resources are reported throughout the Council and with the support of Finance Business Partners services generally do not overspend without appropriate action being taken and where this is not possible, appropriate justification provided. Support is also provided to maximise income generation. Recently introduced financial systems have attracted low internal audit assurances and a Financial Management Refocus project is underway to improve financial information and its management in a consistent way across the Council, progress has been hindered as resources were diverted responding to Covid pressures and recruitment. However, an identified resource for ERP²³ support has been provided, with virtual drop in clinics, improved training and the use of MSTeams for enquiries and communications. New processes have been set up rapidly to manage and pay out significant grants provided as a direct consequence of Covid, increasing energy cost pressures and to support Ukrainian refugees. All seeing systems established from scratch; a lack of timely information from the Government; delivery over tight time periods, with preventative fraud controls and audit trails for reporting requirements to be defined later.

The Capital Investment Board chaired by the s151 Officer oversees significant future investments aligned to Council priorities and key strategic objectives (income generation, reduction in costs, and achievement of social value). The Riverside Development has a clear programme management structure.

Business continuity plans and teams have mobilised quickly to respond to continuing emergencies, including flooding, bird flu, refugee pressures, cyber security attacks and Covid. The Council has worked with partners to optimise the support for those

²³ Enterprise Resource Planning

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

who need it. Resources are still required for the lag effect in some of the grant initiatives, for Covid, Council Tax energy rebates, Refugee and Host payments. A survey to inform treatment of employees going forwards and to learn from their views has been conducted and will help to shape new ways of working. A new multi-agency office hub is to provide for Council accommodation and the overall Shrewsbury Riverside regeneration project has gained approval for a vibrant quayside complex, supporting hospitality, leisure, retail and workspace.

Digital improvements have seen the roll out of a Leisure Application to help with pre booking facilities and another to report Highway issues. The Highway service uses computer modelling to identify the optimum impact of investment and this informed the Council's decision for additional investment into the service. The additional investment has allowed for a more planned approach, that enabled tangible monetary and non-monetary benefits to be delivered within the existing budget.

The Information and Insight team provide data, intelligence and analytics to service areas to assist in decision making. Dashboards have been created utilising Power BI to support the interpretation of information and inform decision making and are being developed as access to data becomes more readily available.

Management Information is provided via the HR Balanced Scorecard on a quarterly basis as well as individual reports to Directorate Management Teams. HR Business Partners provide challenge as required.

In Public Health, all work and interventions are intelligence led, data driven in relation to need and based on reviews of the evidence of best practice, at both strategic and operational levels. Performance is regularly reviewed during supervision, formal appraisal and revalidation processes. Senior Managers engage with professional bodies and groups to review and discuss evidence and participate in regional networks covering specific areas (e.g. Best Start in Life network). The Team undertake a confirm and challenge approach with commissioned providers to ensure the evidence base, data and needs are driving performance and choice of interventions as part of the contract management and quality assurance processes; and operating procedures for internal delivery are informed by the evidence of best practice and assessment of local needs and data.

The Early Help Partnership Board includes the police, health, early years, education, children's social care, voluntary and community sector colleagues in delivering its strategy.

The Community Wellbeing Outreach team works with Health Protection to provide support to local communities to ensure local services are planned and delivered to meet community needs.

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.

This has been a full year of activity under the current Chief Executive who completed the recruitment to all but one of the Executive Director posts allowing structures to

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.

be aligned and new leadership teams at Assistant Director level to be formulated and recruited, leading to an increasingly stable structure and reduction of temporary and interim posts. A new People Directorate was formed as part of the restructuring.

A High-level Resources Directorate restructure was completed and key appointments made. Strengthened governance arrangements, alignment of ICT (new HoS²⁴) with Deputy s151 Officer, widened and enhanced role for Internal Audit as part of a new Governance Team with a focus on continuous improvement by aligning performance, personnel data and approaches.

There is a tangible change at Executive Directors Team (EDT) level and the Senior Leadership Team (SLT) to adopt a single organisational approach, adopting strong governance issues that not only reflect service areas but the needs of the Council as a whole. Significant work on building relationships across these groups and setting expectations is providing the foundations for the next steps.

Section 151 update meetings and Governance meetings with the Monitoring Officer, s151 Officer and Head of Audit are established and undertaken regularly to consider governance issues as they arise.

A full member induction process was delivered to skill and inform those newly elected or holding a new position within the Council. Officers and members understand their respective roles, these are set out in job descriptions and the Constitution. These responsibilities and accountabilities are understood and reviewed on a regular basis. Members continued to receive training throughout the year and performance appraisals are in place for officers. These are under refinement as part of the revised TOM²⁵. Members are briefed on new and emerging local government initiatives and the e-learning portal provides other pieces of helpful training alongside information. Both employees and members have mandatory training in cybersecurity, data protection and those with budget responsibilities, financial management.

Employees in the main receive regular supervision, attend team meetings and Executive Management Team information is cascaded for action through Directorate Management Teams, Team meetings and keep in touch sessions. Risks and key issues are escalated upwards through the same processes and shared electronically.

Investment is evident in wellbeing initiatives including Access to Work, supporting employees struggling with their mental health, providing a coaching programme and provision of a mental health professional to help devise support plans. New benefits for employees from health and wellbeing partners designed to improve physical, financial and mental health have been delivered alongside a financial wellbeing surgery for employees experiencing difficulties, especially with the impact and fallout following Covid and increased cost of living. Recruitment to Wellbeing, Green and Digital Champions have been delivered.

The cross-directorate Business Continuity group has provided a good forum to share service pressures across all areas; consider response requirements; explore

²⁴ Head of Service

²⁵ Target Operating Model

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.

problems and identify innovative solutions, breaking down barriers and resulting in timely responses or escalation of issues to Executive Directors.

The New Ways of Working employee groups influencing learning from the emergency and current working practices has fed into future working arrangements, including the Getting it Right Work which underpins the Shropshire Plan. Employees have been identified as occasional, regular or essential users and supported based on this. There is a drop in desk approach to the Shirehall and other facilities and an employee car salary sacrifice scheme was launched.

Digital Champion training has continued to improve the use of ICT and support the exploration of embedding IT into practices and processes to maximise efficiencies. There is a continued development and expansion of the learning and development offer through the online learning platform, Leap into Learning, and employees are encouraged to take part in Apprenticeship schemes, their profession's Continuous Professional Development schemes and a number are completing master's at a leadership level. There are a few areas that report such development has been stifled and development stagnated due to funding and a resistance to permit personal growth. The Manager Essentials Handbook and associated training programme is available and new managers are signposted and supported by the HR Teams. It provides additional support to managers at all levels and will be linked to the developing Performance Management System/PDRs and Leadership Development work over the coming twelve months, providing a foundation for improvement in staff awareness and compliance with strong governance approaches.

Officers engage with other Local Authorities, Regional Organisations (West Midlands Employers) and professional bodies (CIPD²⁶, PPMA²⁷, CIRM²⁸, BCI²⁹) to improve and seek external assurances. Collaborative procurement activity with other Local Authorities. West Midlands Heads of Procurement Group is helping to deliver efficiencies.

A review of Adult Social Care contract/contractor monitoring and management requirements identified capacity requirements and activities are underway to address these. An Acting Principal Social Worker and Professional Lead for the Mental Capacity Act was crowned overall national winner for Outstanding Individual Contribution at the LGC awards.

in Children's Services 'Stepping-Stones', is established to meet individual needs and work with the whole family to build long lasting and positive outcomes and keep families together.

Employee vacancies across the Council have been high as the impact of Covid continued to impact making reprioritisation of services a daily occurrence and resulting in backlogs in some areas.

²⁶ Chartered Institute of Personnel and Development

²⁷ Public Services People Managers Association

²⁸ Certified International Risk Management

²⁹ Business Continuity Institute

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.

The additional support requirements of the pandemic have continued to be significant for the Finance Team with over £8.4m of funding allocated to cover the costs of COVID this year, in addition to supporting the payment of £34.9m relating to Covid grant schemes which has been passported directly to third parties. The Team's structure and capacity is to be evaluated to ensure that it can deliver the needs of the Shropshire Plan going forward.

Senior management across the Council have undertaken leadership training and future leaders identified are nominated for the corporate programme. Workforce planning including succession provisions within Finance will ensure that employees at all levels of the service have opportunities to develop and move up the structure. A Trainee Accountant programme is in place to provide a flexible resource at a junior level and fill key senior vacancies as the trainees complete their programmes and go on to develop post qualification experience.

Areas of the Council complete benchmarking, for example, Treasury Management and Pensions. Others seek peer reviews to establish their quality and plan for improvements, Internal Audit were externally reviewed and identified as conforming with their mandatory standards by CIPFA.

In the Highway service capacity has been improved from efficiencies driven out of Service improvement plans to be developed further as additional funding is available. Conversely the Transport team are seeing an increasing demand for intervention to maintain services with reducing budgets and capacity. It is recognised that more leadership capacity is needed in these areas to drive change and proposals for a new management structure are being developed. Governance structures have been put in place for key contracts and projects to ensure that there is timely challenge and escalation of emerging issues.

Property teams have amalgamated to manage, develop and support the delivery of growth and income targets of the Council's estates and to underpin the Asset Management strategy.

F: Managing risks and performance through robust internal control and strong public financial management

Services report routinely and regularly through to Council Committees such as Cabinet, Audit, Pension and Scrutiny Committees. They pro-actively input into the annual audit programme, strategic, operational and project risk reviews. Strategic and operational risks are reviewed regularly by senior managers and Executive Directors for learning points and action and are reported through to Informal Cabinet and Audit Committee. Risks are identified, recorded and managed for projects and in service and team plans. There is promotion of the Opportunity Risk Management Strategy across the Council and, through its application, a positive approach to managing risk is delivered when focusing on achieving the required outcomes and objectives.

Risk registers for key projects involve all relevant parties including external partners to ensure all risks are captured and mitigated. Major projects including the Northwest Relief Road, Shrewsbury Schools Programme, Whitchurch Leisure

F: Managing risks and performance through robust internal control and strong public financial management

Centre, Shrewsbury Redevelopment Programme and the Wider Oswestry Economic Project. All have clear governance in place with project boards established.

Software improvements provide control systems to protect assets examples are, access control to public buildings; roll out of an electronic signing system; adjustments to the ERP and other finance systems.

The Council continued to support delivery of Covid activities and pressures for people, businesses, employees and members over delivering other services alongside its own business continuity and emergency planning responses. The year saw Service Recovery Plans continuing and non-essential work stood down. Business continuity challenges were well managed providing speedy responses to ensure the safety of all, compliance with and implementation of Government guidance, improved communications of the issues, increased deployment and use of IT systems for remote working, community support, collation of data and compilation of dashboards such as employees absences, payment of grants to businesses, redeployment of employees, testing of employees showing symptoms, business and council tax relief alongside other grants and minimising the risk of fraud. When the remit to live with Covid was declared, establishments were opened in a controlled manner, with advice and support readily available to the public and stakeholders.

Governance processes have stood up to the Covid challenge with Executive/ Emergency Management Team intervening as necessary to deal with escalated issues. Improvements to processes in some areas are still required to improve efficiencies, such as Payroll. There is now a standard item on Executive Management Team to review Strategic Risks.

New Budget Challenge process launched in July 2021 generated significant ownership of the budget process by Cabinet Members and senior officers leading to the investigation and delivery of solutions to deliver a balanced budget for 2022/23.

The financial impact of Covid continued to see cashflow arrangements and grant funding put in place by Government and arrangements to track extraordinary spend in-year which is to be reported upon. The Council continues to develop medium term financial planning processes in line with best practice, although there remains ongoing uncertainty over key elements of grants receivable from central government. Additionally, the transition from "MHCLG" to "DLU" as the main point of contact in central government for local government has brought with it changes in policy emphasis which the Council is keeping under review. The Council has reviewed current processes in terms of the key criteria set out by CIPFA in their 'financial management' code; no significant issues have been identified and the Council is confident in its compliance with all the basic requirements of this code. Further work will be done in 2022/23 in relation to this, including development of plans to ensure good financial management is embedded fully in the, and reporting progress on this to members. Establishments were supported alongside other key areas in their budget monitoring with Finance Business Partners and regular meetings.

Most financial decisions are reported through to Cabinet, Council and Scrutiny Committee in an appropriate and transparent basis and challenge welcomed from

F: Managing risks and performance through robust internal control and strong public financial management

members and officers. There have been occasions where projects were implemented or launched without the relevant Finance involvement which meant that budget adjustments had to be made in response. All budgets, actuals and variances are reported regularly with supporting information trails. The Financial Strategy identifies a short-term budget plan and a long-term aspirational plan linked to the Corporate Plan for a self-sustaining Council. A full risk assessment is undertaken in support of this. Final Accounts are produced on time and in-line with best practice. External audit review and reporting on closure of the 2021/22 accounts is awaited and to date all accounts have an unqualified audit opinion. In addition, based on the work they performed, External Audit concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources for the year ending 31 March 2020, March 2021 is outstanding.

The Council approves the Robustness of Estimates and Adequacy of Reserves paper each year. This report demonstrates the financial resilience of the Council, for example: the need to hold a General Fund Balance with a target level and explanations for variance, details and categorisation of all earmarked reserves and provisions and details of previous year outturn variances.

All managers have an allocated member of the Finance Business Partner Team who takes them through monthly forecasting procedures and budget management expectations when they start in post. A dashboard of financial performance is shared and discussed at each management team meeting. This includes a RAG³⁰ rating for each of the primary codes within the service. Budget forecasting is completed on the Finance system each period.

A financial management framework is operating to ensure public monies are managed appropriately for both revenue and capital funds. Financial Accountabilities Framework launched to ensure all budget holders are aware of their responsibilities in managing budgets. Robust financial internal controls managed and maintained across financial processes and systems. Where issues identified in the control environment, risks are considered and action plans put in place to improve control. Responsibility for managing strategic financial risks identified and regularly reviewed.

Internal Audit sets a risk assessed programme, identifying the key areas for review and assurance, this is agile and adjusts in response to changing risks throughout the year. Audit plans were regularly revisited and resources redeployed to help design and deliver processes and activity in response to Covid which provided a continuing level of assurance to the Council's management of the situation. High risk areas not subject to audit continued to be identified to enable senior management and members to gather and seek direct assurance as necessary. Audit Committee undertakes a regular self-assessment, challenged by officers and External Audit, and regular training sessions based on the identification of areas for improvement and key risks and fundamental knowledge-based needs; assurances on the response to Covid were a feature of these. Over the year service managers have been required to attend Audit Committee to provide assurance not otherwise secured on their governance, control and risk management environment. Based on the Internal Audit work, support to the Council in responding to the Covid pandemic and management

³⁰ Red; Amber; Green

F: Managing risks and performance through robust internal control and strong public financial management

responses received; the Head of Audit reports limited assurance for the 2021/22 year on the Council's framework for governance, risk management and internal control. She reported a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted on her opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

Information management training is compulsory for all employees and compliance is reported through to the SIRO. All data has assigned owners, who are regularly reviewed. Information Asset Owners complete annual Information Governance Assurance Statements. Data is held across many systems by different teams. It is stored on secure drives and databases that are protected in accordance with approved policies. Flowz, an information management system, provides a more consistent approach to the management of data assets.

OFSTED³¹ Inspection for Children's Services confirmed good compliance with legal framework, policies, procedures and practice guidance, An Early Help Performance framework is fully embedded ensuring data is scrutinised at a senior level and informs the service going forward. Regular reporting to the Schools' Forum on financial matters related to the Dedicated Schools Grant and funding blocks included within the grant covering central services, early years, schools and high needs is delivered. Consultation with schools and academies is completed via a central forum. The risk register for the Local Area SEND partnership is held by the SEND Partnership Board and reviewed by key partners.

The allocation of the ring-fence Public Health Grant is scrutinised by OHID and Council committees. The team participate in formal audit processes. Employees will develop information sharing agreements as required, with identified information asset owners and regularly review and update the Business Continuity Plan for the service.

There are several areas such as revenues, waste, transport etc. which report strong internal controls, in other areas, highways and some of the main resource systems, improvement plans are being implemented and refined as progressed to ensure that they remain fit for purpose.

Housing have seen the initiation of Cornovii Developments Limited (CDL) to deliver affordable housing and delivery against recommendations from an earlier independent governance review.

³¹ OFSTED: Office for Standards in Education, Children's Services and Skills.

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

As a public body, the Council has a high level of transparency in its activities and reporting and complies with the relevant legislation. Information is reported and shared through various routes including Council, Cabinet, Scrutiny Committees and with partners, via for example the Neighbourhood Plans, Place Plans, Local Plan Review, Planning Applications and local Economic Growth Strategies. The Place Plans have also been the subject of a Shropshire Association of Local Councils working group. The Members' Portal has provided greater access to information and regular briefings are held with portfolio holders and ward members are engaged on local matters.

Reporting continues to Executive Directors through the Commissioning and Assurance Board which seeks contract assurance information and evidence of managing small and medium enterprises, local procurement expenditure, contract signature authorisation and progress of contracts. The Commissioning and Assurance Board allows for stakeholder engagement, integral in managing key decisions. It reviews the top 200 contracts (by spend) to consider engagement, client relationship and contract management risks; it has oversight of agency arrangements (value, emerging issues, risks, direction of travel, spend within and without preferred provider and associated recruitment issues).

There is wide advertising of procurement opportunities (Website, Twitter, UK Contract Finder, UK tender finder, Delta e-sourcing) Contracts awarded and procurement information is updated monthly on our websites and full, detailed and timely feedback is available to all unsuccessful bidders.

The Information Governance Legislation and Oversight Group oversees the implementation of Information Security policies based on best practice, its terms of reference and practices have been reviewed and refined.

All directorates hold regular meetings and cascade information up and down to all including financial and performance statistics. An example is Adult Services where daily monitoring of hospital discharges has enabled timely action to meet and exceed government targets regarding performance. The Council is in the upper quartile in the majority of ASCOF³² indicators for local authorities in the West Midlands.

Statutory returns including grants, are targeted for completion in an accurate and timely fashion. Survey, customer complaints and compliments are reported openly and used to improve service delivery.

All service areas are subject to internal audit review based on risk. Internal Audit recommendations are considered by the senior team on a regular basis for good housekeeping and to identify additional learning. The information also provides a position statement on the risk appetite of the control environment and its resilience to any challenges. During Internal Audit week awareness of and the benefits from an Internal Audit were promoted through various social media channels and the Intranet.

³² Adult Social Care Outcomes Framework

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Annually the Statement of Accounts is published on the Council's website and financial transparency data provided aligned to the Open Data and Transparency Code and all External Audit recommendations are addressed.

The External Auditor had not concluded their Audit Findings for the year ended 31 March 2021, due to clarification on the derecognition of Highways valuations.

Significant governance issues

Satisfactory governance exists but improvements are required to ensure it is fully embedded and integrated across all areas of the Council. To achieve this, the main challenges facing the Council appear in the **Appendix** below with energy focused on achieving a balanced budget and seeking fairer funding. A structural funding gap reported in the Financial Strategy of £65.0m in 2023/24. This is including assumptions made re growth in services such as social care which is expected to increase. Delivering a legal and balanced budget remains the key strategic risk facing the authority in the medium to long term.



Leader



CEO



Appendix: Significant governance issues

To ensure services are delivered to acceptable standards whilst achieving the budget savings required whilst managing strategic risks, the Council will strive to achieve the following outcomes:

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
Page 125	To provide a care and support service to adults appropriate to their needs.	Ability to fund Adult Services	Fairer funding exercise completed with the care market.	ExDir ³³ People	Sept 2022
			Updated growth model to improve forecasting and model social care reform impacts.		October 2023
			Development of joint commissioning arrangements		Sept 2022
			Development and delivery of early intervention strategy and the review and redesign of pathways.		Sept 2022
2.	To provide a care and support service to children appropriate to their needs.	Ability to fund Children's Services	Stepping Stones model to be implemented, purchase of new property. Development of a growth model.	ExDir People	Sept 2022 March 2023

³³ Executive Director

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
			Review of contract and commissioning arrangements for children and adult services.		July 2022
3.	To reduce the risks and impact of attacks and have a clear recovery plan in the event of one.	Cyber Attack	Ensure all staff and members complete annual training. Investment in improved monitoring solutions. Achieve external accreditation e.g. Cyber Essentials Plus.	CEO ExDir Resources	April 2022 May 2022 March 2023
Page 126	To keep children safe.	Failure to safeguard vulnerable children	Monitor impact of the change of mental health provision.	ExDir People	July 2022
56	To ensure that all stakeholders are safely recovered from the impact of Covid.	The response to and the recovery from Covid on the Council and the continuation of service delivery	Managing the displacement of staff responding to the pressures from Covid.	Chief Executive/ Head of the Paid Service	June 2022
6.	To reduce and mitigate the impact of increased demands on Council Services from the impact of climate change and therefore to life.	The effects of climate change	Replace street light lanterns with energy efficient LED. Fit electric vehicle chargers at park and ride sites; Council buildings and car park sites.	ExDir Place	March 2021 October 2022

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date	
Page 127			<p>Delivery of scheme assisting staff to reduce their carbon footprint.</p> <p>Establishment of Carbon credits opportunities for carbon reduction.</p> <p>Procurement updates for carbon performance improvements.</p> <p>Feasibility study - capturing waste heat project.</p> <p>EV promotional event.</p> <p>Environmental performance design for SC new buildings – e.g. Pool and Pride Hill.</p>		<p>December 2023</p> <p>September 2022</p> <p>December 2022</p> <p>June 2022</p> <p>September 2022</p> <p>December 2022</p>	
	7.	Deliver Projects that achieve savings targets and brings in sustainable income for the Council whilst maintaining a healthy commercial portfolio.	Failure to deliver the Commercial Strategy within agreed timescales and to levels approved by Council within the Financial Strategy prevents the Council from meeting savings targets and corporate outcomes.	Refocus programme manager to work with P3M Community of Practice to develop standards to improve selections and deliverability of projects and achieve savings targets.	ExDir Place	November 2022

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
8.	A balanced budget is delivered.	Inability to deliver a balanced budget.	Tactical budget proposals taken forward. Lobbying of Government for certainty over funding.	ExDir Resources	July 2022 to February 2023 July 2022
9.	Staff are healthy and happy.	Failure to manage and mitigate the mental health and well-being of staff	Analysis of mental health and well-being of staff absence data and dashboard development Management training provision; Trauma resilience; Mental Health awareness and resilience.	ExDir Resources	April 2022 June 2022
10.	Adults are safe.	Failure to safeguard vulnerable adults	Monitor performance of service against delivery plans. Reconfiguration of the CAMH ³⁴ s for young people underway. Broadening capacity in START team.	ExDir People	September 2022 December 2022 December 2022
11.	Establishment of robust co-produced Health and Care system to deliver the desired outcomes.	Impact of pressures in the wider Health and Care system	Advice sought, consultation undertaken on governance processes and training provided to members and officers.	ExDir Health, Wellbeing and Prevention, Public Health	June 2022 September 2022

Page 8 of 128

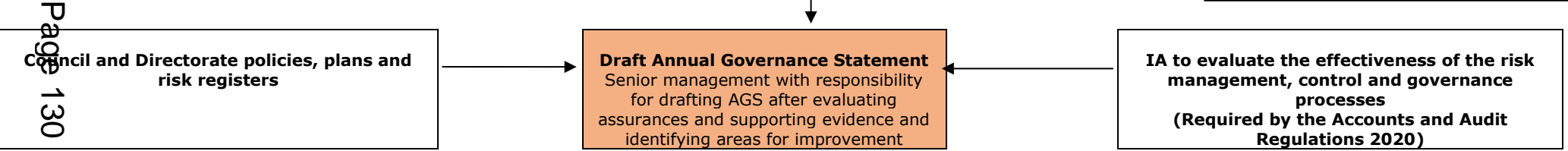
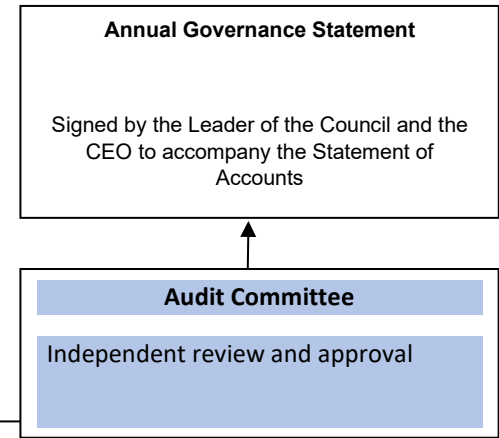
³⁴ Child and adolescent mental health service.

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
			Shift of funding to communities.	and General Management	September 2022

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK

Key documents/functions/ process guidelines

- Local code of corporate governance
- Corporate plan and financial strategy
- Council constitution
- Opportunity risk management strategy
- Commissioning strategy
- HR policies, procedures and codes of conduct
- Anti-fraud and corruption and whistleblowing (Speaking up about wrongdoing) policies



Provision of ongoing assurance on adequacy and effectiveness of controls over key risks							
Policy and performance boards	External inspections (e.g. Ofsted, Care Quality Commission)	Financial control assurance (Section 151 Officer)	Legal and regulatory assurance (Monitoring Officer)	Members' assurance	Internal Audit	External Audit	Risk management and performance management

Key to levels of assurance

First line of assurance
Second line of assurance
Third line of assurance

Appendix C: Significant Governance Issues

To ensure services are delivered to acceptable standards whilst achieving the budget savings required whilst managing strategic risks, the Council as planned in the Annual Governance Statement 2020/21, during 2021/22 strived to achieve and delivered the following outcomes:

Targeted outcome one	Additional Services and care required during the Covid pandemic and afterwards to preserve life whilst delivering against economic demands.
Strategic risk	Resource limitations and the ability to mobilise services at speed places people and businesses at a higher risk of failure and loss. Failure to deliver the Commercial Strategy; Economic Growth Strategy within agreed timescales and to levels approved by Council within the Financial Strategy prevents the Council from meeting savings targets and corporate outcomes. Impact of Covid and Brexit on the County's economy including the Council.
Activity planned Page 131	Chief Executive; as required Early warning "system" to identify future pinch points; stood up quickly as needed. Centralised Redeployment process; stood up quickly as needed. Executive Director of Resources; July 2021 <i>Refocus: Introduction of a single performance, information and reporting service for Shropshire Council</i> Milestones: IRIS Structure in place and Operational – Embedding of new working practices, including frontline interaction; background activities and learning and development begins Economic Growth Strategy refresh Executive Director of Place; September 2021 Scoping of research to understand the impact of Brexit for Shropshire's economy following Covid.
March 2022 update	Yes, an organisation wide approach delivered the targeted outcome during the pandemic; systems (including redeployment) now in place to manage the legacy impacts of Covid. Initial teams have been combined and assessment commenced on wider performance, information and reporting activities across the Council. A draft Economic Growth Strategy is ready for Cabinet consultation in June and adoption in the Autumn. The impact of Brexit is considered in this refresh.
Targeted outcome two	Targeted savings and income collection are achieved to support funding, providing good value for money.

	Funding is available to respond to COVID-19 pandemic and to deliver sustainable services now and into the future.
Strategic risk	Inability to fund services (particularly adult and children's) and inability to deliver a balanced budget over the five years of the Medium-Term Financial Strategy based upon robust estimates of cost and available resources.
Activity planned	<p>Executive Director of Resources; Oct 2021 <i>Refocus: Implementation of a new Financial Framework to Improve the management of council finances.</i> Milestone: Embed a suite of KPIs to measure our performance. <i>Refocus: Introduction of a single performance, information and reporting service for Shropshire Council</i></p> <p>July 2021 Milestones: IRIS Structure in place and Operational – Embedding of new working practices, including frontline interaction; background activities and learning and development begins.</p> <p>Autumn 2021 First draft savings profile from Refocus programme produced. Funding Prioritisation discussions by the Executive Directors Team and their Directorate Management Teams (EDT/ DMT).</p>
March 2022 update	<p>Financial Accountabilities Framework (FAF) was launched in March and all budget holders received a copy of the framework with their 2022/23 budget. Training was delivered across the Council regarding Financial Management and including budget holders' responsibilities as outlined in the FAF. Initial teams have been combined and assessment commenced on wider performance, information and reporting activities across the Council. The Refocus programme has not delivered a savings plan. The Council has focussed on trying to deliver the budgetary savings within the 2021/22 budget, and plan for delivery of savings for 2022/23.</p>
Targeted outcome three	Staff delivering services are looked after in terms of both their physical and mental wellbeing.
Strategic risk	<p>Demands for specialist staff changes because of Covid and other changes to activity. Staff cannot be recruited quickly enough and need to be retained from more attractive offers to sustain Council service provision. Increases in work related stress; staff wellbeing including mental health on the ability to deliver Council outcomes.</p>
Activity planned	<p>Executive Director of Resources; December 2021 <i>Refocus: Payroll Improvement Project</i> Reviewing recruitment and onboarding processes to improve customer experience and time to hire.</p>

	<p>March 2022 Work with West Midlands Employers on regional campaigns for hard to recruit professions. Workforce and succession planning taking place with service areas to quickly deploy resource to areas of pressure. <i>Refocus: Staff Wellbeing project will create an environment to ensures an employee has an opportunity to flourish and achieve their full potential.</i></p> <p>April 2021 Milestones: Wellbeing Plan Approved by Executive Directors.</p> <p>Summer 2021 Strategy approved through formal channels.</p>
March 2022 update	<p>Ongoing project looking at improvements to recruitment and onboarding processes and systems. Continuing focus around recruiting health and social care professionals which will expand to support other hard to fill areas. Work progressing in succession and workforce planning via the HR Business Partners with service areas. Wellbeing Plan approved and continually updated as part of work and approaches via New Ways of Working Group.</p>
Targeted outcome	Making digital the preferred way to work and transact.
Strategic risk	<p>Officers and members are not optimising the technology in delivering their services leading to failure to adopt approaches to realise savings from digital transformation. Increased risk of cyber-attacks and threats to the ICT infrastructure at a time of high reliance.</p>
Activity planned	<p>Executive Director of Resources; July 2021 <u>Refocus: Increased use of technology to reduce pressures in the system</u> Milestones: Executive Director of Resources and Assistant Director – Business Intelligence, to agree list of projects, funding requirement and timeline for delivery</p> <p>September 2021 Employment of a fourth member of the ICT security team to help monitor and proactively maintain Cyber defences. In progress.</p> <p>October 2021 Major investment in Firewall technology to ensure boundary protection is appropriate, supported and modern. In progress.</p> <p>January 2022</p>

	Attain Cyber Essentials Plus to assure alignment with this recognised level of assurance. Budget to be identified.
March 2022 update	Fourth member of the ICT Security team employed to help monitor and proactively maintain cyber defences monitoring takes place of workforce indicators including leavers, recruitment, agency use etc. Major investment in Firewall technology to ensure boundary protection is appropriate, supported and modern. Cyber Essentials Plus, recognised level of assurance to be implemented late 2022.
Targeted outcome five	Recognition of the impact of decisions and activities on the climate and a reversal of policies to reduce emissions in the climate.
Strategic risk	Carbon levels increase contributing to the declining health and wellbeing of Shropshire residents, visitors to and service users.
Activity planned	Executive Director of Place; September 2021 <i>Refocus: Implement energy consumption and emissions activities to provide a pathway for the council to reach net-zero carbon by 2030.</i> Milestones: Range of staff incentives for low carbon behaviour and living July 2021 Transport Projects – Develop pipeline for low carbon transport 2030 Target Completion Date
March 2022 update	Work in progress. HMRC rules have complicated funding for staff home improvements. Range of projects to support Electric Vehicle charging infrastructure and Green Hydrogen Fuel in progress.



<u>Committee and Date</u>
Audit Committee: 20 July 2022, 10:00 am
Council: 22 September 2022 10am

<u>Item</u>
<u>Public</u>

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2021/22

Responsible Officer

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

1. Synopsis

A key part of the Audit Committee’s role is to report annually to Full Council on the Committee’s findings, conclusions and recommendations. Audit Committee has some concerns but on balance can provide reasonable assurance.

2. Executive Summary

- 2.1. Attached to this report is the Audit Committee’s Annual Assurance Report to Council for 2021/22. This provides Council with independent reasonable assurance that it has in place adequate and effective governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains consistently
- 2.2. The Audit Committee recognises and is concerned about the limitations identified in the internal control framework as reported in the Head of Audit’s Opinion and the potential impact on value for money but on balance, can provide reasonable assurance, founded on those reports, explanations and assurances received, throughout the year.

3. Recommendation to Audit Committee

- 3.1. Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2021/22 before forwarding to Council with a recommendation to consider, comment upon and accept this report.

3.2. Recommendation to Council

Council is asked to consider and comment on the contents of the Annual Assurance report for 2021/22 before recommending accepting this report.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process. The Audit Committee objectively examines and evaluates the adequacy of the control environment through the reports it receives and in turn can provide assurances to Council on its governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that inform the Annual Governance Statement
- 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 requirements or consequences of this proposal.

5. Financial Implications

- 5.1. There are no direct financial implications from this report. In assessing the internal control environment, risk management and governance aspects of the Council, the Audit Committee can provide a perspective on the overall value for money of these.

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. A key part of the Audit Committee's role is to report 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. In addition, the Audit Committee should report to Council where they have added value, improved or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.

7.2. The Audit Committee has a well-established role within the Council, and it is important that an Annual Assurance report based on the work of the Committee is produced and recommended to Council. In compiling this assurance report, information provided at the Audit Committee meeting on 20th July 2022 has also been considered.

7.3. In addition, this report has been reviewed to ensure its continuing compliance with CIPFA¹'s Audit Committees, Practical Guidance for Local Authorities and Police, 2018 edition. This requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:

Whether the;

- committee has fulfilled its agreed terms of reference;
- committee has adopted recommended practice;
- development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities;
- committee has assessed its own effectiveness, or been the subject of a review, and the conclusions and actions from that review and,
- what impact the committee has on the improvement of governance, risk and control within the Council.

8. Conclusions

8.1. The annual assurance report to Council for 2021/22, attached to this report, is an aid to addressing the key areas where the Committee should be held to account

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

CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2018 edition

Audit Committee reports 2021/22

Cabinet Member (Portfolio Holder) Lezley Picton, Leader of the Council and Brian Williams, Chairman of the Audit Committee

Local Member N/A

Appendices:

Appendix A - Draft Audit Committee Annual Assurance Report 2021/22



¹ The Chartered Institute of Public Finance and Accountancy.

AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2021/22

STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1. Governance in and of the public sector continues to be high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. In Shropshire we have a Code of Corporate Governance which is reviewed annually in line with the best practice issued by CIPFA and SOLACE; we have also produced an Annual Governance Statement, again in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives and providing good service to our community.
2. Shropshire Council has an Audit Committee that is long established in seeking to maintain and improve our governance procedures. The Committee is a key component of the Council's corporate governance arrangements and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
 - Maintaining public confidence in the objectivity and fairness of financial and other reporting.
 - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement.
 - Providing a sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process.
 - Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable.
 - Providing additional assurance through a process of independent and objective review.
 - Raising awareness within the Council of the need for governance, internal control and the implementation of audit recommendations.
 - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
4. The Committee continues to have a professional and arm's length relationship with Grant Thornton, the Council's external auditors, who

attend all meetings of the Committee to offer their advice where needed.

5. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Chief Finance Officer (Executive Director of Resources /Section 151 Officer) in achieving our aims and objectives. We have put together a work and development plan for the year to enable key tasks to be considered and completed.
6. As Chair of the Audit Committee, I see training as a key priority for members to undertake our roles effectively. The Committee continues to undertake a full and extensive programme of training and this year has been no exception. Training has been received in relation to :
 - What to expect from Internal Audit reports?
 - Counter fraud
 - Audit Committee self-assessment
 - Update on the Statement of accounts
 - Risk management
 - Financial management
 - Treasury 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
 - Strategic risk management
 - Governance replacement for the Clinical Commissioning Group going forward and the Assurance processes for the Council.

Members also have access to CIPFA's Better Governance Forum network which provides specific information in the form of regular briefings, training events, and an informative web site and received various communication updates throughout the year on the following topics:

- The latest strategic, finance and governance issues and briefings that will have implications for audit committee members
 - Supporting improvements to risk management arrangements
 - Defining the relationship between the audit committee and the scrutiny function
 - Consultation on local audit and audit committee arrangements
 - NAO Climate change risk good practice guide
 - Guidance for audit committees on cloud services.
7. This year the Committee has held eight planned meetings including the meeting held on 20th July 2022. We have received and considered a substantial number of reports across key areas of the Council's activity (see Annex A).

8. This year the Committee has held five planned meetings including the meeting held on 20th July 2022. We have received and considered a substantial number of reports across key areas of the Council's activity (see Annex A).

Audit Committee Membership and Dates of Meetings

9. Membership of the Audit Committee for 2021/22 was made up of the following Councillors: Brian Williams (Chairman), Simon Harris (Vice Chairman), Rosemary Dartnall, Nigel Lumby and Roger Evans. Substitutes were invited to attend and contribute at all meetings and training.

10. Meetings of the Committee have been held on:
- 15 September 2021
 - 22 October 2021
 - 22 February 2022
 - 12 May 2022 (Election of Chairman and Vice only) and
 - 20 July 2022.

Training sessions have also been held on the following dates using Teams:

- 17 June 2021
- 10 September 2021
- 2 December 2021
- 17 February 2022.

Details of Reports/Information Received

11. **Annex A** provides a summary of the key reports and information received by the Audit Committee at its meetings. These appear categorised in the areas which, under the Terms of Reference, Audit Committee have a responsibility to consider and report upon. They are

- Governance;
- Risk management framework;
- Controls, including specific focus on:
 - Contracts and partnerships
 - Fraud, corruption and whistleblowing
 - Value for money

A detailed audit work plan has been agreed for the current year.

12. Following receipt of the reports the Audit Committee:
- Resolved that there were reasonable arrangements for corporate governance and where improvements are required there is a clear improvement plan with dedicated lead officers that will be monitored by Members.
 - Resolved that the risk management and assurance framework was fit for purpose and operating as intended.

- Recognised the increased risks in the control environment and resolved that there is still a need with pressures on resources and following the Council's response to COVID and changes to major systems, to ensure continual monitoring by management and members alike on the internal control environment. Members focus will remain on areas critical to the Council, i.e. internal control environments in respect of the embedding of ERP software, IT management and cyber security, major contracts and commercial activities.
- Resolved that there were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).
- Resolved that there was evidence of effective arrangements in place to support Value for Money but recognised the links to good financial management and sound internal controls in minimising opportunities for waste and fraud and maximising income and use of all assets, and the need to ensure continual monitoring by management and members alike given the reported direction of travel of the internal control environment.
- Resolved that Financial Statements reflected the Council's true position, were complete including all transactions, and were prepared in accordance with International Financial Reporting Standards.

13. The Head of Audit has offered limited assurance for the 2021/22 year on the Council's framework for governance, risk management and internal control. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon her opinion. Managers' priorities have been diverted to business continuity pressures and this has reduced capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

Audit Service Staff

14. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Head of Audit and her deputies, Principal Auditors: Katie Williams, Peter Chadderton and Barry Hanson. The Council is fortunate that these officers have all been in their roles for several years now and their lengthy experience is greatly beneficial to the Council.

15. Without the support of all Audit staff and of the officers mentioned above, it would not be possible for the Audit Committee to be as greatly effective as peer comparisons show us to be. My fellow Audit Committee members will wish to join me in thanks and appreciation of the high professional competence and dedication of the Head of Audit and all her staff.

Annual Statement of Assurance

16. Based on:
- The work carried out by the Internal and External Auditors and their reports presented to this Committee;
 - Reports from service managers and;
 - The work carried out by the Section 151 Officer, Head of Audit and their reports presented to this Committee

The Audit Committee recognises and is concerned about the limitations identified in the internal control framework and the impact on value for money. However, on balance, the Audit Committee can provide reasonable assurance, founded on those reports, explanations and assurances received, that the Council has in place adequate and effective governance, risk management and internal control systems; internal, external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects.

RECOMMENDATION – Council is asked to accept this report

Signed Date.....
On behalf of the Audit Committee
Brian Williams

Summary of assurance reports received by Audit Committee

Governance

- **Management report; Annual Governance Statement (AGS) and a review of the effectiveness of the Council's internal controls and Shropshire's Code of Corporate Governance**

Report of the Section 151 Officer on the effectiveness of the system of internal controls and the production of the Annual Governance Statement. In addition, he reported on compliance with the Corporate Governance Code as reasonable. It confirmed the Council's commitment to the principles of good corporate governance and set out clear improvements targeted at managing known strategic risk areas for 2022/23.

- **Internal Audit – Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2021/22**

Report of the Head of Audit confirmed, following a self-assessment quality assurance review 2021 (QAIP), that Internal Audit complies with the Public Sector Internal Audit Standards (PSIAS) and where there is some limited partial conformance, this is normal in local government environments and not significant enough for escalation in the Annual Governance Statement. An external assessment was planned for the current year, in compliance with the PSIAS, details of which had been confirmed with the Chairman and Section 151 Officer. Following receipt and consideration of several quotations the contract had been awarded to the Chartered Institute of Public Finance and Accountancy (CIPFA) for an assessment of the self-assessment process.

Report of the Head of Audit reported that CIPFA conducted an external assessment and concluded that; 'Shropshire Council's Audit Services self-assessment is accurate and they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'. The results of the review have been shared with all customers to demonstrate the level of compliance and quality of the Service.

Report of the Section 151 Officer which provided Members with the results of the 2022 self-assessment of the Internal Audit Service against the requirements of the Public Sector Audit Standards, compliance against which demonstrates an effective Internal Audit service. There are no areas where the Internal Audit function is not complying with the Code and, whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code. It was noted the report should be read in conjunction with the Internal Audit Annual Report.

- **Annual review of Audit Committee terms of reference**

Report of the S151 Officer which ensures that the Council continues to provide an effective Audit Committee. Terms of Reference are considered and approved by members annually. There were no significant changes proposed in 2021.

➤ **Annual Audit Committee self-assessment**

Report of the Section 151 Officer which requested members to review and comment on compliance 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 a few areas of partial compliance.

➤ **Internal Audit Charter**

Report of the Head of Audit which set out the requirement for an annual review of the Internal Audit Charter which had been completed. 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 were no significant changes.

➤ **Draft Audit Committee annual work plan and future learning and development requirements 2022/23**

Report of the Head of Audit which provided a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for members to ensure they were well informed and appropriately skilled to fulfil their role. Therefore ensuring the integrity of the financial reporting and governance of the Council.

Following membership changes, early training focus has been around the role of Audit Committee and bringing new members up to speed on the Committee's demands of them, enhanced with more detailed training as the calendar of work progresses.

➤ **Annual Assurance report of Audit Committee to Council 2021/22**

Report of the Section 151 Officer in respect of the Audit Committee's Annual Assurance report to Council.

The Audit Committee resolved that there were reasonable arrangements for corporate governance and where improvements are required there is a clear improvement plan with dedicated lead officers that will be monitored by Members.

Risk Management Framework

➤ **Management report: Risk Annual Report 2020/21 incorporating strategic risks update**

Report of the Risk and Insurance Manager who provided assurances on and an overview of the activity of the Risk, Insurance and Resilience Team during 2020/2021 with a synopsis of the current risk exposure of

the Council in relation to strategic, operational and project risks. It also identified key activity for 2021/2022.

The team includes both business continuity management and the civil contingencies responsibilities of emergency planning and because of this have continued to experience unprecedented workload given significant weather events, recovery to and response from Coronavirus. The team has worked tirelessly to respond to all these incidents whilst maintaining delivery of the day job. A 'good' assurance level was achieved following a risk management audit and confirmed that robust policies and procedures were in place, including a shared site for all risk registers allowing for real time updating and reporting. The Opportunity Risk Management Strategy is reviewed annually and reported to the Executive Directors, Cabinet and Audit Committee and all 128 operational risk registers have a named lead officer as the overall risk owner

➤ **Management report: Strategic risks update**

Reports during the year from the Risk and Insurance Manager set out the existing strategic risk exposure. There were currently 17 strategic risks on the strategic risk register. Risks have been reported on separately for Cyber Attack and ICT Infrastructure and Reliance. The Economic Impact of Brexit was managed under the Economic Growth Strategy and therefore removed as a Strategic Risk, the Strategic Vision and Strategy was to be reviewed at the annual Strategic Workshop. Members reviewed and noted the position reported to them.

Strategic risks are monitored to enable achievement of Council priorities and outcomes and are linked, where appropriate, with the Annual Governance Statement Targeted Outcomes.

➤ **Internal Audit report of the review of Risk Management audit 2021/22**

Report of the Principal Auditor which summarised the detailed findings identified in the Internal Audit review of risk management of which the overall control environment had been assessed as Reasonable, with minor control weaknesses identified. The focus of the review was on user compliance with processes around operational and project risks.

➤ **Draft Internal Audit Annual plan 2022/23**

Report of the Head of Audit on the proposed risk based Internal Audit Plan for Audit Committee approval. Designed to evaluate the effectiveness of the Council's risk management, internal control and governance processes across all Directorates and report this in the Annual Governance Statement 2022/23. Given the need to respond flexibly to both the Council's demands and the available resources in the team, at different times throughout the year, the plan is designed to ensure that all externally contracted work for the service is completed and for Shropshire Council, must do areas of work are delivered alongside an element of high risk audits. This leaves an unplanned element to be allocated as resources become available. Allocations will be made on risk priority matched to auditor skill sets from

high risk areas within the Council not covered in the planned element. She also referred members to the appendix, which set out those low risk areas that would not be considered for review by Internal Audit on a rolling basis, to allow Members to consider first line assurances, if required, from managers on these areas.

Members noted the ongoing impact of the Pandemic but recognised that business areas were picking up. The current low staffing position of the Audit team was understood and the measures being taken to address the vacancies were noted. The Head of Audit stressed that the quality of the work provided by the team remained sound, as exemplified by the external assessment.

The Audit Committee resolved that the risk management and assurance framework was fit for purpose and operating as intended.

Controls

➤ **Management Report: Highways Term Maintenance update (exempted)**

The Executive Director of Place provided an update on progress towards a resolution of the issues identified by Audit relating to the management of the Council's Term Maintenance Contract with its Highway's provider.

➤ **Management report: Highways Term Maintenance Contract**

The Executive Director of Place updated Members with continued progress towards a resolution of the issues identified by Audit relating to the management of the Council's Term Maintenance Contract with its Highway's provider. An update on the implementation of Fix my Street was also provided.

➤ **Internal Audit performance report and revised annual audit plan 2021/22**

Report of the Head of Audit which provided Members with an update of the work undertaken by Internal Audit throughout the year. By September Members were informed that 32% of the revised plan had been completed, the Council's response to COVID continued to have an impact on Internal Audit resources at the beginning of the year, these pressures were reducing and there was an opportunity to recruit to vacancies and a need to reduce planned activity in the short term to reflect resignations of long service staff. The fluidity of the plan was discussed and that any significant changes responding to the risk environment would be shared with the S151 Officer and reported back to the Committee.

By the year end the Head of Audit informed members that 97% of the revised plan had been completed and Internal Audit continued to add value to the Council in supporting its business continuity processes and the

delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

➤ **Internal Audit Fundamental recommendations (Exempted 2,3,7)**

The exempted report of the Head of Audit set out five fundamental recommendations for the Audit Committee, three from the public update report and two within the exempt report. The information was noted.

➤ **Internal Audit annual report 2021/22**

Report of the Head of Audit on achievements against the revised internal audit plan for 2021/22 and the annual internal audit assurance. The Head of Audit gave limited assurance for the year that the Council's framework for governance, risk management and internal control is sound and working effectively.

Business continuity plans were mobilised for the complete year and this impacted on delivery in terms of changing scopes as did the impact of reduced resources, but activity still provided sound coverage for her opinion. Revisions were made to the plan to reflect both changing resources and risks. She explained that there are continuing, and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon her opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

The Audit Committee recognise the increased risks in the control environment and resolved that there is still a need with pressures on resources and following the Council's response to COVID and changes to major systems, to ensure continual monitoring by management and members alike on the internal control environment. Members focus will remain on areas critical to the Council, i.e. internal control environments in respect of the embedding of ERP software, IT management and cyber security, major contracts and commercial activities.

Controls: Fraud, Corruption and Whistleblowing

➤ **Fraud, special investigation and Regulation of Investigatory Powers Act (RIPA) update (Exempted by categories 2, 3 and 7)**

Members are provided with exempt reports of the Principal Auditor providing an update on the current fraud and special investigations undertaken by Internal Audit and current RIPA activity.

➤ **Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative**

Report of the Head of Audit outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud, and how the Council managed these risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption. It also provided an update on the action plan to ensure continuous improvement and an update to members in response to national and local issues. It was confirmed that the Strategy had been reviewed and updated to reflect both best practice and to continue to be aligned with the updated Fighting Fraud and Corruption Locally Strategy 2020. The Council can never be free from fraud activities, but continues to be focused on acknowledging, preventing and pursuing fraud, bribery and corruption and Audit Committee members reaffirmed the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.

➤ **Annual Whistleblowing report**

Report of the Assistant Director of Workforce and Improvement which detailed the cases reported under the Whistleblowing arrangements. Assurance was provided as to the currency of the Whistleblowing Policy and its effectiveness.

The Audit Committee resolved that there were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).

Controls: Value for Money

Sound internal controls lead to the effective, efficient and economic use of Council resources (VFM), assurances are taken from the robustness of the internal control environment, management of risks, soundness of governance and any additional reports add weight to these.

➤ **External Audit: Pension fund audit plan 2021/22**

Report of the Engagement Lead (Grant Thornton) setting out the Pension fund plan for the year ending 31 March 2022.

➤ **External Audit: Audit fee letter 2021/22**

Report of the Engagement Lead (Grant Thornton) setting out the audit fee for the year ending 31 March 2022.

The Audit Committee resolved that there was evidence of effective arrangements in place to support Value for Money but recognised the links to good financial management and sound internal controls in minimising opportunities for waste and fraud and maximising income and

use of all assets, and the need to ensure continual monitoring by management and members alike given the reported direction of travel of the internal control environment.

Financial reporting

➤ **External Audit: Shropshire County Pension Fund Audit Findings (Information) 2020/21**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2021 on the audit of the Pension Fund financial statements. It confirmed that there were no issues around the Fund's ability to continue as a going concern and that it was intended to issue an unqualified opinion to the Pensions Committee.

➤ **External Audit: Audit progress report and sector update**

Report of the Engagement Lead (Grant Thornton) which highlighted progress and provided a summary of emerging national issues and developments of relevance to the Council. Including changes to arrangements for securing Value for Money to be included in the Auditor's Annual Report. The Engagement Manager explained that there was a slight delay in reporting on the Whole of Government Accounts, due to a delay with the workbook.

In February he confirmed that the audit of the 2020/21 financial statements had been substantially completed with just a couple of areas awaiting evidence. Certification of the Housing Benefit grant had been completed and work ongoing for the Pooling of Housing Capital Receipts and Teachers Pensions returns.

Sector updates were provided on: Supporting local economic growth by the Department for Levelling up, Housing and Communities and Consultation - Changes to the capital framework: Minimum Revenue Provision.

➤ **Financial outturn report 2021/22**

Report from the Section 151 Officer providing details of the revenue outturn position for the Council and the full year capital expenditure and financing of the Council's capital programme.

➤ **Appointment of External Auditors, Changes to Arrangements for**

Report of the Section 151 Officer asked Members to consider and propose the most efficient and effective way of procuring an External Auditor from April 2023, to Council for their consideration and final decision.

The current arrangement with External Audit was coming to an end and the Council needed to go through the process of appointing a new External Auditor. There were three options contained in the report, two of which would place enormous demand on officer time along with unnecessary expense and therefore the Committee agreed to using the

Sector Led Body, the PSAA by indicating an option to “opt-in” as the preferred approach be recommended for approval to Council.

➤ **Approval of the Council’s Statement of Accounts 2020/21 including a review of accounting policies**

September: Report of the Section 151 Officer on the final unaudited outturn position for the financial year 2020/21 and detailed amendments made to the draft Statement of Accounts during the audit process to date.

The report identified what each of the amendments since the draft position were and included a summary of the reasoning for that change. The External Audit of the accounts was ongoing and therefore an additional meeting in October was arranged to consider and sign off the Statement of Accounts and any adjustments.

➤ **Final approval of the Council’s Statement of Accounts 2020/21 and the External Audit: Draft Annual Audit Findings Report 2020/21**

Report of the Section 151 Officer which presented members with the audited outturn position for the financial year 2020/21 and detailed amendments made to the Draft Statement of Accounts during the audit process. Grant Thornton had substantially completed the audit and no material changes were identified during the audit to date, however there had been one amendment to the core financial statements and a few other amendments made to the disclosures. The main changes were summarised and in summary the adjustments included amendments to the balance sheet and the group balance sheets in relation to the classification of a grant, an adjustment had also been made in the group income and expenditure statement of accounts and some adjustments had been made in the accounting policies in relation to non-current assets as well as critical judgment and applying accounting policies. Amendments had also been made to a few notes to the accounts which were listed on the report. The Interim Director of Strategic Finance confirmed that the final audit opinion would not be available until the audit had been completed however External Audit were anticipating an unqualified opinion pending the satisfactory conclusion of outstanding matters. The Annual Governance Statement had been approved by the Audit Committee on 30 July 2021.

Report of the Engagement Lead which set out the findings from the audit that were significant to those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. He was hopeful that they would be able to report back to the Audit Committee at its December meeting.

➤ **Approval of the Council’s Statement of Accounts 2021/22**

Report of the Section 151 Officer on the final unaudited outturn position for the financial year 2021/22.

Treasury Management

➤ **Annual treasury report 2020/21**

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for the year including the investment performance of the Internal Treasury team to 31 March 2021. He reported that the Internal Treasury team had continued to outperform their investment benchmark by 0.47% and that performance over the last three years was 0.40% per annum above benchmark delivering an underspend of £3.21 million. This was mainly due to a review of the Minimum Revenue Provision savings following the Council's review of the policy and interest payable savings as no borrowing was undertaken.

Treasury activities during the year had been within approved prudential and treasury indicators set and have complied with the Treasury Strategy.

➤ **Treasury Strategy 2021/22 mid-year report**

Report of the Section 151 Officer which provided an economic update for the first six months of 2021; including a review of the investment portfolio and borrowing strategy for 2021/22 and confirmed compliance with Treasury and Prudential limits. The report was prepared in accordance with the CIPFA Code of Practice on Treasury Management. As of 30 September 2021, the Council held £175m in investments and had £292m of borrowing.

➤ **Treasury Strategy 2022/23**

Report of the Section 151 Officer which proposed the Treasury Strategy for 2022/23 and the recommended Prudential Indicators for 2022/23 to 2024/25.

The Audit Committee resolved that Financial Statements reflected the Council's true position, were complete including all transactions, and were prepared in accordance with International Financial Reporting Standards

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Committee and Date

Audit Committee
20th July 2022

Item

Public

Financial Outturn 2021/22

**Responsible
Officer**

James Walton

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

1. Synopsis

Shropshire Council ended the financial year better than expected, with a final overspend of £2.5m, which is £1.8m better than the previous estimate.

2. Executive Summary

2.1 This report provides details of Shropshire Council 2021/22 financial performance for revenue and capital.

2.2 The key issues highlighted by this report are:

- The Council's revenue outturn position for 2021/22 is an overspend of £2.505m (an improvement of £1.841m when compared with projections made at Quarter 3), which represents a variance of 0.45% on the gross budget.
- The Council's capital programme for the year was reduced to £83.572m to reflect latest information with £66.581m of funding moved to later years of the programme to better reflect anticipated delivery.

3. Recommendations

3.1 It is recommended that Members:

In respect of the revenue budget:

- A. Note that the outturn is a overspend of £2.505m.
- B. As a result of the outturn position to note that the level of the General Fund balance stands at £11.522m, which is below the recommended level.
- C. Note the decrease in the level of service-related Earmarked Reserves and Provisions of £8.152m.

- D. Note that the Council has received revenue funding relating to Covid-19 in 2021/22 which covered all Covid-19 costs in the year, and so no additional costs have had to be funded by the Council's base budget.

Relating to ringfenced funding:

- E. Note that the outturn for the Housing Revenue Account (HRA) for 2021/22 is an underspend of (£0.251m) and the resulting level of the HRA reserve is £11.592m.
- F. Note that the level of school balances stands at £8.191m (£5.995m in 2020/21).

In respect of the capital programme:

- G. Approve net budget variations of £3.598m to the 2021/22 capital programme (in Appendix 11) and the re-profiled 2021/22 capital budget of £83.572m.
- H. Approve the re-profiled capital budgets of £132.724m for 2022/23, including slippage of £1.245m from 2021/22, £82.009m for 2023/24 and £34.077m for 2024/25 as detailed in Appendix 15.
- I. Accept the outturn expenditure set out in Appendices 12 and 13 of £82.327m, representing 98.5% of the revised capital budget for 2021/22.
- J. Approve temporary application of capital receipts of £18.273m to generate a one-off Minimum Revenue Provision saving of £0.398m in 2022/23.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 The management of the Council's Budget is a key process in ensuring the strategic risks are mitigated and the Council can carry out the business as intended and planned for within the Financial Strategy.
- 4.2 When the Council set the Financial Strategy in February 2021, which underpins this report, it took into account the requirements of the relevant legislation and any necessary service user consultation.

5. Financial Implications

- 5.1 This is the subject of the report.

6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy supports its strategies for Climate Change and Carbon Reduction in a number of ways. The future programme includes programmes to support a range of initiatives such as moving to LED street lighting, enabling agile and mobile working dramatically, reducing travel and support for Park and Ride schemes

to reduce car emissions within the town centres. A specific climate change revenue budget has been established in 2021/22 and further details about spend in this area is included in Appendix 1 to this report. The climate change schemes involving the Council's assets or infrastructure are included within the capital programme of which further detail can be found within Appendix 17.

7. Background

- 7.1 Budget monitoring reports are produced monthly for Executive Directors, and quarterly for Cabinet, highlighting the anticipated year end projection.
- 7.2 The monitoring reports track progress against agreed budget decisions, consider any budget changes (including re-profiling on Capital), forecast any significant variances to the budget, and enable corrective action to be taken to ensure a balanced budget at year end. Capital schemes are similarly reported on an exception basis.

8. Revenue Outturn - Overall Position

- 8.1 The Council approved a gross budget of £554.318m (net £208.647m) on 25th February 2021. This included savings of £9.804m.
- 8.2 The final outturn for 2021/22 shows net revenue expenditure of £211.152m and an overspend of £2.505m. This position includes the Covid-19 additional spending and income losses, which have been offset in full by emergency grant funding. The overall position for service areas is detailed in Table 1 (see Appendix 1).

Table 1: 2021/22 Budget Variations Analysed by Service Area (£'000)

Directorate	Revised Budget (£'000)	Controllable Outturn (£'000)	(Under) / Overspend (£'000)	RAGY Classification
Corporate Budgets	(51,562)	(53,552)	(1,990)	Y
Health and Wellbeing	2,177	1,756	(422)	Y
People	186,868	190,592	3,724	A
Place	69,765	70,030	265	G
Resources	1,397	2,374	976	R
Strategic Management Board	1	(47)	(48)	Y
Total	208,647	211,152	2,505	A

- 8.3 Key variances include:
- Children's social care pressures – staffing, agency staff, direct payments, leaving care allowances, internal residential home costs, legal costs – c£4.0m
 - Temporary housing and housing benefits subsidy loss – c£1.1m
 - Commercial investments, unachieved savings and income (Shire Services, Corporate Landlord) – c£1.6m

- Digital transformation savings now unachievable – c£2.5m
- Offset by one-off underspends across the Council – staffing, supplies/services, MRP, use of grant funding - (£6.7m)

8.4 The movement from the forecast outturn position at Quarter 3 is summarised in Appendix 2. Additional costs and loss of income as a result of Covid-19 in 2021/22 are detailed in Appendix 3.

9. Update on Savings Delivery

9.1 62% of the 2021/22 savings required have been delivered. £3.750m savings have not been achieved, and £2.039m of those will be carried forward into 2022/23 to be delivered as soon as possible. The savings outturn in 2021/22 are presented in Appendix 4. The impact on the outturn position of the savings that have not been delivered can be seen in Appendix 6.

10. Analysis of Outturn Projections including Ongoing Budget Pressures

10.1 The outturn position of £2.505m overspend (see paragraph 8.2 above) includes ongoing and new budget pressures identified. Appendix 5 lists the ongoing budget pressures that the Council is facing and Appendix 6 reconciles the monitoring position to savings delivery.

11. General Fund Balance

11.1 A breakdown of transactions impacting on the General Fund in 2021/22 are detailed in Appendix 7 and this shows a reduction in the balance held of £2.568m to £11.522m.

12 Housing Revenue Account

12.1 The Housing Revenue Account (HRA) outturn for 2021/22 shows a surplus of (£0.251m) against a budgeted deficit of £0.285m, giving a (£0.536m) variance against the approved budget. As at 31 March 2022 the HRA reserve stood at £11.592m. A breakdown of the HRA is provided at Appendix 9.

13 Reserves and Provisions

13.1 The overall position for reserves and provisions is set out in the Statement of Accounts 2021/22, however a detailed breakdown of the balances is contained at Appendix 10 and shows an overall reduction of £8.152m in reserves and provision (excl. delegated schools balances).

14 Original & Final Capital Programme for 2021/22

14.1 During Quarter 4 there has been a net budget increase of £3.598m compared to the position reported at Quarter 3 2021/22. Appendix 11 summarises the overall movement, between that already approved and changes for Quarter 4 that require approval. Appendix 14 summarises the financing of the revised capital programme.

15 Capital Outturn Position

15.1 Total capital expenditure for 2021/22 was £82.327m, which equated to 98.5% of the re-profiled capital programme of £83.572m. Appendix 12 summarises the outturn position for 2021/22. A summary of significant variances by directorate and service area are provided In Appendix 13.

16 Projected Future Capital Programme

16.1 The updated capital programme and the financing of the programme is summarised by year in Appendix 15.

17 Capital Receipts Position

17.1 Appendix 16 summarises the current allocated and projected capital receipt position across 2021/22 to 2024/25.

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

Financial Strategy 2021/22 – 2025/26

Financial Rules

Financial Monitoring Report – Quarter 1 2021/22

Financial Monitoring Report – Quarter 2 2021/22

Financial Monitoring Report – Quarter 3 2021/22

Cabinet Member (Portfolio Holder)

Gwilym Butler – Portfolio Holder - Resources

Local Member

Appendices

Appendix 1 – 2021/22 Budget Variations by Service

Appendix 2 – Movement in Projections Between Q3 and Outturn

Appendix 3 – COVID-19 Additional Expenditure and Income

Appendix 4 – Update on Delivery of 2021/22 Savings Proposals

Appendix 5 – Ongoing Budget Pressures

Appendix 6 – Reconciliation of Monitoring Projections to Savings Delivery

Appendix 7 – General Fund Balance

Appendix 8 – Amendments to Original Budget

Appendix 9 – Housing Revenue Account

Appendix 10 – Reserves and Provision 2021/22

Appendix 11 – Revised Capital Programme

Appendix 12 – Capital Programme Outturn Position by Directorate 2021/22

Appendix 13 – Summary of Significant Variances Between Revised Outturn Budget & Outturn Expenditure by Directorate and Service Area For 2021-22

Appendix 14 – Revised Capital Programme Financing 2021/22

Appendix 15 – Capital Programme 2022/23 To 2024/25

Appendix 16 – Projected Capital Receipts Position

Appendix 17 – Capital Programme Summary Outturn 2021/22

APPENDIX 1**2021/22 BUDGET VARIATIONS BY SERVICE****1.1 Summary**

Revenue variances are reported on an exception basis depending on the total variance from budget, and the percentage change in projection in any one period.

- Green Variance +/- 1% (or £0.05m if budget less than £5m)
- Amber Overspend between 1%-2% (or £0.05m-£0.1m if budget less than £5m)
- Red Variance over 2% (or £0.1m if budget less than £5m)
- Yellow Underspend more than 1% (or £0.05m if budget less than £5m)

Directorate	Full Year			RA GB Y	FOR INFORMATION ONLY		
	Net Budget £	Controllable Outturn £	Controllable Variation £		Outturn (incl. Non Controllable items*) £	Non Controllable Variation £	Total Variation £
Corporate Budgets	(51,562,440)	(53,552,463)	(1,990,023)	Y	(63,386,483)	(9,834,020)	(11,824,043)
Health and Wellbeing	2,177,434	1,755,680	(421,754)	Y	2,144,070	388,390	(33,364)
People	186,868,390	190,592,099	3,723,709	A	196,374,877	5,782,779	9,506,487
Place	69,764,926	70,029,647	264,721	G	73,214,287	3,184,640	3,449,361
Resources	1,397,330	2,373,650	976,320	R	2,878,380	504,730	1,481,050
Strategic Management Board	1,170	(46,955)	(48,125)	Y	(33,115)	13,840	(34,285)
TOTAL	208,646,810	211,151,659	2,504,849	A	211,192,017	40,359	2,545,207

*The non-controllable items included in the table above include items such as depreciation, impairment of assets, other capital charges and IAS19 (pension costs) that are not included within service projections throughout the year. These charges are produced at the year-end as they are calculated as part of the closedown procedures. The budgets for the year are set in the February of the preceding financial year, and rather than reallocate these budgets at the year end to match where the accounting entries are processed, we allow variations from budget to be reported instead. With the exception of insurance costs, the net effect of these variations across the Council will always be nil, as any overspends within non-controllable budgets for service areas will be offset by a Corporate underspend which reflects the statutory requirement that any variations in these budgets should not impact on the Council Tax payer and ultimately the Council Tax that we charge.

1.2 Detail of Controllable Outturn and Variations by Service Area

CORPORATE BUDGETS	Full Year			RAGY
	Budget £	Controllable Outturn £	Controllable Variance £	
Total	(51,562,440)	(53,552,463)	(1,990,023)	Y

Corporate Budgets	Portfolio Holder Resources	(51,591,340)	(53,581,363)	(1,990,023)	Y
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In year savings of (£1.163m) have been delivered against MRP budgets. A budget pressure of £0.173m was incurred in relation to the loss of the WME profit share. This was offset by expected additional income from interest receivable of (£0.862m) and forecast underspends against non-distributable costs of (£0.131m). Smaller one off savings were also delivered against QICS PFI charges.

Business Continuity - Covid 19	Portfolio Holder Resources	28,900	28,900	-	G
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No variance from budget at Outturn.

HEALTH AND WELLBEING	Full Year			RAGY
	Budget £	Controllable Outturn £	Controllable Variance £	
Total	2,177,434	1,755,680	(421,754)	Y

Regulatory Services	Portfolio Holder Adult Social Care and Public Health	1,852,474	1,566,549	(285,925)	Y
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There is an underspend of (£0.286m) within the Regulatory Services section of Health and Wellbeing. The major variances across the service area are as follows:

- £0.176m of unachieved savings in relation to restructuring the services and increasing income on an ongoing basis, that have not been achieved partly due to resources being assigned to handling the Covid-19 outbreak.
- (£0.062m) underspends on supplies and services expenditure and as a result of additional income received
- (£0.112m) underspends due to delays in recruiting to vacant posts
- (£0.288m) underspends as a result of staffing resources reassigned to handling the Covid-19 pandemic being funded by the Contain Outbreak Management Fund grant.

Non Ring Fenced Public Health Services	Portfolio Holder Adult Social Care and Public Health	280,100	144,271	(135,829)	Y
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The underspend of (£0.136m) is due to in-year savings of (£0.028m) in employee costs and COMF funding of (£0.082m) applied, alongside a reduction in supplies and services expenditure of (£0.005m) and other additional income of (£0.021m).

Ring Fenced Public Health Services	Portfolio Holder Adult Social Care and Public Health	44,860	44,860	-	G
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No variance from budget at Outturn.

PEOPLE	Full Year			RAGY
	Budget £	Controllable Outturn £	Controllable Variance £	
Total	186,868,390	190,592,099	3,723,709	A

People Directorate Management	Portfolio Holder Adult Social Care and Public Health	3,291,610	3,460,356	168,746	R
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Due to senior management staffing changes in this area, there was a one-off monitoring pressure of £0.055m, due to temporary vacancy cover via an agency and one-off recruitment and staff advertising expenditure. The remainder of the overspend relates to one-off non-staffing expenditure such as legal expenses.

Adult Social Care Business Support and Development	Portfolio Holder Adult Social Care and Public Health	3,787,980	3,417,656	(370,324)	Y
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There is an underspend within Business Support and Development of (£0.370m). A summary of the major variances is as follows:

- (£0.207m) underspend on Business Support. This is largely down to staffing and costs associated with posts and is due to a mixture of carrying vacancies and utilising one-off funding streams.
- (£0.099m) underspend on Joint Training and the Professional Development Unit. This is largely down to reduced

staffing costs and overachievement of income targets. • (£0.065m) underspend within Enable, due to the generation of additional income from external contracts.					
Adult Social Care Management	Portfolio Holder Adult Social Care and Public Health	887,680	889,288	1,608	G
Minor variance from budget at Outturn					
Adult Social Care Provider Services	Portfolio Holder Adult Social Care and Public Health	3,564,360	3,551,930	(12,430)	Y
Minor variance from budget at Outturn					
Adult Social Care Operations	Portfolio Holder Adult Social Care and Public Health	107,419,170	107,705,120	285,950	G
<p>There is an overspend within Social Care Operations of £0.286m. The major variances are as follows:</p> <ul style="list-style-type: none"> •£0.910m overspend across the purchasing budget. Adult Social Care experienced a significant movement in its purchasing ability that took place just after Quarter 1 reporting, whereby the Council experienced a shift in the care and support marketplace, resulting in increased costs in both domiciliary care and care home placements. The Council's ability to purchase within expected local price points has been further challenged, meaning that 40% of the care and support marketplace is operating within our local price points and 60% is not within our local price points and which, therefore, presents further pressures to expenditure. This challenging position is mirrored by a national shortage within the domiciliary care marketplace, and that also impacts on our local care providers, who are struggling to recruit and maintain staffing levels, following the direct impact of the pandemic, but also as a result of care staff making the decision to leave the sector. The result of this is that the Council is supporting people into short-term residential care placements that are more expensive than planned, and are as a direct result of the lack of availability. It is widely believed that this unavailability in the domiciliary care market is partly as a result of the Covid-19 "aftermath" and the impacts that Covid-19 is still having on workforce resources. The vulnerable older people entering social care now have more increased care needs, and so caution is required when reviewing ongoing growth assumptions. Where possible we have applied additional Covid-19 and NHS funding to offset pressures, but this funding is only short-term and mixed with the increasing cost of care and the cost of care modelling that is currently taking place, this pressure is likely to grow in 2022/23. •£0.048m overspend on delivery costs. The two main pressures are £0.108m within assistive technology (telecare equipment) and £0.133m void supported living costs, where the lease costs of a property are not covered by tenants' Housing Benefit income. This is partly offset by reduced transport costs (£0.194m) • (£0.672m) underspend within the staffing budget due to delays in recruiting to vacant posts. This is mainly within the community social work teams. We have also utilised other one-off funding streams against pay costs where applicable. 					
Housing Services	Portfolio Holder Adult Social Care and Public Health	3,188,680	3,928,036	739,356	R
<p>There is an overspend within Housing Services of £0.739m. The major variances are as follows:</p> <ul style="list-style-type: none"> •£1.440m overspend on temporary accommodation, due to an unprecedented number of homelessness cases. The nature of the demand also means that the Housing service is incurring large security and repair costs that are not being covered by Housing Benefit payments. Cost savings targets have been proposed by reducing the reliance on more expensive bed and breakfast usage and by undertaking a review of security costs. However, this is an ongoing pressure and growth has been applied to the 2022/23 budget, meaning that the service will be aiming to deliver a balanced budget going forward. •£0.103m net overspend relating to carried forward 20/21 savings, following application of (£0.150m) Covid-19 grant. Of those savings that will not be achieved in the longer term, growth has been allocated within the 2022/23 budget • (£0.367m) underspend on staffing due to in-year staff vacancies and the use of one-off funding streams where applicable. • (£0.436m) underspend on delivery costs, in particular Supporting People contracts (£0.201m), IT costs (£0.102m) and the application of Rough Sleepers grant (£0.123m) 					
Children's Social Care and Safeguarding	Portfolio Holder Children's and Education	43,169,240	46,851,644	3,682,404	R

A budget pressure of £1.106m was reported across the service area in relation to staffing. The majority of the £1.106m relates to the net budget pressures caused by agency social workers covering social worker posts. It is necessary to ensure that children who are looked after, on a Child Protection Plan or children in need of a plan are adequately supported in line with statutory timescales and this will dictate that sickness, maternity or temporary vacancies must be covered in the interim through agency staff. Although significant growth of £1.667m was built into the budget for a number of social workers posts, those staff that are responding to our recruitment campaign tend to be inexperienced ASYE social workers, so agency workers will be required to stay in post for a limited time to support these new social workers until such time that they are able to take on full caseloads. The service remains focused on recruitment and retention but there is an issue around social worker recruitment and retention with national recognition that the number of social workers enrolling on to social worker courses remains static, the Department for Education data predicting an annual shortage of qualifying social workers compared to annual vacancies of 1,720 and rising across all Local Authorities, an increase in the number of qualified social workers leaving the profession compared to the number of new entrants and an increase in demand which is highly anticipated to only increase further as recent Covid-19 restrictions are lifted. Shropshire's geographical location and dispersed population and difference in neighbouring local authorities immediate pay and reward packages has exacerbated these national issues at a local level. The recruitment campaign for children's services has been continuous and we are engaged with the graduate programmes for social work Step Up. A recent decision has been made to commission a media agency to develop a recruitment campaign for the recruitment of Children's social workers in Shropshire. This approach has been successful in other local authorities. This media campaign will produce a long term set of recruitment materials to use for future campaigns. The service also embarked on an invest to save strategy to grow our own workforce by creating social workers that are local, with good knowledge of local issues and services, and have a long-term commitment to working in Shropshire. The programme of developing our own Social Work Hub aims to create a local pathway to qualification with preferred providers either being in Shropshire or within reasonable commuting distance. To date 18 social work apprentices have started their training with the first cohort of 8 that started in January 2020 set to complete their training in January 2023. This strategy of training our own social workers is a long-term strategy that will contribute to the local supply of qualified social workers in the market being sufficient when future vacancies are advertised. £0.155m of this £1.106m budget pressure related to social worker retention payments made to social workers every 2 years to retain their services. This strategy is a key part of the Council's focus on retaining highly sought after, qualified social workers whose services will be in demand from other local authorities given the national shortage of social workers. The retention payment of £5,000 is the equivalent cost of an agency social worker covering a vacant social worker post for 2 months so ensures good value for money in minimising the number of social workers leaving the Council.

There was an overspend of £0.544m across all of the Council's internal residential homes. This overspend mostly related to staffing pressures whereby existing staff have worked additional hours to provide additional support to the children accommodated at these homes. Some of this budget pressure related to the Council's 2 new 2-bedded homes which provided good quality care for the children accommodated at those homes at a cheaper cost than those children would be accommodated at using external residential home providers. Due to the increase in complexity of the needs of the children accommodated at these homes, total expenditure exceeded the original budget set up for these 2 homes but as long as the weekly cost remains below that of a comparative external residential home provider, the service is satisfied that the homes provide good value for money as well as good outcomes for the children accommodated there.

There was a £0.111m budget pressure reported within the Placements budget area. This relates to a shortfall in contributions received from Education and Health partners towards joint funded, Social Care led placements compared with the budgeted amount. What is not reflected in this figure is the £1.308m budget pressure on direct placements expenditure as this pressure was offset by the Council's Covid-19 Support Grant this year. Expenditure growth has been built into the budget for 2022/23. The Stepping Stones Project invest to save strategy is a long term strategy with a system-wide transformation to provide an integrated service for young people who are either in care, edging to, or on the edge of care to ensure that the young person is not passed from service to service but instead supported by a dedicated operational team at a multi-disciplinary hub. This project is intended to build capacity in order to allocate resources more effectively. This project is designed to manage the predicted growth in expenditure within placements and to achieve the savings outlined within the Council's Financial Strategy whilst enabling the Council to continue to fulfil its statutory duties.

There was a £0.644m budget pressure reported in the Disabled Children's Team (excluding the staffing team). Some of this related to Direct Payments (£0.231m). The increase in demand for DCT direct payments has been recognised and budget growth has been built in for 2022/23. The remaining £0.413m related to bespoke, short term care packages of prevention and support for Disabled Children. This is an area which has seen a significant increase in demand in 2021/22 though it is important to note that these high cost home care packages for disabled children, are in some cases a short term alternative to placing a child in a long term residential placement.

There was a £0.338m budget pressure reported in the Leaving Care Team (excluding the staffing team). £0.261m of

this related to accommodation costs for care leavers and allowances paid to care leavers, reflecting an increase in the number of children staying in relatively high cost supported accommodation placements beyond their 18th birthday. This is a pressure that has grown throughout the financial year and may well represent an ongoing budget pressure. The remaining £0.077m relates to Council Tax discretionary relief for Care Leavers.

Overspends totalling £1.208m related to non-staffing budgets such as legal/barrister fees, medical assessments, transport recharges and interpreting fees across several social work teams. Some growth was built into the budget for 2021/22 but these costs have increased significantly in line with the sharp increase in demand elsewhere in the service. Of this value, £0.212m relates to the Public Law Outline support packages budget which is an area that has seen significant growth in 2021/22. It is anticipated that this will be an ongoing budget pressure.

Offsetting the budget pressures reported above, Adoption Services reported a (£0.009m) underspend and there was a (£0.260m) decrease in the Children's Social Care bad debt provision reflecting an overall reduction in historic debt owed to the service area as at the end of the financial year.

Children's Early Help, Partnerships and Commissioning	Portfolio Holder Children's and Education	2,631,030	2,437,580	(193,450)	Y
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A one-off monitoring saving totalling (£0.125m) is reported against the budget for the Council's six Early Help family hubs. The majority of the underspend related to temporary vacancy management savings caused by delays in recruiting staff to vacant Family Support Worker posts at the hubs. Approximately (£0.036m) of the (£0.125m) related to staff mileage underspends caused by reduced staff travel due to the pandemic.

(£0.025m) of one-off budget savings also related to temporary vacancy management and reduced staff travel elsewhere in the Early Help structure, specifically the Family Information Service, Parenting and Not in Education, Employment or Training (NEETS) teams.

There was a further (£0.017m) underspend reported against West Mercia Youth Offending Service, reflecting Shropshire Council's share of the West Mercia Youth Offending Service reserves. This figure was not budgeted for. West Mercia Youth Offending Service shows as part of Early Help service budget for financial reporting purposes but is stand-alone rather than part of Early Help operationally.

The remaining (£0.026m) underspend is a combination of one-off monitoring savings against the Early Help commissioned services budget (£0.015m) and an underspend of (£0.012m) against the Early Help transformation budget, where expenditure on repairs and maintenance of family hub buildings came to less than the budgeted value.

Learning and Skills	Portfolio Holder Children's and Education	18,928,640	18,350,489	(578,151)	Y
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An underspend totalling (£0.285m) was reported against the teachers' pension compensation payments budget, where the actual expenditure has reduced from £2.227m in 2020/21 to £2.000m in 2021/22. At the end of the 2021/22 financial year, it was identified that a payment to the Teachers Pension Agency totalling £0.114m and relating to quarter 1 of 2021/22 was accounted for in the 2020/21 financial year in error. This has had the effect of showing a larger underspend on teachers' pension compensation payments than previously forecast. It means that the outturn position on this particular budget is understated by (£0.114m) compared to a typical year.

In addition to this, there is also a (£0.180m) underspend reported against the Council's base budget contribution towards schools' redundancies. For the second year running, the Council has experienced a relatively low number of relatively low-cost school redundancies compared to historic levels.

An underspend of (£0.123m) relating to home to school transport is reported. This is a relatively small underspend as a percentage of the £12.703m net budget. The main area of expenditure growth in home to school transport in recent times is within the SEND transport budgets. Here, we have seen a 20% increase in actual expenditure from 2017/18 to 2020/21. The reasons for this are a combination of increased SEND passenger numbers, increased complexity of passengers leading to more bespoke transport arrangements and increased parental expectations as a result of increased knowledge and awareness of the guidance. Within this budget area, we have seen a particularly large increase in relation to transport costs for the Council's pupil-referral unit. This is as a consequence of an unprecedented increase in passenger numbers and more bespoke transport arrangements. Despite this trend of increasing expenditure, the SEND Home to School transport budgets are reporting an underspend of (£0.159m) as the expenditure has not increased to the level budgeted for in 2021/22. This underspend is offset by an overspend on the Children's fleet, where the costs relate to employee costs for drivers, passenger assistants and agency staff, plus vehicle hire charges and fuel charges.

The remaining £0.010m variance is the result of one-off budget monitoring pressures across several teams.

Central DSG	Portfolio Holder Children's and Education	-	-	-	G
<p>There is a (£1.452m) in year surplus reported against the Central Dedicated Schools Grant (DSG). This is due to an in-year underspend reported on the High Needs Block of DSG totalling (£1.297m).</p> <p>For context, significant growth has been allocated to this budget for 2021-22 by the Government; the High Needs Block DSG allocation was significantly increased by £3.781m from £28.016m in 2020-21 to £31.797m in 2021-22. This is partly due to the funding floor factor in the high needs national funding formula for 2021-22 providing for every local authority to receive an underlying increase of at least 8% per head of 2 to 18 population. The other explanation for the increase is that the High Needs Block DSG now incorporates the Teachers Pay and Pension grant for both special schools and alternative provision settings. Furthermore, in December 2020, Schools Forum approved a transfer of 0.5% from the Schools Block to the High Needs Block to support growth pressures on the High Needs Block. Agreement was given to transfer the remaining schools block budget, up to 0.5% after fully funding schools with the National Funding Formula factors and values. In 2021-22, the Council has been able to fully fund schools in this way, while transferring across the full 0.5% of the Schools Block budget to the High Needs Block budget which has increased the High Needs Block budget in year by £0.876m from the published allocation of £31.797m to a budget of £32.674m. While the expenditure continues to increase year on year in most areas of the budget, the level of spend has not increased by as much as the increase in High Needs Block DSG allocation. This is particularly true of expenditure on Post 16 FE College placements where this budget was increased by £0.581m in anticipation of significant growth in numbers of pupils and expenditure, however the outturn position shows an underspend of (£0.926m), reflecting a decrease in spend against this budget rather than an increase.</p> <p>There was also an underspend of (£0.202m) against the Council's Schools Growth funding allocation of £0.438m, as well as an underspend of (£0.093m) against the Council's Early Years Block DSG allocation of £16.592m. With the Early Years Block DSG allocation it is important to note that the final Early Years Block DSG allocation is not published until well in to the 2022/23 financial year, so the underspend of (£0.093m) remains a provisional figure until that point.</p> <p>The in-year surplus or underspend of (£1.452m) being reported on the DSG removes the cumulative DSG deficit carried forward from 2020/21 of £0.870m, leaving a cumulative DSG surplus position of (£0.582m) at the end of the 2021-22 financial year. The removal of the deficit was positive in terms of the Council meeting the Department for Education's requirement to reduce or manage down the DSG deficit as soon as possible.</p> <p>While carrying a surplus of (£0.582m) forward reflects a healthy financial position for the Council's DSG, it is important to note that a small proportion of high-cost, low incident cases can disproportionately impact the High Needs Block DSG financial position. We know that many young people have been adversely impacted over the past 2 years and this is no different for SEND children, and may well be even more pronounced. The impact over this period has the potential to see the number of vulnerable children and young people presenting with complex mental health and behavioural needs requiring provision increasing and this will have a knock on effect on the High Needs Block DSG as we meet the needs of this cohort.</p>					

PLACE	Full Year			RAGY
	Budget £	Controllable Outturn £	Controllable Variance £	
Total	69,764,926	70,029,647	264,721	G

Director of Place	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	858,330	891,537	33,207	G
The overspend is mainly due to this area bearing an increased share of trade union costs.					
Assistant Director Commercial Services	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	189,060	194,875	5,815	G
Minor variance from budget at Outturn					
Corporate Landlord	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	858,095	1,416,462	558,367	R

The overspend is principally made up of £0.066m pressure due to unachieved savings, £0.012m business rates pressures, £0.016m pressure on rental budgets, £0.135m pressure on repairs and maintenance budgets across the CL estate, £0.121m pressure relating to unbudgeted Shropshire Local in the Darwin Centre costs, £0.029m contribution to the bad debt provision, £0.149m capital expenditure charged against the General Fund and £0.082m ground maintenance costs across the estate. These pressures have been offset in part by (£0.079) underspend on utilities across the estate.

Property & Development	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	370,455	963,683	593,228	R
Delays to projects and the collapse of a potential acquisition relating to commercial investment has resulted in £1.672m unachievable saving against the commercial investment savings target this year. This has been partially offset by one-off savings on budgeted investment costs (MRP (£0.684m)). There is also (£0.285m) underspend across staffing teams as there have been difficulties filling vacancies, putting pressure on teams. (£0.025m) savings have been made in year on transport costs and (£0.121m) release of a provision has been made at year end. (£0.089m) additional in year recharges and income recovery have been achieved and (£0.064m) Covid-19 Support grant has been applied towards unachieved savings. However, a further pressure of £0.196m has arisen on repairs and maintenance budgets across the estate.					
Commercial Services Business Development	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	5,770	59,313	53,543	A
Achievement of commercial income has been delayed - Target to be achieved in 2022-23.					
Climate Change	Portfolio Holder Climate Change, Natural Assets and the Green Economy	1,042,520	418,100	(624,420)	Y
Initial forecasts of the revenue contribution to various capital projects were over-estimated giving rise to a significant in year underspend.					
Shire Services	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	429,100	813,520	384,420	R
This area has £0.401m historic savings that remain largely unachieved in 2021/22, however a recent Cabinet report proposed action that could be taken from 2022/23 to address £0.250m of those unachieved savings on an ongoing basis. In the meantime, the year end position for Shire Services is one where costs have been recovered through income generated, but not the trading position that the budget requires, which is one where a significant trading surplus that contributes towards the running of other core Council services has been achieved. As the service has incurred a budget deficit, therefore, a further loan of £0.384m from the General Fund is required.					
Assistant Director Economy & Place	Deputy Leader and Portfolio Holder Economic Growth, Regeneration and Planning	267,880	273,604	5,724	G
Minor variance from budget at Outturn.					
Planning Services	Deputy Leader and Portfolio Holder Economic Growth, Regeneration and Planning	2,077,860	2,325,037	247,177	R
<p>Building Control:- There were additional costs of £0.253m in dealing with enforcement issues and dangerous structures. This accounts for the overspend in Planning Services.</p> <p>Street Naming & Numbering and Land Charges:- Net income was slightly better than budget by (£0.017m).</p> <p>Natural and Historic Environment:- There was a variance of £0.034m associated with a reduction in expected income and temporary staffing arrangements, costing slightly more than budget.</p> <p>Development Management:- This service area showed a favourable variance to budget mainly due to a favourable adjustment to the provision for doubtful debts of (£0.061m).</p> <p>Highways Development Control:- This service area was £0.025m over budget; the main variances resulting from additional agency/contractor support to cover staff vacancies.</p>					
Economic Growth	Deputy Leader and Portfolio Holder Economic Growth, Regeneration and Planning	1,163,640	1,123,665	(39,975)	Y

Vacancy management and contributions from other organisations towards project costs have led to an underspend in 2021/22.					
Broadband	Portfolio Holder Digital, Data and Insight	173,410	174,810	1,400	G
Minor variance from budget at Outturn.					
Planning Policy	Deputy Leader and Portfolio Holder Economic Growth, Regeneration and Planning	850,750	850,528	(222)	Y
Minor variance from budget at Outturn.					
Shrewsbury Shopping Centres (Commercial)	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	(121,530)	(278,643)	(157,113)	Y
<p>Darwin Shopping Centre has been subject to several pressures including negotiating less favourable lease renewals, tenants leaving and delays to relocations from Pride Hill. These pressures have resulted in a reduction in income of £0.524m, however this reduction is offset by savings of (£1.057m) on premises related expenditure and supplies and services budgets (which includes the release of bad debt provision that is no longer required). (£0.120m) saving has also been achieved on external support costs.</p> <p>This has allowed for the creation of a reserve for repairs & maintenance and contributions to capital expenditure of £0.481m.</p>					
Shrewsbury Shopping Centres (Development)	Deputy Leader and Portfolio Holder Economic Growth, Regeneration and Planning	512,770	402,941	(109,829)	Y
<p>In year savings in relation to the Pride Hill centre are a result of increased income of (£0.374m) and savings of (£0.108m) on premises related expenditure and supplies and services costs (which includes the release of bad debt provision that was no longer required). This has allowed for the creation of a reserve for repairs and maintenance of £0.300m. Meanwhile Riverside shopping centre retains some tenants on inclusive leases and there is unachieved income of £0.120m that is partially offset by savings of (£0.048m) on premises related expenditure and services and supplies costs.</p>					
Assistant Director Infrastructure	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	228,900	219,852	(9,048)	Y
Minor variance from budget at Outturn.					
Environment and Transport	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	9,041,460	9,334,880	293,420	R
<p>Parking:- For parking there was still a significant impact of Covid-19 during 2021/22. In addition, there was also the loss of the Smithfield carpark in Bridgnorth (due to sale by the owner). A combination of these factors had a significant impact on net parking income in 2021/22. Overall, net income was down (compared to budget) by £1.298m. Covid-19 loss of income support grant of (£1.040m) reduced the net position to a shortfall of £0.258m. Work to track demand and assess behaviour changes continues and is constantly reviewed.</p> <p>Street Cleansing and Grounds Maintenance:- The assessment of the value of work completed by external contractors at 31st March 2022 was much greater than that anticipated (and forecast) during the year, at a value of £0.322m over budget. This has been mitigated by a draw down of reserves.</p> <p>Public Transport:- Overall the service area was (£0.032m) under budget.</p> <p>Strategic:- Senior staffing structure amendments during March gave rise to additional costs in 2021/22. Overall the service area was £0.084m over budget.</p>					
Highways	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	8,454,300	7,777,721	(676,579)	Y

Highways (Streetworks) - This service area seeks to minimise disruption to the highways network and will penalise organisations that fail to complete their interventions in accordance with their permit to operate. Net income for this service area was (£0.813m) greater than budget, and this service area accounts for the majority of the overall favourable variance to budget within Highways.

Highways (Operations) - Significant improvements have been made to reduce the cost per repair, and adopting a policy of permanent repairs (capital) wherever possible, so less repairs of a temporary nature (revenue) are made. This approach has delivered budget savings of (£0.428m) in 2021/22, mitigated by a transfer to reserves for future work, leaving the overall favourable variance at (£0.128m), however, it continues to remain a challenge to adequately resource the service within the current budgets.

Highways (Bridges, Structures and Drainage) – For this service area the focus has been to deliver permanent (capital) improvements wherever possible. For this service area the outturn was £0.007m over budget.

Highways (Governance) - Further to the notes above (Highways Operations), the service required additional resource in the assessment of asset condition and planning/programming of works, amounting to £0.257m.

Waste Management	Portfolio Holder Climate Change, Natural Assets and the Green Economy	31,697,490	31,674,032	(23,458)	Y
Minor variance from budget at Outturn					
Assistant Director Homes and Communities	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	109,790	102,016	(7,774)	Y
Minor variance from budget at Outturn					
Housing Development and HRA	Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets)	56,030	21,906	(34,124)	Y
Recovery of staff costs (including uplift) from the Council's wholly owned housing subsidiary. In years where staff are assigned to Council-related work for some of the year, there is likely to be less of a favourable variance.					
Bereavement Services	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	(241,870)	(278,659)	(36,789)	Y
The variance is due to (£0.032m) additional income received, plus other minor variances					
Registrars and Coroners	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	702,300	664,893	(37,407)	Y
The underspend of (£0.037m) is as a result of overspends of £0.090m for additional postmortem fees, employee and IT costs, offset by additional Registrars income of (£0.127m).					
Trading Standards and Licensing	Deputy Leader and Portfolio Holder Economic Growth, Regeneration and Planning	1,870,766	1,612,879	(257,887)	Y
The underspend of (£0.258m) within the Trading Standards and Licensing section of Place relates to: <ul style="list-style-type: none"> • £0.175m of unachieved savings in relation to restructuring the services and increasing income. These have been deemed to be permanently unachievable. • £0.223m of implementation costs in relation to the replacement of service-critical IT software systems. • (£0.263m) underspends due to delays in recruiting to vacant posts. • (£0.403m) underspends as a result of staffing resources reassigned to other projects under alternative funding streams (eg. handling the Covid-19 pandemic (COMF)) 					
Head of Culture, Leisure & Tourism	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	383,560	413,897	30,337	G
The variance is predominantly due to (£0.042m) savings unachieved throughout the majority of 2021/22, but now achieved in full as at 31 st March.					
Arts	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	72,750	42,755	(29,995)	Y

The underspend is due to the staff member being seconded through the year to another service area, and the Arts work being shared amongst the other Culture Leisure and Tourism staff.

Shropshire Hills AONB	Portfolio Holder Climate Change, Natural Assets and the Green Economy	40,300	40,520	220	G
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Minor variance from budget at Outturn

Outdoor Partnerships	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	1,188,430	1,139,792	(48,638)	Y
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The underspend is principally made up of (£0.034m) underspend on Rights of Way maintenance due to high levels of income and the capitalisation of a project funded with capital grant, and (£0.027m) underspend on Rights of Way mapping & enforcement due to in year staffing vacancies, partially offset by £0.014 lower than budgeted RPA Higher Level Stewardship income for Country Parks.

Leisure	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	2,457,720	2,512,854	55,134	A
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Reductions in income due to the Covid-19 pandemic have been mitigated by application of the Covid-19 grant funding. The adverse variance is mainly due to additional part time payroll costs at the leisure centres that are run by the Council.

Libraries	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	3,406,770	3,447,377	40,607	G
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The Library service is undergoing a 'transformation review'. Part of this work is to deliver the required savings (£0.071m in 2021/22), which has not been achievable in full to date, however a review of the staffing structure has identified annual savings which will achieve the required target in 2022/23. The service has worked to reduce expenditure in year to mitigate this unachievable saving, mainly through delays in replacement of staff who have left the service.

Museums and Archives	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	1,463,710	1,636,723	173,013	R
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Acton Scott Farm Museum has been closed from 1 July 2021. This has caused the outturn for the farm to give rise to an adverse variance of £0.132m, as a result of loss of visitor income. There have also been additional staffing pressures across the Museums Service.

Theatre Services	Portfolio Holder Communities, Culture, Leisure and Tourism, Transport	154,410	36,779	(117,631)	Y
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Covid-19 has had a significant impact upon the Theatre in 2021/22, both early in the year and, for example, there were ventilation issues at the OMH, reducing capacity. The Cultural Recovery grant of (£0.533m) safeguarded the early part of 2021/22 and returns of audiences during the latter part of the year have been greater than anticipated, resulting in the final outturn position.

RESOURCES	Full Year			RAGY
	Budget £	Controllable Outturn £	Controllable Variance £	
Total	1,397,330	2,373,650	976,320	R

Executive Director of Resources	Portfolio Holder Resources	95,230	105,649	10,419	G
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Minor variance from budget at Outturn.

Customer Services	Portfolio Holder Resources	449,420	146,008	(303,412)	Y
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<p>(£0.122m) vacancy management savings have been achieved in year, (£0.054m) supplies and services savings have been made, particularly in relation to IT software licenses, and the application of one-off Covid-19-related grants to fund staff costs has resulted in a further underspend of (£0.130m).</p>					
ICT Digital Transformation Project	Portfolio Holder Digital, Data and Insight	(2,215,590)	230,720	2,446,310	R
<p>This area contains the historic DTP savings target for the Council which has not been achieved. Partial savings relating to telephones have been delivered and are incorporated into the outturn position. Growth has been allocated within the 2022/23 budget to offset the unachievable savings target.</p>					
ICT Services	Portfolio Holder Digital, Data and Insight	62,060	20,882	(41,178)	Y
<p>Savings have been realised across IT contracts.</p>					
Communications & Engagement	Leader and Portfolio Holder Policy and Strategy, Improvement and Communications	1,900	(87,183)	(89,083)	Y
<p>Unmet fees and charges income budgets have been more than offset by a combination of 'one-off' vacancy management savings and the use of Covid-19 related (and other) grant income to fund posts associated with project work.</p>					
Information, Intelligence and Insight	Portfolio Holder Digital, Data and Insight	(45,770)	(85,062)	(39,292)	Y
<p>Vacancy management efficiencies of (£0.013m) were delivered. Additionally (£0.025m) of Refocus funding was applied at year end in relation to identified eligible staffing costs.</p>					
Human Resources and Organisational Development	Portfolio Holder Resources	(759,210)	(1,221,233)	(462,023)	Y
<p>Vacancy management efficiencies and secondments of staff to other organisations, for example the NHS, have resulted in underspends on salaries of (£0.288m). The receipt of (£0.108m) additional 'one-off' income relating to training courses, services provided to academies, health and safety and leadership services has also resulted in in year savings. Further savings have also been made in year on travel and supplies and services budgets.</p>					
Audit Services	Portfolio Holder Resources	10,520	(116,777)	(127,297)	Y
<p>Savings identified in-year are from vacancy management. There are plans to recruit to vacant posts and, therefore, this level of savings will not be delivered in the next financial year.</p>					
Finance	Portfolio Holder Resources	151,740	196,636	44,896	G
<p>Use of agency (interim) staff has resulted in a budget pressure in 2021/22.</p>					
Pension Administration Services	Portfolio Holder Resources	60,720	68,196	7,476	G
<p>Minor variance from budget at Outturn</p>					
Revenues and Benefits Team	Portfolio Holder Resources	2,496,750	1,945,220	(551,530)	Y
<p>Significant vacancy management savings (£0.151m) have been achieved this year. These are not sustainable and recruitment to the posts for 2022/23 is planned. In addition, (£0.135m) savings have been delivered from supplies and services budgets and (£0.260m) additional grant funding has been applied.</p>					
Housing Benefits	Portfolio Holder Resources	(385,860)	(50,473)	335,387	R
<p>Pressures regarding the Housing Benefit subsidy in 2021/22 totalled £1.498m, however (£0.163m) was able to be released from the bad debt provision, and the service area benefitted from (£1.000m) of the LA Covid-19 Support grant, reducing the budget pressure to £0.335m but meaning that a significant budget gap remains underlying. Growth has been provided within the 2022/23 budget to try to address this.</p>					
Treasury Services	Portfolio Holder Resources	(61,320)	(59,491)	1,829	G
<p>Minor variance from budget at Outturn.</p>					

Commissioning Development and Procurement	Portfolio Holder Resources	78,220	(131,652)	(209,872)	Y
Savings of (£0.041m) were delivered from in year vacancy management and (£0.150m) of additional income was received from the Matrix rebate. This increase in rebates has been built into the budget as a saving in 2022/23. Savings of (£0.014m) were realised on IT software licenses and other supplies and services budgets in year. (£0.005m) of additional income was collected for fees and charges for services provided to external clients above estimates.					
Risk Management and Insurance	Portfolio Holder Resources	148,580	87,376	(61,204)	Y
Additional income of (£0.020m) was received for insurance services. The remainder of the underspend was delivered from one-off vacancy management savings and across supplies and services budgets.					
Democratic Services	Portfolio Holder Resources	(2,810)	(169,684)	(166,874)	Y
Additional income was received of (£0.046m) relating to education appeals and (£0.108m) was delivered in savings across travel and supplies and services budgets.					
Elections	Portfolio Holder Resources	1,284,910	1,243,465	(41,445)	Y
IER Grant income of (£0.046m) (previously held in reserves) has been applied to this area.					
Legal Services	Portfolio Holder Resources	26,340	(109,088)	(135,428)	Y
In year savings were delivered mainly from vacancy management within the service, and from additional income received. These savings are not sustainable for future years.					
Legal Services – Child Care	Portfolio Holder Resources	(40)	358,074	358,114	R
The pressure against Legal Services child care costs continued to increase throughout the financial year. Covid-19 grant of (£0.388m) was applied to offset some of the increased pressures. A review of options has been undertaken to establish the best way of addressing increasing costs in this area on an ongoing basis, and growth has been provided accordingly within the 2022/23 budget.					
Information Governance and Scrutiny	Portfolio Holder Resources	1,540	2,066	526	G
Minor variance from budget at Outturn.					

STRATEGIC MANAGEMENT BOARD	Full Year			RAGY
	Budget £	Controllable Outturn £	Controllable Variance £	
Total	1,170	(46,955)	(48,125)	Y

Chief Executive & PAs	Leader and Portfolio Holder Policy and Strategy, Improvement and Communications	1,170	(46,955)	(48,125)	Y
One-off savings were delivered from vacancy management, and across supplies and services, travel and training budgets held for both the CEO and PA team.					
Programme Management	Leader and Portfolio Holder Policy and Strategy, Improvement and Communications	-	-	-	G
No variance from budget at Outturn					

APPENDIX 2**MOVEMENT IN PROJECTIONS BETWEEN Q3 AND OUTTURN**

Directorate	Q3 Controllable Variance (£'000)	Outturn Controllable Variance (£'000)	Movement (£'000)	Key Reasons for Movement
Corporate Budgets	(2,106)	(1,990)	116	Greater use than anticipated of Corporate funds awaiting allocation (see appendix 8), and increased audit fees incurred
Health and Wellbeing	(465)	(422)	43	Two cost centres with a favourable variance have been moved to Trading Standards and Licensing (within Place)
People	4,433	3,724	(709)	<ul style="list-style-type: none"> (£0.622m) improvement in Learning and Skills position, due to (£0.153m) reduced home to school transport expenditure (when compared with Q3 forecast), (£0.180m) underspend on schools' redundancy fund, and (£0.285m) underspend on teachers' pension compensation payments (£0.201m) improvement in Adult Social Care Operations position – Although social care placement costs increased by £0.685m (when compared with Q3 forecast), this was more than offset by increased income from the CCG, additional use of Covid-19 related grant income, reduced salary costs and reduced transport recharges (£0.082m) use of Covid-19 related grant income within Adult Social Care Business Support and Development (£0.057m) use of grant income and reduction in salary costs in Housing Services £0.246m increased Children's Social Care costs due to increased agency staff costs, increased leaving care accommodation costs and allowances, and increased Disabled Children's Team prevention and support payments
Place	625	265	(361)	<ul style="list-style-type: none"> (£0.222m) improved position for Shrewsbury Shopping Centres due to the release of bad debt provision created during Covid-19 that is no longer required (£0.163m) improved position for Planning Services, due to the value of outstanding work at year end being significantly reduced compared with previous years, and therefore a greater proportion of income has been recognised in the 2021/22 financial year than anticipated (£0.155m) improved position for Trading Standards and Licensing, due to the movement of cost centres (with a favourable variance) from Regulatory Services, reduced payroll costs and increased income eg. penalty charge notices (£0.118m) improvement in Shire Services' trading position (£0.118m) improvement in Theatre Services' trading position (£0.111m) lower Waste Management costs than forecast at Q3, due to reduced landfill tonnages and increased commercial income (£0.093m) increased fees and charges income within Registrars

				<ul style="list-style-type: none"> • (£0.040m) lower than anticipated costs associated with the Levelling Up bid in Economic Growth • (£0.032m) increased use of grant funding and reduced supplies and services expenditure within Outdoor Partnerships • (£0.031m) reduced expenditure on Climate Change, due to project slippage • £0.053m deterioration to the position for Commercial Services Business Development, due to delayed commercial income • £0.319m deterioration to the position for the Corporate Landlord estate and property support teams due to increased repairs and maintenance costs, increased valuation and disposal of asset fees, increased rates costs and capital expenditure charged against the General Fund • £0.357m increased costs in Environment and Transport, specifically support to bus operators, street cleansing and grounds maintenance costs
				<ul style="list-style-type: none"> • (£0.422m) improved Housing Benefits position due to reduced loss of subsidy (£0.200m) (in comparison with Q3 forecast), (£0.163m) release of bad debt provision and (£0.059m) application of additional grant income • (£0.200m) application of Covid-19 related grant funding into Revenues and Benefits Team to cover administrative costs of grant schemes • (£0.171m) improved position in Commissioning Development and Procurement, largely as a result of increased Matrix purchasing rebates • (£0.082m) improved position for ICT Services, following savings achieved on IT contracts and additional income received • (£0.075m) in year savings achieved within Democratic Services on allowances, travel expenses and supplies and services costs, plus additional income received • £0.075m increased agency staff costs and legal disbursements within Legal Services (Child Care)
Resources	1,874	976	(897)	
Strategic Management Board	(16)	(48)	(33)	In year savings achieved against travel and supplies and services budgets
Total	4,346	2,505	(1,841)	

APPENDIX 3**COVID-19 ADDITIONAL EXPENDITURE AND LOSS OF INCOME****3.1 Summary**

The impact of Covid-19 in 2021/22 is included within the outturn position. The Council has received £7.632m unringfenced Covid-19 grant in 2021/22 and this has been fully allocated to additional costs and loss of income incurred. Although there has not been a revenue budget deficit incurred in 2021/22 as a result of the pandemic, no further funding is due to be received and there is likely to be an ongoing impact of the pandemic on adult and children's social care costs.

Covid-19 Funding Position

	2021/22 £'000	2020/21 £'000
Covid-19 Un-Ringfenced Grant Received	7,632	22,023
Applied to Offset:		
Additional Costs	4,744	11,066
Net Loss of Income	2,675	6,784
Unachieved Savings	213	3,993
Contribution to Management of Pandemic	-	181
Total Use of Grant	7,632	22,023

3.2 Detail

Covid-19 Additional Expenditure Area	2021/22 Additional Expenditure (£'000)
Adult Social Care	1,067
Children's Social Care	2,469
Learning and Skills	119
Economic Growth	169
Highways, 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	177
Total	4,744

Covid-19 Loss of Income	2021/22 Net Loss of Income Due to Covid-19 (£'000)	Loss of Sales Fees and Charges Income Claimed from DLUHC (£'000)	Cultural Recovery Fund Grant (£'000)	Contribution from Unringfenced Covid-19 Grant to Fund Remaining Loss (£'000)	2021/22 Net Loss of Income Due to Covid-19, After Central Government Compensation (£'000)
Service Area					
Adult Social Care Provider Services	71	(14)		(57)	0
Housing	32			(32)	0
Learning and Skills	78			(78)	0
Housing Benefits	1,000			(1,000)	0
Corporate Landlord	248			(248)	0
Shire Services	10			(10)	0
Environment and Transport - Parking	1,040	(147)		(893)	0
Waste Management	38			(38)	0
Leisure	248	(46)		(201)	0
Libraries	21	(7)		(14)	0
Museums and Archives	109	(28)		(81)	0
Outdoor Partnerships	21			(21)	0
Theatre Services	533		(533)	0	0
Total	3,451	(243)	(533)	(2,675)	0

APPENDIX 4**UPDATE ON DELIVERY OF 2021/22 SAVINGS PROPOSALS****4.1 Summary**

Throughout 2021/22, savings have been RAG rated in order to establish the deliverability of the savings and any potential impact on the outturn position for the financial year. RAG ratings have been categorised as follows:

Red – Savings are not solved on an ongoing basis, nor have they been achieved in the current financial year. These are reflected as unachieved within this monitoring report.

Amber – Savings have been identified on an ongoing basis in the current financial year, however there is no clear evidence to support the delivery as yet. The projected outturn within this report assumes these savings will be delivered.

Green – Savings have been identified on an ongoing basis in the current financial year, with evidence of delivery. The RAG ratings are updated monthly to determine progress on delivery.

The table below summarises the outturn position.

Service Area	Red £'000	Amber £'000	Green £'000	Total Savings £'000
Corporate Budgets	-	-	-	-
Health and Wellbeing	175	-	175	350
People	361	-	3,855	4,216
Place	1,979	-	1,501	3,480
Resources	1,235	-	523	1,758
Strategic Management Board	-	-	-	-
Council	3,750	-	6,054	9,804
	38%	-	62%	

Within the 2020/21 outturn report presented to Council on 15th July 2021 there was a commitment to deliver £5.954m of undelivered 2020/21 red savings in 2021/22 on an ongoing basis, plus the £3.850m new savings in 2021/22; £9.804m in total.

The figures presented above show that 62% of the 2021/22 savings required have been delivered. Savings that have not been delivered are presented below.

4.2 Breakdown of Red Savings

Ref	Directorate	Service Area	Description	Financial Year Saving Originally Required (£'000)	2021/22 Saving Required (£'000)	Value Rated Red (£,000)	Value Unachievable - Budget Growth Allocated within 2022/23 Budget (£'000)
2A46R	Health and Wellbeing	Regulatory Services	Regulatory Services review leading to redesign of delivery model, structures and an increased focus on income generation.	2020/21	175	175	
2A03	People	Housing Services	External income generation	2020/21	100	100	100
2A37R	People	Housing Services	Increased Housing income	2020/21	132	132	
2A17	People	Housing Services	DFG fees interest	2020/21	83	20	
A26	People	Provider Services	Remodel day services offer	2020/21	64	64	64
2C10	People	Children's Social Care and Safeguarding	Reduction in use of agency workers	2020/21	44	44	44
2A46R	Place	Trading Standards and Licensing	Trading Standards and Licensing review leading to redesign of delivery model, structures and an increased focus on income generation.	2020/21	175	175	175
P41	Place	Assistant Director Commercial Services	Negotiate contract savings upon renewal, through better contract management	2020/21	92	92	92
P39	Place	Property and Development	Raise income from investment in assets	2021/22	2,000	1,672	
H16	Place	Trading Standards and Licensing	Increase parking enforcement functions in line with the parking strategy	2020/21	100	40	
2WT11	Resources	ICT Digital Transformation Project	Training – Move to e-learning	2020/21	60	54	54
2WT23	Resources	ICT Digital Transformation Project	Lean review of Shropshire Council structures and processes linked to transformation, single front door and digital enabling technologies	2020/21	1,181	1,181	1,181
TOTAL					4,208	3,750	1,711

4.3 Unachieved Savings Carried Forward to 2022/23

As per 3.2, £3.750m savings remain unachieved at outturn, some of which have been offset in part by one-off savings in year. However, when setting the Council's budget for 2022/23, £1.711m growth funding has been applied in order to remove the 2021/22 red savings that have been determined to be undeliverable. Following the application of growth funding during the budget setting process, £2.039m of the red savings still remain within the Council's budget and are still required to be delivered, as the delivery of these savings targets was considered to be delayed rather than undeliverable. Delivery of these savings will be scrutinised at regular savings challenge meetings scheduled to take place with Directors throughout 2022/23. Unachieved savings carried forward into 2022/23 are as follows:

Directorate	Reference	Description	Value (£'000)
Health and Wellbeing	2A46R	Regulatory Services review leading to redesign of delivery model, structures and an increased focus on income generation.	175
People	2A37R	Increased Housing income	132
People	2A17	DFG fees interest	20
Place	P39	Raise income from investment in assets	1,672
Place	H16	Increase parking enforcement functions in line with the parking strategy	40
Total			2,039

APPENDIX 5**ONGOING BUDGET PRESSURES**

Directorate	Service	Nature of Pressure	Value (£'000)
People	Children's Social Care	Public law outline support packages (medical assessments and legal costs)	212
People	Children's Social Care	Increase in expenditure relating to operating the Council's children's residential homes	270
People	Children's Social Care	Leaving Care allowances and associated accommodation costs	253
People	Children's Social Care	Extension of Equinox contract (Court Team 2)	339
People	Children's Social Care	Post adoption support additional staffing	46
People	Children's Social Care	Staff budget - agency social workers covering vacancies	629
Place	Building Control	Staff budget (Enforcement and Dangerous Structures)	63
Place	Shire Services	Historic unachievable savings	151
Place	Corporate Landlord	Rental contracts and rates bills	29
TOTAL			1,992

APPENDIX 6**RECONCILIATION OF MONITORING PROJECTIONS TO SAVINGS DELIVERY**

	Outturn Variance (Controllable) £000	Savings Pressure in 2021/22 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Corporate Budgets	(1,990)				78	(2,068)
Business Continuity – Covid-19	0				4,744	(4,744)
Corporate Budgets	(1,990)	0	0	0	4,822	(6,812)
Regulatory Services	(286)	175				(461)
Non Ring Fenced Public Health Services	(136)					(136)
Ring Fenced Public Health Services	0				2,413	(2,413)
Health and Wellbeing	(422)	175	0	0	2,413	(3,010)
People Directorate Management	169				366	(197)
Adult Social Care Business Support and Development	(370)				75	(445)
Adult Social Care Management	2				2	
Adult Social Care Provider Services	(12)	64			431	(508)
Adult Social Care Operations	286				1,176	(890)
Housing Services	739	253			1,476	(989)
Children's Social Care & Safeguarding	3,682	44	1,749		4,696	(2,807)
Children's Early Help, Partnerships and Commissioning	(193)				191	(384)
Learning and Skills	(578)				28	(606)
Central DSG	0				1,452	(1,452)
People	3,724	361	1,749	0	9,893	(8,279)
Director of Place	33				33	
Assistant Director, Commercial Services	6				6	
Corporate Landlord	558	66	29		2,159	(1,695)
Property and Development	593	1,698			291	(1,396)
Commercial Services Business Development	54				54	
Climate Change	(624)					(624)
Shire Services	384		151		372	(139)
Assistant Director, Economy and Place Planning Services	6		63		6	
Economic Growth	247				184	
Broadband	(40)					(40)
Planning Policy	1				1	
Shrewsbury Shopping Centres – Development Sites	(0)					
Shrewsbury Shopping Centres – Commercial Sites	(157)				597	(754)
Assistant Director, Infrastructure Environment and Transport	(110)				304	(414)
Highways	(9)					(9)
Waste Management	293				1,333	(1,040)
Assistant Director, Homes and Communities	(677)				447	(1,123)
Housing Development and HRA	(23)				38	(61)
Bereavement Services	(8)					(8)
Registrars and Coroners	(34)				9	(34)
Trading Standards and Licensing	(37)				89	(46)
Head of Culture, Leisure and Tourism	(37)	215			245	(126)
Arts	(258)				30	(718)
Shropshire Hills AONB	30					(30)
Outdoor Partnerships	(30)					
	0				21	(70)
	(49)					

	Outturn Variance (Controllable) £000	Savings Pressure in 2021/22 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Leisure	55				303	(248)
Libraries	41				62	(21)
Museums and Archives	173				308	(135)
Theatre Services	(118)				533	(651)
Place	265	1,979	243	0	7,425	(9,382)
Resources Directorate Management	10				10	
Customer Services	(303)				169	(472)
ICT Digital Transformation Project	2,446	1,235			1,211	
ICT Services	(41)				442	(483)
Communications	(89)				33	(122)
Information, Intelligence and Insight	(39)				3	(42)
Human Resources & Organisational Development	(462)					(462)
Audit Services	(127)					(127)
Finance	45				351	(306)
Pension Administration Services	7				7	
Revenues	(552)				278	(830)
Housing Benefits	335				1,677	(1,342)
Treasury Services	2				2	
Commissioning Development and Procurement	(210)					(210)
Risk Management and Insurance	(61)					(61)
Democratic Services	(167)				15	(182)
Elections	(41)				17	(58)
Legal Services	(135)					(135)
Legal Services – Child Care	358				607	(249)
Information Governance and Scrutiny	1				1	
Resources	976	1,235	0	0	4,823	(5,081)
Chief Executive and PAs	(48)					(48)
Programme Management	0					
Strategic Management Board	(48)	0	0	0	0	(48)
TOTAL	2,505	3,750	1,992	0	29,376	(32,612)

APPENDIX 7**GENERAL FUND BALANCE**

- 7.1 The Council received one-off funding in 2018/19 and 2019/20 of £0.315m to fund any cost implication arising from Brexit. The funding was contributed to the General Fund and therefore any residual costs arising from Brexit have to be found from the General Fund balance. Expenditure in 2021/22 has been £0.023m, incurred within Economic Growth. There is £0.196m of Brexit funding remaining available for future use.
- 7.2 In 2019/20 and 2020/21, the General Fund was used to offset Shire Services' deficit outturn position, as £0.082m deficit remained unfunded after drawing down Shire Services' earmarked reserve in 2019/20, and then a further deficit of £0.190m was incurred in 2020/21. This use of the General Fund effectively represents a loan to Shire Services which must be repaid. The General Fund has been used again in 2021/22 to offset Shire Services' unfunded deficit, following a further year in which the service has been unable to repay the loans made in 2019/20 and 2020/21. Therefore, the total loan now stands at £0.656m, and this must be repaid within a reasonable time frame.

	£'000
Balance at 1 st April 2022	14,091
Brexit Expenditure	(23)
Outturn Controllable Overspend (all services excluding Shire Services)	(2,120)
Use of Fund to Offset Shire Services' Deficit Position – to be repaid	(384)
Net Outturn Controllable Overspend (all services)	(2,505)
Outturn Non-Controllable Insurance Overspend	(40)
Net Increase Resulting from Outturn Position	(2,545)
Balance at 31 March 2022	11,522

APPENDIX 8

AMENDMENTS TO ORIGINAL BUDGET 2021/22

£'000	Total	Corporate Budgets	Health and Wellbeing	People	Place	Resources	Strategic Management Board
Original Budget as Agreed by Council	208,647	(48,821)	3,280	186,293	66,888	1,007	0
Quarter 1 None							
Q1 Revised Budget	208,647	(48,821)	3,280	186,293	66,888	1,007	0
Quarter 2							
Transfer of historic grey fleet savings budget, to be reallocated in 2022/23	0	(364)			364		
Transfer of data centre energy savings budget from IT to Corporate Landlord	0				(14)	14	
Transfer of subscriptions budget to Corporate Subscriptions cost centre	0	25				(25)	
Creation of 2021/22 budget for Climate Change	0	(1,036)			1,036		
Q2 Revised Budget	208,647	(50,196)	3,280	186,293	68,274	996	0
Quarter 3							
Budget adjustments following telephony savings being achieved across the Council, offsetting part of the previously unachieved DTP savings budget held within Resources	0		(5)	(26)	(37)	73	(4)
Q3 Revised Budget	208,647	(50,196)	3,275	186,267	68,236	1,069	(4)
Quarter 4							

£'000	Total	Corporate Budgets	Health and Wellbeing	People	Place	Resources	Strategic Management Board
Correction of salary budgets, following 1.75% NJC pay award	0	(1,228)	35	538	370	279	5
Correction of Apprenticeship Levy budgets	0	(99)	(8)	64	16	26	0
Melverley and Rea Internal Drainage Boards special levy	0	(17)			17		
Transfer of IT software subscription budget from Corporate Subscriptions to IT Systems		(23)				23	
Restructure of the Trading Standards and Licensing and Regulatory Services service area (Movement of staff budgets between the services)			127		(127)		
<u>Quarter 4 Council Structure Changes (Not Budget Virements)</u>							
Movement of Community Protection and Housing Enforcement cost centres between Regulatory Services and Trading Standards and Licensing	0		(1,252)		1,252		
Q4 Revised Budget	208,647	(51,562)	2,177	186,868	69,765	1,397	1

APPENDIX 9

HOUSING REVENUE ACCOUNT 2021/22

As at 31 March 2022	Original Budget £	Outturn £	Variance Adverse/ (Favourable) £
<u>Income</u>			
Dwellings Rent	(17,540,800)	(17,453,740)	87,060
Garage Rent	(103,680)	(108,901)	(5,221)
Other Rent	(17,000)	(5,451)	11,549
Charges for Services	(641,670)	(827,379)	(185,709)
Total Income	(18,303,150)	(18,395,470)	(92,320)
<u>Expenditure</u>			
ALMO Management Fee	8,600,010	8,600,009	(1)
Supplies and Services	610,420	564,825	(45,595)
Capital Charges - Dwelling			
Depreciation	3,910,780	4,047,050	136,270
Capital Charges - Depreciation			
Other	211,620	197,780	(13,840)
Interest Paid	2,989,760	2,988,069	(1,691)
Repairs charged to revenue	530,000	647,870	117,870
Revenue Financing Capital			
Expenditure	1,278,000	626,407	(651,593)
New Development Feasibility	200,000	108,734	(91,266)
Increase in Bad Debt Provision	50,000	38,000	(12,000)
Corporate & Democratic Core	237,900	369,209	131,309
Total Expenditure	18,618,490	18,187,953	(430,537)
Net Cost of Services	315,340	(207,517)	(522,857)
Interest Received	(30,000)	(43,232)	(13,232)
Net Operating Expenditure	285,340	(250,749)	(536,089)
Net Cost of Service/(Surplus) for Year	285,340	(250,749)	(536,089)
<u>HRA Reserve</u>			
B/fwd 1 April	11,341,017	11,341,017	
Surplus/(Deficit) for year	(285,340)	250,749	
Carried Forward 31 March	11,055,677	11,591,766	

APPENDIX 10**EARMARKED RESERVES**

10.1 The change in revenue reserves and provisions are detailed in the table below and shows a reduction in the overall reserves and provisions held.

Movement in Reserves and Provisions 2021/22

	Reserves	Provisions	Bad Debt Provisions	Total Reserves & Provisions
	£000	£000	£000	£000
As at 31 March 2021	93,658	12,584	16,233	122,475
As at 31 March 2022	89,638	8,480	18,400	116,518
Increase/(Decrease)	(4,020)	(4,104)	2,168	(5,956)
Delegated School Balances Movement	2,196	0	0	2,196
Increase/(Decrease) (excluding Delegated School Balances)	(6,216)	(4,104)	2,168	(8,152)

10.2 In accordance with the financial strategy the Council plans to use one off funding to close the funding gap in 2022/23. This will result in the Financial Strategy Reserve reducing to zero by 2022/23. Other Earmarked Reserves are expected to fall over the coming years for a number of reasons. The estimated future balances on earmarked reserves are as shown below:

Estimated Future Balances on Earmarked Reserves and Provisions

	2021/22	Estimated 2022/23
	£'000	£'000
Financial Strategy Reserve	7,043	0
Development Reserve	18,389	2,159
COVID Government Funding Reserve	14,415	0
Other Earmarked Reserves	49,790	39,903
Provisions	8,480	7,966
Bad Debt Provisions	18,400	18,400
TOTAL	116,518	68,428

	Purpose of Balance	Balance Brought Forward	Transfer Balance Between Reserves	Expenditure in 2021/22	Income in 2021/22	Balance Carried Forward
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Reserves						
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations						
Redundancy	Required to meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.	0	0	-5	5	0
Revenue Commitments for Future Capital Expenditure	Comprises of underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants.	4,803	0	-930	206	4,079
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	8,595	0	-2,117	11,911	18,389
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	4,107	0	-1,365	222	2,964
		17,505	0	-4,418	12,345	25,431
Insurance Reserves						
Fire Liability	Required to meet the cost of excesses on all council properties.	2,480	0	-323	256	2,412
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,259	0	-19	101	1,341
		3,739	0	-342	356	3,754
Reserves of trading and business units						
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	0	0	-150	150	0
		0	0	-150	150	0
Reserves retained for service departmental use						
Building Control	Required to manage the position regarding building control charges.	481	0	0	5	487
Care Act & IBCF Reserve	Required to fund the costs of implementing the Care Act requirements within the Council. This will be committed to the costs of one off posts required to implement the changes and training costs for staff within Adult Services. Unspent IBCF monies to fund the IBCF programme in future years.	2,377	0	-295	2,055	4,137
Economic Development Workshops Major Maintenance	Established to meet the costs of major maintenance of Economic Development Workshops.	149	0	0	0	149
External Fund Reserve	Reserves held where the Council is the administering body for trust funds or partnership working.	2,136	0	-186	887	2,838

	Purpose of Balance	Balance Brought Forward	Transfer Balance Between Reserves	Expenditure in 2021/22	Income in 2021/22	Balance Carried Forward
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	20,599	0	-13,556	0	7,043
COVID Government Funding Reserve	Established to hold funds advanced by Government to respond to the COVID 19 pandemic which require to be applied in future years	23,093	0	-21,739	13,061	14,415
Savings Management - Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	5,002	905	-5,499	0	409
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	900	0	0	300	1,200
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	1,878	0	-6,292	6,046	1,633
Public Health Reserve	This reserve includes balances committed to specific public health projects.	777	0	0	2,973	3,750
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	0	0	0	685	685
Resources Efficiency	Established for investment in new developments, particularly information technology, that service area would not be expected to meet from their internal service level agreements for support services.	384	0	-1	604	987
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2022/23.	2,763	0	-190	6,808	9,381
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.	3,750	-905	-609	574	2,809
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	80	0	0	0	80
		64,369	0	-48,366	33,998	50,001
School Balances						
Balances held by schools under a scheme of delegation	Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion.	5,995	0	-6,553	8,749	8,191
Education – Staff Sickness Insurance	Schools' self help insurance for staff sickness with premiums met from delegated budgets.	0	0	0	0	0
Education – Theft Insurance	Schools' self help insurance scheme to cover equipment damage and losses.	0	0	0	0	0

	Purpose of Balance	Balance Brought Forward	Transfer Balance Between Reserves	Expenditure in 2021/22	Income in 2021/22	Balance Carried Forward
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Schools Building Maintenance Insurance	The schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.	2,050	0	0	211	2,261
		8,045	0	-6,553	8,960	10,452

Total Reserves	93,658	0	-59,830	55,809	89,638
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Provisions						
Provisions - Short Term						
Accumulated Absences Account	Provision to cover potential future payments of employee benefits not taken as at the end of the year. This is required under IFRS accounting regulations.	3,026	0	-3,026	3,013	3,013
Other Provisions - Short Term	Includes a number of small provisions including Environmental Maintenance contract commitments and Shopping Centre rental payments	886	0	-300	50	637
Provisions - Long Term						
Liability Insurance	Provision to meet the estimated actuarial valuation of claims for public liability and employers' liability	3,777	0	-802	731	3,706
Other Provisions - Long Term	S106 Accrued Interest	73		0	0	73
NDR Appeals	Represents the Council's share of the provision held for successful appeals against business rates.	4,619		-4,428	644	835
Tenancy Deposit Clawbacks	This represents deposits held for the economic development workshops that may be repaid at some point in the future.	204		38	-25	216
Total Provisions		12,584	0	-8,517	4,414	8,480

Bad Debt Provisions						
General Fund Bad Debts	Held for potential write offs of debtor balances for General Fund Services including Housing Benefits.	15,842	0	-1,480	3,648	18,010
HRA Bad Debts	Held for potential write offs of debtor balances for Housing Revenue Account rents and other debtor balances.	391		-38	38	391
Total Bad Debt Provisions		16,233	0	-1,518	3,686	18,400

Total Reserves & Provisions	122,475	0	-69,865	63,909	116,518
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Delegated School Balances

10.3 The movement in delegated schools' balances are detailed in the table below.

Movement in delegated schools' balances 2021/22

	2020/21 £'000	2021/22 £'000	Increase/ (Decrease) £'000
Schools:			
- Revenue Balances	4,905	6,215	1,310
- Invested Balances	499	400	(99)
- Extended Schools Activities Balance	604	1,002	398
Sub Total within Schools	6,008	7,617	1,609
Purchasing IT equipment	(12)	(9)	3
DSG (Deficit) / Surplus	(659)	582	1,241
Total Delegated School Balances	5,336	8,190	2,853

10.4 Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion. Of the 85 schools with balances, 4 have deficit balances.

10.5 The Extended Schools activities allocations for schools were paid over during 2021/22, these balances have been ringfenced to each individual school within School Balances.

10.6 Following consultation with the school's forum and head teachers, the school balances have been used to purchase IT equipment for schools, the cost of this equipment is then recharged to schools over the life of that equipment, effectively operating as an internal leasing arrangement. At the end of 2021/22 £0.003m of the £7.617m was being used in this way.

10.7 In 2020/21 there was a deficit position of £0.659m on the Dedicated Schools Grant (DSG) where expenditure, particularly within the High Needs Block was in excess of the DSG funding received. The balance or deficit was due to be repaid by schools as soon as possible. In 2020, new reporting requirements were introduced to establish a new reserve for Dedicated Schools Grant balances. For those local authorities with a schools budget surplus, the requirement is that the surplus is held in a earmarked useable reserve. As at the end of 2021/22 financial year, Shropshire Council has a £0.582m DSG surplus which is required to be held in a statutorily ring-fenced unusable reserve called the DSG Adjustment Account.

APPENDIX 11

REVISED CAPITAL PROGRAMME

Detail	Agreed Capital Programme - Council 25/02/21	Slippage & Budget Changes Approved To Quarter 3 2021/22	Quarter 4 Budget Changes to be Approved	Revised 2021/22 Capital Programme Quarter 4
	£m	£m	£m	£m
General Fund				
Adult Services	-	-	-	-
Childrens Services	30.771	(11.909)	2.128	20.989
Place	98.234	(46.986)	1.001	52.249
Workforce & Transformation	1.000	(0.407)	0.320	0.913
Total General Fund	130.005	(59.302)	3.449	74.152
Housing Revenue Account	20.148	(10.878)	0.15	9.420
Total Approved Budget	150.153	(70.180)	3.598	83.572

APPENDIX 12**CAPITAL PROGRAMME OUTTURN POSITION BY DIRECTORATE
2021/22**

Detail	Revised Capital Programme - Outturn 2021/22 £m	Actual Expenditure 31/03/2022 £m	Variance £m	Spend To Budget %
General Fund				
Health & Wellbeing	-	-	-	-
People	20.989	16.738	4.252	79.7%
Place	52.249	56.712	(4.463)	108.5%
Workforce & Transformation	0.913	0.779	0.135	85.2%
Total General Fund	74.152	74.228	(0.076)	100.1%
Housing Revenue Account	9.420	8.100	1.321	86.0%
Total Approved Budget	83.572	82.327	1.245	98.5%

APPENDIX 13

SUMMARY OF SIGNIFICANT VARIANCES BETWEEN REVISED OUTTURN BUDGET & OUTTURN EXPENDITURE BY DIRECTORATE AND SERVICE AREA FOR 2021-22

Place – Total overspend against the Place capital programme was £4.462m, which was comprised of the following areas of main underspends and overspends:

- £8.851m overspend against Highways Maintenance budget – an increase in budget of £8m was agreed as part of the Capital Strategy Feb 22 as the first-year funding of the total £59.030m investment in Highways Maintenance. This budget increase had not been reflected in the capital budget as at closedown. The true overspend of £0.851m will be carried forward and deducted from next year's budget allocation as part of the investment programme.
- £2.472m overspend against budget on the NWRR. The current budget in the capital programme is only representative of the DfT large local majors grant award. The spend in 21/22 was above the allocation and has been funded from the capital receipt projections.
- £1.359m underspend on various LTP projects, including Schools 20mph Scheme and Shifnal Network Improvements, these are expected to continue into 22/23.
- £1.5m underspend against Corporate Landlord capital maintenance programme due to delays in the deliverability of some schemes. These schemes are expected to complete in early 22/23.
- £1.535m underspend against budget profile on the Oswestry Mile End pedestrian overbridge scheme due to delays in securing final agreements with National Highways, this has now been resolved and fabrication of the bridge is underway.
- £0.650m underspend against Tannery Site A as a result of a land acquisition originally planned for 2021/22 actually being completed in the 22/23 financial year.

People - Total underspend against People capital programme was £4.602m.

- £1m was underspent on the Warm Homes Category 1 Boilers Installations Grant. This was due to the original expenditure deadline of the Grant being March 22, but this has now been extended due to delays in the deliverability of the scheme. The underspend will now roll into 22/23 upto the revised final deadline.
- £0.9m underspend on Disabled Facilities Grants again due deliverability difficulties and recouping delays due to the pandemic. Funding is fully allocated and works should continue during the 22/23 financial year.

- £1m underspend on Schools Condition Programme due to delays caused by the pandemic. Department for Education have extended the grant expenditure deadlines until Autumn 22/23 nationally to reflect this and works are expected to be completed during the Summer School Term.
- £0.6m underspend on Schools Full Fibre Broadband, whilst works have been completed payment has not yet been settled with the contractor BT and is expected in early 22/23.
- £0.6m on schools DFC grant. Schools manage this funding stream themselves and it has a three year deadline so underspend will carry forward into 22/23.

Workforce & Transformation - Total underspend against the Workforce & Transformation capital programme was £0.135m: £0.109m in relation to the ICT Digital Transformation Programme and £0.026m in relation to the Mobile Phone Handset Renewals Project which will continue into the 22/23 financial year.

Housing Revenue Account - Total underspend against the HRA programme was £0.1.321m, of which £0.334m was on the Major Repairs Programme against an overall budget allocation of £4.3m so significant expenditure has been invested with just a slight underspend. £0.987m was on the New Build Programme which was mainly due to profiling on the Whittington development.

APPENDIX 14**REVISED CAPITAL PROGRAMME FINANCING 2021/22**

Detail	Agreed Capital Programme - Council 25/02/21	Slippage & Budget Changes Approved To Quarter 3 2021/22	Quarter 4 Budget Changes to be Approved	Revised 2021/22 Capital Programme Quarter 4
	£m	£m	£m	£m
Financing				
Self Financed Prudential Borrowing *	47.767	(41.349)	-	6.417
Government Grants	53.870	(5.415)	1.312	49.767
Other Grants	-	1.188	0.343	1.531
Other Contributions	24.464	(13.874)	0.208	10.797
Revenue Contributions to Capital	4.328	(0.997)	0.046	3.377
Major Repairs Allowance	3.780	0.304	(0.497)	3.586
Corporate Resources (expectation - Capital Receipts only)	15.945	(10.036)	2.186	8.095
Total Confirmed Funding	150.153	(70.180)	3.598	83.572

APPENDIX 15**CAPITAL PROGRAMME 2022/23 to 2024/25**

Detail	2022/23	2023/24	2024/25
	£m	£m	£m
General Fund			
Health & Wellbeing	0.000	0.000	-
People	24.780	14.450	2.000
Place & Enterprise	91.082	46.385	13.082
Workforce & Transformation	0.351	1.000	-
Total General Fund	116.213	61.835	15.082
Housing Revenue Account	16.511	20.175	18.995
Total Approved Budget	132.724	82.009	34.077
Financing			
Self Financed Prudential Borrowing *	23.966	31.096	10.166
Government Grants	69.065	31.032	16.082
Other Grants	7.561	0.057	-
Other Contributions	14.803	7.732	-
Revenue Contributions to Capital	3.428	0.821	1.000
Major Repairs Allowance	3.780	4.828	4.828
Corporate Resources (expectation - Capital Receipts only)	10.121	6.443	2.000
Total Confirmed Funding	132.724	82.009	34.077

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

The Corporate Resources financing line is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. Current expectation is these will all be through capital receipts. The Capital Investment Board continues to consider proposals for new schemes for the Council to invest in, with an emphasis on invest to save schemes and schemes that create revenue generation.

APPENDIX 16**PROJECTED CAPITAL RECEIPTS POSITION**

Detail	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Corporate Resources Allocated in Capital Programme	5.944	12.208	6.443	2.000
Capital Receipts used to finance redundancy costs	0.914	-	-	-
To be allocated from Ring Fenced Receipts	-	34.751	5.479	-
Total Commitments	6.858	46.959	11.922	2.000
Capital Receipts in hand/projected:				
Brought Forward in hand	22.036	19.387	(25.741)	(37.598)
Generated 2020/21 YTD	4.208	-	-	-
Projected - 'Green'	-	1.832	0.065	-
Total in hand/projected	26.245	21.218	(25.676)	(37.598)
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	(19.387)	25.741	37.598	39.598
Further Assets Being Considered for Disposal	-	29.248	13.430	4.749

17.2 The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. A RAG analysis has been applied for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Those marked as green are highly likely to be completed by the end of the financial year, amber achievable but challenging and thus there is a risk of slippage, and red are highly unlikely to complete in year and thus there is a high risk of slippage.

17.3 Capital receipts of £22.036m were brought forward from 2020/21 and £4.197m was generated in 2021/22. As previously reported, following the re-profiling in the capital programme and mid-year review of the programme, enough receipts have been generated to finance this year's capital programme without any corporate prudential borrowing. Of the receipts generated in year, £0.914m has been used to finance redundancy costs under the flexibilities around the use of Capital Receipts for transformation revenue purposes.

17.4 Following the underspend position for the capital programme for 2021/22 and the Council policy of applying un-ringfenced capital grants in place of capital receipts where they are not required in full due to scheme underspends, the Council has £18.273m in capital receipts in hand at 31/03/22. These will be set-aside, enabling the Council to achieve an additional one off MRP saving of £0.398m in 2022/23.

17.5 Based on the current approved position, across the life of the programme there are significant shortfalls in capital receipt projections of £25.741m, £37.598m and £39.598m in 2022/23, 2023/24 and

2024/25 respectively. There is, therefore, the requirement to progress the disposals rated amber and red which total £47.428m. Considerable work is required to realise these receipts, with generally a lead in time of at least 12 to 18 months on larger disposals.

17.6 It is important that work progresses, to avoid funding shortfalls in 2022/23, 2023/24 and 2024/15 and minimise any shortfall in future years. Failure to generate the required level of capital receipts will result in the need to further reduce or re-profile the capital programme, or undertake prudential borrowing, which will incur future year's revenue costs that are not budgeted in the revenue financial strategy.

17.7 The projected shortfall in capital receipts is purely based on the current approved capital programme for the period 2022/23 to 2024/25. The current Capital Strategy 2022/23 to 2026/27, approved by Council in February 2022, identifies potential future priority capital schemes with estimated costs of £279.276m. It is prudent for schemes which are not anticipated to generate additional income to be funded from capital receipts. This will further increase the future pressure on capital receipts generation.

Shropshire Council - Capital Programme 2021/22 - 2024/25
Capital Programme Summary Outturn 2021/22

Appendix 17

Directorate	Revised Budget Q3 2021/22 £	Budget Virements Q4 £	Revised Budget Q4 2021/22 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2022/23 Revised Budget £	2023/24 Revised Budget £	2024/25 Revised Budget £
General Fund											
Health & Wellbeing	0	0	0	0	0	0.00%	0	0	0	0	0
People	18,861,562	2,127,910	20,981,208	16,737,539	4,243,669	79.77%	20,981,208	0	24,780,052	14,450,000	2,000,000
Place	51,248,349	1,000,501	52,257,114	56,711,746	-4,454,632	108.52%	52,257,114	0	91,082,149	46,384,619	13,082,000
Resources	593,140	320,260	913,400	778,617	134,783	85.24%	913,400	0	350,766	1,000,000	0
Total General Fund	70,703,051	3,448,671	74,151,722	74,227,902	-76,180	100.10%	74,151,722	0	116,212,967	61,834,619	15,082,000
Housing Revenue Account	9,270,607	149,827	9,420,434	8,099,517	1,320,916.76	85.98%	9,420,434	0	16,510,712	20,174,507	18,994,630
Total Approved Budget	79,973,658	3,598,498	83,572,156	82,327,419	1,244,737	98.51%	83,572,156	0	132,723,679	82,009,126	34,076,630

Shropshire Council - Capital Programme Portfolio Holder Summary Outturn 2021/22

Portfolio Holder	Initial Budget 2020/21 £	Budget Virements £	Revised Budget 2020/21 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2021/22 Revised Budget £	2022/23 Revised Budget £	2023/24 Revised Budget £
General Fund											
Portfolio Holder Adult Social Care and Public Health	13,655,994	-7,975,694	5,680,300	3,620,814	2,059,486	63.74%	5,680,300	0	13,597,500	5,150,000	0
Deputy Leader and Portfolio Holder Economic Growth	14,463,388	-8,605	14,454,783	12,830,102	1,624,681	88.76%	14,454,783	0	4,214,960	1,285,177	0
Portfolio Holder Climate Change, Natural Assets and Biodiversity	325,000	-325,000	0	4,395	-4,395	0.00%	0	0	325,000	0	0
Portfolio Holder Children and Education	26,083,159	-10,782,251	15,300,908	13,116,725	2,184,183	85.73%	15,300,908	0	11,182,552	9,300,000	2,000,000
Portfolio Holder Resources	0	0	0	0	0	0.00%	0	0	0	0	0
Portfolio Holder Communities, Culture, Leisure and Sport	37,803	36,238	74,041	107,359	-33,318	145.00%	74,041	0	30,000	0	0
Portfolio Holder Digital, Data and Insight	11,144,367	-9,386,720	1,757,647	1,327,729	429,918	75.54%	1,757,647	0	5,330,711	3,000,000	0
Portfolio Holder Physical Infrastructure (Highways, Streets and Public Spaces)	79,639,303	-42,755,260	36,884,043	43,220,778	-6,336,735	117.18%	36,884,043	0	81,532,244	43,099,442	13,082,000
Deputy Leader and Portfolio Holder Strategy	0	0	0	0	0	0.00%	0	0	0	0	0
Total General Fund	145,349,014	-71,197,292	74,151,722	74,227,902	-76,180	100.10%	74,151,722	0	116,212,967	61,834,619	15,082,000
Housing Revenue Account											
Portfolio Holder Physical Infrastructure (Highways, Streets and Public Spaces)	21,997,130	-12,576,696	9,420,434	8,099,517	1,320,917	85.98%	9,420,434	0	16,510,712	20,174,507	18,994,630
Total Approved Budget	167,346,144	-83,773,988	83,572,156	82,327,419	1,244,737	98.51%	83,572,156	0	132,723,679	82,009,126	34,076,630

Page 198

Shropshire Council - Capital Programme Budget Outturn Report 2021/22

Appendix 17

Directorate Service Area	Initial Budget 2021/22 £	Budget Virements £	Revised Budget 2021/22 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2022/23 Revised Budget £	2023/24 Revised Budget £	2024/25 Revised Budget £
General Fund											
Health & Wellbeing	167,127	-167,127	0	0	0	0.00%	0	0	0	0	0
Public Health Capital	0	0	0	0	0	0.00%	0	0	0	0	0
Regulatory Services Capital	167,127	-167,127	0	0	0	0.00%	0	0	0	0	0
People	39,572,026	-18,590,818	20,981,208	16,737,539	4,243,669	79.77%	20,981,208	0	24,780,052	14,450,000	2,000,000
Adult Social Care Contracts & Provider Capital	0	0	0	0	0	0.00%	0	0	0	0	0
Adult Social Care Operations Capital	4,674,806	-3,250,000	1,424,806	1,261,982	162,824	88.57%	1,424,806	0	3,332,500	1,150,000	0
Children's Residential Care Capital	952,147	-150,000	802,147	436,784	365,363	54.45%	802,147	0	300,000	0	0
Housing Services Capital	8,814,061	-4,558,567	4,255,494	2,358,832	1,896,662	55.43%	4,255,494	0	10,265,000	4,000,000	0
Non Maintained Schools Capital	8,335,443	-7,004,204	1,331,239	811,022	520,217	60.92%	1,331,239	0	3,077,875	5,772,613	0
Primary School Capital	5,848,992	4,471,969	10,320,961	9,246,537	1,074,424	89.59%	10,320,961	0	4,967,048	0	0
Secondary School Capital	2,409,589	144,766	2,554,355	2,333,700	220,655	91.36%	2,554,355	0	250,000	0	0
Special Schools Capital	43,033	315,717	358,750	288,682	70,068	80.47%	358,750	0	0	0	0
Unallocated School Capital	8,493,955	-8,560,499	-66,544	0	-66,544	0.00%	-66,544	0	2,587,629	3,527,387	2,000,000
Place Capital - Commercial Services	38,639,801	-33,365,038	5,274,763	2,600,380	2,674,383	49.30%	5,274,763	0	14,714,402	16,761,848	0
Corporate Landlord Capital	38,639,801	-33,365,038	5,274,763	2,600,380	2,674,383	49.30%	5,274,763	0	14,714,402	16,761,848	0
Place Capital - Economic Growth	23,663,849	-8,364,819	15,299,030	13,379,214	1,919,816	87.45%	15,299,030	0	9,194,905	3,285,177	0
Broadband Capital	9,200,461	-8,356,214	844,247	549,112	295,135	65.04%	844,247	0	4,979,945	2,000,000	0
Development Management Capital	53,777	870,421	924,198	845,122	79,076	91.44%	924,198	0	848,248	215,634	0
Economic Growth Capital	9,528,944	3,381,415	12,910,359	11,877,755	1,032,604	92.00%	12,910,359	0	2,940,753	1,069,543	0
Planning Policy Capital	4,880,667	-4,260,441	620,226	107,226	513,000	17.29%	620,226	0	425,959	0	0
Place Capital - Homes & Communities	37,803	36,238	74,041	107,359	-33,318	145.00%	74,041	0	30,000	0	0
Leisure Capital	37,803	13,807	51,610	25,483	26,127	49.38%	51,610	0	30,000	0	0
Outdoor Partnerships Capital	0	22,431	22,431	65,791	-43,360	293.30%	22,431	0	0	0	0
Visitor Economy Capital	0	0	0	16,085	-16,085	0.00%	0	0	0	0	0
Place Capital - Infrastructure	41,324,502	-9,715,222	31,609,280	40,624,793	-9,015,513	128.52%	31,609,280	0	67,142,842	26,337,594	13,082,000
Environment & Transport Capital	0	0	0	0	0	0.00%	0	0	0	0	0
Highways Capital	40,999,502	-9,390,222	31,609,280	40,620,398	-9,011,118	128.51%	31,609,280	0	66,817,842	26,337,594	13,082,000
Waste Capital	325,000	-325,000	0	4,395	-4,395	0.00%	0	0	325,000	0	0
Resources	1,943,906	-1,030,506	913,400	778,617	134,783	85.24%	913,400	0	350,766	1,000,000	0
ICT Digital Transformation - CRM Capital	383,345	216,915	600,260	574,797	25,463	95.76%	600,260	0	0	0	0
ICT Digital Transformation - ERP Capital	50,871	-50,871	0	0	0	0.00%	0	0	0	0	0
ICT Digital Transformation - Infrastructure & Archit	63,525	105,585	169,110	169,110	0	100.00%	169,110	0	0	0	0
ICT Digital Transformation - Social Care Capital	95,399	0	95,399	34,710	60,689	36.38%	95,399	0	0	0	0
ICT Digital Transformation - Unallocated Capital	1,350,766	-1,302,135	48,631	0	48,631	0.00%	48,631	0	350,766	1,000,000	0
Total General Fund	145,349,014	-71,197,292	74,151,722	74,227,902	-76,180	100.10%	74,151,722	0	116,212,967	61,834,619	15,082,000
Housing Revenue Account	21,997,130	-12,576,696	9,420,434	8,099,517	1,320,917	85.98%	9,420,434	0	16,510,712	20,174,507	18,994,630
HRA Dwellings Capital	21,997,130	-12,576,696	9,420,434	8,099,517	1,320,917	85.98%	9,420,434	0	16,510,712	20,174,507	18,994,630
Total Approved Budget	167,346,144	-83,773,988	83,572,156	82,327,419	1,244,737	98.51%	83,572,156	0	132,723,679	82,009,126	34,076,630

Page 199

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<u>Committee and date</u> Audit Committee 20 July 2022	<u>Item</u> Public
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Second line assurance: Approval of the Council’s Draft Statement of Accounts 2021/22

Responsible Officer James Walton
 Email: james.walton@shropshire.gov.uk Tel: (01743) 258915

1. Synopsis

The Council has prepared the Draft (Pre-Audit) Statement of Accounts for 2021/22. This report sets out the timeline for completing the accounts and the key changes in the accounts from the previous year.

2. Executive Summary

2.1 The timetable for producing the 2021/22 Statement of Accounts has been amended. The table below summarises the key deadlines :

Task	Responsible Organisation	Deadline
Bulletin on closure of the 2021/22 accounts.	CIPFA	28 Apr 2022 (Complete)
Publish amendments to Code relating to infrastructure assets	CIPFA	24 th Jun 2022 (Outstanding)
Produce and approve Draft Accounts	Local Authority	31 st Jul 2022 Complete (20th Jul 2022)
External Audit	External Audit (Grant Thornton)	18 th Jul – 30 Sep 2022 (In progress)
Approve and Publish Audited Accounts	External Audit / Local Authority	30 th Nov 2022 (Not yet due)

2.2 The Draft Statement of Accounts for 2021/22 is appended to this report. This report provides an overview of the Accounts and provides details of the reasons for the most significant changes between the 2020/21 Accounts and the 2021/22 Accounts.

2.3 The Statement of Accounts is derived from the same year end position as informed the outturn report for performance against budget, albeit

that the two are prepared according to different rules. The final outturn positions are as follows:

- Revenue: an overspend of £2.505m on a gross budget of £554.318m (0.45%).
- Capital: spend of £82.327m, which is 98.5% of the revised budget.
- Earmarked Reserves and Provisions have decreased by £8.152m.
- General fund balance has decreased by £2.545m.
- Delegated Schools' balances have increased by £2.196m.

Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on this agenda.

The ability of the authority to generate the accounts in line with requirements is a key indicator of the ability of the authority to manage its finances effectively. The preparation of the draft accounts ahead of the required deadline indicates that the Council is managing the finances well.

3. Recommendations

- 3.1 Members are asked to receive and comment on the 2021/22 Draft Statement of Accounts.

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 report. The ability to prepare the authority's accounts to a high standard, within the required timeframe, is a key indicator of the overall financial health of the authority. It indicates that we have a clear understanding of our finances.

5. Financial Implications

- 5.1 This report sets out the income, expenditure, assets, liabilities and reserves of the council, and the comparative positions for the previous year.

6. Climate Change Appraisal

- 6.1 Nil; this report does not directly make decisions on factors related to climate change.

7. Background

7.1 The external audit by Grant Thornton began on 18th July 2022 and is required to be complete in late September. Once agreed with the auditor, the Accounts will be published and a final version brought back to Audit Committee for approval.

8. Statement of Accounts

8.1 The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The purpose of the accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances.

8.2 Bearing in mind the complexity of the accounts, the Code requires:

- All Statements of Accounts to use reflect a common format.
- Interpretation and explanation to be provided.
- The Accounts and notes to be written in plain language.

8.2 The Code is updated each year to reflect the latest accounting standards. It was due to include the new requirements of IFRS 16 (Leases) but this has been deferred to 2022/23.

8.3 During the last audit round, a challenge was raised over treatment of infrastructure assets in local authority accounts. A national task and finish group has been established to address how infrastructure assets (usually highways) are derecognised from accounts following replacement expenditure. The conclusions of the group have not yet been published.

8.4 The authority's accounts comprise various statements which are explained below. They are prepared in accordance with the Accounts and Audit Regulations 2015 and the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

8.4.1 **Narrative Report** – gives a commentary on the authority's financial position for 2021/22 and details of its performance during the year.

8.4.2 **The Statement of Responsibilities** – details the responsibilities of the authority and the Section 151 Officer concerning the authority’s financial affairs and the actual Statement of Accounts.

8.4.3 **The Audit Opinion and Certificate** – is provided by the External Auditor at the end of the audit.

8.4.4 **The Core Financial Statements**, which comprises:

The Movement in Reserves Statement – this shows the movement of all reserves held by the authority during the year, analysed into ‘usable reserves’, and others.

The Comprehensive Income and Expenditure Statement – this brings together all the resources that the Council has generated, consumed, or set aside in providing services during the year. The 2021/22 Comprehensive Income and Expenditure Statement shows a surplus for the year of £99.642m. This includes a number of significant accounting adjustments relating to, for example, pensions costs and use of assets. The movement on the General Fund Balance was a decrease of £2.545m, which was used to fund the year end overspend on the revenue budget.

The Balance Sheet – this shows the balances and reserves at the authority’s disposal, its long term liabilities and the fixed and net current assets employed in its operations. As at the 31 March 2022, the authority’s total equity amounts to £166.221m, an increase of £99.642m (from the CIES), which is analysed in the Movement in Reserves Statement. Assets have increased as a result of revaluation an increase in the number of capital schemes being categorised as an ‘Under Construction’ in 2021/22.

The Cash Flow Statement - this summarises the authority’s inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

8.4.5 **The Notes to the Core Financial Statements** - provide and the Council’s accounting policies and supporting information on the Financial Statements.

8.4.6 **The Group Accounts** – are prepared to account show the Council’s share wider operations including; Shropshire Towns & Rural Housing, West Mercia Energy, West Mercia Supplies Pension, SSC No.1 Limited and Cornovii Developments Limited.

8.4.7 **The Housing Revenue Account (HRA)** – this shows the income and expenditure relating to local authority housing provision and the movement on the account balance for the year.

8.4.8 **The Collection Fund Account** – this shows the collection of non-domestic rates and council tax and the distribution of those funds to preceptors and to the General Fund.

8.4.9 **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, separate from the Authority’s own finances. The statement and supporting notes summarise the financial position of the Fund, including all income and expenditure for 2021/22 and its assets and liabilities as at 31 March 2022.

9 Accounting Policies

9.1 The accounting policies that the Council are detailed in Note 1 to the Core Financial Statements. The Council has not adopted any new accounting standards or amendments with the exception of a small clarification to the accounting policy relating to Cash and Cash Equivalents, setting out the difference between the two:

"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."

10 Analytical Review

10.1 An analytical review has been carried out on each element of the Draft Statement of Accounts and is attached as appendix 2.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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<p>CIPFA’s Code of Practice (Code) on Local Authority Accounting CIPFA/SOLACE guidance on the Annual Governance Statement Revenue and Capital Budget 2021/22</p>
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<p>Cabinet Member (Portfolio Holder)</p>

<p>Brian Williams, Chair of Audit Committee</p>

<p>Local Member</p>

<p>All</p>

Appendices

1. Draft Statement of Accounts 2021/22 (Unaudited)
2. Analytical Review of Statement of Accounts

Analytical Review of Shropshire Council's Statement of Accounts for 2021/22

The analytical review for 2021/22 highlighted a number of areas where there were material changes (Variances over £8m or over 10%), the most significant are detailed below along with an explanation of why these changes have occurred.

In summary, there are two key areas of changes, which affect a range of different aspects of the accounts. Both areas are fundamentally driven by the change from the urgent response phase of the pandemic to the current position of living with the virus. The two areas of changes are:

- Changes between 2021/22 and the previous year (2020/21) relating to direct expenditure on the pandemic response.
- Changes in that period to the valuation of different asset classes as a result of the move out of the response phase of the pandemic during which asset values were reduced and the subsequent recovery of market prices in a number of areas, which affects asset valuations as a result.

• **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Health and Wellbeing**

	2021/22	2020/21	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	18,162	14,953	3,209	21
Income	(23,768)	(18,162)	(7,834)	49

Income within Health & Wellbeing has increased by £7.834m mainly due to the release of the Contained Outbreak Management Fund grant relating to COVID 19. This grant in 2020/21 had specific conditions relating to it and so any unspent balance could be held as a creditor on the balance sheet. However in 2021/22 the grant no longer has these specific conditions and so has had to be released fully in the year.

The increase in expenditure is due to an increase in expenditure relating to Contained Outbreak Management Fund of £4.581m.

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

	2021/22	2020/21	Decrease (Value)	Increase
	£000	£000	£000	%
Expenditure	(5,001)	8,521	(13,522)	(159)

A £19.5m revaluation increase was recognised in revenue as a result of the increase in the valuation of the HRA dwellings stock following their annual valuation review, this was credited to revenue as losses have been recognised here in previous years. This reflects the growth currently being experienced in the residential property market. The Valuer noted that house price increases have been so significant in the last 12 months that this seems to have filtered right down to flats (represent around a fifth of HRA stock), which showed little or no increase in 2020/21.

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

	2021/22	2020/21	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	390,472	363,452	27,020	7
Income	(196,221)	(175,737)	(20,484)	12

Expenditure has increased in People due to increases in care packages and placements within Adult Social Care of £8.540m, and Children's Social Care and Safeguarding of £9.884m. Also the level of Dedicated Schools Grant increased by £5.841 which would have been passported and spent within schools.

Income relating to care received has increased by £4.576m within Adult Social Care and additional grants (£2.372m) within this service were also received. The increase in Dedicated Schools Grant will also have contributed to the increase in income in the People Directorate.

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

	2021/22	2020/21	(Decrease) (Value)	(Decrease)
	£000	£000	£000	%
Expenditure	148,396	302,425	(154,029)	(51)
Income	(48,361)	(41,674)	6,687	16

Expenditure within Place has decreased by £153.097m. In 2020/21 depreciation relating to Highways infrastructure totalling £160.966m was included, the corresponding figure for 2021/22 is £25.185m. The figure in 2020/21 included the recalculation of depreciation for prior years. Revaluation of properties moved from a loss of £25.206m in 2020/21 to a gain of £0.723m in 2021/22.

Income within Place has increased by £7.619m. As a result of the covid-19 pandemic income received fell in areas like car parks, culture and leisure in 2020/21. Income increased in relation to Theatre Services by £3.188m once this service was allowed to re-open following the restrictions. There has also been an increase in parking and transport income of £1.753m .

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

	2021/22	2020/21	Decrease/ Increase (Value)	(Decrease)/ Increase
	£000	£000	£000	%
Expenditure	26,082	38,197	(12,115)	(32)

Expenditure within corporate services has reduced in 2021/22 as a result of a reduction in expenditure relating to covid-19 grant schemes. There was a corresponding reduction in income in these areas. There was also a reduction in Non Distributable costs due to a reduction in past service costs for pensions from £1.194m in 2020/21 to £0.055m in 2021/22.

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

2021/22	2020/21	Decrease (Value)	Increase
£000	£000	£000	(%)
31,927	43,629	(11,702)	(27)

The movement in valuation of Investment Properties, swung from a £0.172 loss in 2020/21 to a £3.184m gain in 2021/22. This relates to specific movements in the value of assets in this category, reflecting the assets at the balance sheet date and their valuation. This is the net position, there were losses as well as gains experienced at the individual asset level. The most significant increases were in relation to land assets, reflecting residential values and latest planning assumptions, in particular the Land at Emstry and the Oxon Estate. The most significant decrease was the Former Morrison's Supermarket Site, Oswestry; Morrisons have vacated the property and it now sits vacant which has dramatically impacted value, the Valuer has adopted a residential development value.

In addition the income from investment properties has increased by £2.195m due to income received in relation to the buyout of a lease. The net position on Traded Services has decreased during the year by £4.593m. Expenditure had increased in 2020/21 mainly as a result of higher capital charges including revaluation losses.

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

2021/22	2020/21	Decrease (Value)	Increase
£000	£000	£000	(%)
(32,260)	124,069	(156,329)	(126)

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts, this can only be done where there is a balance on the revaluation reserve for the asset. In 2020/21 this was a loss of £124.069m and for 2021/22 a gain of £32.260m. The loss in 2020/21 was due to a significant increase in assets on which a revaluation loss was recognised.

In 2020/21 there was a change in valuation approach, with all valuations undertaken by external Valuers. The external Valuers adopted a different valuation approach to that the Council's Valuers took previously, adopting differing assumptions in the valuation approach. In a number of instances,

valuation variances can be explained by market movements, interpretation and application of comparable evidence and baseline data being provided.

In 2021/22 the same External Valuers have again undertaken the Council's valuations, with all valuations updated to the balance sheet date and assessed on the same basis as the 2021/22 valuations. The increase in 2021/22 valuations, reflect the current market conditions in 2021/22, current build costs (DRC valuations) and the latest property information provided to the Valuers.

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

2021/22	2020/21	Decrease (Value)	Increase
£000	£000	£000	(%)
(55,132)	22,416	(77,548)	(346)

The movement in the remeasurement of the net defined benefit liability is due to movements in a number of figures affecting the pension assets and liabilities. The liability element has moved from a net loss of £170.311m in 2020/21 to a net gain of £5.435m due to an increase in the discount rate and a change in demographic assumptions. The gain on the assets element has reduced from a gain of £147.895m in 2020/21 to a gain of £49.697m due to positive returns on investments.

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

2021/22	2020/21	Increase (Value)	Increase
£000	£000	£000	(%)
906,149	847,637	58,512	7

This reflects the overall movement in property, plant and equipment. The movement consists of additions, disposals, revaluations (upwards and downwards), depreciation charges and impairments. The main reason for the increase is a revaluation increase in both Council Dwellings and Other Land and Buildings. These revaluation increases reflect the growth in residential properties and build costs. Another significant proportion of the increase relates to Assets under construction, which includes a number of large scale capital schemes which are delivered across a number of financial years. This includes the Bishops Castle Business Park, Oswestry Innovation Park, North West Relief Road, Pride Hill/Riverside redevelopment and the HRA new build programme.

Balance Sheet Long Term Assets – Long Term Investment

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
970	400	(19,806)	(98)

The value of long term investments have increased due to the increase in the equity investment in Cornovii Developments Limited in exchange for land that has transferred to the company.

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
17,166	22,628	(5,462)	(24)

The value of long term debtors has decreased by £5.462m. This is mainly due to a transfer between long term and short term debtors of £4.781m relating to repayments due within the next 12 months.

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

2021/22	2020/21	Increase (Value)	Increase
£000	£000	£000	(%)
570	250	320	128

In 2020/21 one Investment Property (Crowmoor House) was accounted for under the category of Current Held for Sale Investment Properties based on the agreement in place to sell the site to Cornovii Developments Limited which was completed in 2021/22. In 2021/22 the Alveley Industrial Estate Ground Leases asset has transferred into this category, based on the agreement in place to sell the Alveley Industrial Estate.

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

2021/22	2020/21	Increase (Value)	Increase
£000	£000	£000	(%)
3,866	767	3,099	404

The balance sheet value of assets in this classification reflects the position the Council are at with regards to disposing of assets and whether they meet the criteria to be classified as Asset Held for Sale at the balance sheet date. At the 2020/21 Balance Sheet date the properties in this category included Former Ifton Heath Primary School (completed 2021/22), Former St Marys CE Primary School, Meole Brace Golf Course - Pitch & Putt Land and HRA shared ownership properties (completed 2021/22). In 2021/22 there have been a number of properties that now fall into this category, The Willows (former school caretakers bungalow at Mary Webb School), Severn Valley Workshops, four Smallholdings, The Aspire Centre and further HRA Shared Ownership Properties.

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
82,430	99,834	(17,404)	(17)

Short term debtors have decreased by £17.404m in 2021/22. There are a number of factors that make up this difference:

- i. There is a decrease in grant debtors of £4.857m. In 2020/21 there was an increase in grants that had been released but were yet to be received as at 31st March 2021. A number of these balances related to Covid-19 grants of £1.567m and the funding was received in 2021/22. The value of Housing Benefits due to be received reduced by £0.861k and £2.643m in relation to capital projects. In 2020/21 there were a number of projects which spent significantly at the end of the financial year with the funding due to be received in 2021/22.
- ii. Debtors in relation to Business Rates due from preceptors has reduced from £14.704m to £5.162m. The value of expanded reliefs awarded by Central Government in relation to the covid-19 pandemic reduced in 2021/22 and there was also a reduction in the level of the appeals provision. This resulted in a reduction in the deficit on the Collection Fund and the amount allocated to the major preceptors.
- iii. There was an decrease in payments in advance in 2021/22 of £3.006m. This is mainly due to a payments to Nurseries for the summer term which

were paid in March 2021 in the previous year and therefore were accounted for as a payment in advance. The equivalent payments were made in April 2022.

• **Balance Sheet Current Assets – Short Term Investments**

2021/22	2020/21	Increase (Value)	Increase
£000	£000	£000	(%)
119,000	70,000	49,000	70

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
45,302	78,438	(33,136)	(42)

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

2021/22	2020/21	Increase (Value)	Increase
£000	£000	£000	(%)
(17,714)	(14,902)	(2,812)	(19)

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

There are four elements that detail the difference in cash balances:

- i. Movement in General Fund Balance (increase in cash)
 - ii. Revenue and Capital Grants received (increase in cash)
 - iii. Movement in debtors/creditors (reduction in cash)
 - iv. New loans provided/repaid (reduction in cash)
- i. There was a £2.545m decrease in the General Fund Balance in 2021/22 which reflects the overspend position in the revenue budget.
 - ii. The Council received a number of capital grants in 2021/22 which can be carried forward to be spent in 2022/23 or repaid to government which are accounted for within the cash balance. The net movement on capital and revenue grants received in advance was an increase of £3.126m
 - iii. Debtors have decreased by £22.867m during 2021/22 thereby decreasing the amount of money owed to the authority and increasing the potential cash balance held.

- iv. Cash will also have reduced due to the repayment of borrowing that the Council has undertaken of £12.000m.

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
(1,858)	(13,893)	12,035	87

Short term borrowing has decreased due to the repayment of loans totalling £12m which were planned to be repaid.

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
(6,030)	(15,443)	(9,413)	61

The reduction relates to the release of Contained Outbreak Managed Fund of £6.844m as conditions on the use of the grant were no longer in place for 2021/22. Also a balance brought forward of Additional Restrictions Grant and Local Restrictions Support Grant relating to Covid-19 of £3.814m was paid out to businesses during the course of the year.

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

2021/22	2020/21	Increase (Value)	Increase
£000	£000	£000	(%)
(18,645)	(11,773)	(6,872)	58

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

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
(507,361)	(531,883)	24,522	5

The deficit on the Pensions Reserve has decreased by £24.522m in 2021/22. This is due to an increase in pension assets due to generally positive investment returns. The increase in pension assets has been partially offset by an increase in pension liabilities. The discount rate has increased by 0.7% and the CPI inflation assumption has increased by 0.7%, the combined effect of this is an increase in the pension liabilities. An increase in pension assets due to generally positive investment returns has reduced the impact of the increase in liabilities on the net liability.

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

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
(4,889)	(8,673)	3,784	44

Provisions has decreased mainly due to a reduction in the NNDR Appeals provision. A number of appeals were settled in 2021/22 (£2.170m) and a review of the remaining outstanding appeals resulted in a reduction in the provision required to cover the potential impact of any losses from those appeals (£1.614m).

- **Balance Sheet Financing – Unusable Reserves**

2021/22	2020/21	Decrease (Value)	Decrease
£000	£000	£000	(%)
(531)	(103,548)	103,017	99

The decrease in Unusable Reserves is due to changes in the Revaluation Reserve, Capital Adjustment Account, Pensions Reserve and Collection Fund Adjustment Account.

The Revaluation Reserve increased by £25.375m (23%) in 2021/22 which reflects the movement in asset values and disposals. The area of significant movement in 2021/22 was on the revaluation of Property, Plant and Equipment assets. Reflecting the general increase in asset values and where there has been no

previous revaluation loss charged to revenue, the gain is charged to the revaluation reserve.

The Capital Adjustment Account increased by £36.111m (10%) in 2021/22, and the movement reflects the movement in asset values, disposals and capital expenditure financing in 2021/22. This reflects the movement in asset valuations in 2021/22 and the funding applied to finance new capital expenditure, the most significant being capital grants and contributions (£57.236m).

The deficit on the Collection Fund Adjustment Account has reduced from £20.227m at the end of 2020/21 to £7.051m at the end of 2021/22. The deficit position in 2020/21 was mainly due to the additional reliefs awarded to businesses by government in response to the covid-19 pandemic. This resulted in lower business rates for collection resulting in a deficit on the Collection Fund. Reliefs continued to be awarded in 2021/22 but at a lower value. A reduction in the appeals provision also reduced the deficit position on the Business Rates Collection Fund. The deficit on the Collection Fund will be partially offset by the receipt of 31 grants for the additional reliefs.

The deficit on the Pensions Reserve has decreased by £27.409m in 2021/22. This is due to an increase in pension assets due to generally positive investment returns. The increase in pension assets has been partially offset by an increase in pension liabilities. The discount rate has increased by 0.7% and the CPI inflation assumption has increased by 0.7%, the combined effect of this is an increase in the pension liabilities. An increase in pension assets due to generally positive investment returns has reduced the impact of the increase in liabilities on the net liability.

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

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Draft 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 113)
- 6.** Group Accounts:
 - Introduction (pages 114 to 115)
 - The Group Comprehensive Income and Expenditure Statement (page 116)
 - The Group Movement in Reserves Statement (pages 117 to 119)
 - The Group Balance Sheet (page 120)
 - The Group Cash Flow Statement (page 121)
 - The Group Account Notes (pages 122 to 130)
- 7.** The Housing Revenue Account (pages 131 to 134)
- 8.** The Collection Fund (pages 135 to 136)
- 9.** The Pension Fund Accounts (pages 137 to 180)
- 10.** Glossary (pages 181 to 194)

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

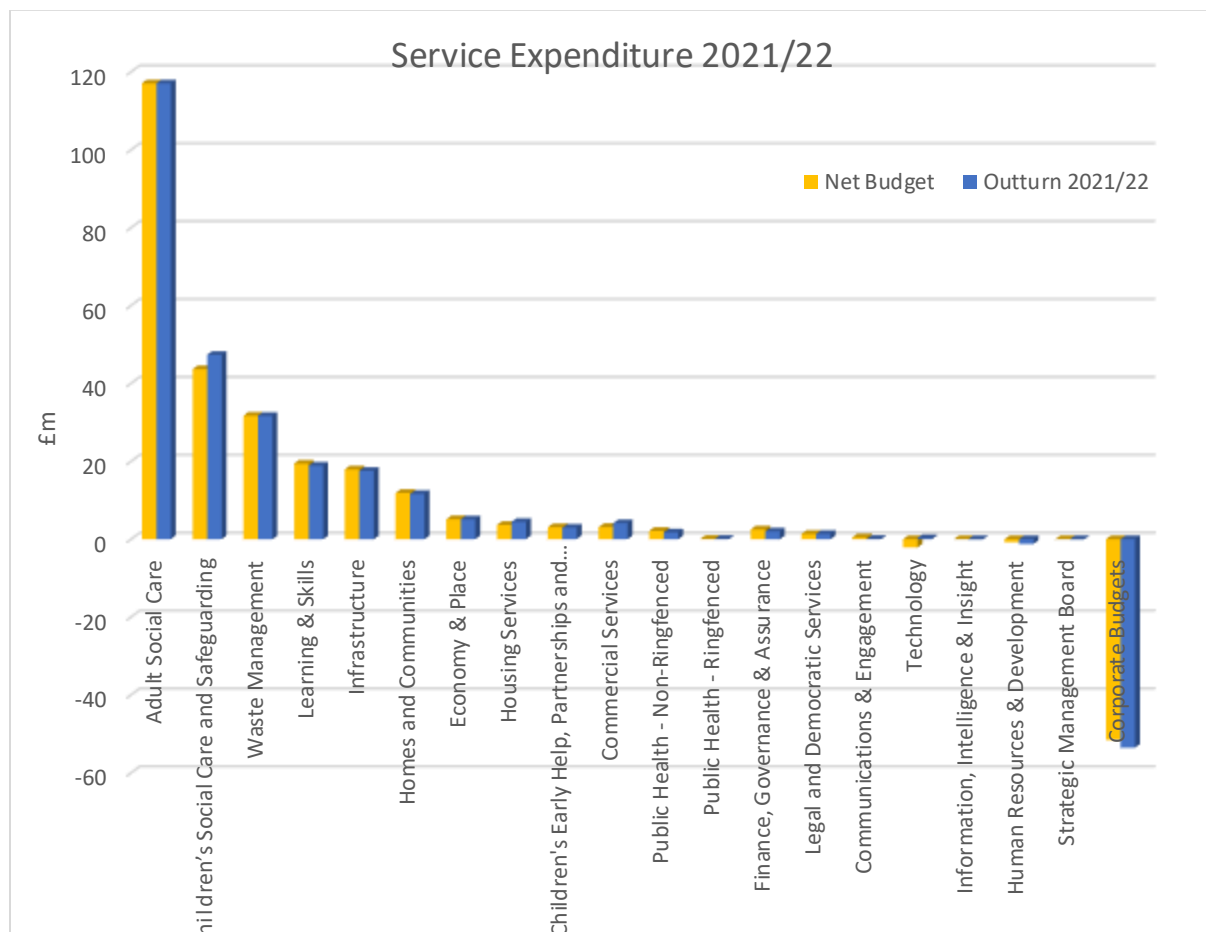
Total Funding applied 2021/22

8,408

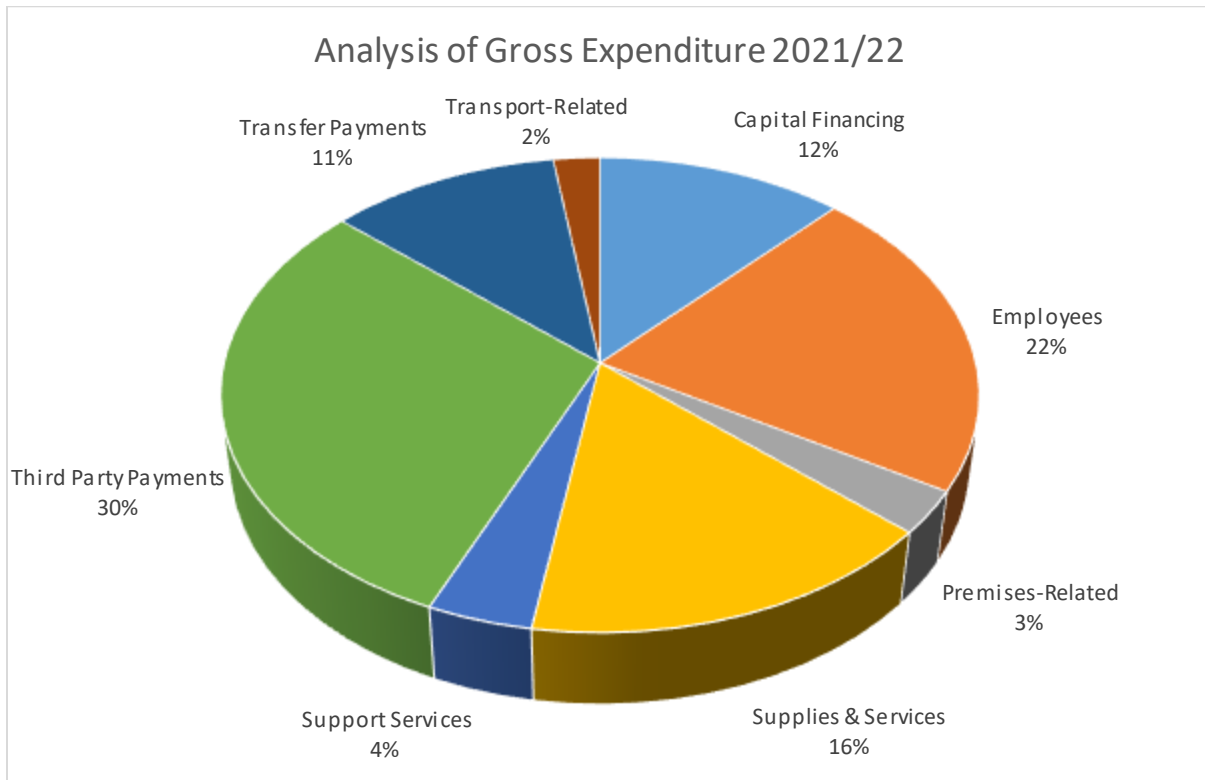
A total of £54.881m in other specific funding streams was deployed against specific activity or passported directly to third parties. Where the Council was required to distribute the grants according to specific criteria, and was therefore acting as an agent, the transactions have been excluded from 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 38.

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

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



The gross expenditure for the Council, including expenditure for schools was £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 2021/23. 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
<u>General Fund</u>			
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

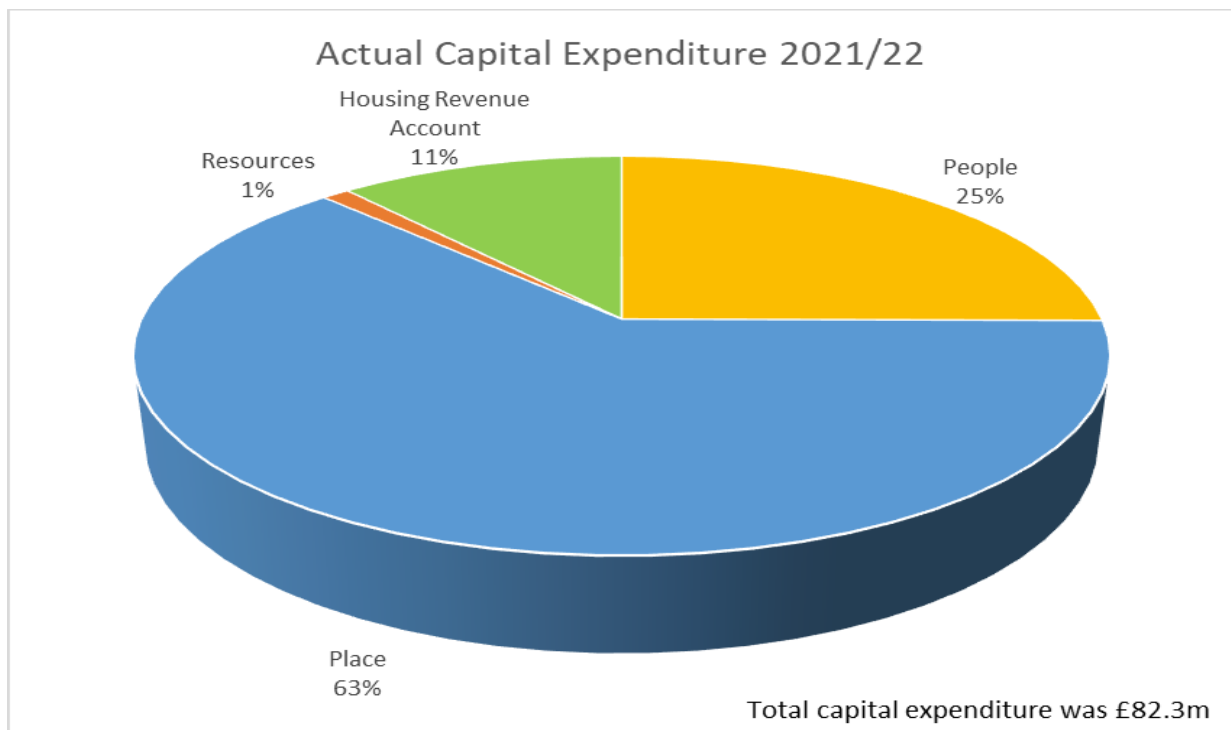
Highways and Transport	22,886
North West Relief Road	5,021
Flood Defences and Water Management	811
Broadband	844
Economic Development	14,455
Commercial Investments	1,349
Corporate Landlord	2,959

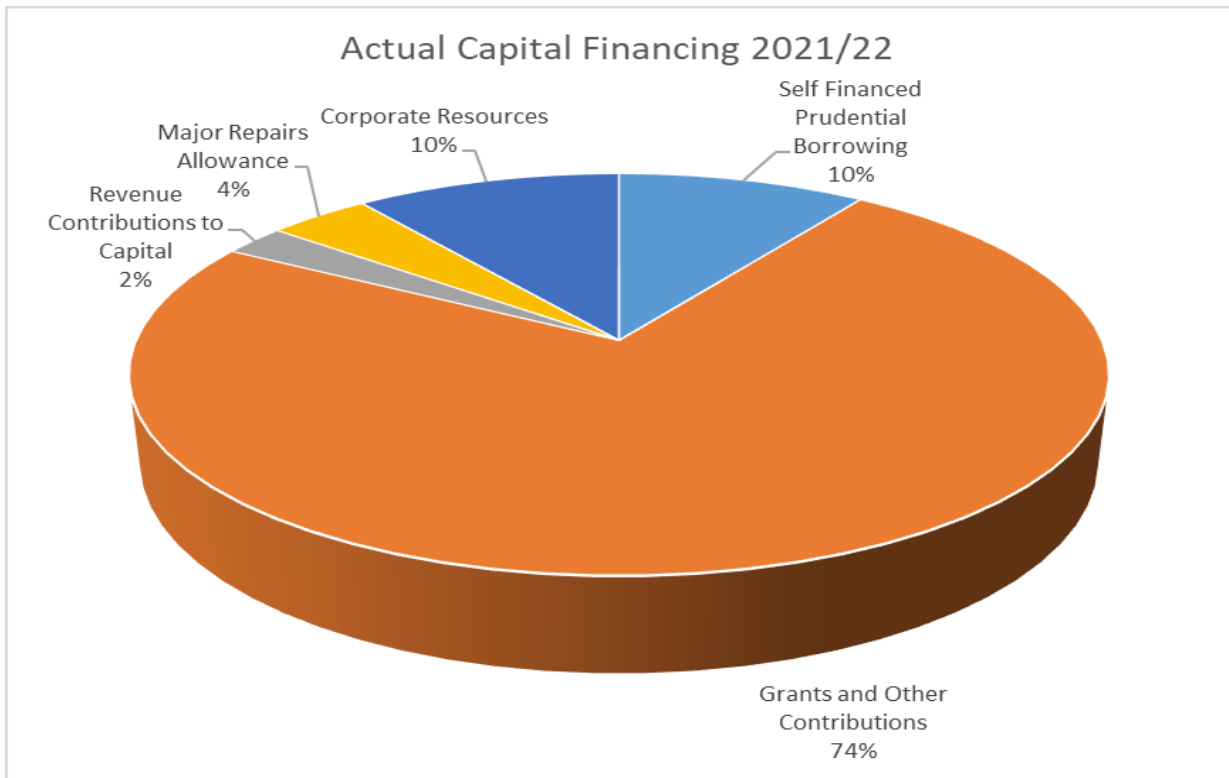
Resources

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.

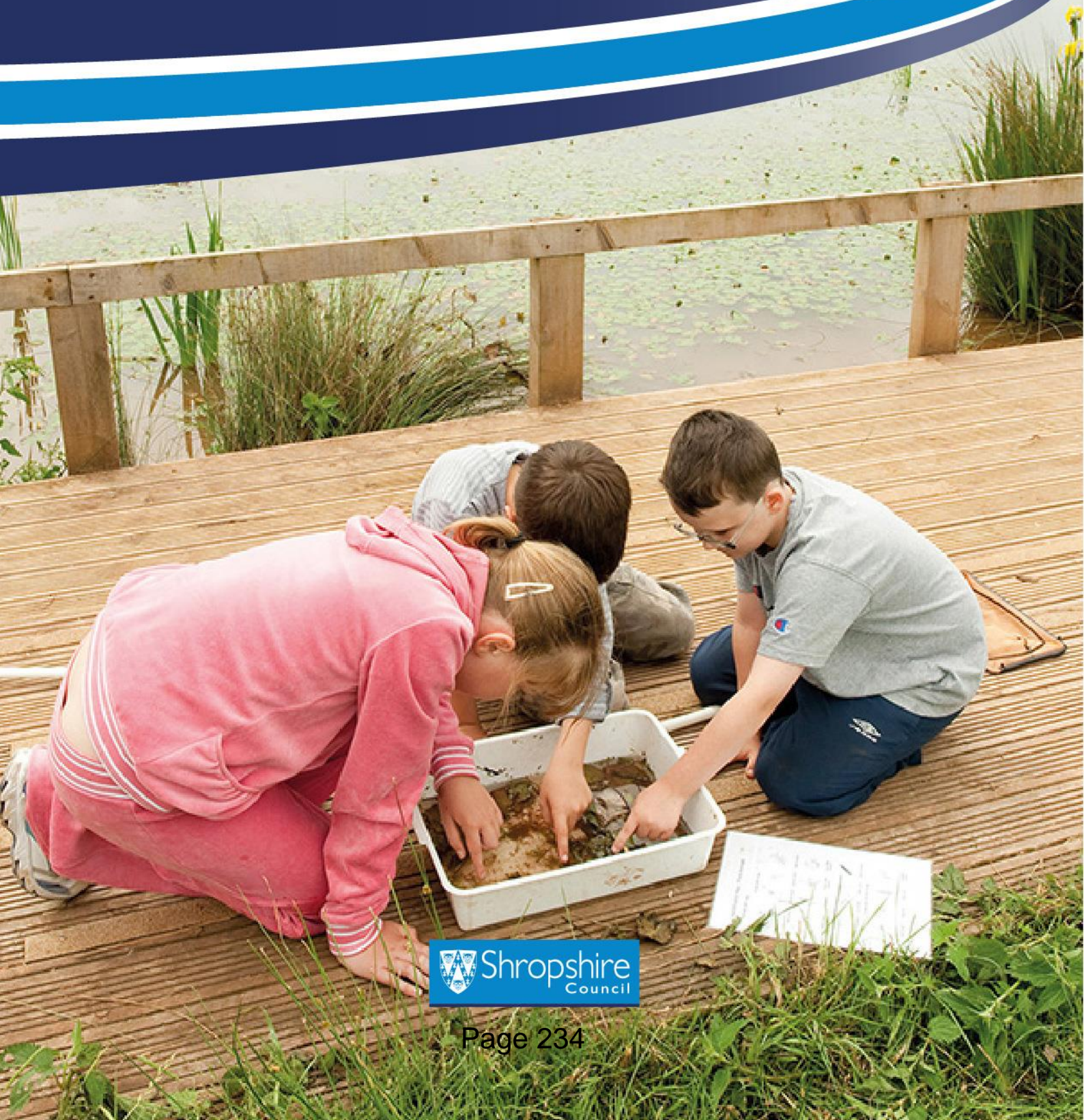
In terms of the funding position for the Council, the impact of the COVID-19 pandemic has meant that the introduction of 75% business rates retention alongside the fair funding review has been further delayed. However the Council is reviewing its assumptions around potential government funding to assist 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 xx xxxxxxxx xxxx

Brian Williams
Chair of the Audit Committee

xx xxxxxxxx xxxx

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

xx xxxxxxxxxxxx xxxx

Section 3 Audit Opinion and Certificate



TO BE COMPLETED FOLLOWING EXTERNAL AUDIT

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 6, 7, 8 and 9)			
14,953	(15,934)	(981)	Health and Wellbeing	18,162	(23,768)	(5,606)
8,521	(18,419)	(9,898)	Local Authority Housing	(5,001)	(18,395)	(23,396)
363,452	(175,737)	187,715	People	390,472	(196,221)	194,251
302,425	(41,674)	260,751	Place	148,396	(48,361)	100,035
59,565	(52,017)	7,548	Resources	59,872	(52,741)	7,131
0	0	0	Strategic Management Board	923	0	923
38,197	(37,412)	785	Corporate	26,123	(33,015)	(6,892)
787,113	(341,193)	445,920	Net Cost of Services	638,947	(372,501)	266,446
		18,182	Other Operating Expenditure (Note 12)			15,556
		43,628	Financing and Investment Income and Expenditure (Note 13)			31,872
		(319,838)	Taxation and Non Specific Grant Income (Note 14)			(326,122)
		187,892	(Surplus) or Deficit on Provision of Services			(12,248)
		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			(55,132)
		146,766	Other Comprehensive Income and Expenditure			(87,394)
		334,658	Total Comprehensive Income and Expenditure			(99,642)

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	(103,548)	66,579
<u>Movement in reserves during 2021/22</u>									
Surplus or (deficit) on the provision of services	(10,828)	0	(10,828)	23,076	0	0	12,248	0	12,248
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	87,394	87,394
Total Comprehensive Income and Expenditure	(10,828)	0	(10,828)	23,076	0	0	12,248	87,394	99,642
Adjustments between accounting basis & funding basis under regulations (Note 10)	4,201	0	4,201	(22,787)	968	1,995	(15,623)	15,623	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(6,627)	0	(6,627)	289	968	1,995	(3,375)	103,017	99,642
Transfers to/(from) Earmarked Reserves (Note 11)	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)	103,017	99,642
Balance at 31 March 2022	11,522	89,638	101,160	11,592	6,918	47,082	166,752	(531)	166,221

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	(195,272)	0	(195,272)	7,381	0	0	(187,891)	0	(187,891)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(146,766)	(146,766)
Total Comprehensive Income and Expenditure	(195,272)	0	(195,272)	7,381	0	0	(187,891)	(146,766)	(334,657)
Adjustments between accounting basis & funding basis under regulations (Note 10)	219,200	0	219,200	(6,110)	1,458	3,102	217,650	(217,650)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	23,928	0	23,928	1,271	1,458	3,102	29,759	(364,416)	(334,657)
Transfers to/(from) Earmarked Reserves (Note 11)	(23,348)	23,418	70	(70)	0	0	0	0	0
Increase/(Decrease) in 2020/21	580	23,418	23,998	1,201	1,458	3,102	29,759	(364,416)	(334,657)
Balance at 31 March 2021	14,090	93,659	107,749	11,341	5,950	45,087	170,127	(103,548)	66,579

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
847,637	Property, Plant & Equipment (Note 15)	906,149	
2,193	Heritage Assets	2,137	
59,261	Investment Property (Note 16)	61,879	
6,393	Intangible Assets	5,381	
599	Assets Held for Sale	599	
916,083	Total Non Current Assets		976,145
400	Long Term Investment (Note 21)	970	
22,628	Long Term Debtors (Note 21)	17,166	
939,111	Total Long Term Assets		994,281
	Current Assets		
250	Current Held for Sale Investment Properties (Note 16)	570	
767	Assets Held for Sale	3,866	
70,000	Short Term Investments (Note 21)	119,000	
697	Inventories	808	
99,834	Short Term Debtors (Notes 21, 23 & 24)	82,430	
78,438	Cash & Cash Equivalents (Notes 21 & 25)	45,302	
249,986	Total Current Assets		251,976
1,189,097	Total Assets		1,246,257
	Current Liabilities		
(14,902)	Bank Overdraft (Notes 21 & 25)	(17,714)	
(13,893)	Short Term Borrowing (Note 21)	(1,858)	
(126,217)	Short Term Creditors (Notes 21 & 26)	(126,848)	
(3,912)	Provisions (Note 27)	(3,660)	
(15,443)	Grants Receipts in Advance - Revenue (Note 38)	(6,030)	
(11,773)	Grants Receipts in Advance - Capital (Note 38)	(18,645)	
(186,140)	Total Current Liabilities		(174,755)
1,002,957	Total Assets Less Current Liabilities		1,071,502
	Long Term Liabilities		
(637)	Long Term Creditors (Note 21)	(625)	
(291,568)	Long Term Borrowing (Note 21)	(291,568)	
(103,618)	Other Long Term Liabilities (Note 20)	(100,838)	
(531,883)	Pensions Liability (Note 41)	(507,361)	
(8,672)	Provisions (Note 27)	(4,889)	
(936,378)	Total Long Term Liabilities		(905,281)
66,579	Net Assets		166,221
	Financed by:		
170,127	Usable Reserves (Note 28)	166,752	
(103,548)	Unusable Reserves (Note 29)	(531)	
66,579	Total Reserves		166,221

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
187,891	Net (surplus) or deficit on the provision of services	(12,248)	
(264,578)	Adjust net surplus or deficit on the provision of services for non cash movements	(60,766)	
70,353	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	121,440	
(6,334)	Net cash flows from Operating Activities (Note 30)		48,426
(9,073)	Investing Activities (Note 31)	(17,853)	
30,234	Financing Activities (Note 32)	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 25)		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.

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.

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:

Works	Life
Patching, Footway Slurry Sealing, Permanent Repair Programme, Roadmaster	5 years
Fences, Walls & Barriers	10 years
Traffic Signals and Pedestrian crossings	15 years

Notes to the Core Financial Statements

Reconstruction/construction, Kerbs, Footways & Cycle Tracks, Overlay & Inlay, Surface Dressing, Resurfacing, Streetlighting conversions, Pedestrian & Cycle Facilities, Safety/Speed Reductions , Integrated Transport, Deck Membrane waterproofing, Expansion Joints (Asphalt), Structural Steel (Protective Paint), Parapets (Protective paint)	20 years
Expansion joints (Mechanical)	30 years
Bridgeguard, Drainage Structures, Streetlighting new/replace lighting, Bridge bearings	40 years
Gabion type retaining walls, anchors systems, rock netting and the like	60 years
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.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero 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 21 to the Core Financial Statements provides details about these soft loans.

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

Level 3 inputs – unobservable inputs for the asset.

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

Expected Credit Loss Model

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

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

1.20. 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.

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

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

- The liabilities of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)
- The assets of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

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

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

1.28. Foreign Currency Transactions

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

1.29. Private Finance Initiative (PFI) Schemes

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

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the QICS scheme, the liability was written down by an initial capital contribution of £2.5m. At the commencement of the Waste contract the Council made various existing waste

infrastructure assets available to the contractor. Under the Waste scheme, not all property, plant and equipment scheduled to be provided in the initial years of the contract has been provided and as a result part of the payments made to the scheme operator have been accounted for as a prepayment, with a corresponding entry also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

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

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

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

1.30. Accounting for Council Tax and Non Domestic Rates

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

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Shropshire Council as the billing authority and to the preceptors. This gives 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.

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty regarding future levels of funding for local government. The Council has undertaken the rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.
- The Council takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. One such judgement has been taken around Local Authority Maintained schools and particularly Voluntary Aided, Voluntary Controlled and Foundation schools that are not owned by the Council. The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council makes an assessment on whether it is probable that economic benefits or service potential associated with the asset will flow to

the authority. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body 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 38.
- 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 44.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation is carried out a minimum of every 5 years. 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.	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.

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.
Investment Properties	Valued on a fair value basis reflecting market conditions at the balance sheet date and thus annual valuation reviews are required. This ensures the carrying amount reflects fair value at the Balance Sheet date.	A 1% movement in Investment Property valuations would result in a £0.624m 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 of 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 41.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £23.682m.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured or based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 21.	The authority uses the discounted cash flow model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued	The expense or the income could be either higher or lower than expected. A 10%

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>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% 	<p>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.</p>
Debt Impairment	<p>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.</p>	<p>There is a risk that if collection rates were to deteriorate then the allowance for the impairment of bad debts would need to increase.</p>

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 20 July 2022. Events taking place after this date are not reflected in the financial statement or notes.

Notes to the Core Financial Statements

6. EXPENDITURE AND FUNDING ANALYSIS

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

	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)	666	(5,606)
	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	12,134	194,251
	65,408	(4,592)	60,816	199,935	260,751	Place	73,214	(10,270)	62,944	37,091	100,035
	3,552	2,851	6,403	1,145	7,548	Resources	2,878	2,808	5,686	1,445	7,131
	373	(373)	0	0	0	Strategic Management Board	(33)	942	909	14	923
	(17,293)	22,108	4,815	(4,030)	785	Corporate	(63,386)	61,610	(1,776)	(5,116)	(6,892)
	224,758	10,796	235,554	210,366	445,920	Net Cost of Services	211,192	29,173	240,365	26,081	266,446
	0	(260,753)	(260,753)	2,725	(258,028)	Other Income and Expenditure	0	(234,027)	(234,027)	(44,667)	(278,694)

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)	213,091	187,892	Surplus or Deficit	211,192	(204,854)	6,338	(18,586)	(12,248)
		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

7. 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	534	68	666
Local Authority Housing	0	0	0	0	0	0	(3,243)	(3,243)	(20,153)	0	0	()
People	0	(9,978)	(5,426)	(197)	1,868	(1,234)	709	(14,258)	2,922	9,978	(766)	12,134
Place	0	(4,106)	1,911	(11,565)	(2,145)	4,039	1,596	(10,270)	32,953	4,106	32	37,091
Resources	0	(659)	53	4	2,246	164	1,000	2,808	711	659	75	1,445
Strategic Management Board	0	(14)	909	0	47	0	0	942	0	14	0	14
Corporate	0	17,099	11,921	(9,404)	(15)	(9)	42,018	61,610	(4,592)	(211)	(313)	(5,116)
Net Cost of Services	0	1,808	3,297	(21,162)	196	2,954	42,080	29,173	11,905	15,080	(904)	26,081
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)	12,644	(13,259)	(44,667)
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)	(32,147)	27,724	(14,163)	(18,586)

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	
Places	0	(1,899)	5,335	(12,675)	(2,299)	485	6,461	(4,591)	197,908	1,899	127	199,934	
Resources	0	(444)	810	(7)	982	210	1,300	2,851	701	444	0	6,403	
Strategic Management Board	0	0	0	0	(379)	0	6	(373)	0	0	0	1,145	
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	204,306	7,511	(1,452)	210,365	
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(753)	(252)	21,822	1,667	(285)	(282,952)	(260,753)	(33,270)	12,020	23,976	2,726	
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)	171,036	19,531	22,524	213,091	

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

8. 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	209,185	187,329
Other service expenses	443,125	421,957
Support service recharges	35,375	32,906
Depreciation, amortisation, impairment	23,744	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	752,208	762,023
Income		
Fees, charges and other service income	(186,222)	(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	(764,455)	(718,658)
Surplus or Deficit on the Provision of Services	(12,248)	43,365

9. REVENUE CONTRACTS WITH CUSTOMERS

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

Fees, charges and other service income	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	(40,487)	(32,905)
Place	(59,422)	(46,490)
Strategic Management Board	(912)	(913)
Corporate	(1,566)	(2,618)
Total Income	(186,222)	(156,368)

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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	27,723	0	0	0	0	(27,723)
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	2,086	(18,595)	4,245	0	7,434	4,830
Dedicated Schools grant	(659)	0	0	0	0	659
Total Adjustments to Revenue Resources	15,647	(18,595)	4,245	0	7,434	(8,731)
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	4,201	(22,787)	969	0	1,994	15,623	
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)

11. TRANSFERS TO/FROM EARMARKED RESERVES

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

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.

12. 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	8,022
(Gains)/losses on change in valuation of non-current assets	98	538
	15,556	18,192

13. 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	10,836	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	3,215	7,862
	31,872	43,629

Notes to the Core Financial Statements

14. 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)

15. 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	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	437,578	2,480	2,252	14,734	1,076,563	123,986
Additions	6,878	2,915	1,293	32,038	0	0	21,363	64,487	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)	(29,818)	(122)	0	0	(33,952)	(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	441	0	305	(77)	1,383	0
At 31 March 2022	224,132	404,660	21,811	440,239	2,358	3,288	36,020	1,132,508	123,265
At 1 April 2021	0	0	(10,563)	(216,719)	(638)	(1,006)	0	(228,926)	(7,579)
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,960)	(25,482)	(65)	(54)	0	(48,743)	(7,069)

Notes to the Core Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Depreciation written out to the Revaluation Reserve	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	29,817	123	0	0	31,067	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)	(212,384)	(580)	(1,006)	0	(226,359)	(9,435)
NBV at 31 March 2022	224,132	404,660	9,422	227,855	1,778	2,282	36,020	906,149	113,830
NBV at 31 March 2021	204,772	393,044	11,140	220,859	1,842	1,246	14,734	847,637	116,407

The comparative movements in 2020/21 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2020	200,025	555,040	22,299	543,270	2,961	2,725	12,863	1,339,183	143,605
Additions	4,496	1,373	1,131	29,991	0	0	7,345	44,336	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(138,953)	0	0	0	(120)	0	(139,129)	(19,096)
Revaluation increases/(decreases) recognised in the	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	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Surplus/Deficit on the Provision of Services									
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	(5,898)	0
Derecognition – other	(132)	(967)	(1,727)	(136,792)	(481)	0	0	(140,099)	(1,448)
Assets reclassified (to)/from Held for Sale	13	0	0	0	0	0	0	13	0
Other movements in cost or valuation	(99)	14,274	0	1,109	0	0	(5,474)	9,810	0
At 31 March 2021	204,772	393,044	21,703	437,578	2,480	2,252	14,734	1,076,563	123,986
Depreciation and Impairments									
At 1 April 2020	0	0	(8,999)	(189,693)	(1,006)	(1,006)	0	(200,704)	(6,686)
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,073)	(161,260)	(113)	(54)	0	(185,863)	(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	134,234	481	0	0	136,235	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)	(216,719)	(638)	(1,006)	0	(228,926)	(7,579)
NBV at 31 March 2021	204,772	393,044	11,140	220,859	1,842	1,246	14,734	847,637	116,407
NBV at 31 March 2020	200,025	555,040	13,300	353,577	1,955	1,719	12,863	1,138,479	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

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

16. INVESTMENT PROPERTIES

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

	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		318	(157)	(490)
Transfers:				
- (To)/from Property, Plant and Equipment	3,340	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:

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
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
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

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

17. LONG TERM UNQUOTED EQUITY INVESTMENT

The Council held the following unquoted equity investments:

	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.

18. CAPITAL EXPENDITURE AND FINANCING

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

	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	(6,972)	(5,869)
Capital grants and other contributions	(62,675)	(56,543)
Direct Revenue Financing (Including MRA)	(6,061)	(3,081)
Minimum Revenue Provision	(9,424)	(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)

19. PRIVATE FINANCE INITIATIVE SCHEMES

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

a. The Quality in Community Services PFI Project

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

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

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

b. The Waste Services PFI Project

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

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

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

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

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

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

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

Notes to the Core Financial Statements

	QICS PFI		Waste PFI	
	Year Ended 31/03/22	Year Ended 31/03/21	Year Ended 31/03/22	Year Ended 31/03/21
	£000	£000	£000	£000
Non-Current Assets – Land & Buildings				
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
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

20. 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

Notes to the Core Financial Statements

instalments) to the contractor for the assets and services provided under each PFI contract. This annual unitary charge is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

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

	31 March 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 19 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

Notes to the Core Financial Statements

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:

	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

Notes to the Core Financial Statements

21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors		31-Mar-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)	(87,467)	(108,147)	(379,687)	(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)	(109,570)	(128,330)	(504,460)	(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)	(127,777)	(141,119)	(522,667)	(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

Notes to the Core Financial Statements

are not a financial instrument, therefore these have been excluded above. A reconciliation of the Financial Instrument figures to the Balance Sheet is provided below:

	31-Mar-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	(91,856)	(113,428)
Creditors that are not financial instruments	(18,207)	(12,789)
Total Creditors as per Balance Sheet	(110,063)	(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	178,767	108,899	203,186

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 a mortised cost:				
Loans/borrowings	0	378,336	0	378,336
PFI and finance lease liabilities	0	178,767	0	178,767
Total	0	557,103	0	557,103
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 a mortised cost:				
Loans/borrowings	0	421,941	0	421,941
PFI and finance lease liabilities	0	203,186	0	203,186
Total	0	625,127	0	625,127
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	147,973	0	147,973
Total	0	147,973	750	148,723

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 2021 of 0.59% to 0.72% based on premature repayment rates

22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;

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

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

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.

Notes to the Core Financial Statements

Liquidity Risk Exposure

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

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

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

The maturity analysis of financial liabilities is as follows:

Age of Debt	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

Notes to the Core Financial Statements

voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. The interest rates range between 3.83% and 4.27%. Of the total amount, £16.500m has an annual call date, £5.700m has a 2 yearly call date and £10.000m has a 5 yearly call date. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable. To date the call option has not been exercised.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 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.

23. 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

24. DEBTORS FOR LOCAL TAXATION

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

	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

Notes to the Core Financial Statements

25. 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	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)

26. CREDITORS

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

27. 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

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
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							
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

28. 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

29. UNUSABLE RESERVES

	31 March 2022 £000	31 March 2021 £000
Revaluation Reserve	136,176	110,801
Capital Adjustment Account	386,422	350,311
Financial Instruments Adjustment Account	(3,367)	(3,682)
Deferred Capital Receipts Reserve	540	581
Pensions Reserve	(510,238)	(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	(531)	(103,548)

Notes to the Core Financial Statements

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

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

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

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Balance at 1 April	350,311	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	(47,429)	(184,503)
- Revaluation losses on Property, Plant and Equipment	22,136	(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)	(12,873)
	(59,093)	(247,661)
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	(52,205)	(237,212)
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	386,422	350,311

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.

Notes to the Core Financial Statements

	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.

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
Balance at 1 April	(537,647)	(495,700)
Remeasurements of the net defined benefit liability/(asset)	55,132	(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	(49,784)	(40,957)
Employer's pension contributions and direct payments to pensioners payable in the year	22,061	21,426
Balance at 31 March	(510,238)	(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 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

Notes to the Core Financial Statements

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.

	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)

30. 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	47,429	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	30,610	13,767

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
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
	60,766	120,052

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

	2021/22 £000	2020/21 £000
Carrying amount of short and long term investment sold	(49,037)	(5,801)
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	(121,440)	(70,353)

31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2021/22 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	64,806	53,124
Purchase of short term and long term investments	0	3,482
Other payments for investing activities	3,501	3,884
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(103)	(1,525)
Other receipts from investing activities*	(86,057)	(68,038)
Net cash flows from investing activities	(17,853)	(9,073)

* This includes capital grants received in year.

32. 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

Notes to the Core Financial Statements

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021/22 1 April	Financing cash flows	Non-cash Acquisition	changes Other non- cash changes	2021/22 31 March
	£000	£000	£000	£000	£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

	2020/21 1 April	Financing cash flows	Non-cash Acquisition	changes 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

34. 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

35. 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	2021/22 £0	£0	£0	£0	£0	£0
(25 th February 2020)	2020/21 £10,305	£0	£0	£10,305	£1,845	£12,150

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
to 30 th September 2020)							
Acting Interim Chief Executive	2021/22	£0	£0	£0	£0	£0	£0
(25 th February 2020 to 30 th September 2020)	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
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)*	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

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
Director of Finance, Governance & Assurance, S151	2021/22	£0	£0	£0	£0	£0	£0
Officer (left post on 30 th November 2020)	2020/21	£76,857	£0	£0	£76,857	£13,361	£90,218
Director of Workforce & Transformation	2021/22	£0	£0	£0	£0	£0	£0
(left post on 31 st October 2020)	2020/21	£72,557	£0	£121,687	£194,244	£11,701	£205,945

° 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

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The senior officers included in Note 35 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

Notes to the Core Financial Statements

21 29 36 22 57 51 1,292 1,754

36. 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

37. 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

38. 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)
Brexit Grant	0	0
Covid-19 LA Support Grant	(7,632)	(13,438)
Local Council Tax Support Grant	(1,878)	0
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)	0
MHCLG Rough Sleepers Initiative	(538)	0

Notes to the Core Financial Statements

	2021/22 £000	2020/21 £000
MHCLG Domestic Abuse Duty Capacity Building Fund	(579)	0
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 LRS/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)
Covid-19 Other Grants	(5,816)	(3,317)
Other Grants	(4,353)	(4,456)
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 LRS/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	(52)	(264)	462	0	146
Total	(11,804)	(31,314)	28,960	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:

Notes to the Core Financial Statements

	31-Mar-22	31-Mar-21
	£000	£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)
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 LRS/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)
MHCLG Business Rates Retention	0	0
Asylum Seekers	0	(193)
Adoption Support Fund	(341)	(381)
Council Tax Rebate	(585)	0
DfT – Bus Capacity	(182)	
DfT – Local Transport Authority Bus Recovery Funding	(229)	0
DWP – Covid-19 Winter Grant Scheme	(566)	
Other Grants	(1,893)	(838)
Total	(6,030)	(15,443)
TOTAL	(24,675)	(27,216)

39. COMMUNITIES INFRASTRUCTURE LEVY

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

Notes to the Core Financial Statements

	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

40. 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%.

41. 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

Notes to the Core Financial Statements

will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

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

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

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(39,459)	(29,197)
- past service gain/(cost)	(55)	(1,194)
- curtailment gain/(cost)	566	701
	(38,948)	(29,690)
Financing and Investment Income and Expenditure:		
- net interest expense	(10,836)	(11,267)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(49,784)	(40,957)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	49,697	147,895
- experience (gain)/loss	(4,294)	29,988
- actuarial gains and losses arising on changes in demographic assumptions	9,687	0
- actuarial gains and losses arising on changes in financial assumptions	42	(200,299)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,348	(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	49,784	40,957
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(22,061)	(21,426)

Notes to the Core Financial Statements

Assets and Liabilities Recognised in the Balance Sheet

	2021/22 £000	2020/21 £000
Present value of the defined benefit obligation	(1,566,420)	(1,531,034)
Fair value of plan assets	1,059,059	999,151
Net liability arising from defined benefit obligation	(507,361)	(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	21,061	20,482
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	49,697	147,895
Contributions from employer	22,061	21,426
Contributions from employees into the scheme	6,303	5,850
Benefits paid	(37,744)	(41,247)
Other	(1,470)	(1,095)
Closing fair value of scheme assets at 31 March	1,059,059	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	(38,870)	(28,644)
Interest Cost	(31,897)	(31,749)
Contributions from scheme participants	(6,303)	(5,850)
Remeasurement gain/(loss):		
Experience gains/(losses)	(4,294)	29,988
Actuarial gains/(losses) arising from changes in demographic assumptions	9,687	0
Actuarial gains/(losses) arising from changes in financial assumptions	42	(200,299)
Other		0
Past service costs	(55)	(1,194)
Losses/(gains) on curtailment	(808)	(364)
Benefits paid	37,744	41,247
Liabilities extinguished on settlements	2,255	1,607
Lump Sum Deficit Repayment	(2,887)	5,764
Closing balance at 31 March	(1,566,420)	(1,531,034)

Notes to the Core Financial Statements

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	17,792	2,936
Equity investments:		
UK quoted	51,260	45,018
Global quoted	484,625	448,225
Sub-total equity	535,885	493,243
Bonds:		
Overseas Global Fixed Income	69,368	71,442
Overseas Global Dynamic	67,038	68,506
Other class 2 - absolute return bonds	64,179	66,549
Sub-total bonds	200,585	206,497
Property:		
Property funds	39,503	38,168
Sub-total property	39,503	38,168
Alternatives:		
Private Equity	88,431	87,042
Infrastructure	36,220	31,317
Hedge Funds	65,344	62,634
BMO – LDI Manager	36,643	34,253
Property Debt	22,134	27,402
Insurance Linked Securities	15,145	15,659
Private Debt	1,377	0
Sub-total alternatives	265,294	258,307
Total assets	1,059,059	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 2020.

The significant assumptions used by the actuary have been:

Notes to the Core Financial Statements

	Local Government Pension Scheme	
	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9yrs	23.0yrs
Women	25.1yrs	25.1yrs
Longevity at 65 for future pensioners:		
Men	24.1yrs	24.3yrs
Women	26.7yrs	26.7yrs
Rate of inflation	3.40%	2.70%
Rate of increase in salaries	4.65%	3.95%
Rate of increase in pensions	3.50%	2.80%
Rate for discounting scheme liabilities	2.80%	2.10%

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)	1,616,740	1,521,854
Rate of inflation (increase or decrease by 0.1%)	1,593,341	1,545,253
Rate of increase in salaries (increase or decrease by 0.1%)	1,571,108	1,567,486
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,545,615	1,592,979

Techniques Employed to Manage Risk

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

Impact on the Council's Cash Flows

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

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

The Council anticipated to pay £22.115m expected contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 15 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	(510,238)
2022/23 Lump Sum Deficit Repayment	2,877
Balance on Pensions Liability	(507,361)

42. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its

ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

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

Members and Officers

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

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 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.

43. 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)

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

44. 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)	

Notes to the Core Financial Statements

	2021/22		2020/21	
	£000	£000	£000	£000
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	
		29,482		30,360
Marches LEP Creditor		(11,723)		(29,828)

45. 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

Notes to the Core Financial Statements

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		
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 income and expenditure incurred in relation to this is accounted for within the Council's Income and Expenditure Statement. The Council accounts for its share of income and expenditure of the Non-Pooled Fund in the Income and Expenditure Statement.

46. 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)

Notes to the Core Financial Statements

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
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
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	X	X	X	X
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.

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

47. 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

Notes to the Core Financial Statements

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

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.

48. 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	18,162	(23,768)	(5,606)
8,558	(19,036)	(10,478)	Local Authority Housing	(3,858)	(19,344)	(23,202)
363,452	(175,737)	187,715	People	390,472	(196,221)	194,251
301,945	(41,223)	260,722	Place	148,367	(48,734)	99,633
59,565	(52,017)	7,548	Resources	59,872	(52,741)	7,131
0	0	0	Strategic Management Board	923	0	923
38,472	(37,412)	1,060	Corporate	26,123	(33,015)	(6,892)
786,945	(341,359)	445,586	Net Cost of Services	640,061	(373,823)	266,238
		18,182	Other Operating Expenditure			15,556
		43,884	Financing and Investment Income and Expenditure			32,347
		(319,838)	Taxation and Non Specific Grant Income			(326,122)
		187,814	(Surplus)/Deficit on the provision of services			(11,981)
		(194)	Associates & Joint Ventures Accounted for on an equity basis			(95)
		0	Tax expenses of subsidiaries			0
		187,620	Group (Surplus)/Deficit			(12,076)
		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			(53,807)
		148,458	Other Comprehensive Income and Expenditure			(86,069)
		336,078	Total Comprehensive Income and Expenditure			(98,145)

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	Authority's 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	(103,548)	66,579	(5,253)	61,326
Movement in reserves during 2021/22											
Surplus or (deficit) on the provision of services	2,000	0	2,000	23,076	0	0	25,076	0	25,076	(12,909)	12,167
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	87,394	87,394	1,497	88,891
Total Comprehensive Income and Expenditure	2,000	0	2,000	23,076	0	0	25,076	87,394	112,470	(11,412)	101,058
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	(10,828)	0	(10,828)	23,076	0	0	12,248	87,394	99,642	1,416	101,058
Adjustments between accounting basis and funding basis under regulations	4,201	0	4,201	(22,787)	968	1,995	(15,623)	15,623	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,627)	0	(6,627)	289	968	1,995	(3,375)	103,017	99,642	1,416	101,058
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)	103,017	99,642	1,416	101,058
Balance at 31 March 2022	11,522	89,638	101,160	11,592	6,918	47,082	166,752	(531)	166,221	(3,837)	162,384

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	(183,722)	0	(183,722)	7,381	0	0	(176,341)	0	(176,341)	(11,278)	(187,619)
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	(183,722)	0	(183,722)	7,381	0	0	(176,341)	(146,766)	(323,107)	(12,970)	(336,077)
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	(195,272)	0	(195,272)	7,381	0	0	(187,891)	(146,766)	(334,657)	(1,420)	(336,077)
Adjustments between accounting basis and funding basis under regulations	219,200	0	219,200	(6,110)	1,458	3,102	217,650	(217,650)	0	(15)	(15)
Net Increase/Decrease before Transfers to Earmarked Reserves	23,928	0	23,928	1,271	1,458	3,102	29,759	(364,416)	(334,657)	(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	(364,416)	(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	(103,548)	66,579	(5,253)	61,326

Group Accounts

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	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

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
847,637	26	847,663	Property, Plant & Equipment	906,149	25	906,174
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
916,083	26	916,109	Total Non-Current Assets	976,145	25	976,170
400	0	400	Long Term Investment	970	(570)	400
0	(1,571)	(1,571)	Investments in Associates and Joint Ventures	0	(1,325)	(1,325)
22,628	(4,210)	18,418	Long Term Debtors	17,166	(238)	16,928
939,111	(5,755)	933,356	Total Long Term Assets	994,281	(2,109)	992,172
			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
1,189,097	4,153	1,193,250	Total Assets	1,246,257	5,989	1,252,246
			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)
1,002,957	3,736	1,006,693	Total Assets Less Current Liabilities	1,071,502	4,866	1,076,368
			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	(507,361)	(8,704)	(516,065)
(8,673)	0	(8,673)	Provisions	(4,889)	0	(4,889)
(936,379)	(8,989)	(945,368)	Total Long Term Liabilities	(905,281)	(8,704)	(913,985)
66,579	(5,253)	61,326	Total Assets Less Liabilities	166,221	(3,838)	162,383
			Financed by:			
170,127	5,668	175,795	Usable Reserves	166,752	6,652	173,404
(103,548)	(10,921)	(114,469)	Unusable Reserves	(531)	(10,490)	(11,021)
66,579	(5,253)	61,326	Total Reserves	166,221	(3,838)	162,383

Group Accounts

Group Cash Flow Statement

SC £000	2020/21 Adjustments £000	Group £000	Revenue Activities	SC £000	2021/22 Adjustments £000	Group £000
187,891	(272)	187,619	Net (surplus) or deficit on the provision of services	(12,248)	172	(12,076)
(264,578)	3,839	(260,739)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(60,766)	2,286	(58,481)
70,353	(33)	70,320	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	121,440	(37)	121,403
(6,334)	3,534	(2,800)	Net cash flows from operating activities	48,426	2,421	50,846
(9,073)	(3,319)	(12,392)	Investing activities	(17,853)	(1,981)	(19,835)
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	36,386
78,362	8,880	87,242	Cash and cash equivalents at the beginning of the reporting period	63,535	8,940	72,476
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 West Mercia Energy's 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 £000	SC Share (23.9%) £000
Turnover	(68,321)	(16,903)
Cost of Goods Sold and Operating Expenses	68,148	16,861
Interest and Investment Income	0	0
Net Operating Surplus	(173)	(43)
Distribution of Surplus to Member Authorities	0	0
Net Surplus for the year	(173)	(43)

G3. Consolidation of West Mercia Supplies (Pensions)

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

	WMS(P) £000	SC Share (25%) £000
Turnover	(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	2,671
Cash and cash equivalents	3,306	818
Total Assets	14,110	3,491
Liabilities		
Short term creditors	-12,241	-3,029
Other long term liabilities	-264	-65
Total Liabilities	-12,505	-3,094
Net Investments in Associates and Joint Ventures	1,605	397

	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	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	437,578	2,480	2,252	14,734	1,076,604	123,986
Additions	6,878	2,915	1,295	32,038	0	0	21,363	64,489	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	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)	(29,818)	(122)	0	0	(33,952)	(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	441	0	305	(77)	1,383	0
At 31 March 2022	224,132	404,660	21,854	440,239	2,358	3,288	36,020	1,132,551	123,265
At 1 April 2021	0	0	(10,578)	(216,719)	(638)	(1,006)	0	(228,941)	(7,579)
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,964)	(25,482)	(65)	(54)	0	(48,747)	(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	29,817	123	0	0	31,067	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)	(212,384)	(580)	(1,006)	0	(226,378)	(9,435)
NBV at 31 March 2022	224,132	404,660	9,446	227,855	1,778	2,282	36,020	906,173	113,830
NBV at 31 March 2021	204,772	393,044	11,166	220,859	1,842	1,246	14,734	847,663	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	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	22,314	543,270	2,961	2,725	12,863	1,339,198	143,605
Additions	4,496	1,373	1,157	29,991	0	0	7,345	44,362	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	(40,882)	9
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	(5,898)	0
Derecognition – other	(132)	(967)	(1,727)	(1,575)	(481)	0	0	(4,881)	(1,448)
Assets reclassified (to)/from Held for Sale	13	0	0	0	0	0	0	13	0
Other movements in cost or valuation	(99)	14,274	0	1,109	0	0	(5,474)	(2,140)	0
At 31 March 2021	204,772	393,044	21,744	572,795	2,480	2,252	14,734	1,076,604	123,986
Depreciation and Impairments									
At 1 April 2020	0	0	(9,009)	(189,693)	(1,006)	(1,006)	0	(200,714)	(6,686)
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,078)	(161,260)	(113)	(54)	0	(185,868)	(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	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	134,234	481	0	0	136,235	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)	(216,719)	(638)	(1,006)	0	(228,941)	(7,579)
NBV at 31 March 2021	204,772	393,044	11,166	220,859	1,842	1,246	14,734	847,663	116,407
NBV at 31 March 2020	200,025	555,040	13,305	353,577	1,955	1,719	12,863	1,138,484	136,919

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 buildings 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	(1,590,775)	(1,554,568)
Fair value of plan assets	1,074,710	1,013,696
Net liability arising from defined benefit obligation	(516,065)	(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	21,367	20,767
Remeasurement gain/(loss):		

Group Accounts

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Return on plan assets excluding the amount included in the net interest expense	50,421	149,952
Contributions from employer	22,780	22,069
Contributions from employees into the scheme	6,540	6,085
Benefits paid	(38,603)	(41,438)
Other	(1,491)	(1,116)
Closing fair value of scheme assets at 31 March	1,074,710	1,013,696

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening balance at 1 April	(1,554,568)	(1,359,880)
Current Service Cost	(40,286)	(29,783)
Interest Cost	(32,385)	(32,189)
Contributions from scheme participants	(6,540)	(6,085)
Remeasurement gain/(loss):		
Experience gains/losses	(4,349)	30,290
Actuarial gains/losses arising from changes in demographic assumptions	9,845	0
Actuarial gains/losses arising from changes in financial assumptions	524	(204,172)
Other	0	0
Past service costs	(55)	(1,194)
Losses/(gains) on curtailment	(932)	(364)
Benefits paid	38,603	41,438
Liabilities extinguished on settlements	2,255	1,607
Lump Sum Deficit Repayment	(2,887)	5,764
Closing balance at 31 March	(1,590,775)	(1,554,568)

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2021/22 £000	2020/21 £000
Cash and cash equivalents	18,055	2,979
Equity investments:		
UK quoted	52,017	45,672
Global quoted	491,787	454,750
Sub-total equity	543,804	500,422
Bonds:		
Overseas Global Fixed Income	70,393	72,482
Overseas Global Dynamic	68,029	69,503

Group Accounts

	2021/22 £000	2020/21 £000
Other class 2 - absolute return bonds	65,127	67,518
Sub-total bonds	203,549	209,503
Property:		
Property funds	40,087	38,724
Sub-total property	40,087	38,724
Alternatives:		
Private Equity	89,738	88,309
Infrastructure	36,755	31,773
Hedge Funds	66,310	63,546
BMO – LDI Manager	37,185	34,752
Property Debt	22,461	27,801
Insurance Linked Securities	15,369	15,887
Private Debt	1,397	0
Sub-total alternatives	269,215	262,068
Total assets	1,074,710	1,013,696

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)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(222,926)	0	(222,926)
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:-

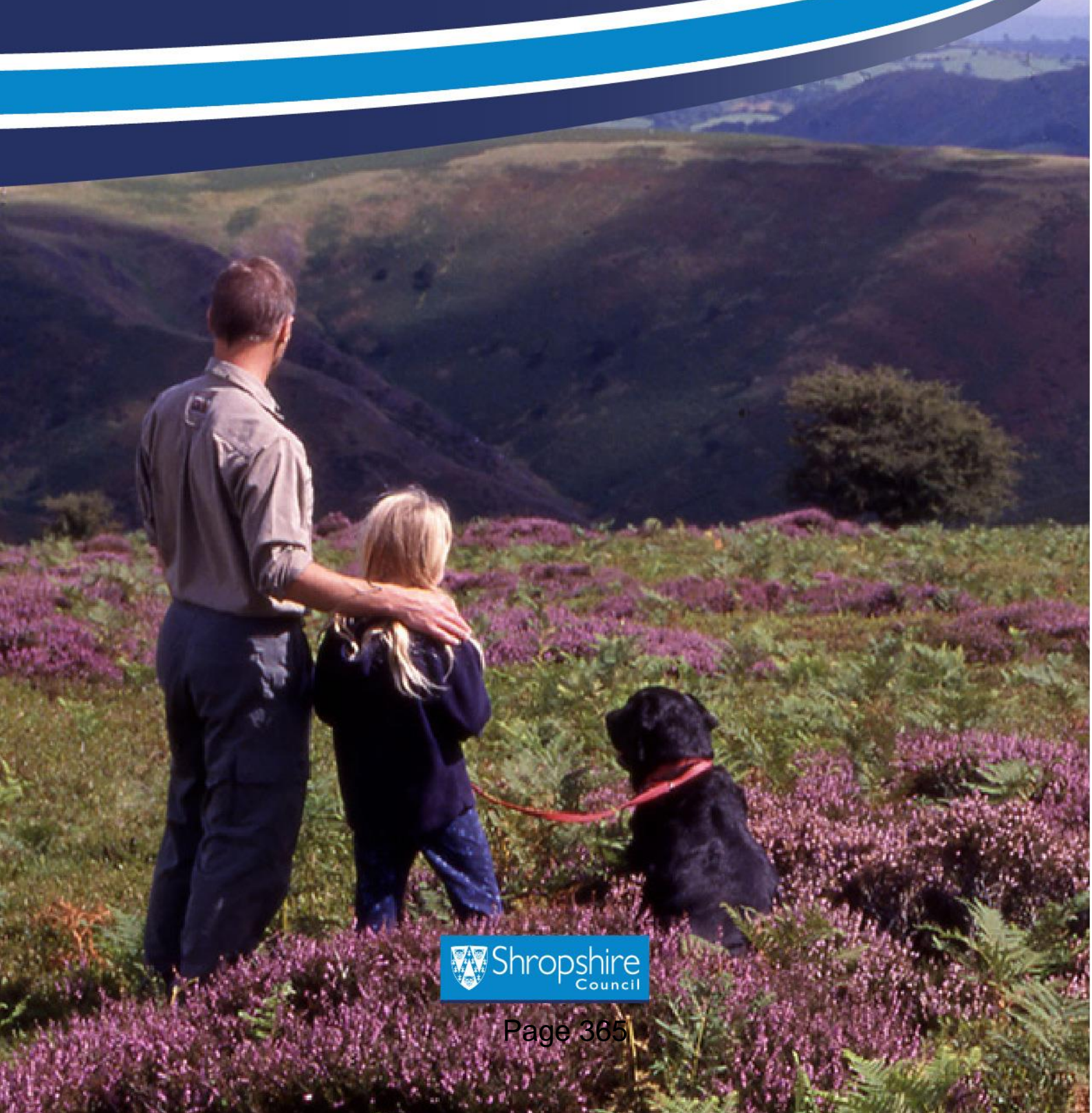
Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1		5/9	16.56
A		6/9	11,701.17
B		7/9	23,015.70
C		8/9	23,513.84
D		9/9	19,087.60
E		11/9	18,706.24
F		13/9	11,871.47
G		15/9	7,281.37
H		18/9	557.98
			115,751.93
Adjustment for MoD Properties (613.46 Band D Equivalents) and Collection Rate (97.7%)			(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. Further assets will transfer from Shropshire County Pension Fund to LGPS Central due to subscriptions being made in August 2021, December 2021 and May 2022, when £120 million was transitioned into their active global

Pension Fund Accounts

sustainable equity sub-fund, £65 million committed to an Infrastructure Fund, £30 million committed to a Private Equity Fund and £120 million committed into a Private Debt 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)	(28,818)
(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)	(101,393)
(385,571)	Net (increase) / decrease in the net assets available for benefits during the year	(177,410)
(362,697)	(Surplus) / deficit on the pension fund for 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)
0	Cash Balances (Note 27)	0	0
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

Pension Fund Accounts

Shropshire County Pension Fund	31 March 2022	31 March 2021
Total	11,571	11,571
Number of deferred pensioners in the scheme		
Shropshire Council	8,591	8,591
Other employers	9,497	9,497
Total	18,088	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:

Pension Fund Accounts

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. Contributions received earlier than the due date are accounted for on receipt and are recognised as contributions received within the pension fund account statement.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than due date.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 7). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the net assets statement as a current financial asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, provided that payment has been approved.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Pension Fund Accounts

Administrative expenses	All staff costs relating to the pensions administration team are charged direct to the Fund. Council recharges for management, 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	<p>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.</p> <p>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.</p> <p>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).</p> <p>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).</p>

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

Pension Fund Accounts

- 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.	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. A 5% movement in the valuation would equate to a £9.8 million adjustment to the value of these assets
Infrastructure	Infrastructure investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	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. A 5% movement in the valuation would equate to a £5.3 million adjustment to the value of these assets
Property Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	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. A 5% movement in the valuation would equate to a £2.4 million adjustment to the value of these assets
Private Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	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. A 5% movement in the valuation would equate to a £0.2 million adjustment to the value of these assets
Insurance Linked Securities	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total insurance linked securities investments in the financial statements are £33.5 million. There is a risk that this

Pension Fund Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
		investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £1.7 million adjustment to the value of these assets
Hedge Funds	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £143.7 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £7.2 million adjustment to the value of these assets

6. EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2022, and when these accounts were authorised, that require any adjustments to be made.

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
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

Pension Fund Accounts

2021/22	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
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:

	2020/21 £000	2019/2020 £000
Employers normal contributions	**54,083	36,630
Employers deficit contributions	***14,263	8,177
Employers augmentation contributions	1,659	1,819
	70,005	46,626

** Employers normal contributions figure for 2020/21 includes upfront payment of 2021/22 normal contributions for Telford & Wrekin Council

*** Employers deficit contributions figure for 2020/21 includes upfront deficit payments covering three years for Shropshire Council

8. MANAGEMENT EXPENSES

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Management Expenses	2020/21 £000	2019/20 £000
Administrative costs	1,135	1,050
Investment management expenses	15,231	15,283
Oversight and governance costs	1,460	1,379

Pension Fund Accounts

17,826 17,712

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Fund's behalf. Active managers are required to produce a specific target return in excess of their benchmark return and are paid a performance related fee (over and above a basic fee) for reaching required levels of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

The investment management expenses shown below includes £1.271m (2019/20 £0.225m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £3.028m in respect of transaction costs (2019/20 £2.561m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of Investments (see note 11a).

Investment Expenses	2020/21 £000	2019/20 £000
Management Fees	8,901	9,052
Performance Fees	1,271	225
Other Fees	1,989	3,414
Transaction Costs	3,028	2,561
Custody Fees	42	31
	15,231	15,283

The costs incurred by the fund in administering the Fund totalled £1.135m for the year ended 31 March 2021 (2019/20 £1.050m).

Administrative Costs	2020/21 £000	2019/20 £000
Employee Costs	753	682
IT	218	210
Consultants	75	32
Printing, Postage & Design	39	61
Office Accommodation	21	20
Subscriptions	14	16
Other Costs	15	29
	1,135	1,050

The costs incurred by the fund in Oversight and Governance totalled £1.460m for the year ended 31 March 2021 (2019/20 £1.379m).

Oversight & Governance costs	2020/21 £000	2019/20 £000
Investment advice	427	386
Employee costs (pensions investment)	234	190

Pension Fund Accounts

Actuarial advice	74	154
LGPS Central Pooling costs	582	475
Responsible engagement overlay	50	65
External audit	22*	20
Performance analysis	28	29
Internal audit	22	19
Legal & Committee	7	16
Other Costs	14	25
	1,460	1,379

*The External audit figure for 2020/21 comprises the current year audit fee paid of £18,039 and £4,250 agreed fee variation charge for completing the 2019/20 audit. The total audit fee for 2020/21 as noted in the audit plan is £30,289. The outstanding amount due will be paid and accounted for in 2021/22. There are also non audit fees payable to our auditors Grant Thornton for 2020/21 of £5,000 relating to the provision of IAS19 assurance reports for auditors.

8a. MANAGEMENT EXPENSES

The tables below show a breakdown of investment management expenses by investment type.

2020/21					
	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	709	366	0	343	0
<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				
2019/20 comparative figures					
	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	712	406	0	306	0
<u>Pooled Investments Vehicles</u>					

Pension Fund Accounts

2020/21					
	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Global Equity	2,513	1,065	0	1,414	34
Fixed Income	3,361	2,198	0	817	346
Hedge Fund of Funds	1,035	584	225	0	226
Infrastructure	2,542	2,477	0	0	65
Pooled property investments	1,373	307	0	0	1,066
Private Equity	2,986	1,584	0	0	1,402
Property Debt	453	229	0	0	224
Insurance Linked Securities	277	202	0	24	51
	15,252	9,052	225	2,561	3,414
Custody Fees	31				
Total	15,283				

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund over the last 12 months.

	2020/21 £000	2019/20 £000
Dividends from equities	(3,053)	(5,493)
Income from pooled investment vehicles	(8,344)	(8,621)
Interest on cash deposits	(35)	(53)
Other	(14,045)	(14,235)
	(25,477)	(28,402)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2020/21 £000	2019/20 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax – equities	30	26
Withholding tax – pooled	72	98
	102	124

11. INVESTMENTS

This table shows investment assets by type of investment

	2020/21 £000	2019/20 £000
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Pension Fund Accounts

	2020/21 £000	2019/20 £000
Investment Assets		
Equities	104,048	77,746
Pooled Funds		
Global Equity	999,156	780,233
Fixed Income	511,776	477,682
Hedge Fund of Funds	137,333	117,950
Infrastructure	69,301	76,961
Pooled property investments	75,611	85,290
Private Equity	180,438	119,887
Property Debt	57,777	36,928
Insurance Linked Securities	32,509	31,596
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	16,950	18,650
Temporary Investments	3,500	2,000
Total	2,189,084	1,825,608
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	2,190,399	1,826,923

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type	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	
2020/21												
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 £2,063.901m are £408.057m of level 3 investments as at 31 March 2021. Within the Equities figure of £105.363m are £1.315m of level 3 investments as at 31 March 2021. The value of the level 3 investments was £307.676m as at 1st April 2020 which increased to £409.372m as at 31 March 2021. The increase in value is due to purchases of £56.083m, sales of £11.625m and change in market value of £57.238m.

** The total change in market value for 2020/21 as per the table above is £343.418m. This figure is made 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

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
2019/20 Comparative figures						
Equities	127,254	48,977	(70,459)		(26,711)	*79,061
Pooled Investment Vehicles – Other Managed Funds	1,667,601	207,214	(69,239)	(8,595)	(70,454)	*1,726,527
Other Investment Balances	685					685
Sub total	1,795,540	256,191	(139,698)	(8,595)	(97,165)	1,806,273
Cash deposits –with Managers	115,796		(44)	(97,145)	43	18,650
Temporary Investments	2,000					2,000
Total	1,913,336		(139,742)	(105,740)	** (97,122)	1,826,923

* Within the Pooled Investment Vehicles - other managed funds total of £1,726.527m are £306.361m of level 3 investments as at 31 March 2020. Within the Equities figure of £79.061m are £1.315m of level 3 investments as at 31 March 2020. The value of the level 3 investments was £274.472m as at 1st April 2019 which increased to £307.676m as at 31 March 2020. The increase in value is due to purchases of £47.266m, sales of £14.796m and change in market value of £0.734m.

** The total change in market value for 2019/20 as per the table above is -£97.122m. This figure is made up of profit on sales of £7.988m and also the difference between book cost and market value for the whole Fund which for 2019/20 was -£105.110m.

12. STOCK LENDING

The Fund participates in a stock lending programme with its Custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (the highest rated collateral available).

Collateralised lending generated income of £0.003m in 2020/21 and this is included within investment income in the Pension Fund Account. At 31 March 2021 £2.841m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £3.055m worth of collateral representing 108% of stock on loan.

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

13. ANALYSIS OF DERIVATIVES

Pension Fund Accounts

Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

14. FAIR VALUE – BASIS OF VALUATION

Unquoted equities in LGPS Central are valued using the cost approach / considering Fair Value at Initial Recognition approach as these methodologies provide viable approaches to valuing this shareholding, and they both generate consistent valuations at historic cost less any adjustment for impairment. This will be the approach used for valuing this holding until any change in circumstances creates an alternative approach.

All other investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-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 price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled equity fund investments	Level 2	Index tracking funds & valuations are based on the market quoted prices of the respective underlying securities	Evaluated price feeds	Not required
Pooled fixed income fund investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Infrastructure	Level 2	Includes publicly listed investments. Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost	Valuation reviewed on an annual basis to ascertain if there is any reason that this

Pension Fund Accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Insurance linked securities	Level 3	initial recognition approach Closing single price. Investments are fair valued using earned net assets value method	approach generates a figure similar to the original cost of investment when LGPS Central was created 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.	valuation may have been impaired Valuations could be affected by any changes to underlying values of the invested portfolio. Value appreciation/depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring.
Property Debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available, indicative market interest rates for similar products	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this valuation may have been impaired
Private Equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	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 2021 and 31 March 2020.

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-21	Potential value on increase	Potential value on decrease
		£000	£000	£000

Pension Fund Accounts

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-21 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	180,438	189,460	171,416
Hedge Funds	5%	137,333	144,200	130,466
Insurance Linked	5%	32,509	34,134	30,884
Property Debt	5%	57,777	60,666	54,888
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		409,372	429,841	388,903

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-20 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	119,887	125,881	113,893
Hedge Funds	5%	117,950	123,848	112,052
Insurance Linked	5%	31,596	33,176	30,016
Property Debt	5%	36,928	38,774	35,082
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		307,676	323,060	292,292

14a. FAIR VALUE HIERARCHY

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

Pension Fund Accounts

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 £000	Level 2 £000	Level 3 £000
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 Investors	Property Unit Trusts	75,611		75,611	
	Blackrock Global Infrastructure Partners	Hedge Fund Infrastructure	137,333 69,301			137,333
	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 Securis	LDI Insurance Linked Securities	67,397 32,509		67,397	32,509
	DRC LGPS Central Ltd	Property Debt Global Equities	57,777 317,905	317,905		57,777
Net Current Assets (incl cash & other)			24,762	24,762		
Total			2,194,020	454,976	1,329,672	409,372

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
				Level 1 £000	Level 2 £000	Level 3 £000
2019/20			£000	£000	£000	£000
Equities	Majedie Asset Management	UK Equities	77,742	77,742		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	5,338	5,338		
	Pimco Europe Ltd	Global Aggregate Bonds	137,126	137,126		

Pension Fund Accounts

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
			£000	Level 1 £000	Level 2 £000	Level 3 £000
2019/20						
	HarbourVest Partners Ltd	Private Equity	119,887			119,887
	Aberdeen Property Investors	Property Unit Trusts	85,290		85,290	
	Blackrock Global Infrastructure Partners	Hedge Fund	117,950			117,950
		Infrastructure	76,961		76,961	
	Legal & General	Global Equities	559,961	559,961		
	Blackrock	Fixed Interest	135,629	135,629		
	T Rowe Price	Global Dynamic Bonds	138,121	138,121		
	BMO	LDI	66,806	66,806		
	Securis	Insurance Linked Securities	31,596			31,596
	DRC	Property Debt	36,928			36,928
	LGPS Central Ltd	Global Equities	214,934	214,934		
Net Current Assets (incl cash & other)			25,739	25,739		
Total			1,831,323	1,361,396	162,251	307,676

* Share Capital investment in LGPS Central Ltd has been carried at cost

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	31 March 2021			31 March 2020		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Investment Assets						
Equities	1,315			1,315		
Financial Assets						
Equities	104,048			77,746		
Pooled Investment Vehicles – Other Managed Funds	2,063,901			1,726,527		
Other Investment Balances - Loans		685			685	
Cash		20,695			21,047	
Debtors		6,765			6,913	
Total Assets	2,169,264	28,145	0	1,805,588	28,645	0

Pension Fund Accounts

	31 March 2021			31 March 2020		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Liabilities						
Creditors			(3,389)			(2,910)
Total Liabilities	0	0	(3,389)	0	0	(2,910)
Total	2,169,264	28,145	(3,389)	1,805,588	28,645	(2,910)

15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2020/21 £000	2019/20 £000
Financial Assets		
Fair value through profit and loss	343,417	(97,123)
Loans and receivables	0	0
Financial liabilities measured at a mortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at a mortised cost	0	0
	343,417	(97,123)

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits to pay members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk

Pension Fund Accounts

management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
UK Equities	19.0%
Global Unconstrained Equities	21.1%
Global Equities (passive)	20.0%
Unconstrained bonds	5.7%
Property	12.5%
Private Equity	28.3%
Hedge Funds	9.3%
Infrastructure	19.3%
Property Debt	7.2%
Insurance Linked Securities	4.5%
LDI	24.1%

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Pension Fund Accounts

Asset type	Value as at 31 March 2021 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
2020/21				
Net Assets including Cash and Other	26,071	0	26,071	26,071
Investment Portfolio Assets				
UK Equities	103,652	19,694	123,346	83,958
Global Equities (unconstrained)	326,568	68,906	395,474	257,662
Global Equities (passive)	672,984	134,597	807,581	538,387
Unconstrained Bonds	444,379	25,330	469,709	419,049
Property	75,611	9,451	85,062	66,160
Private Equity	180,438	51,064	231,502	129,374
Hedge Funds	137,333	12,772	150,105	124,561
Infrastructure	69,301	13,375	82,676	55,926
Property Debt	57,777	4,160	61,937	53,617
Insurance Linked Securities	32,509	1,463	33,972	31,046
LDI	67,397	16,243	83,640	51,154
	2,194,020	357,055	2,551,075	1,836,965

Asset type	Value as at 31 March 2020 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
2019/20 Comparative Figures				
Net Assets including Cash and Other	27,050	0	27,050	27,050
Investment Portfolio Assets				
UK Equities	74,022	14,064	88,086	59,958
Global Equities (unconstrained)	223,996	47,487	271,483	176,509
Global Equities (passive)	559,961	111,992	671,953	447,969
Unconstrained Bonds	410,876	22,598	433,474	388,278
Property	85,290	14,499	99,789	70,791
Private Equity	119,887	34,168	154,055	85,719
Hedge Funds	117,950	11,205	129,155	106,745
Infrastructure	76,961	15,007	91,968	61,954
Property Debt	36,928	3,139	40,067	33,789
Insurance Linked Securities	31,596	1,422	33,018	30,174
LDI	66,806	20,576	87,382	46,230
Total assets available to pay benefits	1,831,323	296,157	2,127,480	1,535,166

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below.

Asset Type	As at 31 March 2021 £000	As at 31 March 2020 £000
Cash and cash equivalents	16,950	9,692
Cash balances	245	397
Bonds	444,379	410,876

Pension Fund Accounts

Asset Type	As at 31 March 2021 £000	As at 31 March 2020 £000
Total change in assets available	461,574	420,965

The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates assuming all variables, in particular exchange rates, remain constant. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2021				
Cash and cash equivalents	16,950	0	16,950	16,950
Cash balances	245	0	245	245
Bonds	444,379	4,444	448,823	439,935
Total	461,574	4,444	466,018	457,130

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2020				
Cash and cash equivalents	9,692	0	9,692	9,692
Cash balances	397	0	397	397
Bonds	410,876	4,109	414,985	406,767
Total	420,965	4,109	425,074	416,856

During 2020/21 the Fund received £0.003m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.026m. The impact of a 1% fall in interest rates would imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments. In addition, the Fund earned £0.032m in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investments assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the

Pension Fund Accounts

various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. An 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 10%	Value on decrease £000 10%
As at 31 March 2021				
Overseas Equities	303,977	30,398	334,375	273,579
Overseas Private Equity	180,438	18,044	198,482	162,394
Overseas Pooled Property	133	13	146	120
Overseas Infrastructure	69,301	6,930	76,231	62,371
Total change in assets available	553,849	55,385	609,234	498,464

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 11%	Value on decrease £000 11%
As at 31 March 2020				
Overseas Equities	209,188	20,919	230,107	188,269
Overseas Private Equity	119,887	11,989	131,876	107,898
Overseas Pooled Property	2,257	226	2,483	2,031
Overseas Infrastructure	76,961	7,696	84,657	69,265
Total	408,293	40,830	449,123	367,463

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2021 and 31 March 2020 were received in the first two months of the financial year.

In January 2018 the Fund advanced a loan of £0.685m to LGPS Central asset pool on commercial rates, repayable in 2027. LGPS Central have not defaulted on any annual loan interest repayments to date. The credit risk at 31 March 2021 is

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 2021 £000	As at 31 March 2020 £000
Handelsbanken Instant Access Account	AA	2,000	2,000
Nat West Instant Access Account	A+	1,500	0
Total		3,500	2,000

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £3.5m (31 March 2020 £2.0m).

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2021 was £7.756m. The Fund does not have access to an overdraft facility.

Officers prepare a daily cash flow forecast to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where it considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (84% at the March 2016 valuation). This corresponded to a deficit of £132 million (2016 valuation was £278 million) at that time. Revised contributions set by the 2019 valuation were introduced in 2020/21 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 16.6% of pensionable pay (14.9% at the March 2016 valuation).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions	31 March 2019	31 March 2016
Discount rate	4.25% p.a.	4.55% p.a.
Assumed long term CPI inflation	2.4% p.a.	2.2% p.a.
Salary increases – long term	3.65% p.a.	3.7% p.a.
Salary increases – short term	No allowance	1% p.a. for 4 years
Pension increases in payment	2.4% p.a.	2.2% p.a.

The assumed life expectancy from age 65 is as follows:

Demographic assumptions		31 March 2019	31 March 2016
Current pensioners (at age 65)	Males	22.8	22.9

Pension Fund Accounts

	Females	24.9	26.1
Future pensioners (assumed current age 45)	Males	24.1	25.1
	Females	26.6	28.4

It is assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement.

18. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2021. An analysis of debtors outstanding as at 31 March 2021 is shown below:

	2020/21 £000	2019/20 £000
Contributions due - employees	1,260	1,186
Contributions due - employers	3,062	4,019
Other entities and individuals	2,443	1,708
Total	6,765	6,913

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2021. An analysis of creditors outstanding as at 31 March 2021 is shown below:

	2020/21 £000	2019/20 £000
Central Government bodies	(670)	(615)
Other Local Authorities	(1,441)	(1,309)
Other entities and individuals	(1,278)	(986)
Total	(3,389)	(2,910)

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 498 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2020/21 contributions to schemes amounted to £0.611m. The combined value of the AVC funds as at 31 March 2021 was £4.916m.

There is a delay nationally in the issue of Prudential year end statements and therefore figures for contributions paid and value of Prudential AVC funds as at 31st March 2021 included above are estimated.

21. RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.475m (2019/20 £1.339m) in relation to the administration and management of the Fund and all these costs were recharged to the Pension Fund.

Shropshire Council is also the single largest employer of members of the Pension Fund. At the year end, a balance of £1.421m was due to the Fund from the Council relating to contributions which became due in March but were paid in April and other payments due.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Director of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

Under the Local Government Pension Scheme 1997 Regulations, Councillors were entitled to join the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors was removed and those councillor members who were in the Scheme on the 31 March 2014 could only remain in the Scheme until the end of their current term of office. The remaining active councillor members were removed from the Scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pension Fund Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the Fund.

LGPS Central

LGPS Central (LGPSC) has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool.

The Fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2021. The Fund was owed interest of £0.032m on the loan to LGPSC at 31 March 2021.

In addition, in March 2019, the Fund invested in the LGPSC Global Equity sub-fund. The Fund incurred direct costs totalling £1.294m in respect of this investment of which £0.007 was payable to LGPSC at 31 March 2021.

The Fund incurred costs totalling £0.562m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2020/21 of which £0.105m was payable to LGPSC at 31 March 2021.

Pension Fund Accounts

21.a KEY MANAGEMENT PERSONNEL

The posts of Executive Director of Resources (s151 Officer and Scheme Administrator) and Head of Treasury and Pensions are deemed to be key management personnel with regards to the fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2020/21 £000	2019/20 £000
Short-term benefits*	111	108
Post employment benefits**	47	63
Total	158	171

* This is the Pension Fund's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

** This is the change in value of accrued pension benefits, expressed as cash equivalent transfer value

22. CONTRACTUAL COMMITMENTS

The Fund has a 6% (£131 million) strategic asset allocation to Private Equity, and a 6.5% (£142 million) strategic asset allocation to Infrastructure. It is necessary to over commit the strategic asset allocation because some private equity and infrastructure investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2021 £267m has been committed to investment in private equity via a fund of funds manager, HarbourVest Partners. Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2021 the fund's Private Equity investments totalled £180.438m.

As at 31 March 2021 £127m has been committed to investment in Infrastructure via Global Infrastructure Partners. Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2021 the fund's Infrastructure investments totalled £69.301m.

The revised strategic asset allocation has only just been agreed by committee and this is the reason why the amount committed to investment in infrastructure is lower than the estimate based on strategic asset allocation.

23. CONTINGENT ASSETS

12 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

24. VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

25. CUSTODY OF INVESTMENTS

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodian's own assets.

26. FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Local Audit and Accountability Act 2014 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

27. PENSION FUND BANK ACCOUNT

Since April 2010 all income received for the Pension Fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2021 £3.5 million was invested. The cash balance in the Pension Fund account as at the same date was £0.245m.

28. FUND STRUCTURE UPDATE

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments with £280 million of equities being protected at this time. The equity protection strategy was increased during 2018/19 to £580 million for a further period of 12-18 months expiring in 2020. This was funded by reducing the Fund's active global equity allocation. During March 2020, due to the fall in equity markets due to the global pandemic, a further £70 million of equity protection was implemented with Legal and General which expires in June 2021. Due to the strong bounce back in equity markets during 2020/21, a decision was made to reduce the options expiring in December 2020 from £300 million to £215 million and to just protect US equities where valuations were still very high. In May 2021, the £140 million options expiring in June 2021 were terminated again because of the strong bounce back in equity markets and because of the approval of the revised strategic asset allocations in March 2021. The remaining equity protection expires in September & December 2021 and a decision will be made later in the year on these.

In March 2019, the first assets transferred from the Shropshire Fund to LGPS Central, the mandates with MFS, Harris & Investec were terminated and funds of £237 million transitioned into the active global equity sub-fund with LGPS Central. The value of these assets as at 31 March 2021 was £318 million. Further assets are expected to transfer during 2021/22 when new funds are launched, these include Infrastructure, targeted return, private debt, private equity and sustainable equities.

In May 2020, the Fund committed to the next HarbourVest fund, HIPEP Fund IX. The total Fund commitment over the life of HIPEP IX is \$20 million. The fund is still in the early capital commitment stage and no funds have been drawn down to date.

Pension Fund Accounts

During the financial year, the Fund invested \$5 million into the new Global Infrastructure Partners IV fund. The total Fund commitment over the life of GIP IV is \$75 million.

In May 2020, following agreement with the Chair and Scheme Administrator a redemption request was submitted to PIMCO. Funds from the PIMCO PARS IV fund were repaid in full and invested in the PIMCO Global Libor Plus Bond Fund in October 2020.

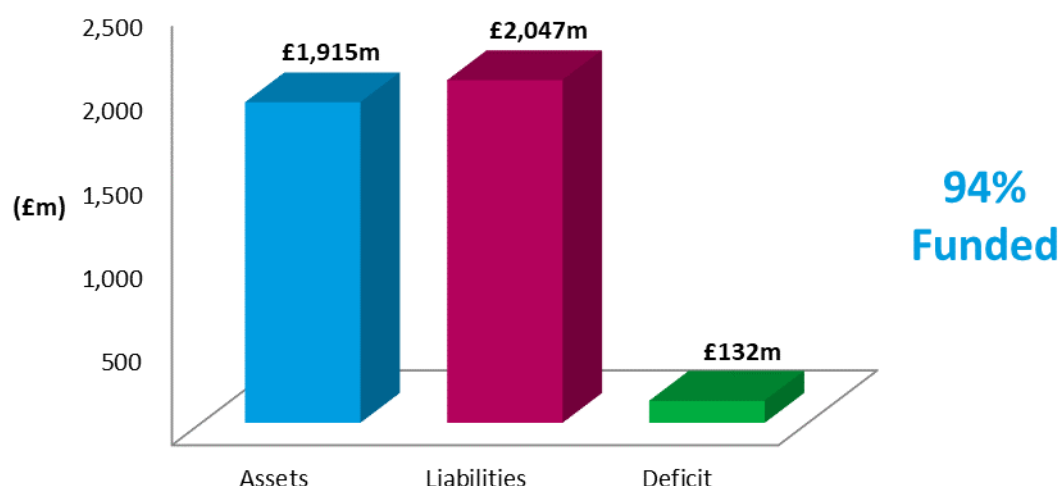
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2021 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,915 million represented 94% of the Fund's past service liabilities of £2,047 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 16.6% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the "Secondary rate" for 2021-2022) is an addition of approximately £10m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

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 could be an increase in past service liabilities of broadly £12 million and an increase in the Primary Contribution rate of 0.8% of Pensionable Pay per annum.

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority is consulting on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £2,922 million including the potential impact of the McCloud Judgment.

Pension Fund Accounts

Interest over the year increased the liabilities by c£69 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£9 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £408 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £3,408 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

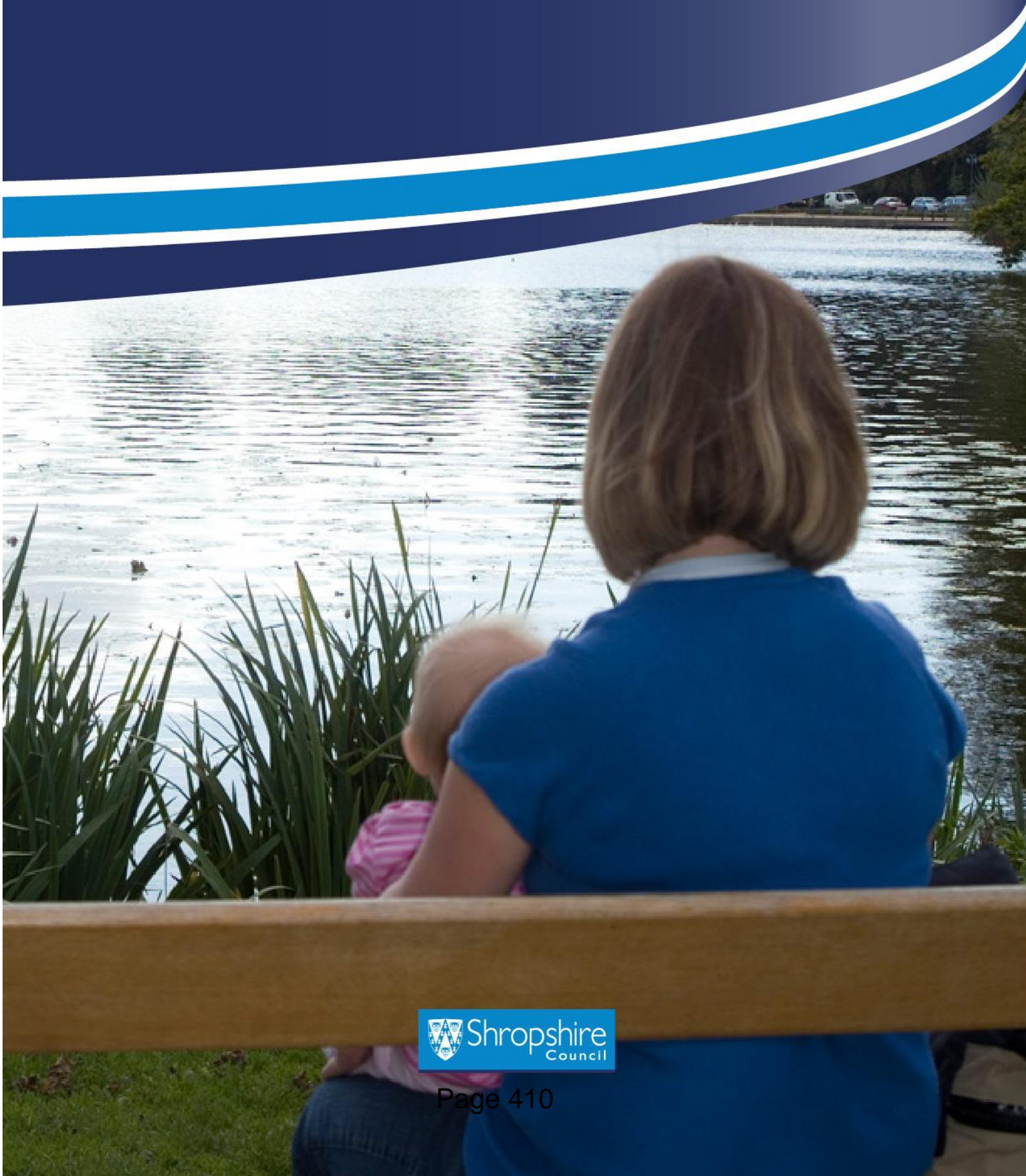
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June 2021

TO BE COMPLETED FOLLOWING EXTERNAL AUDIT

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.

Draft Statement of Accounts

2021-2022

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<u>Committee and Date</u>
Audit Committee

<u>Item</u>
<u>Public</u>

Third line assurance: External Audit: Audit Progress Report and Sector Update

Responsible Officer James Walton
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1. Synopsis

This paper provides the Audit Committee with a report on progress by Grant Thornton in delivering their responsibilities as Shropshire Council's external auditors.

2. Executive Summary

The paper includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Key points relating to the Audit Progress Report and Sector Update for the years ended 31 March 2021 and 31st March 2022 are as follows:

2.1. Year ended 31st March 2021

With respect to the financial statements a key risk remains where External audit work is not yet complete; this being;

- Infrastructure assets - there have been preliminary discussions with Council Officers and supporting working papers have been provided to Grant Thornton. The Council, and indeed the country, is currently awaiting the outcomes of the CIPFA Urgent consultation on proposed changes to the Code before relevant amendments can be made to the

financial statements. Grant Thornton will then complete its audit procedures.

Upon conclusion of the above, audit closedown procedures will be completed and an updated Audit Findings report will be issued. Grant Thornton and Council officers are meeting regularly to ensure audit queries are resolved as soon as possible. This will enable us to move forward with the 2021/22 financial statements audit programme of work.

2.2. Year ended 31st March 2022

Audit planning work for 2021/22 has been started. As detailed in the report this is not at a stage where Grant Thornton can formally issue their Audit Plan for the 2021/22 financial year however this work does indicate the following potential significant risks on which their audit work may focus:

- **Revenue recognition** may be misstated due to the improper recognition of revenue.
- **The risk of management over-ride of controls** is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.
- **Valuation of land and buildings** - This valuation represents a significant estimate in the financial statements due to the value involved (£992 million in the Council's balance sheet as at 31 March 2021)
- **Valuation of net pension liability** - The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£541m in the Council's balance sheet as at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions

Recommendations

It is recommended that Members:

Receive and comment on this report and the attached Audit Progress Report and Sector Update.

Shropshire Council Audit Progress Report and Sector Update

**Years ending 31 March 2021
& 31 March 2022**

July 2022
Page 429



Contents

Section	Page
Introduction	03
Progress at July 2022	04
Audit Deliverables	09
Sector Update	10

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Summary of Progress at July 2022

Financial Statements Audit 2020/21– Delay in audit completion

We undertook our initial planning for the 2020/21 audit in February 2021, the results of which formed the basis for our Audit Plan which was reported to the Audit Committee on 30th July 2021. We received draft financial statements on 31st July 2021 and we began our audit work on your draft financial statements on 2nd August 2021.

When we reported to you in February 2022 the key area of financial statements audit work that was outstanding was in respect of our testing of social care payments made through the Council's Controc system. We have now successfully completed our work in that area.

Subsequent to that there has been an emerging issue in the sector in respect of infrastructure assets. Infrastructure assets include items such as roads, highways, streetlighting and street furniture. In 2020/21 the Council spent circa £30m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £365m which is over 40 times materiality. In accordance with the CIPFA Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements there are two key risks we are required to address:

- The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

The risk that the presentation of the PP&E note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.

CIPFA has established a task and finish group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. We have held preliminary discussions with Council Officers but are currently waiting for the outcomes of the CIPFA Urgent consultation on proposed changes to the Code before we can complete our work for 2020/21.

The other area where working is progressing is in respect of exit packages. We have met with officers and sought legal advice. Our work in this area is reaching its conclusion and is subject to final review and consideration by the Engagement Lead. We will discuss our conclusions with the S151 officer and Monitoring Officer and report our findings to the Audit Committee as TCWG.

Upon conclusion of the above our accounts closedown procedures will need to be completed. These include:

- o Update our assessment of subsequent events up to the date of audit opinion being issued
- o Final check of amendments made to the financial statements
- o Receipt of the Council's WGA pack and completion of our procedures thereon. Guidance has now been issued and this work will be completed in August 2022.
- o Obtaining and reviewing the management letter of representation
- o Updating our post balance sheet events review, to the date of signing the opinion
- o Final manager and engagement lead review of the financial statements and audit procedures
- o Update and re-issue Audit Findings Report to Those Charged With Governance

Audit Findings Report

Upon completion of our audit work we will re-issue a revised Audit Findings report. We are meeting regularly with Finance Officers to ensure audit queries are resolved as soon as possible. This will enable us to move forward with the 2021/22 financial statements audit programme of work.

Summary of Progress at July 2022

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements.

Other areas

Certification of claims and returns

We certify the Authority’s annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in September 2020 with DWP extending the deadline for completion to 28th February 2022. Our work in this area is now complete. We issued our report on 1st February 2022. Our report was qualified but the nature of the findings are consistent with those found elsewhere in the sector.

We certify the Authority’s Annual Teachers’ Pensions return in accordance with procedures agreed with Teachers’ Pensions. The certification work for the 2020/21 return began in October and is now substantially complete. We are working through responses provide by the Council.

We also certify the Authority’s Annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government, now the Department for Levelling Up, Housing and Communities. The certification work for the 2020/21 return began in December with our initial information request. We have not yet received this information and as such we are unable to progress our work.

Summary of Progress at July 2022

Meetings

We met with Finance Officers in June as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and the clearance of outstanding audit queries.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our financial Reporting Workshop in February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

Page 434
During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Summary of Progress at July 2022

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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

Financial Statements Audit 2021/22

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we will expect our work to focus on.

Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council to determine whether there is a risk of fraud from revenue recognition. We will be documenting the business processes of these streams as part of our planning procedures to help inform our consideration of the revenue recognition risk. It is expected that we will be able to rebut this risk
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

Other significant risks at time of writing

Valuation of land and buildings - The Council revalues its land and buildings on a five-yearly basis. To ensure the carrying value in the Council and group financial statements is not materially different from the current value at the financial statements date, the Council requests a desktop valuation from its valuation expert. This valuation represents a significant estimate by management in the financial statements due to the value involved (£992 million in the Council's balance sheet as at 31 March 2021) and the sensitivity of this estimate to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Valuation of net pension liability - The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£541m in the Council's balance sheet as at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions. It is expected that the net pension liability will continue to be identified as a significant risk, which was one of the most significant assessed risks of material misstatement.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	July 2021	Complete
<p>Progress report</p> <p>We will report to you the progress made to date</p>	September 2021 December 2021 February 2022	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	October 2021, deferred to December 2021	Complete
<p>Auditors Report</p> <p>This is the opinion on your financial statements.</p>	December 2021, deferred to September 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	December 2021, deferred to September 2022	Not yet due

2020/21 Audit-related Deliverables	Planned Date	Status
<p>Teachers Pensions Scheme – certification</p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform. Further to review we are waiting for a response from the Council regarding outstanding queries</p>	30 November 2021, deferred to March 2022	Overdue
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2022 (DWP deadline moved to 28 February 2022)	Complete
<p>Pooling of housing capital receipts - certification</p> <p>This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform – we have not received information to progress our work</p>	4 February 2022, deferred to March 2022	Overdue

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have been augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

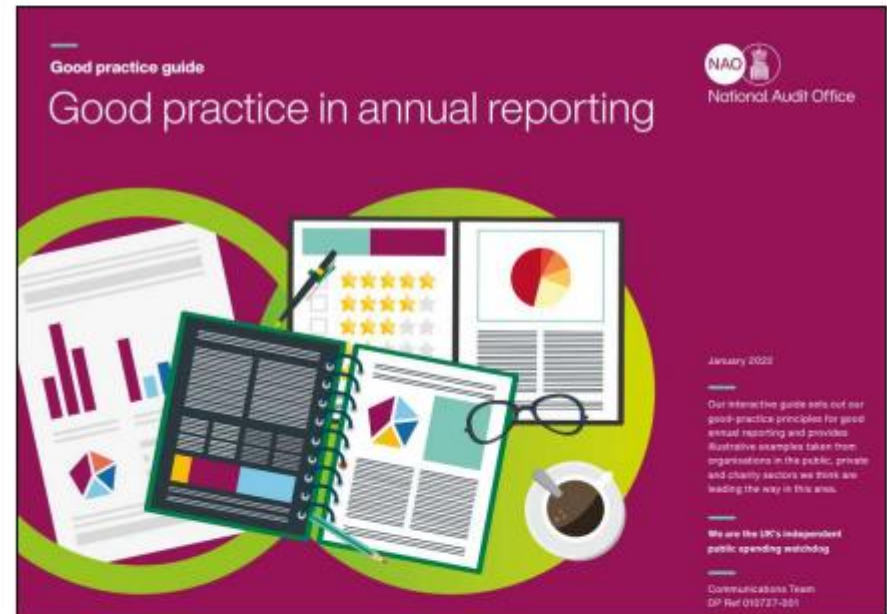
The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their Management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)



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