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

Date: 14 June 2023
My Ref:
Your Ref:

Committee:
Audit Committee

Date:	**Thursday, 22 June 2023**
Time:	**10.00 am**
Venue:	**Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

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

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

Please click here to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel Here

Tim Collard
Assistant Director – Legal and Governance

Members of Audit Committee

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

Independent Member: Jim Arnold

Your Committee Officer is:

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

AGENDA

1 **Apologies for Absence / Notification of Substitutes**

2 **Disclosable Pecuniary Interests**

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

3 **Minutes of the previous meeting held on the 14 February 2023** (Pages 1 - 14)

The Minutes of the meeting held on the 14 February 2023 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

4 **Public Questions**

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5pm on Friday 16 June 2023.

5 **Member Questions**

To receive any questions of which Members of the Council have given notice. The deadline for this meeting is 5pm on Friday 16 June 2023.

6 **Overall assurance: Annual Governance Statement 2022/23** (Pages 15 - 56)

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

7 **Second line assurance: Financial outturn report 2022/23** (Pages 57 - 102)

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

8 **Second line assurance: Approval of the Council's Draft Statement of Accounts 2022/23** (Pages 103 - 332)

The report of the Deputy Section 151 Officer is attached.
Contact: Ben Jay (01743) 250691

9 **Date and Time of Next Meeting**

The next meeting of the Audit Committee will be held on the 20 July 2023 at 10.00 am.

10 **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.

11 **Exempt minutes of the previous meeting held on the 14 February 2023** (Pages 333 - 336)

The Exempt Minutes of the meeting held on the 14 February 2023 are attached for confirmation.
Contact: Michelle Dulson 01743 257719

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Committee and Date

Audit Committee

22 June 2023

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 14 FEBRUARY 2023 10.00AM – 13.15PM

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

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

57 **Apologies for Absence / Notification of Substitutes**

No apologies were received.

58 **Disclosable Pecuniary Interests**

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

59 **Minutes of the previous meeting held on the 24 November 2022**

Dog Warden

Concern was raised that reference to Members' request for a management report on the Dog Warden did not appear in the Minutes of the previous two meetings. The Committee Officer explained that reference had been made in the Minutes of the 15 September but agreed that it appeared to have been omitted from the Minutes of the 24 November 2023.

NB. Subsequent to the meeting, the Committee Officer confirmed that reference had been made in paragraph 25 of the Minutes of 15 September 2023 and item 49 paragraphs 4 and 5 of the Minutes of 24 November 2023 (the Minutes of 15 September did not refer specifically to the Dog Warden but referred to 'management reports for those areas that had attracted unsatisfactory and limited assurance opinions' for which the dog warden was one).

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 24 November 2022 be approved as a true record and signed by the Chairman, subject to the above.

Matters arising:

The Interim Audit Service Manager confirmed that it had been agreed to delay the management report from the dog warden that had been due to be received at this meeting as the officer providing the update had been off sick and had not been able to affect the changes needed. In the meantime, however she had been provided with updates to show the actions being taken in that area so she was able to confirm that work was being done and that the officer would attend the next meeting to give an update.

Minute 44 A. First line assurance: IT Services, improvements to the control environment following various Audit Reports 2022/23

The Executive Director of Resources (Section 151 Officer) read an update from the Head of Automation and Technology who confirmed that it was possible to use the existing technology to enable voicemail for all officers who have external calling enabled however this function was currently turned off by default. It was now being recommended to turn it on by default instead and this was being taken forward. In response to a query about Skype, which has the ability for messages to be left, it was confirmed that this service was being decommissioned by Microsoft however there were other methods of low or no cost messaging available.

In relation to the outstanding recommendations in relation to IT that needed to be resolved, the External Auditor explained that this information would come as part of the Audit Findings report which had been delayed as the outstanding information was still awaited.

60 **Public Questions**

There were no questions from members of the public.

61 **Member Questions**

There were no questions from Members.

It was agreed to take Agenda items 13 – Internal Audit Performance report and revised Annual Audit Plan 2022/23 and 15 – Internal Audit Plan 2023/24 next.

62 **Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2022/23**

The Committee received the report of the Interim Audit Service Manager – copy attached to the signed minutes - which provided members with an update of work undertaken by Internal Audit in the three months since the November Audit Committee. 64% percent of the revised plan has been completed (see Appendix A, Table 1), which is below previous delivery records (73% 2021/22; 79% 2020/21).

The Interim Audit Service Manager informed the meeting that two good, three reasonable and two limited assurance opinions had been issued and that the seven final reports contained 85 recommendations, none of which were fundamental. Minor revisions had been made to the planned activity however this had not led to a change in the number of days required.

The Interim Audit Service Manager explained that productivity had been impacted and audit’s were taking longer to complete due to capacity issues in some service areas, these issues had been raised with the Section 151 Officer. There had also been an issue with the external contractors who had been delayed in starting their work however assurances had been received that the planned work would be completed by year end where the service area is engaging with the audit process.

Concern was raised that it appeared that some officers were not prioritising audit despite its importance, and assurances were sought that the audit team were getting cooperation across all service areas of the Council and that there was better recognition of the importance of the audit function. In response, the Executive Director of Resources (Section 151 Officer) felt that the concerns raised were well made and highlighted the exact issue that was being faced and that was reflected in the report.

He explained that capacity was an issue across the Council at the moment as a lot of the work within some service areas had been delayed or put on hold due to covid and the backlog that that had then been created which was now being worked through, along with the changes that have been made whereby a number of services have been impacted by new initiatives and new areas of work requirements that have been placed on them and then at the same time along comes the internal audit team saying we have this plan to work through. He reported that they were trying to balance those issues together and what was really important was that the audit plan had sufficient coverage across the organisation to ensure that at the end of the year an audit opinion could be provided and against that backdrop, consideration of what the actual outcomes were of the audit work that had been done so far. If every audit that was completed was coming back as a good or reasonable, that would require a different consideration than if all of the audits coming back were limited or unsatisfactory.

He reported that there was going to be pushback from services quite reasonably and quite widely and in order to manage that they would try and adjust and accommodate those requests where possible but there came a point when these requests could not be accommodated any further and that the work would have to be undertaken. So it was a mix of that and what the report was trying to flag was that that was a consideration that they had to work through and there was a risk as part of that that there could be some work that would not be completed on time.

These issues were being raised with himself as Section 151 Officer and in turn, in conversations with various officers across the organisation to justify and recommit to the importance of ensuring this work was completed. The view at the moment was that the audit plan could still be completed by year end and would give sufficient coverage to ensure that an audit opinion could be formed, however it was still a risk.

Further concern was raised around the staffing levels of audit and the experience within the team as experienced officers were leaving and being replaced by trainees, along with contractors being employed to fill the gaps. The Committee sought reassurance that the audit team were capable of doing the required work. In response, the Executive Director of Resources (Section 151 Officer) explained that they had worked very hard to ensure that the team was experienced and despite the new starters and trainees, they ensured that the most experienced officers were undertaking those audits where the highest level of assurance was required, and any issues would be flagged with himself.

He informed the meeting that when external contractors were employed, the Council specified that they wanted experienced auditors who were experienced in particular areas and this could be an advantage as they would bring a different insight which could be helpful. Obviously, if there were more people in the audit team this could provide wider coverage and make delivery of the audit opinion by the end of the year easier, but it would not necessarily make it better. In response to a query the Executive Director of Resources (Section 151 Officer) explained the reason for the delay in contractors starting work but reassured the Committee that the work was still to be delivered over the period.

The Interim Audit Service Manager confirmed that regular meetings were held with the external contractors and that work was underway. Assurance had been received that the work would be completed by year end. She addressed the issue of recruitment which had been challenging but she reassured the Committee that although there were gaps in the team, the quality of the audit was their prime concern and that all work was supervised by an experienced auditor. Members offered their support in raising awareness with senior officers the importance of audit, especially around the key system areas, and, whilst this support was appreciated, it was not yet required.

A brief discussion ensued around the capacity of the Council to deliver its functions due to the reducing capacity and how to address this. The Executive Director of Resources (Section 151 Officer) responded to concerns around audit pressures and whether the internal control environment was strong and robust with strong governance around it. He explained that the service was not looking to review every area as that would not be appropriate, but it was about ensuring they were looking at those areas that gave confidence that the control environment was working appropriately. He reported that the audit plan would change over time as the organisation changed the way in which it worked.

The Executive Director of Resources (Section 151 Officer) responded to concerns around the impact that covid was still having on the work of some service areas and he reported that the back log was however coming to an end. A query was raised as to whether there was a correlation between those services still affected by covid and a lack of capacity. In response the Executive Director of Resources (Section 151 Officer) emphasised that each case was considered on a case-by-case basis.

A brief discussion ensued around managers' perception of the audit function. The Executive Director of Resources (Section 151 Officer) explained that audit was not there to go in and find a problem but more to understand and clarify any issues and to set out solutions and this independent view could add a lot of value to the service. Concern was raised that Internal Audit were being encouraged to step back and not go into particular service areas because it was too difficult. It was their job to ensure the controls in place were functioning correctly and it was worrying if they were not getting cooperation from managers which suggested that there was something that was not quite right in the department. It was up to Internal Audit to ensure that the processes and procedures were followed and that is what should give the Committee comfort there wasn't any malfeasance going on.

In response to a query, the Interim Audit Service Manager explained that the target was 90% of the plan completed by year end. She felt that although it was a challenge, she was confident that it would be achieved. If there were areas they felt were 'no go', this would be raised with the Executive Director of Resources (Section 151 Officer) or the Chief Executive and ultimately would report to Committee that no assurance could be provided in that area because they could not engage in an audit. However, as they did not want to be in that position, they would work with the business to get that audit completed.

In response to a further query, the Executive Director of Resources (Section 151 Officer) explained that there would be a point whereby the internal control environment became a Strategic Risk, if Internal Audit fell below a certain level and he agreed to look into this.

RESOLVED:

To note the performance of Internal Audit against the 2022/23 Audit Plan.

63 **Third line assurance: Internal Audit Plan 2023/24**

The Committee received the report of the Interim Audit Service Manager – copy attached to the signed minutes - which provided Members with the proposed risk based Internal Audit Plan for 2023/24. The Interim Audit Service Manager drew attention to paragraph 7.3 of the report which gave a brief description of the approach taken to create the audit plan, which was risk assessed and reviewed annually. She highlighted the challenges facing the Council including roll out of the Shropshire Plan. The approach taken was similar to that of the previous year whereby there was a core plan and a call off list that gave the ability to respond in an agile way as things changed.

The Interim Audit Service Manager took Members through the Appendices. Appendix A showed that there were 1,398 days available for internal audit with 199 days for external clients. She explained the process for matching resources against the risk, and drew attention to those high-risk areas, set out in Appendix B, which would not be audited this year and which were areas that Members may wish to seek first line assurance. There were also areas of low risk which would also not be audited. She was happy that the plan gave enough coverage to provide a year end opinion whilst responding to the level of change anticipated this year and provided 64% for planned audits and 36% for any unplanned work (from the call off list). The Interim Audit Service Manager then highlighted the key points in paragraph 7.13.

In response to concerns around the significant changes within the team including the retirement of the Head of Audit and several other resignations, the Executive Director of Resources (Section 151 Officer) reported that following the retirement of the Head of Audit, two experienced auditors had been appointed as Interim Audit Service Managers and that a Head of Policy and Governance role was currently being recruited to and it was hoped to have someone in place within the next few months.

Officers confirmed that they were not concerned about the reasons for the resignations within the team and that some of those officers remained within the Council.

A brief discussion took place around the ability of the Committee to request Managers for any areas of concern to provide assurances directly to them (Paragraph 7.11). The Executive Director of Resources (Section 151 Officer) explained that this was a question for the Committee, and he gave an example of where, in their role as Members, issues may come to their attention, for example PFIs, where they felt further assurances were required especially in those areas that would not be guaranteed an audit in the next twelve months. If Committee Members had any particular concerns these should be raised with the Chairman or the Interim Audit Service Manager who could request the relevant manager to come to a future meeting or it could be covered by way of a training topic. Members felt that PFIs were a good example and requested that it be included as a topic on the next training session.

Members were concerned around the 10% reduction of full-time equivalent posts appointed to (10 of the 12 currently in the establishment) and whether the two vacant posts would be filled, along with the reduced number of days available for planned audits and wished those concerns to be recorded. In response, the Interim Audit Service Manager explained that there was not a minimum number of days before internal audit became ineffective as it was just part of the overall risk and obviously as the risk increased, they needed to ensure they had the minimum level of cover in order to provide assurance. The Executive Director of Resources (Section 151 Officer) went on to say that it was a complicated risk assessment whereby balance and professional judgment came in to play. He gave assurance that there were no plans to reduce the number of full-time equivalent posts within the establishment.

RESOLVED:

To note the approach taken to create the proposed Internal Audit Plan for 2023/24 and to approve its adoption.

64 **First line assurance: Purchase Ledger control improvements**

The Committee received the report of the Assistant Director Finance and Technology (Deputy S151 Offocer) – copy attached to the signed minutes – which provided an update on the actions to address the recommendations arising from the 2021/22 Purchase Ledger Audit report. He explained that it was part of the work that himself and the Head of Finance Management & Reporting were doing to ensure, both within the finance team but also more broadly across the Council, that work was up to date and that best practice was being followed around purchase ledger issues.

In response to concerns, the Deputy S151 Officer explained that some of the key work, particularly around the 'no purchase order no pay' policy, and the way it was being worked through both in terms of the way in which budget holders process payments through the ledger but also in terms of the way that was reported internally, prominence was increasingly being given to where purchase orders were being raised in a timely manner versus those areas where, for example, the invoice was received and then the purchase order raised (ie in reverse). There was a number of financial and control reasons why that was not a great way to work and more simply it was a more time-consuming process to do it that way so they were trying to save colleagues time by helping them do it in the right way.

The Head of Finance, Management & Reporting added that when ERP went live, although improvements were made to a number of processes, one thing that wasn't implemented straight away was the 'no purchase order no pay' approach. 18 months down the line that was implemented, so whilst it was now in use across the Council, it was not being applied perfectly, which has led to some of the issues that have been identified in the report and therefore further work needed to be done to ensure the policy was being applied consistently.

In response to concerns around the procure to pay process, the Deputy S151 Officer explained that the supplier had been held to account around those issues and significant progress had been made. He went on to explain that the workflow processes had proved to be quite complicated to unpick and understand the problem but were now in the process of putting together a fix, so, although at the point of preparing the report, the rectification was not yet complete, there was a clear line of sight into exactly how that would be achieved and work was ongoing to get that in place as quickly as possible.

A query was raised around the Council's contingency arrangements in case of IT failure and whether more work was still to be done. In response, the Deputy S151 Officer stated that the Council would always need to do more work on contingency arrangements, and he informed the Committee that the level of cyber-attacks being dealt with by IT had increased from half a million a day last summer to around 3.5m a day. He reported that work was being undertaken around contingency arrangements and improving back up arrangements. IT had also worked with a third-party supplier, so that they were no longer relying on the 3 or 4 members of the retained permanent staff to help defend against cyber-attacks, and they also had the benefit of working with a supplier that provided the Council with 24/7/365 cover.

He went on to explain that they had now automated regular reviews of firewalls that were in operation which sometimes identified that a patch had not been applied or that an update was available, so they were able to get ahead of those attacks that were being batted away. The contingency plans that had been put in place around a failure and the cyber preparedness had placed the Council well ahead and would continue to be a core area of activity into the future and although there was a lot of challenges there was also a lot of good activity that had been undertaken in recent months to improve the Council's position but they would not rest on their laurels because this area would continue to get more challenging.

RESOLVED:

to note the contents of the report and the progress made to date to address the 2021/22 Purchase Ledger audit recommendations.

65 **First line assurance: Much Wenlock Leisure Centre control improvements**

The Committee received the report of the Head of Culture, Leisure and Tourism – copy attached to the signed Minutes – which highlighted progress made in the management and financial procedures at Much Wenlock Leisure Centre following an unsatisfactory audit report.

The Head of Culture, Leisure and Tourism explained to the Committee that Much Wenlock Leisure Centre was managed by Shropshire Council on behalf of William Brookes School. She further explained that staffing issues and the impact of lockdowns had delayed completion of the recommendations contained in the Audit report however good progress was now being made with 25 out of the 43 recommendations having been addressed, and the remaining 18 were in progress.

The Infrastructure, Contracts and Compliance Manager had been working with staff across the Leisure Centre to implement the required changes and it was hoped to deliver the outstanding recommendations by June 2023. The Head of Culture, Leisure and Tourism explained that the learning from this audit would be adopted to inform how the other leisure centres managed by Shropshire Council were run.

Finally, the Head of Culture, Leisure and Tourism fully supported the approach that the Interim Audit Service Manager took when undertaking audits, which was about helping them get things right rather than catch them doing things wrong.

RESOLVED:

1. to note the contents of the report.

2. to note the progress made addressing the recommendations from the audit report.

3. to note the commitment to completing the outstanding actions.

66 **Second line assurance: Strategic Risk Update**

The Committee received the report of the Risk and Business Continuity Manager – copy attached to the signed minutes – which set out the current strategic risk exposure following the December 2022 bi-annual review.

She reported that three risk scores had changed, one had gone up (Inability to deliver a balanced budget) and two had gone down (Failure to Safeguard vulnerable children and ICT Infrastructure reliance) and that a new risk had been added (Recruitment, Retention & Succession Planning) as set out in the report. She explained that the Ability to Fund Children's Services risk was to be split into two different risks (Ability to Fund Children's Social Care & Safeguarding and Ability to Fund Learning & Skills).

The Annual Strategic Risk workshop with the executive management team would be held in June 2023 when all risks would be discussed in detail and would include an assessment of any slippages and agreement of new target scores for 2023/24.

In response to a query the Executive Director of Resources (S151 Officer) explained that the North-West Relief Road (NWRR) project could be considered against two risks – a financial one and a project one. The financial risk sat within the 'Inability to deliver a balanced budget' risk and he confirmed that there would be a specific Project Risk Register around the NWRR project which would consider the deliverability risks associated with the project. The Risk and Business Continuity

Manager confirmed that there was a robust risk register in place and that there had been a lot of work undertaken with the Department of Transport in relation to how funding was spent. She explained that a final business case would be presented to full Council before final submission to the Department of Transport which would give Members the opportunity to discuss and comment upon it. She informed the meeting that the project lead was always happy to come and discuss matters of concern with Audit Committee, if necessary.

A query was raised as to whether the risk to the Council of the NWRR project not going ahead was included within the risk register. The Risk and Business Continuity Manager confirmed that it was and that the project risk register would be monitored on a regular basis and if it did not go ahead this would feed into the 'Inability to deliver a balanced budget' strategic risk.

RESOLVED:

to accept the position as set out in the report.

67 **Second line assurance: Treasury Strategy 2023/24**

The Committee received the report of the Executive Director or Resources (Section 151 Officer) – copy attached to the signed Minutes – which proposed the Treasury Strategy for 2023/24. It set out the arrangements for how the council would appropriately manage its arrangements for banking, cash flow management, investments, and borrowing, supporting the delivery of the MTFS and The Shropshire Plan.

The Executive Director of Resources (Section 151 Officer) explained that the report set out the current market conditions that the Council were working within along with the prudential indicators which gave a measure of the financial viability from a capital point of view and a borrowing point of view for the organisation. He informed the Committee that going forward the treasury management function would sit with the Assistant Director of Finance and Technology (Deputy Section 151 Officer).

In response to a query, the Executive Director of Resources (Section 151 Officer) explained that the prudential indicators were set by CIPFA as part of the Prudential Code. He further explained that the colour coded bands were used for the specified investments and were used to determine how long the Council could invest in those organisations and what their creditworthiness was. Concern was raised about lending to other local authorities as they were not rated, in response, the Executive Director of Resources (Section 151 Officer) explained that local authorities could not go bust as they were underwritten by Central Government.

RESOLVED:

to endorse the Treasury Strategy 2023/24

68 **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 Interim Audit Service Manager – copy attached to the signed Minutes – 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 Interim Audit Service Manager drew attention to paragraph 8.1 onwards which detailed the areas that had been reviewed. She reported some minor changes to the Policy which was attached to the report at Appendix A. She explained that they looked at best practice via CIPFA's Code of Practice on management risk of fraud along with other bodies such as Alarm and the National Fraud Authority.

The Action Plan approved by the Committee was set out at Paragraph 8.10 of the report and sought to ensure that the risk of fraud across the Council was reviewed. The Interim Audit Service Manager reported that they were in the middle of the next National Fraud Initiative exercise and were currently working through the results with the relevant service areas.

In response to a query, the Interim Audit Service Manager confirmed that she would circulate the figures for how many employees had yet to complete the anti-fraud e-learning outside of the meeting. The Executive Director of Resources (Section 151 Officer) explained the escalation processes to ensure this and other mandatory training was completed.

RESOLVED:

To note 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.

69 **Governance Assurance: Annual review of Audit Committee Terms of Reference**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – 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.

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

The Committee received the report of the Interim Audit Service Manager – copy attached to the signed Minutes – which provided a proposed Audit Committee work plan and sought agreement around a learning and development plan for Members to ensure that they are well informed and appropriately skilled to fulfil their role.

The Chairman drew attention to the new and significant ways of working that was being introduced across the Council as a whole to reduce costs and deliver a balanced budget in 2024/25 and he queried when the Committee would be hearing about it in order that they understood how it could impact on their audit work. In response, the Executive Director of Resources (section 151 Officer) explained that this needed to be considered as part of the audit planning work in terms of the control framework and which elements of it were appropriate for Audit Committee to consider, possibly as part of a training session. This was agreed by the Committee.

RESOLVED:

1. To approve the Audit Committee work plan for 2023/24, set out at Appendix A

2. To approve the learning and development plan for Members of the Committee taking into
account information in Appendices A and B.

3. That appropriate elements of the new ways of working be looked at in a future training
session.

71 **Third line assurance: Report of the Audit Review of Risk Management**

The Committee received the report of the Interim Audit Service Manager – copy attached to the signed Minutes – which detailed the results of the Internal Audit review of the Risk Management system which had been assessed as 'good' with the identification of minor control weaknesses. The focus of the review had been on user compliance with processes around operational and project risks.

RESOLVED:

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

72 **Second line assurance: Approval of the Council's Statement of Accounts**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which sets out the audited Statement of Accounts for 2020/21 and 2021/22, and detailed any amendments made to the Draft Statement of Accounts during the audit process.

The Executive Director of Resources (Section 151 Officer) reported that the 2020/21 and 2021/22 accounts were both yet to be signed off. The Assistant Director of Finance and Technology (Deputy Section 151 Officer) informed Members that a lot of work had been done by the finance and accounting team along with really good support from the External Audit team and was moving forward steadily with only a couple of points to be resolved.

The Head of Finance, Management and Reporting explained that work was ongoing with External Audit around the infrastructure assets as the relevant regulations had been issued quite late in January so the implications of this then had to be worked through. External Audit now had the Council's documentation around its proposals and how these were being fed into the accounts. External Audit had asked a few questions around that and there were just a few bits that needed to be signed off.

In response to a query in relation to West Mercia Energy, the Executive Director of Resources (Section 151 Officer) explained that this was a Joint Committee owned by four local authorities including Shropshire Council with approximately 30 external clients. The Joint Committee had a long-term arrangement with a gas and electricity provider and the contract was renewed on the open market every 3 or 4 years. Based on an assessment of volumes for all their customers, West Mercia Energy bought that energy on the market and because of how the procurement worked, were able to release it back into the market or buy more depending upon the market at that particular point in time. This had the advantage that much of the 2021/22 and 2022/23 electricity had already been pre-purchased before the increases. Obviously, they would not keep buying ahead and eventually would have to buy at the higher level. Some external clients wished to buy in on fixed term contacts and the cost would depend on when somebody signed up to their contract. All this was used to manage the way energy was procured by West Mercia Energy.

Finally, the Engagement Lead responded to a number of queries in relation to pfi contracts.

RESOLVED:

1. to approve the 2020/21 Statement of Accounts and 2021/22 Statement of Accounts and that the Chairman of the Audit Committee signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).

2. to agree that the Executive Director of Resources be authorised to make any minor adjustments to the 2020/21 and 2021/22 Statement of Accounts prior to publication on the Council's website.

3. to agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the 2020/21 and 2021/22 financial statements on behalf of the Council and send to the External Auditor.

73 **Third line assurance: External Audit, Audit Findings Report 2020/21 and 2021/22**

The Committee received the report of the External Auditor - copy attached to the signed Minutes - 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 Engagement Lead concurred with the Head of Finance, Management and Reporting that they were in the closing processes of finishing both the 2020/21 and 2021/22 audits. He explained that the work around the infrastructure impact had been unknown at the time, however, following publication of the Statutory Instrument and CIPFA guidance they had been working through this and how it would impact on the Council. It was hoped to finalise everything in the next couple of weeks and bring the audits to a conclusion.

Turning to the Audit Findings Report, the Engagement Lead informed the Committee that they would get a finalised audit findings report bringing everything together for their information. He then drew attention to the Audit Findings update on the last two pages of the report and he answered a number of queries from Members.

RESOLVED

That the Audit Committee note the report

74 **Date and Time of Next Meeting**

The next meeting of the Audit Committee would be held on the 22 June 2023 at 10.00am.

75 **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.

76 **Exempt minutes of the previous meeting held on the 24th November 2022**

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 24 November 2022 be approved as a true record and signed by the Chairman.

77 **First line assurance: Payroll control improvements 2022/23**

The Committee received the report of the Assistant Director – workforce and Improvement – copy attached to the signed Minutes – which provided an update on the actions to address the recommendations arising out of the Payroll Audit for 2021/22.

RESOLVED:

to note the contents of the report and the progress made to date to address the audit recommendations.

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

The Committee received the exempt report of the Interim Audit Service Manager 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	Item
Audit Committee	
22nd June 2023	
10:00am	Public

Healthy People
Healthy Economy
Healthy Environment
Healthy Organisation

Annual Governance Statement and Code of Corporate Governance 2022/23

Responsible Officer:		James Walton	
email:	James.Walton@shropshire.gov.uk	Tel:	01743 255011
Cabinet Member (Portfolio Holder):		Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder for Finance and Corporate Resources	

1. Synopsis

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. The Shropshire Plan was approved by Council in May 2022 and sets out the Council's Strategic Objectives underpinning four priorities. The 'Healthy Organisation' priority incorporates five Strategic Objectives that reinforce the principles of good governance across the Council including an enabled workforce, our ability to manage change, communication, alignment of resources and strong Councillors. Shropshire Council is committed to the principles of good corporate governance and furthermore it is a requirement 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 Charted 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 2022/23.

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 2022/23.

3. Decisions

3.1 The Committee is asked to consider, with appropriate comment, the Annual Governance Statement 2022/23 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**.

3.3 The Committee is asked to note the progress made on the actions identified in the 2021/22 Annual Governance Statement contained in **Appendix C**.

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 setting out 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 Chief Audit Executive'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.

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 coordinated by the Head of Policy and Governance and 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 2022/23 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) Chief Audit Executive (Head of Policy and Governance).
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 £51m in 2023/24 includes assumptions made regarding inflation in areas such as contractual obligations and growth in services such as social care.

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.
- Adults are safe
- Establishment of robust co-produced Health and Care system to deliver the desired outcomes.

- To reduce the risks and impact of cyber attacks and have a clear recovery plan in the event of one.
- 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.

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

Local Member:	N/A

Appendices

Appendix A - Annual Governance Statement 2022/23
Appendix B– Code of Corporate Governance Framework
Appendix C - Annual Governance Statement 2021/22 Action Plan Update

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Shropshire Council
DRAFT Annual Governance Statement
2022/23

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

The Council's Code of Corporate Governance, located in the Constitution[1], summarises the Council's good governance principles and details the actions and behaviours required to demonstrate good governance. Senior managers have provided assurances that the seven core principles have been applied throughout the 2022-23 financial year.

From September 2022, 252 of the Council's most Senior Managers (including the Chief Executive, all Executive and Assistant Directors) undertook a Leadership Development course across 19 cohorts each involving seven full day workshops, lasting eight months entitled Getting Leadership Right (GLR). This included the embedding of 'Getting it Right' principles and four Council values that underpin good governance:

- Authentic Relationships
- Professional Excellence
- Belief in Potential
- Agile Leadership

While the cascading of these values and approach throughout the Council is planned for 2023-24, the first step – a revised Personal Development Plan (PDP) Process to replace staff appraisals – has been rolled out from March 2023.

Any significant instances of non-compliance are 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 2022-23 Code of Governance Internal Audit review which provides a **Reasonable** level of assurance.

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

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.

Officers comply with their professional organisations' codes of conduct in delivering services (E.g. HCPC[2], AMGPs[3], EHORB[4], SRA, CILEX[5]), against which assessments are conducted to confirm compliance and identify any improvements required. Adult Social Care (ASC) receive regular focused audits which monitor their compliance with the law e.g. Mental Capacity Act, Deprivation of Liberty Safeguards, Care Act and the Mental Health Act. Emergency Planning undertake all duties expected under the Civil Contingencies Act with integrity and work closely with multi-agency partners within the Local Resilience Forum (LRF).

Statutory responsibilities across the Council are discharged openly and proactively, key statutory officers are in place (Monitoring Officer[6], Section 151[7] Officer, Head of Paid Service and the Senior Information Risk Owner (SIRO)). Examples of statutory responsibilities delivered include, LGPS[8] Regulations, CIPFA[9] Code of Practice, Freedom of Information (FOI), Elections, 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.

In April 2023 the Council received an enforcement notice from the ICO[10] in relation to FOI response times. Action is being taken to improve information governance arrangements and legislative compliance rates. The Council has responded positively to this.

Many areas of the Resources Directorate are governed by clear statutory responsibilities that staff in the Directorate are attuned to supporting. Many roles work to specified professional standards with necessary CPD requirements. Structures, separation of duties and quality assurance across many areas provide evidence and support to officers working in this way. Finance Business Partners are involved with contract negotiation and management to ensure that external

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[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
[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
[10] Information Commissioners Office

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
providers of services are acting in line with ethical standards expected by the Council. Recording and reporting key information about transformation projects in a consistent, accurate and timely fashion enables Programme Managers and Sponsors (Executive Management Team) to make decisions in an objective, unbiased, professional and ethical manner. Communications comply with the Code of Practice on Local Authority publicity and give due consideration to equality issues affecting the Council. Staff within Health Wellbeing and Prevention (Public Health, Health Protection and Environmental Health) are registered with the professional body that regulates their service area for example UKPHR and EHORB. Those staff who are not registered will be line managed by staff with appropriate qualifications. Each professional body incorporates regulations that include demonstrating a strong commitment to ethical values and respecting the rule of law. Regulatory Services are required to operate within the legal powers and requirements and best practice guidance, completing relevant statutory returns and liaising with the Investigatory Powers. The Statutory Director of Public Health Role, whose role is to oversee the work of the whole department (Executive Director of Health), requires an annual CPD submission subject to audit by professional bodies and individuals and annual assurance and accreditation. The teams embed ethical values and the rule of law into their standard operating principles and values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. Quality in public health: a shared responsibility, is a new framework for England brought in 2019, that aims to raise quality in public health services and functions. This provides a range of mechanisms to help set direction, support delivery, manage risk, monitor and review practice and outcomes for adults and carers with care and support needs and ensure our stated priorities are being met and ensure that the population and those in more vulnerable groups are met. Practice has been reviewed informally against this routinely and will be formally audited against in 2023. The first formal peer review audit against quality improvement standards (Quality in Public Health), will take place in 2023. The DPH has proactively invited the team in to give an independent assessment in addition to the self-assessment to support CPD [11]within the directorate. 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

[11] Continuing professional development

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

supported, receive training and development opportunities. Policies and procedures are being revisited to reflect new ways of working.

Within the Place Directorate respecting the rule of law is regularly evidenced in quasi-judicial services such as the preparation of planning reports and enforcement services such as trading standards and registration services. Furthermore, the climate change team reviews the content of the climate change appraisal section for every Cabinet and Council decision report to ensure that a firm commitment to ethical and environmental values are considered.

The Housing Strategy and Development Manager has reviewed the way in which housing assets are held by the Council, and has moved to ensure that all are transferred from the General Fund to the HRA, as this accords with the requirements of housing legislation. Separately, the Business and Consumer Protection team has contributed strongly to the Child Exploitation review undertaken by Telford Council, in line with our commitments to working within critical ethical standards.

Regulatory review and feedback from Ofsted/CQC[12] inspections during Feb 2022 and Nov 2022 identified strengths in some services, including Virtual School, Education Access Service focussed on Elective Home Education and Children Missing Education. The Nov 2022 Area SEND inspection also identified some very recent improvements in the EHCP[13] statutory assessment team. All officers behave with integrity and demonstrate ethical values.

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.

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 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

[12] Care Quality Commission
[13] Education, Health and Care Plan

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
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. All public meetings are face to face and open to the public and are live streamed, increasing accessibility to a wider audience. Compliance has been demonstrated in the elections process for members, delivered in an open and fair way in accordance with electoral law and extensive engagement with the public and other bodies. In recent years the Council's response to the Covid pandemic has provided learning for responses to other major events in the last year, including flooding and bird flu. This includes 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 officers and the general public of responses to other major events. The Council has a strong Transparency 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 provide 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. 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. Use of emergency planning arrangements for internal and external gold and silver meetings have increased efficiencies and knowledge sharing.

B: Ensuring openness and comprehensive stakeholder engagement

Project managers are encouraged to clearly capture their stakeholders and how they will be involved in the project (RACI) from the outset - e.g. PID; Invest to Save Business Case.

Openness and stakeholder engagement is core to developing policies and strategic direction within Health and Wellbeing. During the past 12 months there have been several examples of this engagement from the work around the emergency planning, to the continued role out of the JSNA, the development of the healthy weight strategy engagement around Highley and joint work around the STW Integrated Care Partnership Strategy. In addition, officers work in a collaborative way with stakeholders, often over a considerable period of time to deliver improved outcomes. Across the Directorate officers are members of multiple partnerships including the Local Resilience Forum, Community Safeguarding, and Health and Wellbeing Partnerships. During 2022 the Directorate co-produced the County wide response to the Cost-of-Living Crisis with key stakeholders including voluntary sector leaders to deliver a targeted and proactive response.

Many Council services are delivered in partnership with other organisations such as the Local Strategic Partnership, STaR[14] 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 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.

Internally, stakeholder engagement with staff at all levels is demonstrated through the New Ways of Working Group, Employee Reference Group and Trade Union engagement. Externally, this is demonstrated through supplier engagement, procurement processes and employer relationships. LGA[15] Peer reviews in Finance and Scrutiny have been undertaken during 2022. The Council demonstrated full engagement and learning from the process.

The Finance Team produce public reports including detailed budget monitoring and variances, the annual Statement of Accounts delivered to statutory deadlines 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 Services, Finance and Human Resources (HR). The officer-led Commissioning and Assurance Board allows for strategic stakeholder engagement and the Council also works with local partnerships.

[14] Shropshire Towns and Rural Housing
[15] Local Government Association

B: Ensuring openness and comprehensive stakeholder engagement
Council services are open by nature in that they involve stakeholders and the public in their decision making e.g. planning. A new Economic Partnership has been developed and implemented that involves over 20 external business, public and VCS organisations. The Highways Service has introduced the 'Fix My Street' application to give openness and visibility to highways related repairs and maintenance. Annually key stakeholders are consulted on several projects, examples include; the Acton Scott farm consultation; Local Transport Plan; Local Cycling and Walking Infrastructure Plan; BUS Service Improvement Plan. 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 holds regular stakeholder forums and partnership boards, where users of services are represented. We have a local Making it Real board and Making it Real chair employed by the Council. We have recently held a Practice review led by our PSW[16] and CQC readiness review. Experts by experience are involved in co-producing strategies and delivery models. An increased range of direct engagement opportunities have taken place during 2022-23, including whole sector briefings around the implications of academisation and the initial education white paper outline. Additional Headteacher/senior leader specific sessions have also been convened on key topics, plus the first Learning and Skills Staff Conference. All of these activities have been used to shape strategic direction and strategy/policy development. The Early Help system guides, which is annually submitted to government, requires us to outline how we engage stakeholders and assessment of their level of engagement. We have recognised that we need to develop a new Early Help strategy and Board to improve their engagement. Several management boards are in place such as Carers, Direct Payments, Learning Disability/Autism Board, Safeguarding, Provider forums, system partner boards, SEND[17]. Included in this we have a making it real board which are expert by experience who we are working with to ensure service improvement and co-production is embedded across all our practice. Within Housing Services the Council has initiated a countywide homeless forum for partners to attend and are in process of undertaking stakeholder consultation on the Sustain contract and the homelessness strategy. We also sit on numerous other multi agency groups across the council and county. 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

[16] Principal Social Worker

[17] special educational needs and disabilities

B: Ensuring openness and comprehensive stakeholder engagement
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 are fully understood (Acton Scott, Whitchurch, Shrewsbury Town Centre 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 ICS[18]. 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 use of 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 Executive Management Team 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.
In providing services to the council we support services to have the right staff with the right skills, at the right time, at the right cost and in the right places. This helps to support the organisation to provide efficient and effective services to the community and realise sustainable, economic, social and environmental benefits. From a compliance perspective, we also ensure that services are not putting the health and safety of employees at risk which could lead to costly repercussions. The Workforce Strategy was approved in 2022 and aligns with The Shropshire Plan[19] priorities and strategic objectives. This document sets the direction for the organisation in terms of its workforce, which then translates into team plans and individual's objectives through Personal Development Plans so that all actions demonstrate a clear link to The Shropshire Plan, the council's vision, values and strategic objectives.

[18] Integrated Care System

[19] 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

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

Upskill Shropshire is the brand name for our approach to the use of the Apprenticeship Levy at Shropshire Council. We partner with Training Providers across Shropshire and beyond to provide high quality apprenticeship training to our staff. We have and continue to support a number of our Looked After Children in apprenticeships across the council. We have also transferred levy monies, in line with funding rules, to organisations across Shropshire to support apprenticeship training.

Shropshire HR provides HR Advice to both private and public sector businesses across Shropshire on a not-for-profit basis which, through economies of scale, reduces the cost of the internal HR service to the organisation.

As a support service to the organisation, an agile approach to leadership and delivery of the service has to be adopted - where emergency situations arise, resources have to be flexed and adapted to meet needs and support where required, however Officers will always challenge that outcomes are providing economic, social and environmental benefits when providing support.

The independent review of Overview & Scrutiny during 2022-23 recommended changes to current arrangements which are being implemented and will ensure there is robust work programming in place for scrutiny in the future.

There is a strong emphasis on value for money and cost recovery across teams in the Resources Directorate and an agile approach to leadership and delivery has been adopted, which has been supported by the GLR management training programme.. Social Value implementation is being developed alongside service areas to increase the impact of The Shropshire Plan in new and innovative ways. The Place Directorate has been leading the Council's work in applying the higher levels of social value in procurement evaluation. The approach to procurement and commissioning encourages a balance of social, economic and environmental issues. Standards are being set across the council in terms of climate change and carbon reduction, flood alleviation and water quality, habitat restoration, increasing employment and skills development and housing. All Homes and Communities reporting and policy development in 2022-23 has shown its relevance to the delivery of The Shropshire Plan, which connects to these key themes. 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.

Responses to the Cost-of-Living crisis have been prioritised and support made available. All Programmes and projects are approved based on Cost/benefit Analysis.

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 Shropshire

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
Plan. The Shropshire Plan hold all the SDP[20] priorities and targets with clear evidence links and positive impacts relating to safer and stronger economies and enhancing our environmental and sustainability priorities. 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. 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 of improving the well-being of individuals that we support and the communities within Shropshire through its health and wellbeing programmes, environmental health and antisocial behaviour. In addition, the service area also assists Shropshire economically and environmentally in areas such as ecology and access to green space, air pollution, support to local businesses; prevention activities; resilient communities and healthy lives; performance reporting and monitoring; the right interventions and promoting the use of innovative technology. All these fit within and support these ambitions through the delivery of The Shropshire Plan and is outlined in each service area's Service Delivery Plan. For example: Work around air pollution is being championed through the directorate with the monitoring and statutory local air quality management duties under the Environment Act 1995. The Health and wellbeing in all Policies (HiAP) approach approved for all Shropshire Council policies and associated training continues to be rolled out. Public Health colleagues in regulatory services and the public health team have been contributing to the local plan and the policy regarding climate change. The social benefits of the educational and associated services provided are well articulated in law and have been increasingly clear during the Covid pandemic period with the partial closure of schools and settings. Expected outcomes for some aspects of the service are outlined in national inspection frameworks and other legislation. Economic benefits of increasing attendance and achievement are well documented nationally. A local outcomes framework identifies the key indicators of success for each service area within the People Directorate. This will enable a far clearer evaluation of the effectiveness and efficiency of the services, whilst supporting preparation for inspection, and the changing role of authorities around education services. 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

[20] Service Design Partnership for health and social care

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
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 aims to address these. The longer term 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 remain 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. 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. Waste and Transport Services are clear in their outcomes regarding economic, social and environmental benefits and benchmark themselves against others on this basis. 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 or increases in resources are reported throughout the Council and with the support of Finance Business Partners. Services generally do

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.
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 regular management reporting to improve the control environment is in place. The Workforce Strategy was approved in 2022 and aligns with the Shropshire Plan and strategic objectives. 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 will provide challenge as required. Operational risks are formally reviewed twice a year with subsequent reporting to Assistant Directors and then Executive Directors. Project risks are in place and challenged at Project Board Meetings to ensure they are kept up to date as the project moves forward. Strategic risks are reviewed quarterly with reporting to Executive Directors and Informal Cabinet. Strategic risks are reported twice a year to Audit Committee and an annual Risk Report is issued to Audit Committee. During 2022-23 the Getting it Right Guide was produced to support the Shropshire Plan and in September 2022 the Getting Leadership Right Programme was launched covering 250 employees. As part of this programme the new approach to Personal Development Planning has been rolled out. Further phases of the programme will be rolled out in 2023-24. The Manager Essentials Handbook and associated training programme is continuously updated and supported by regular training. There is a continued development and expansion of the learning and development offer through the online learning platform, Leap into Learning. Information & Insight 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. The use of clear identified outcomes, business cases and performance measures is used within Commissioning and re-commissioning activity to ensure optimal results. The use of thorough and robust tender processes, evaluation criteria and evaluation to ensure intended outcomes are achieved and optimised. The achievement of 'social value' outcomes are achieved through procurement, contracting and commissioning activities. Each of the five TOM theme groups met regularly to review project progress and to identify where action needed to be taken. Each of these groups was chaired by a Director (in their role as Theme sponsor), progress reported regularly to Executive Management Team and more recently supported by the appointment of a Strategic Transformation Partner for the 2023/24 Financial Year.

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

The Council is striving to work as a single organisation working in an outcomes focussed way to encourage integrated approaches with relevant services across the council. This includes recent work to support the recruitment of foster carers where Place Directorate staff worked with children's services colleagues to help address a priority service for the council as a whole. The Housing Strategy and Development Manager has obtained new data on housing needs in order to ensure that the Council is able to direct its resources more precisely to meet evidenced needs. This ensures that we maximise the benefits we achieve for our investments. Separately, the ongoing Library Transformation work will optimise the use of our community assets and create new opportunities for the Council to work collaboratively with local partners.

All major contracts have performance metrics that are actively considered and require action plans to be developed where failing. The highways and transport services continue to use computer modelling to optimise the outcomes able to be achieved from available budgets.

Business continuity plans and teams have mobilised quickly to respond to continuing emergencies, including flooding, bird flu, refugee pressures, cyber security attacks and Covid.

Within Public Health, the service always ensures that outcomes and outputs link to the Corporate Performance Framework and scrutiny processes. All interventions are identified through statutory duties, local intelligence and capacity to deliver in a focussed and targeted way. All interventions are included in Team and Service development plans with a clearly defined link to priorities set out in The Shropshire Plan.

The Early Help strengthening families programme has continued throughout 2022/23 and achieved the majority of claims. Evidence based interventions have continued through parenting interventions.

Development of LEAN approaches to service mapping/delivery have started, with some aspects of the improved clarity evident in the Ofsted/CQC Area SEND inspection in Nov 2022. This work needs to be further developed and introduced across all service areas.

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

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

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

A High-level Resources Directorate restructure was completed in 2022/23, and key appointments made. Strengthened governance has been embedded with the appointment of a new Assistant Director for Finance and Technology (Deputy s151 Officer), Head of Technology and Automation, and a new Head of Policy and Governance as part of the Legal and Governance Team with a focus on continuous improvement by aligning performance, personnel data and approaches.

During 2022-23 the Getting it Right Guide was produced to support The Shropshire Plan and in September 2022 the Getting Leadership Right Programme was launched covering 250 employees. As part of this programme, the new approach to Personal Development Planning has been rolled out. Further phases of the programme will be rolled out in 2023-24. The Manager Essentials Handbook and associated training programme is continuously updated and supported by regular training.

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

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 Personal Development Plans are in place for officers. Members are briefed on new and emerging local government initiatives and the e-learning portal provides other pieces of helpful training alongside information. 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 individual one to one catch ups. 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.

Digital Champion training has continued throughout 2022 to improve the use of ICT and support the exploration of embedding ICT 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

E: Developing the Council's capacity, including the capability of its leadership and the individuals within it.
Officers engage with other Local Authorities, Regional Organisations (West Midlands Employers) and professional bodies (CIPD[21], PPMA[22], CIRM[23], BCI[24]) to improve and seek external assurances. Collaborative procurement activity with other Local Authorities. West Midlands Heads of Procurement Group is helping to deliver efficiencies. Part of the remit of the new Strategic Transformation Partner is to review our capacity and capability to deliver transformation. Gaps identified will be met by the partner initially, with skills transfer to Council staff over time alongside the development of a strong corporate narrative around The Shropshire Plan and associated transformation programme. Within the Place Directorate, review of capacity within the structure is taking place and progressed through the establishment of a programme management office to help give major projects and the capital programme greater capacity and discipline. The People Directorate has restructured, and capacity reviewed across several service areas ensuring the right capability and capacity is in place to deliver the outcomes in The Shropshire plan. Several leadership roles have been secured across key positions in Learning and Skills, utilising permanent and long-term agency roles where recruitment is acutely challenging. This has increased capacity during the 2022-23 year as noted in several external reviews/Ofsted/CQC Area SEND inspection report.

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 include the Northwest Relief Road, Shrewsbury Schools Programme, Whitchurch Leisure Centre, Shrewsbury Redevelopment Programme and the Wider Oswestry Economic Project. All have clear governance arrangements in place with project boards established.

[21] Chartered Institute of Personnel and Development
[22] Public Services People Managers Association
[23] Certified International Risk Management
[24] Business Continuity Institute

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

Transformation and TOM Programme Risks are captured and tracked via a 'Project Control' SharePoint and are regularly reviewed. Creation of monthly dashboards to identify success and baseline activity norms is in development alongside use of data and insight to help drive corporate channel shift.

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

Despite overall internal control framework resilience, there remains a small number of areas for which assurance levels are not strong, notably payroll and sales ledger, both as a result of shortcomings in the ERP system and associated practices. A review of the ERP system and potential alternatives is now being explored in earnest.

The development of the corporate project management office is aimed at reducing risk in delivering major projects and programmes. Financial monitoring reports and key risks associated with strategies and projects are regularly reviewed with a strong focus on improving service backlogs in areas such as planning and highways.

Each Council Directorate has robust processes in place with monthly Directorate and Senior Management Team Meetings finance and performance focussed meetings as well as MTFS savings delivery meetings with actions to remedy any concerns and escalate. Benchmarking across the West Midlands is undertaken routinely and at the start of 2023 The People Directorate commissioned an independent LGA finance benchmarking report. There is current high level performance data available on a quarterly basis and a strong will in the service to perform well and good oversight from managers. Small budgets are managed well and are now focused on strong outcomes for families.

The council is now focused on early intervention and demand management resulting in greater scrutiny of the Early Help service to prevent further costly services. Performance data sets are now being developed to create a clear line of sight from Director to practitioner level to improve performance. This has already seen better performance from the service and better workflow. There is a current review of the process for collating data for Supporting Families/Strengthening Families to streamline processes to create better outcomes for families and achieve claims.

Commissioning decisions are based on robust case studies based on data and performance information. Risk registers are reviewed regularly. Joint Commissioning Delivery Group covers all age groups with representation from procurement, legal and other officers to ensure robust challenge on decision making.

Regular reporting is made to 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. Consultation with schools and academies is completed via a central forum. The risk register for the Local Area SEND

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

partnership is held by the SEND Partnership Board and reviewed by key partners. A three-year forecast for the DSG High Needs Block has been developed and reported to Schools Forum for the first time in Shropshire, and is already aiding financial planning in this area.

Most financial decisions are reported through to Cabinet, Council and Scrutiny Committee in an appropriate and transparent basis and challenge welcomed from members and officers. 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 aligned to the outcomes identified in The Shropshire Plan. A full risk assessment is undertaken in support of this. Final Accounts are produced on time and in-line with statutory deadlines and best practice.

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

All managers have an allocated member of the Finance Business Partner Team who takes them through monthly forecasting procedures and budget management expectations when they start in post. A dashboard of financial performance is shared and discussed at each management team meeting. This includes a RAG[25] 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. A Financial Accountabilities Framework was launched to ensure all budget holders are aware of their responsibilities in managing budgets. Robust financial internal controls are managed and maintained across financial processes and systems. Where issues are identified in the control environment, risks are considered, and action plans put in place to improve control. Responsibility for managing strategic financial risks are 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 exceptional situations. 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. 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. The year has continued to be challenging with the embedding of key fundamental line of

[25] Red; Amber; Green

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

business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings.

Information management training is compulsory for all employees and compliance is reported through to the SIRO. All data has assigned owners which is 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.

OFSTED's[26] Inspection for Children's Services confirmed good compliance with legal framework, policies, procedures and practice guidance. Children's Residential homes, Chelmaren (inspected January 2023) and Berwyn Cottage (inspected February 2023) were both rated Outstanding in areas of 'overall experiences and progress of children and young people', 'how well children and young people are helped and protected', and 'effectiveness of leaders and managers'.

The allocation of the ring-fence Public Health Grant is scrutinised by OHID[27] 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, some of the main resource systems, improvement plans are being implemented and refined as progressed to ensure that they remain fit for purpose.

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' Gateway (webpage) has provided greater access to information and regular briefings are held with portfolio holders and ward members are engaged on local matters.

There are examples of strong compliance across the Resources Directorate in terms of internal and external reporting and evidence of accountability in response to external assessments and internal audit recommendations.

The Health and Wellbeing Directorate regularly reports to Council Committees, including: Cabinet, Scrutiny, partnership boards including Health and Wellbeing and

[26] OFSTED: Office for Standards in Education, Children's Services and Skills.
[27] Office of Health Improvement and Disparities

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Shropshire Integrated Place Partnership. Strategic and Operational risks are regularly reviewed by Executive Management Team, senior managers and leadership teams, and these consider issues across both internal delivery and commissioned provision. Audit and review processes are participated in and delivery against KPIs and relevant outcomes and evaluation frameworks is monitored. Reporting also takes place through regulators who oversee the Statutory Requirements of teams within the Directorate. The Place Directorate has actively promoted external review and peer assessment and are proposing a peer review in 2023 in the field of housing and homelessness. Wider involvement of members from cross party groups is promoted and a range of performance figures have been given to overview and scrutiny committees and responses made to public requests for data and information. The introduction of Fix My Street is a good example of openness in a high volume, sensitive area of service. The People Directorate has adopted a robust Quality Assurance Framework, with a regular auditing schedule and learning from audit cycle, combined with data analysis to inform the quality assurance activity in place across the directorate. This has been highlighted as a real strength from OFSTED / DFE[28] / LGA and WM peer review team. There has been a recent external review of Early Help which has identified the service's strengths and weaknesses. This has been accepted by the service, who have worked well with auditors to identify where improvements in practice are needed. The supporting families/strengthening families service have worked well with the audit department, and this has been recognised nationally. There has been complete compliance with spending in budget. Regular reporting of the Dedicated Schools Grant takes place to Schools' Forum throughout the year. This included a three-year High Needs Block forecast during the 2022-23 financial year. Council budget is monitored monthly and follows the regular reporting pattern. During 2022-23, transformation work that began as the Refocus Programme evolved into the TOM Programme although regular reviews with sponsors and project managers has continued. An Internal Audit Review was undertaken relating to the branding roll out with a reasonable assurance result. 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).

[28] Department for Education

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability
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 Leadership and Organisational 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 the organisation including financial and performance statistics. 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. 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.

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 was reported in the Financial Strategy of £51m in 2023-24. This includes assumptions made around 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
1.	To provide a care and support service to adults appropriate to their needs.	Ability to fund Adult Services	Development and delivery of early intervention strategy and the review and redesign of pathways. Implement improvement plan for strengthening families claims criteria.	ExDir[29] People	Sept 2023 March 2024
	To ensure compliance with legislative requirements in relation to information governance.	Governance	Implement agreed action plan to improve FOI response times.	ExDir Resources	Dec 2023
3.	To provide a care and support service to children appropriate to their needs.	Ability to fund Children's Services	Development of a growth model. Review of contract and commissioning arrangements for children and adult services. Further work with transformation partner to inform the model and approach.	ExDir People	June 2023 Dec 2023

[29] Executive Director

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
4.	To reduce the risks and impact of cyber attacks and have a clear recovery plan in the event of one.	ICT Infrastructure resilience	Work with the Local Digital Cyber team on remediation activities to improve our cyber position.	ExDir Resources	March 2024
5.	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. Delivery of scheme assisting staff to reduce their carbon footprint. Establishment of Carbon credits opportunities for carbon reduction. Shire Services will work with the Climate Change task force to develop information that can be shared in tenders and with clients regarding carbon reduction and environmental activities.	ExDir Place	March 2024 March 2024 November 2023 July 2023 Dec 2023
6.	Deliver Projects that achieve savings targets and brings in sustainable income for	Failure to deliver the Commercial Strategy within agreed timescales and to levels approved by Council	Recruitment of project managers to lead the delivery of the capital programme.	ExDir Place	June 2023

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
	the Council whilst maintaining a healthy commercial portfolio.	within the Financial Strategy prevents the Council from meeting savings targets and corporate outcomes.			
7.	A balanced budget is delivered.	Inability to deliver a balanced budget.	Working with Strategic Transformation Partner to set direction and deliver the spending reductions in 2023/24. Service Delivery Plans and associated KPIs to be documented. Review and improve functionality and reporting from the ERP system.	ExDir Resources	June 2023 Dec 2023
8.	Staff are healthy and happy.	Failure to manage and mitigate the mental health and well-being of staff	Extension of programme GLR for existing managers. Define and implement service delivery plans. Rollout of Personal Development Plans for all staff.	CEO	July 2023
9.	Adults are safe.	Failure to safeguard vulnerable adults	Work with transformation partner to review operating models. Peer review in the field of housing and homelessness.	ExDir People ExDir Place	Sept 2023 Dec 2023

	Targeted outcome	Strategic Risk	Activity	Sponsor	Completion date
			Second Tenants Voice conference where social housing tenants can find out more about the way in which their landlords, including Shropshire Council, can support them.	ExDir Place	Dec 2023
10.	Establishment of robust co-produced Health and Care system to deliver the desired outcomes.	Impact of pressures in the wider Health and Care system	Influence the governance of the new ICS to ensure all partners are equal within the system. Shropshire prevention strategy to highlight the role of communities in delivery of better outcomes and key actions. Increase delegation of responsibilities to place to allow more local leadership. Continue to build evidence in JSNA to reflect community level needs.	ExDir Health, Wellbeing and Prevention, Public Health and General Management	March 2024

Annex A

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK

Key documents/functions/ process guidelines

- **Local code of corporate governance**
- **The Shropshire Plan and Medium Term Financial Strategy**
- **Council constitution**
- **Opportunity Risk Management Strategy**
- **Commissioning Strategy**
- **Workforce Strategy, HR policies, GiR Guide, PDP Process, procedures and codes of conduct**
- **Anti-fraud and corruption and whistleblowing (Speaking up about wrongdoing) policies**

Annual Governance Statement

Signed by the Leader of the Council and the CEO to accompany the Statement of Accounts

Audit Committee

Independent review and approval

Council and Directorate policies, plans and risk registers

Draft Annual Governance Statement
Senior management with responsibility for drafting AGS after evaluating assurances and supporting evidence and identifying areas for improvement

IA to evaluate the effectiveness of the risk management, control and governance processes
(Required by the Accounts and Audit Regulations 2020)

Provision of ongoing assurance on adequacy and effectiveness of controls over key risks

Policy and performance boards	**External inspections** **(e.g. Ofsted, Care Quality Commission)**	**Financial control assurance** (Section 151 Officer)	**Legal and regulatory assurance** (Monitoring Officer)	**Members' assurance**	**Internal Audit**	**External Audit**	**Risk management and performance management**

Key to levels of assurance

First line of assurance	(orange)
Second line of assurance	(yellow)
Third line of assurance	(green)

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	The Constitution	Shropshire Plan	Committee Reports	Forward plan	The Constitution	The Constitution	Audit Committee
	Schemes of delegation	Members' roles and expectations	Shropshire Plan	Budget Consultation	Member and staff development	Audit Committee	Committee Framework
	Audit Committee	Local Joint Committees	Committee Framework	Stakeholder Engagement	Member Induction Programme	Committee Framework	Councillors and decision making
	Councillors and decision making	Public Meetings and decisions recorded	Councillors and decision making	Option Appraisals	Recruitment and Selection process	Financial Procedure Rules Contract Procedure Rules	External audit of accounts and Value for money opinion
	Statutory Officers Roles: Chief Executive, Chief Financial Officer, Monitoring Officer, Head of Paid Service. HR policies.	Annual Statement of Accounts and Annual Governance Statement published	Procurement Strategy	Annual Governance Statement / Assurance Framework	Staff Appraisal Process Getting Leadership Right Programme (GLR)	External audit of accounts and Value for money opinion Financial Strategy Annual Statement of Accounts and Annual Governance Statement published	
	Financial Procedure Rules Contract Procedure Rules Financial Strategy	Council website records all council meetings and key decisions	Public Sector Social Value Act 2012	Financial Strategy	Peer Reviews / External Inspection	Opportunity Risk Management Strategy	Annual Statement of Accounts and Annual Governance Statement published
	Members (E1) and Employees Codes of Conduct	Corporate performance, financial and risk reporting framework	Commissioning Strategy	Councillors and decision making	Benchmarking	Open Data and Transparency Code	Internal Audit Service Head of Audit's Annual Opinion / Report (Item 10)
	Members / Officers Register of Interests / Register of Gifts and Hospitality	Open Data and Transparency Code	Financial Strategy	Opportunity Risk Management Strategy	Internally led reviews / independent challenge	Strategic and Operational Risk Registers	Financial Strategy
	Protocol for Member Officer Relations (E85)	Customer feedback / Complaints Policy	Social Value Charter	Alternative Service Delivery Models	Alternative Service Delivery Models	Risk Based Internal Auditing Service / Plan (Item 17)	Strategic performance, financial and risk reporting framework
	Counter Fraud, Bribery and Anti-Corruption Policy and Strategy	FOI Publication Scheme	Opportunity Risk Management Strategy	Corporate performance, financial and risk reporting framework	Commissioning Strategy	Internal Audit Service Head of Audit's Annual Opinion / Report (Item 10)	Open Data and Transparency Code
	Whistleblowing Policy and hotline	Public Consultations	Corporate performance, financial and risk reporting framework	Service Plans	Continuing Professional Development Programmes	Corporate performance, financial and risk reporting framework	Website
	Opportunity Risk Management Strategy	Shropshire Compact	Corporate Climate Change Strategy	Project Management	Safety, Health and Wellbeing Internal health and safety	Counter Fraud, Bribery and Anti-Corruption Policy and Strategy Anti-Money Laundering Policy	FOI Publication Scheme
	Customer feedback / Complaints Policy	Voluntary and Community Sector Assembly		Whistleblowing Policy and hotline	Workforce Strategy	Emergency / Business Continuity Management	Complaints Annual Report
		Financial Strategy		Shropshire Plan	Leap into Learning	Information Management Strategy	

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Appendix C – Annual Governance Statement 2021/22 Action Plan Update

March 2023 follow up.

	Targeted outcome	Sponsor	Activity	Completion date	Delivered	March 2023 Update
1.	To provide a care and support service to adults appropriate to their needs.	ExDir[1] People	Fairer funding exercise completed with the care market.	Sept 2022	Yes	Complete.
			Updated growth model to improve forecasting and model social care reform impacts.	October 2023	Yes	Completed modelling on number of self-funders.
			Development of joint commissioning arrangements .	Sept 2022	Yes	Areas of joint commissioning agreed, shared brokers, shared 2cic contract, integrated equipment contract currently be revised and further work on managing market prices. Further work currently being scoped.
			Development and delivery of early intervention strategy and the review and redesign of pathways.	Sept 2022	No	Due to be launch draft Sept 2023.
2.	To provide a care and support service to children appropriate to their needs.	ExDir People	Stepping Stones model to be implemented, purchase of new property.	Sept 2022	Yes	Project upscale funding agreed, staff in place, programme went live on 1/4/23.
			Development of a growth model.	March 2023	No	Will be completed by end of June 2023.
			Review of contract and commissioning arrangements for children and adult services.	July 2022	No (some delivered with further work)	Children's commissioners now aligned under one joint commissioning team structure and one joint commissioned delivery group in place. Additional children's commissioning capacity in place, further capacity being recruited to and further work with PWC to inform model and approach. Contract capacity is in current discussion.
3.	To reduce the risks and impact of attacks and have a clear recovery plan in the event of one.	CEO ExDir Resources	Ensure all staff and members complete annual training.	April 2022	Partly – yes but not sustainable	Cyber Security and Data Protection Training attainment was 96% in March 2023 slightly above the 95% target. Significant work undertaken during 2022 to ensure target was attained, but approach was unsustainable causing percentages to fall requiring an alternative approach. Council report for Members and revised process for Officers agreed May 2023.
			Investment in improved monitoring solutions.	May 2022	Yes	Realtime PowerBI now in place and visible to Exec Team (Priority focussed Dashboards and screens in Exec Room).

[1] Executive Director

	Targeted outcome	Sponsor	Activity	Completion date	Delivered	March 2023 Update
			Achieve external accreditation e.g. Cyber Essentials Plus.	March 2023	No	Has not been progressed although prioritised Officer and Member training and improved cyber security resilience were undertaken following two 'White Hat' attacks. There is the potential that cyber essentials plus will be replaced by a cyber assurance framework which will remove some of the shortcomings of cyber essentials plus and enable implementation it in an organisation like the council. The ICT service plan includes "Cyber Essentials is mandatory for Central Civil Government contracts that handle personal information of any UK citizens, government employees, ministers, and advisors, or deliver IT products or services designed to store, process or transfer data at an official level. It is therefore feasible that Cyber Essentials, ISO27001 or a Cyber Security Standard could become mandatory in the future for Shropshire Council."
4.	To keep children safe.	ExDir People	Monitor impact of the change of mental health provision.	July 2022	Yes	Work is ongoing with provider of Childrens Mental Health Services, co-work with Senior Leads has taken place in 2022/2023 to improve service interface, attendance at Contract performance management meetings by the LA supports understanding of changes and challenges. More improvement impact yet to be seen.
5.	To ensure that all stakeholders are safely recovered from the impact of Covid.	Chief Executive/ Head of the Paid Service	Managing the displacement of staff responding to the pressures from Covid.	June 2022	Yes	Complete.
6.	To reduce and mitigate the impact of increased demands on Council Services from the impact of climate change and therefore to life.	ExDir Place	Replace street light lanterns with energy efficient LED.	March 2021	No	8,500 lanterns have been replaced with the newer LED type by end of March 2023. Kier have increased resources on-street to accelerate the programme for completion by end of October 2023 ahead of the March 2024 deadline.
			Fit electric vehicle chargers at park and ride sites; Council buildings and car park sites.	May 2023	Yes	15 No. Electric Vehicle Charge Points (EVCP) have been installed at the following SC depots: - Whittington x 4 EVCP Longden Rd x 8 EVCP Craven Arms x 3 EVCP
				March 2022	Yes	25 No. EVCP installed in car parks Countywide as part of a BEIS (100% grant funded) consortium trial project with Connected Kerb, Samsung and Octopus Energy
				September 2022	Yes	2022/23 25 No. EVCP installed through the OLEV (75% grant funded) projects in car parks Countywide.
				March 2024	No	2022 Successful bid for ORCS grant funding of £902k (60% grant fund) to install a further 270 EVCP Countywide currently ongoing.
				March 2025	No	2023 LEVI Capability grant provisional allocation of £65k (Revenue) 2023/24.

	Targeted outcome	Sponsor	Activity	Completion date	Delivered	March 2023 Update
				March 2025	No	The award is to provide Officer support for all EVCP roll outs. New Officer role to be filled A.S.A.P for an initial period of 18 months. This is dependent on a successful application to the DfT in May 2023. 2023 LEVI grant provisional allocation of £2m (Capital) and an additional £296k (Revenue) Capability funding 2023/25. This could cover the installation of between 250-300 new EVCP including Rapid Chargers Countywide. This is dependent on a successful application to the DfT in May 2023.
			Delivery of scheme assisting staff to reduce their carbon footprint.	December 2023	No	Officers are appraising a scheme involving affordable staff loans for home solar and energy storage which shall be considered in Autumn 2023.
			Establishment of Carbon credits opportunities for carbon reduction.	September 2022	No	The opportunity for carbon credit trading will be tested via the Pyrolysis project that is being brought forward to full council in July 2023.
			Procurement updates for carbon performance improvements.	December 2022	Yes	Consultants CO2 Analysis have been commissioned to undertake detailed carbon modelling of the indirect emissions which are generated by the goods and services which we buy-in and commission. These are now the source of most of the Council's carbon footprint (see above) and the modelling will provide contract commissioners and senior managers with data at a service level to help them work with suppliers to measure and reduce future emissions.
			Feasibility study - capturing waste heat project.	June 2022	Yes	Consultants Ramboll have now completed a detailed Heat Network Study which examines how we can best capture and distribute the waste heat from the Battlefield ERF and pipe this to nearby industrial users or community buildings.
			EV promotional event.	September 2022	Yes	Delivered in September 2022.
			Environmental performance design for SC new buildings – e.g. Pool and Pride Hill.	December 2022	Yes	All new buildings are being commissioned to have the highest practical environmental performance. The new swimming pools are being designed to Breeam Excellent standard and the emerging development briefs for projects within Riverside are also following that standard.
7.	Deliver Projects that achieve savings targets and brings in sustainable income for the Council whilst maintaining a healthy commercial portfolio.	ExDir Place	Refocus programme manager to work with P3M Community of Practice to develop standards to improve selections and deliverability of projects and achieve savings targets.	November 2022	No	Structure of a corporate programme management office has been agreed and funding identified. The recruitment of project managers to lead the delivery of the capital programme is underway with interviews due to take place and appointments made during May/June 2023.
8.	A balanced budget is delivered.	ExDir Resources	Tactical budget proposals taken forward.	July 2022 to February 2023	Yes	Tactic Budget proposals delivered and implemented, but financial landscape changed significantly with inflation levels and impact on pay and contractual obligations for 2023/24. Balanced budget agreed by Council March 2023 had £51m spending reductions, compared to £24m as originally estimated for tactical budget proposals.

	Targeted outcome	Sponsor	Activity	Completion date	Delivered	March 2023 Update
			Lobbying of Government for certainty over funding.	July 2022	Yes	Significant work undertaken over summer/Autumn 2022 (three peer reviews, Commission work, groundwork for procurement of strategic partner) resulting in revised narrative and reducing reliance on unilateral lobbying of government. Working with regional and national partners LG Settlement produced increased funding for Shropshire, but still required £51m spending reductions. Coordinated lobbying across the sector will continue.
9.	Staff are healthy and happy.	ExDir Resources	Analysis of mental health and well-being of staff absence data and dashboard development.	April 2022	Yes	Staff wellbeing focus from top of organisation – On regular agendas for Executive Team meetings, cross-organisational New Ways of Working Group, Employees Joint Consultative Committee, reflected in Strategic Risks. Focus of Getting Leadership Right programme, providing tools to managers. Improved Personal Development Plan process rolled out from April 2023.
			Management training provision; Trauma resilience; Mental Health awareness and resilience.	June 2022	Yes	Staff wellbeing focus from top of organisation – On regular agendas for Executive Team meetings, cross-organisational New Ways of Working Group, Employees Joint Consultative Committee, reflected in Strategic Risks. Focus of Getting Leadership Right programme, providing tools to managers. Improved Personal Development Plan process rolled out from April 2023. Access to Work Metal Health Programme and line manager mental health awareness and resilience training completed.
10.	Adults are safe.	ExDir People	Monitor performance of service against delivery plans.	September 2022	Yes	Almost all areas have operating dashboards and Power BI's to support performance monitoring. Those that do not are very near completion. Clear targets have been set in relation to waiting lists and performance clinics are in place to monitor.
			Reconfiguration of the CAMH[2]s for young people underway.	December 2022	Yes	This is a health service; we continue to work partners with some young people up to 25 most of them, certainly newly identified young people are referred into mental health services as appropriate for their needs.
			Broadening capacity in START team.	December 2022	Yes	A recruitment campaign is underway to recruit 30 new workers to the START team to increase capacity. Interviews are in progress but in the interim we have recruited agency support to enable an increase in capacity. As new starters are recruited, the agency support will be removed.
11.	Establishment of robust co-produced Health and Care system to deliver the desired outcomes.	ExDir Health, Wellbeing and Prevention, Public Health and General Management	Advice sought, consultation undertaken on governance processes and training provided to members and officers.	June 2022 September 2022	Yes	This specific activity outlined has been complete (see below) but further work is to be undertaken in this area as the system evolves and the establishment of a robust and co-produced health and care system delivering improved outcomes must continue to be a targeted outcome for our population. Specific activity included additional capacity brought in for scrutiny and legal advice to ensure the impact of the changed health legislation on the role local authority in the ICS. Training sessions were run for all members on the ICS in July 2022. Updates on specific health topics to members and officers as required including through key committees. Activity 2023 Impact of health and care system and failure not to deliver desired outcomes has been highlighted in other strategic risks further actions have been identified within this including: influence the governance of the new ICS to ensure all partners are equal within the system, the importance of

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	Targeted outcome	Sponsor	Activity	Completion date	Delivered	March 2023 Update
						the role of overview and scrutiny and ICP in oversight of delivery of desired outcomes, external advice on impact and opportunities.
			Shift of funding to communities.	September 2022	No This is ongoing	ICP Strategy, Health & Wellbeing Board Strategy and SHIPP Board seeking to prioritise key of the issues including the importance of communities. Funding for the sector has been highlighted as an issue. Activity 2023 Shropshire prevention strategy to highlight the role of communities in delivery of better outcomes and key actions. Increase delegation of responsibilities to place to allow more local leadership. Continue to build evidence in JSNA to reflect community level needs.

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	Committee and Date Cabinet - 7th June 2023 Audit Committee - 22nd June 2023 Council - 6th July 2023	Item Public

Healthy People
Healthy Economy
Healthy Environment
Healthy Organisation

Financial Outturn 2022/23

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

1. Synopsis

Shropshire Council ended a very challenging financial year better than expected, with an overspend of £8.5m, better by £1.5m than previous estimates and 3.8% of the net budget. Many of the causes of the overspend have been resolved in the budget for the new financial year.

2. Executive Summary

2.1. This report provides headlines and details of Shropshire Council 2022/23 financial performance for revenue and capital.

2.2. Operationally and financially, 2022/23 was a very challenging year. Challenges included

a) the invasion of Ukraine and the resulting global inflation pressures,
b) the energy price increases and the cost of living crisis,
c) ongoing service pressures,
d) the removal of Government funding for the impacts of COVID (despite some of these continuing), and
e) an unusually challenging budget position for 2023/24 to be resolved.

2.3. The Council responded proactively to these challenges and continued to deliver much needed services to local people and businesses. Highlights of the Council's financial management achievements through the year include:

a) the tactical budget (in response to the emerging inflationary pressures),
b) repositioning Council activity within the 'Shropshire Plan' (TSP), launched in May for Members and Staff, and setting out a clear sense of the priorities that the Council would be led by, and how the Council can act to shape the lives of Shropshire residents through its partnerships with public and other agencies
c) the LGA finance peer challenge, and similar reviews of our performance in scrutiny, communications, adults and children's services
d) a resulting repositioning of the Medium Term Financial Strategy as a key part of the delivery mechanisms for the TSP,
e) setting up the 'Getting it Right' initiative which gave a clear sense of vision, values, and behaviours for all Council staff, and 'Getting Leadership Right' – a ground-breaking leadership programme specifically designed for the Council, and including the 250 top managers (up to and including the Chief Executive)
f) preparation of a clear financial plan for 2023/24, presented to and approved by Full Council on 2 March 2023.

2.4. In terms of the LGA finance peer challenge, the team recently returned to consider our progress since the first visit. Overall, they continue to be complimentary about the progress made, but also stark in their assessment of our position. The first report noted that our finances 'while precarious, are not catastrophic'. The follow up review notes, in a similar way, that

> *"The council has very little remaining in its general reserves to cushion the impact of under-delivery, and will require the delivery of at least 95% of these [2023/24] savings in order for it to avoid depleting its reserves to a level which seriously jeopardises its financial solvency. This is a position which leaves no room for under-delivery."*

2.5. The MTFS and budget for 2023/24, agreed by Council in March 2023, includes plans to improve the reserves position, although – as set out above – there is no room for under-delivery in spending reduction plans.

2.6. A key challenge faced by the Council through the last 12 months, has been increases in the inflation rates through the course of the year. At the point of setting the budget, our expectation was for inflation to be around 3% for most of the year. In practice, it has consistently been higher than that. Despite the resulting pressure, the majority of the overspending has been driven by wider demand pressures – the principal impact of the economic changes was to the viability of the commercial property savings planned for the year (and now addressed in the new budget). It is significant, and positive, that the overall position has not been more significantly impacted by those inflationary pressures.

2.7. The overall result for the Council in the context of the challenges and responses set out above can be seen in table 1.

2.8. The key issues for the Council's financial performance in 2022/23 highlighted by this report are:

a) The Council's revenue outturn position for 2022/23 is an overspend of £8.499m (an improvement of £1.451m when compared with projections made at Quarter 3), which represents a variance of 1.4% on the gross budget (3.8% of net budget).
b) Consistent forecasting of an overspend of the magnitude during the year, highlighting robust forecasting processes – work is now in hand to ensure that effective interventions to correct overspending are in place across the Council.

c) A resulting year end position for the General Fund Balance of £7.1m – a3pprox.. 50% of the recommended minimum level, but with plans to improve this position for 2023/24.

d) The Council's capital programme was reprofiled over the year, to align with realistic delivery expectations, to £111.112m. Outturn capital expenditure for 2022/23 is £100.365m, representing 90.3% of the re-profiled budget. All £10.747m of the underspend has been carried forward to the 2023/24 programme.

Table 1: 2022/23 Budget Variations by Service Area (£'000)

Directorate	Revised Budget (£'000)	Controllable Outturn (£'000)	(Under) / Overspend (£'000)	*(Under) / Overspend (%)*	RAGY Classification
People	195,734	209,655	13,921		R
Place	70,157	75,263	5,106		R
Strategic Management	33	0	(33)		Y
Health and Wellbeing	2,332	2,025	(307)		Y
Resources	6,622	4,639	(1,983)		Y
Service delivery budgets	**274,878**	**291,582**	**16,704**	*6.1%*	
Corporate Budgets	(50,262)	(58,467)	(8,205)		Y
Total	**224,616**	**233,115**	**8,499**	*3.8%*	R

2.9. Three key factors affected the year end position for overall service delivery, which are:

- Activity in Children's Services being higher than anticipated when setting the budget;
- Activity in Adults' services being at a similar level to previous years, but with both working age and older adult clients having more complex – and so more costly care needs, coupled with difficulty moving away from the COVID-era hospital discharge arrangements (so incurring unanticipated costs);
- The inflationary pressures experienced during the year meant that increased income targets, especially in Commercial Services, were no longer viable.

2.10. Corporate budgets (including pensions costs, cost of finance, and other non-operational costs) returned an £8.2m surplus, which reduced the overall outturn to £8.5m overspent (3.8%). This was driven by 2 factors:

- slippage in the delivery of capital programme schemes which reduced the cost of financing incurred during the year (reducing spending below budgeted levels);
- bank interest rates being higher than anticipated (increasing investment returns above budgeted levels).

2.8 The outturn for Council Tax and Business Rates collection was reported to Cabinet in February and were embedded in the values set out in the MTFS approved by Council in March. The Collection Fund outturn was £4.3m surplus. Elsewhere, the overall collection rate for Council Tax achieved the target level of 98.2% (this level of delivery has increased year on year, from 97.7% in 2020/21. This funding supports the delivery of the vital services provided by the Council in support of our objectives, which are set out in The Shropshire Plan.

2.9 Further details are provided in Appendix 1.The movement from the forecast outturn position at Quarter 3 is summarised in Appendix 2.

3. Recommendations

3.1 It is recommended that Members:

In respect of the revenue budget:

a) Note that the outturn is an overspend of £8.499m.
b) Note the consequent level of the General Fund balance is £7.093m.
c) Note the service-related use of £33.192m of Earmarked Reserves & Provisions.
d) Note that the combination of earmarked and un-earmarked (General) reserves is below a level that would be regarded as safe, taking into account local circumstances. The MTFS sets out an agreed plan to restore these balances to safer levels.

Relating to ringfenced funding:

e) Note the performance of the Housing Revenue Account (HRA) – £0.768m (4%) surplus outturn for 2022/23 on £19m turnover, and the resulting level of the HRA reserve of £12.359m. The level of the accumulated surpluses held as a reserve should be reviewed and an appropriate action plan brought forward.
f) Note that the level of school balances has increased by £2.296m, from £8.191m in 2021/22 to £10.487m. The level of accumulated net surpluses in schools' balances is considerable, and schools should identify the rationale for holding balances at those levels.

In respect of the capital programme:

g) Approve net budget variations of -£4.007m to the 2022/23 capital programme (in Appendix 11) and the re-profiled 2022/23 capital budget of £111.112m.
h) Approve the re-profiled capital budgets of £26.575m for 2023/234, including slippage of £10.747m from 2022/23, £110.787m for 2024/25 and £56.264m for 2025/26 as detailed in Appendix 15.
i) Accept the outturn expenditure set out in Appendices 12 and 13 of £100.365m, representing 90.3% of the revised capital budget for 2022/23.
j) Approve retaining a balance of capital receipts set aside of £17.465m as at 31st March 2023 to generate a one-off Minimum Revenue Provision saving of £0.572m in 2023/24.

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 2022, which underpins this report, it took into account the requirements of the relevant legislation and any necessary service user consultation.

4.3 The financial results for 2022/23 are better than anticipated, but remain significantly adverse. This highlights an ongoing risk that effective action to address and improve the forecast was not able to be delivered within the year.

4.4 In terms of the recommendations in section 3, risks are as follows:

a) Revenue budget risks; the issues underlying the outturn position have been substantially mitigated through the budget set for the new financial year. However, overspending in the new year will impact (again) on the General Fund Balance (unallocated reserves), jeopardising the ability of the Council to sustain unanticipated shocks.
b) Ringfenced budgets: the HRA should hold a level of reserves proportionate to assessed risks. With a further increase in the carried forward surplus, a plan to deploy the HRA accumulated surplus should be prepared. The accumulated surpluses held by schools should be considered by those schools and the Schools Forum should ensure that appropriate plans are in place to deploy them.
c) Capital programme: budgetary risks arising from the capital programme primarily arise in two ways – inflationary pressures as the construction sector in particular is often highly exposed to price increases, and programme slippages as schemes are delivered slower (or faster) than anticipated. Both of these are reviewed quarterly by those managing the capital investment programme, and the outputs of those reviews are included in updates and revisions to the capital programme. An additional, more detailed review is planned for the summer of 2023, to accommodate the latest information on all capital schemes and proposals.

4.5 The financial position of the Council will be significantly challenged through the new year, 2023/24, as the Council must reduce planned spending from c£695m to c £645m in order to remain within available resources. This £50m spending reduction is the largest efficiency programme the Council has ever undertaken, but it will ensure that the Council is in good financial health across the coming years. To ensure financial sustainability in future years, an overspend on the scale seen in 2022/23 cannot be accommodated.

4.6 Several measures are therefore being undertaken to ensure that the Council has the best chance of success in facing the challenge and to learn from performance in 2022/23, including (for the new year):

a) More frequent reporting to Chief Officers
b) Reporting the financial position from the very start of the year
c) Clear processes for identifying budget variations and appropriate corrective actions
d) Ensure that budget delivery is part of The Shropshire Plan, and not an obstacle to it
e) Greater visibility of financial results and projections for budget managers and Directors
f) Update training in financial management

5. Financial Implications

5.1 This is the subject of the report. Failure to constrain spending within budgets leads to overspending, which must then be funded from un-earmarked reserves. The Council should carry un-earmarked reserves at a level of 5%-15% of turnover – or, £15m-£30m. (This is general advice to Councils provided by Grant Thornton LLP.) The

Council's MTFS, approved by Full Council in March 2023, includes provision to increase the general fund balance (our un-earmarked reserves) to these levels, provided that all spending for the year is constrained within the budgeted levels.

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 (including a move to hybrid working at the Council with officers predominantly working from home which has also helped to reduce officer 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 2022/23 and further details about spend in this area is included in Appendix 1 to this report. Several areas of spend in the climate change budget are invest-to-save or future income generating schemes such as energy generation with solar PV or building energy efficiency measures. 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 16.

7. Background

7.1. Budget monitoring reports are produced regularly for Executive Directors, and quarterly for Cabinet, highlighting the anticipated year end projection. The outturn report confirms the actual year end position compared to those earlier projections.

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. Additional Information

8.1 The Council approved a gross budget of £597.560m (net £224.616m) on 24th February 2022. This included savings of £10.655m. The final outturn for 2022/23 shows controllable net revenue expenditure of £223.115m and an overspend of £8.499m.

9. Update on Savings Delivery

9.1 69% of the 2022/23 savings required have been delivered. £6.566m savings have not been achieved, and £1.965m of those will be carried forward into 2023/24 to be delivered as soon as possible. The savings outturn in 2022/23 are presented in Appendix 3. The impact on the outturn position of the savings that have not been delivered can be seen in Appendix 5.

10. Analysis of Outturn Projections including Ongoing Budget Pressures

10.1 The outturn position of £8.499m overspend (see paragraph 8.2 above) includes ongoing and new budget pressures identified. Appendix 4 lists the ongoing budget pressures that the Council is facing and Appendix 5 reconciles the monitoring position to savings delivery.

11. General Fund Balance

11.1 A breakdown of transactions impacting on the General Fund in 2022/23 are detailed in Appendix 6 and this shows a reduction in the balance held of £4.429m to £7.093m. The MTFS approved in March 2023 includes provision to increase this to safe levels, provided that spending is held within budgeted levels in the new financial year.

12 Housing Revenue Account

12.1 The Housing Revenue Account (HRA) outturn for 2022/23 shows a surplus of £0.768m against a budgeted deficit of £0.803m, giving a £1.570m variance against the approved budget. This was mainly due to delays in the capital programme resulting in the budgeted revenue contributions to capital (£1.693m) not being required in year. As at 31 March 2023 the HRA reserve stood at £12.359m. A breakdown of the HRA is provided at Appendix 8. Clear plans should be set out for the application of the HRA reserve.

13 Dedicated Schools Grant

13.1 There is a (£1.979m) in year surplus reported against the Central Dedicated Schools Grant (DSG), leaving a cumulative DSG surplus of £2.695m at the end of the financial year. This in year-surplus was largely due to an in-year underspend reported on the High Needs Block of DSG totalling (£1.177m). There was also an underspend of (£0.083m) against the Council's Schools Growth funding allocation of £0.366m, as well as an underspend of (£0.036m) against the Council's Early Years Block DSG allocation of £17.367m. 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 2023/24 financial year, so the underspend of (£0.036m) remains a provisional figure until that point.

13.2 For context, significant growth was allocated for 2022-23 by the Government; the High Needs Block DSG allocation was significantly increased by £3.946m from £31.797m in 2021-22 to £35.743m in 2022-23. In December 2021, 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. In 2022-23, 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 £0.949m from the published allocation of £35.743m to a budget of £36.692m. 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.

13.3 While carrying a surplus of £2.695m 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 disproportionally impact the High Needs Block DSG financial position. We know that many young people have been adversely impacted over the past 3 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. A 3 year-forecasting exercise was undertaken for the High Needs Block DSG and presented to Schools Forum in January 2023. This concluded that while the current DSG financial position is healthy, less anticipated growth in the High Needs Block DSG allocation for 2024-25 financial year indicates that the Council could move from a forecasted surplus as at the end of 2023/24 financial year to a forecasted deficit at the end of 2024/25 financial year if demand growth assumptions are accurate.

14 Reserves and Provisions

14.1 The overall position for reserves and provisions is set out in the Statement of Accounts 2022/23, however a detailed breakdown of the balances is contained at Appendix 9 and shows an overall reduction of £33.192m in reserves and provision (excl. delegated schools balances).

15. Original & Final Capital Programme for 2022/23

15.1 The capital budget for 2022/23 was subject to a review of all projects at Quarter 3 and re-profiling where required into future years with no further re-profiling into future years being anticipated during Quarter 4. However, in Quarter 4 it has been necessary to undertake further re-profiling of £1.017m. Additionally, in Quarter 4 there has been a net budget decrease of £2.990m for 2022/23. In total, during Quarter 4 there has been a net budget decrease of £4.007m compared to the position reported at Quarter 3 2022/23. Appendix 10 summarises the overall movement, between that already approved and changes for Quarter 4 that require approval.

16. Capital Outturn Position

16.1 Total capital expenditure for 2022/23 was £100.365m, which equated to 90.3% of the re-profiled capital programme of £111.112m. Appendix 11 summarises the outturn position for 2022/23 with Appendix 13 detailing the capital financing of the programme. A summary of significant variances by directorate and service area are provided In Appendix 12.

17. Projected Future Capital Programme

17.1 The updated capital programme and the financing of the programme is summarised by year in Appendix 14.

18. Capital Receipts Position

18.1 Appendix 15 summarises the current allocated and projected capital receipt position across 2022/23 to 2025/26.

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

Financial Strategy 2022/23 – 2026/27

Financial Rules

Financial Monitoring Report – Quarter 1 2022/23

Financial Monitoring Report – Quarter 2 2022/23

Financial Monitoring Report – Quarter 3 2022/23

Appendices

Appendix 1 – 2022/23 Budget Variations by Service

Appendix 2 – Movement in Projections Between Q3 and Outturn

Appendix 3 – Update on Delivery of 2022/23 Savings Proposals

Appendix 4 – Ongoing Budget Pressures

Appendix 5 – Reconciliation of Monitoring Projections to Savings Delivery

Appendix 6 – General Fund Balance

Appendix 7 – Amendments to Original Budget

Appendix 8 – Housing Revenue Account

Appendix 9 – Reserves and Provision 2022/23

Appendix 10 – Revised Capital Programme

Appendix 11 – Capital Programme Outturn Position by Directorate 2022/23

Appendix 12 – Summary of Significant Variances Between Revised Outturn Budget & Outturn Expenditure by Directorate and Service Area For 2022-23

Appendix 13 – Revised Capital Programme Financing 2022/23

Appendix 14 – Capital Programme 2023/24 To 2025/26

Appendix 15 – Projected Capital Receipts Position

Appendix 16 – Capital Programme Summary Outturn 2022/23

APPENDIX 1

2022/23 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)

	Full Year			RAGY	FOR INFORMATION ONLY		
Directorate	Net Budget £	Controllable Outturn £	Controllable Variation £		Outturn (inc. Non Controllable Items) £	Non Controllable Variation £	Total Variation £
Corporate Budgets	(50,262,450)	(58,467,653)	(8,205,203)	Y	(58,472,603)	(4,950)	(8,210,153)
Health and Wellbeing	2,332,610	2,025,360	(307,250)	Y	2,026,320	960	(306,290)
People	195,734,500	209,654,960	13,920,460	R	209,667,696	12,736	13,933,196
Place	70,157,150	75,263,459	5,106,309	R	75,209,025	(54,434)	5,051,875
Resources	6,621,680	4,638,962	(1,982,718)	Y	4,649,932	10,970	(1,971,748)
Strategic Management Board	32,810	345	(32,465)	Y	835	490	(31,975)
TOTAL	**224,616,300**	**233,115,433**	**8,499,133**	**R**	**233,081,205**	**(34,228)**	**8,464,905**

*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

PEOPLE		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total – People Directorate		**195,734,500**	**209,654,960**	**13,920,460**	R
Children's Social Care and Safeguarding	Children & Education	48,473,260	56,876,658	8,403,398	R

£5.935m overspending for Looked After Children due to higher than budgeted levels of children entering the care system. This includes:
• £2.152m overspend on residential and fostering placement costs, notably external residential spot placements which has seen an increase of 16 placements (from 36 to 52) during the financial year.
• £2.143m overspend on staffing due to agency social workers (34.4FTE as at the end of March 2023) covering staff vacancies, sickness leave and maternity leave
• £1.640m overspend relating to other costs such as transport recharges and taxi costs, legal/barrister fees, medical assessments, and interpreting fees. These costs have increased in line with the increase in demand.

£1.236m overspend in the Disabled Children's Team.
• £0.691m of this overspend relates to bespoke, short term care packages of support for disabled children. This is an area which has seen a significant increase in demand.
• £0.292m relates to direct payments for disabled children related to an increase in complexity of their needs.
• £0.253m relates to the commissioning of additional overnight and community short breaks capacity during the year in line with increasing demand.

£0.515m overspend in the Leaving Care Team.
• £0.440m of this overspend relates 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.

£0.360m overspend on the Council's internal residential children's homes. The majority of this overspend is due to increased complexity and higher levels of staff support being required for some children, delivered through existing staff working additional hours & overtime. There has also been increased demand for crisis provision and outreach work.

£0.358m overspend in Adoption Services. £0.151m relates to Adoption Allowances, where there has been an increase in 2022/23.

Adult Social Care Operations	Adult Social Care, Public Health and Communities	110,338,330	115,357,792	5,019,462	R

Purchasing Care: £5.440m:
•**£1.839m overspend on spot purchasing costs**. Despite overall reduction in client numbers there has been an increase in the complexity of client needs (both in the community and after the discharge from hospital). In addition, care market costs have significantly increased compared to pre pandemic levels and continue to remain high. Work is in hand to manage the increased costs of care. Further cost pressures arose from hospital discharge process and short-term care provision. Overall costs mitigated by application of one-off funding (reserves) of £0.702m.

•**£1.820m overspend on new/increased supported living packages**. This is driven by the complexity of service users' needs. Work is underway to remodel the service, to better meet those needs and reduce costs.

•**£0.865 bad debt provision increased.** Due to the increased level of debt across the service.

•£0.757m shortfall in client contributions to care costs. Actual increases in contributions have been smaller than was assumed in the budget.

•£0.597m overspend on reablement (net). (NB Gross costs of £10.274m offset by NHS/ICB funding of £9.256m) and ASC Support Grant £0.382m). Up until 31st March 2022 national guidance dictated that hospital discharge arrangements would be covered by Covid monies via Health partners. Following the withdrawal of that funding, a number of different initiatives have been taken, both locally and nationally. Latest information is that we are seeing fewer people go into short term beds and more people returning home, with a resulting increase in the rate of hospital discharges.

•(£0.431m) overachievement of part funded continuing healthcare income. This offsets some of the increased expenditure above and again highlights the complex nature of service users we are supporting.

Other variations below of £0.429m, including £0.96m staffing underspending due to recruitment delays.

Housing Services	**Growth, Regeneration and Housing**	4,447,830	5,052,166	604,336	R

Housing have an overspend of £0.604m. This is solely down to the continued increase on Temporary accommodation, to include B&B costs, offset by some vacancies.

Learning and Skills	**Children & Education**	17,852,790	18,347,422	494,632	R

• **£0.951m overspend on home to school transport** against a budget of £13.067m. This was largely caused by increased fuel costs.

• **£0.295m underspend against schools staff related budgets** (former teacher's pension compensation payments and schools redundancies).

• **£0.143m underspend within Learning & Skills Business Support** relating to the use of one-off external funding, temporary vacancy management savings e.g. Schools Funding and NEETs data tracking teams and underspends on supplies and services e.g. postage and software/licenses.

Adult Social Care Business Support and Development	**Adult Social Care, Public Health and Communities**	3,733,680	3,498,354	(235,326)	Y

(£0.235m) underspend within Adult Social Care Business Support, mostly due to vacancies

Adult Social Care Management	**Adult Social Care, Public Health and Communities**	1,046,130	921,992	(124,138)	Y

(£0.124m) Underspend due to staff vacancies, with posts now having been filled.

Adult Social Care Provider Services	**Adult Social Care, Public Health and Communities**	3,682,330	3,586,827	(95,503)	Y

Overall Provider Services have an underspend of (£0.096m), arising from a combination of overspending (due to contract price pressures and agency costs to cover vacancies) and underspending (START and day services, both due to vacancies).

Children's Early Help, Partnerships and Commissioning	**Children & Education**	3,134,410	2,843,378	(291,032)	Y

The majority of the underspend is due to delays in recruiting staff to new posts.

Central DSG	**Children & Education**	0	0	0	G
There is a (£1.979m) in year surplus reported against the Central Dedicated Schools Grant (DSG), leaving a cumulative DSG surplus of £2.695m at the end of the financial year. This in year-surplus was largely due to an in-year underspend reported on the High Needs Block of DSG totalling (£1.177m). There was also an underspend of (£0.083m) against the Council's Schools Growth funding allocation of £0.366m, as well as an underspend of (£0.036m) against the Council's Early Years Block DSG allocation of £17.367m. 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 2023/24 financial year, so the underspend of (£0.036m) remains a provisional figure until that point. While carrying a surplus of £2.695m 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 disproportionally impact the High Needs Block DSG financial position.					
People Directorate Management	**Adult Social Care, Public Health and Communities**	3,025,740	3,170,371	144,631	R
·There was a £0.067m overspend within the Adult Services Director cost centre that relates to a one-off legal cost. · A further £0.021m of overspend relates to additional management capacity paid for at the start of the financial year and the remaining £0.057m of overspend relates to Unison staffing recharges not budgeted for and an overspend on the directorate's Apprenticeship Levy budget.					

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PLACE		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total – Place Directorate		**70,157,150**	**75,263,459**	**5,106,309**	R
Corporate Landlord, Property and Development	**Growth, Regeneration and Housing**	(3,481,710)	632,326	4,114,036	R
• **£1.391m due to delay in achievement of planned efficiencies within administrative buildings**, arising from the re-purposing of Shirehall and Mount McKinley, also rent charges to the University of Chester for the use of the Guildhall. The new plans are reflected in the budget for the new year, notably to achieve full savings but by 2026-27 when Council moves to new Multi-Agency Hub in Shrewsbury town centre. • **£1.442m delay in achievement of Commercial Savings for 2022/23 but which remain achievable in future years**. • **£2.021m Unachievable commercial savings**. OF which £0.934m pressure arising from inflationary pressures outside those provided for in the budget across utilities & Maintenance offset by one off (£0.313m) use of reserves. • £0.092m additional valuation costs have been incurred as required by accounts auditors. • (£0.816m) savings secured through releasing unused MRP budget, an underspend on enabling budgets (£0.163m) and providing conditions surveys in house (£0.060m); generating one off income across the estate of (£0.315m) and delays between vacant posts being appointed to due to market issues results in a projected (£0.025m) salary underspend. Also Bad Debt provision released (£0.071m). Balanced by other smaller variances across the estate.					
Shire Services	**Growth, Regeneration and Housing**	(398,260)	295,330	693,590	R
• £0.410m due to savings target not achieved. • £0.220m relates to the salary overspend due to the increased pay award. • £0.246m in additional income in the form of increased food rebates due to the current increase in food prices.					
Leisure	**Culture and Digital**	1,938,500	2,649,623	711,123	R
Overspending as - £0.269m pressure on Council operated Leisure centres. £0.193m Increased cost of renegotiated SERCO contract. £0.236m new equipment as part of SERCO contract. £0.223m Compensation payments to SERCO for Quarry closure. £0.091m utilities provision for Serco Managed centres. £0.140m Support for Bridgnorth, Highley and Ludlow leisure centres. £0.045m Legal and consultant fees. £0.077m repairs & maintenance of outsourced leisure facilities. Offset by underspending, as - (£0.416m) use of provisions and reserves. (£0.142m) Funding from Public Health to support delivery of PH/Leisure SLA.					
Bereavement Services	**Highways and Regulatory Services**	(216,140)	(217,894)	(1,754)	Y
Minor variance from budget at Period 13					
Trading Standards and Licensing	**Highways and Regulatory Services**	1,955,290	1,807,288	(148,002)	Y
The year end underspend is as a result of savings on employee costs due to recruitment difficulties and additional income achieved in Licencing partly offset by the contribution of funds to a provision for Home Loss Payments.					
Registrars and Coroners	**Highways and Regulatory Services**	571,580	583,595	12,015	G

Minor variance from budget at Period 13					
Assistant Director Commercial Services	**Growth, Regeneration and Housing**	161,450	169,134	7,684	G
Minor variance from budget at Period 13					
Director of Place	**Growth, Regeneration and Housing**	693,370	754,663	61,293	A
£0.032m cost of unison support in excess of £0.005m available budget, £0.036m pressure on annual subscriptions.					
Assistant Director Economy & Place	**Growth, Regeneration and Housing**	315,500	315,807	307	G
Minor variance from budget at Period 13					
Planning Services	**Highways and Regulatory Services**	1,593,420	1,405,281	(188,139)	Y
Street Naming & Numbering and Land Charges:- A variance of £0.050m resulting from a reduction in net income (mainly Land Charges property search income). **Building Control:-** Slightly under budget at -£0.039m mainly resulting from a reduction in the bad debt provision following pursuit of payments for Works in Default. **Natural and Historic Environment:-** A variance of £0.044m associated with external income generated. **Development Management:**- Under budget by -£0.138m resulting from significant Planning Application receipts in February and March. **Highways Development Control:**- a net saving of £0.105m mainly through a reduction in external professional/engineering support.					
Economic Growth	**Growth, Regeneration and Housing**	1,215,380	1,215,351	(29)	Y
Minor variance from budget at Period 13					
Broadband	**Culture and Digital**	161,140	161,140	0	G
No variance from budget.					
Planning Policy	**Highways and Regulatory Services**	975,220	976,489	1,269	G
Minor variance from budget at Period 13					
Shrewsbury Shopping Centres (Commercial)	**Growth, Regeneration and Housing**	(129,140)	(197,495)	(68,355)	Y
Saving on Shopping Centre Management as a result of on-shoring shopping centres and no longer incurring fees for Unit Trusts.					
Arts	**Culture and Digital**	66,670	54,731	(11,939)	Y
Minor variance from budget at Period 13					
Highways	**Highways and Regulatory Services**	12,861,290	13,082,353	221,063	A
Highways (Operations) - Additional network maintenance costs of £1.110m together with an energy saving of £0.190m, resulting from the LED streetlights already installed (a saving of 5% compared to the 2022/23 budget). **Highways (Bridges, Structures and Drainage) -** A budget saving of £0.145m resulting from a reduction in revenue works completed. **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 is anticipated to be £1.023m greater than budget. **Highways (Governance) -** Additional agency costs of £0.131m, contractor costs of £0.204m and insurance (claims settlement) of £0.146m.					
Shropshire Hills AONB	**Culture and Digital**	29,430	29,429	(1)	Y
Minor variance from budget at Period 13					
Outdoor Partnerships	**Culture and Digital**	1,302,290	1,315,373	13,083	G

Minor variance from budget at Period 13					
Libraries	**Culture and Digital**	3,448,410	3,497,968	49,558	G
The Overspend on Libraries is due to the cumulative small overspends on Salaries due to the use of additional hours.					
Museums and Archives	**Culture and Digital**	1,420,200	1,557,588	137,388	R
The Overspend on Museums is almost entirely due to shortfall on income at Acton Scott, which is closed. Further overspends are due to a shortfall in income for Museum Learning & Shropshire Archives.					
Theatre Services	**Culture and Digital**	(129,750)	(51,606)	78,144	A
Whilst there has been good post-pandemic admissions at the Theatre and Old Market Hall there continues to be significant challenges both from the costs of operating and the cost of living crisis. The overall impact on the service has been a net variance of £0.078m.					
Waste Management	**Deputy Leader, Climate Change, Environment and Transport**	33,565,900	33,266,504	(299,396)	Y
There has been an unprecedented level of landfill waste in 22/23 which has been much lower than anticipated and lead to underspends against the budget. There has also been more trade waste going to the Energy Recovery Facility (ERF) than budgeted for and improved ERF performance in general has lead to further underspends.					
Assistant Director Infrastructure	**Deputy Leader, Climate Change, Environment and Transport**	262,610	219,679	(42,931)	Y
A vacant post resulting in an underspend of £0.043m.					
Commercial Services Business Development	**Growth, Regeneration and Housing**	20,030	156,224	136,194	R
£0.022 Unachieved income to cover salary costs. £0.026 unachieved commercial income savings. £0.085 of savings targeted to be achieved in 23-24. Balanced by other small variances					
Head of Culture, Leisure & Tourism	**Culture and Digital**	525,150	527,621	2,471	G
Minor variance from budget at Period 13					
Climate Change	**Deputy Leader, Climate Change, Environment and Transport**	533,120	481,100	(52,020)	Y
One off underspend as a result of maximising capital funds to cover previously budgeted for revenue costs. Balanced by other small variances.					
Environment and Transport	**Deputy Leader, Climate Change, Environment and Transport**	10,166,100	10,362,408	196,308	A
Public Transport:- A net reduction in the costs of supported bus services, amounting to £0.145m. **Street Cleansing and Grounds Maintenance:-** A service variance of -£0.056m resulting from the release of a provision. **Parking:-** Net parking income lower than budget, £0.230m. **Strategic:-** This service area is £0.177m over budget mainly connected to Traffic Engineering works and assessments					
Assistant Director Homes and Communities	**Growth, Regeneration and Housing**	144,970	348,817	203,847	R
The Shropshire Local initiative is projected to incur unbudgeted costs of £0.119m from the centre located in the Darwin shopping centre. £0.061m pressure as unable to recharge management salary costs to Cornovii - budget amended for 23-24. Balanced by other small variances					
Housing Development and HRA	**Growth, Regeneration and Housing**	35,390	(583,660)	(619,050)	Y
Receipt of one off overage payment from Cornovii of (£0.587m) from a Housing Development.					

Shrewsbury Shopping Centres (Development)	**Growth, Regeneration and Housing**	549,740	448,294	(101,446)	Y
Underspend as a result of savings on insurance as centres are now empty, rates and service charge expenditure.					

CORPORATE BUDGETS	**Full Year**			**RAGY**
	Budget £	**Controllable Outturn £**	**Controllable Variance £**	
Total	**(50,262,450)**	**(58,467,653)**	**(8,205,203)**	Y

Corporate Budgets	**Finance and Corporate Resources**	(50,262,450)	(58,467,653)	(8,205,203)	Y

Following a review of earmarked reserves, it was agreed that (£1.95m) could be released from the Development Reserve, COVID Funding Reserve and Insurance Fund as there were no longer any commitments identified against these balances. In addition the Council received an unbudgeted distribution of (£0.430m) from the Government from the levy account which was notified to the Council in March. Also as result of paying 2022/23 employer contributions to the pension fund in April in full, the Council achieved a (£0.368m) discount which was calculated in the year end reconciliation.

The interest receivable budget delivered net additional income of (£2.146m) due to changes in the Bank of England base rate, increased from 0.75% to 4.25%. This was based on the value of investment balances held throughout the year.

The MRP budget delivered the expected one-off in year savings of (£1.300m). Of this, (£1.000m) was the result of releasing budget held for potential additional MRP costs from new projects. (£0.300m) was as a result of changes in actual borrowing requirements identified during the 2021-22 closedown.

Savings of (£1.064m) were delivered interest payable budgets, however recent Bank of England base rate increases will have an impact on borrowing rates going forward; i.e. it will be more expensive to borrow. The interest payable budget includes the current fixed term debt charges only.

Additional income of (£0.249m) was received in relation to the profit share from WME, alongside savings totalling (£0.698m) across corporate subscriptions, Non-Distributable costs, QICS PFI, and additional revenue grants and income received in year.

RESOURCES		Full Year Budget £	Controllable Outturn £	Controllable Variance £	RAGY
Total Resources Directorate		**6,621,680**	**4,638,962**	**(1,982,718)**	Y

Finance	**Finance and Corporate Resources**	2,594,770	1,919,000	(675,770)	Y
There were net savings identified across the Revenues and Benefits teams in relation to vacancies and staffing recharges due to issues with recruiting staff to the vacant positions, and in relation to recharging staff to externally funded grant projects. There have been workforce pressures in relation to additional responsibilities within the team for administering new grants such as Test and Trace Support grants, and energy rebates. This had resulted in the need for existing staff to work additional hours and to bring in additional resources from agencies to support the team to deliver business critical activities, although this additional cost was funded by administration elements of the grant funding and from savings on vacant posts. There has been a successful recruitment activity focused on filling apprenticeship posts within the teams, this will help to create a pool of experienced staff for the future to fill future vacancies and to aid with succession planning. Additional one off savings were identified across grant income and a review of supplies and services budgets. There was a net underspend within the Finance Team, due to staffing savings and additional income generation.					
Organisation Performance Management	**Culture and Digital**	0	0	0	G
No variation from budget.					
Automation and Technology	**Culture and Digital**	260,880	11,573	(249,307)	Y
Savings have been identified on ICT system budgets.					
Communications & Engagement	**Leader, Policy and Strategy, Improvement and Communications**	752,830	355,591	(397,239)	Y
Net savings were delivered across Customer Services and Communications as a result of several posts held vacant. A proportion of the staff budget savings were reallocated to support the creation of a 24/7 out of hours support service within the Safer Communities Coordination Team.					
Business Improvement: Data, Analysis and Intelligence	**Culture and Digital**	232,240	171,227	(61,013)	Y
Net savings were delivered as a result of vacancy management throughout the year.					
Human Resources and Organisational Development	**Finance and Corporate Resources**	413,760	123,963	(289,797)	Y
Human Resources Advice Team lost income from SLAs relating to maintained schools and unachieved income targets to increase external income generation. Income targets were difficult to meet due to loss of resources within the team, however most of the resulting budget pressures have been offset by one off underspends on staffing. The team has recently been subject to restructure of the service and all posts will be filled moving forwards. There were further underspends from a combination of additional income generation and vacancy management across Health & Safety and Occupational Health Teams, and Payroll Services (as a result of vacancy management).					
Treasury and Pensions	**Finance and Corporate Resources**	11,790	12,854	1,064	G
Minor Variance from budget as at period 13					
Commissioning Development and Procurement	**Finance and Corporate Resources**	123,350	(2,344)	(125,694)	Y

Additional income was received above initial forecasts in relation to the Matrix contract rebates linked to the use of agency staffing across the organisation, savings were also realised from vacancy management across the team.					
Risk Management and Insurance	**Finance and Corporate Resources**	(25,410)	(18,408)	7,002	G
Minor variance from budget at Period 13.					
Democratic Services	**Finance and Corporate Resources**	89,030	75,289	(13,741)	Y
Minor variance from budget at Period 13					
Elections	**Finance and Corporate Resources**	533,270	477,459	(55,811)	Y
Savings were delivered across the Elections team from vacancy management and reduced costs above those expected for Individual Electoral Registration.					
Legal Services	**Finance and Corporate Resources**	209,950	210,718	768	G
Minor variance from budget at Period 13					
Audit and Information Governance	**Finance and Corporate Resources**	30,340	(151,387)	(181,727)	Y
Due to staff turnover within the Audit team, there were underspends due to vacancy management within the team. This was partly offset by additional expenditure on agency staff to support the team. The current level of vacancies is not sustainable and recruitment activity is in progress.					
Resources Management Team	**Finance and Corporate Resources**	(112,290)	(81,085)	31,205	G
Additional costs were charged to the Resources Management Team above those expected at year end in relation to recharges for Union costs.					
Housing Benefits	**Finance and Corporate Resources**	1,513,700	1,513,700	0	G
No variation from budget as at period 13.					
Scrutiny	**Finance and Corporate Resources**	(6,530)	20,811	27,341	G
Additional staffing costs were incurred above those anticipated due to increased support for scrutiny.					

HEALTH AND WELLBEING		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total		2,332,610	2,025,360	**(307,250)**	Y

Regulatory Services	**Highways and Regulatory Services**	2,043,830	1,816,825	(227,005)	Y
The underspend is due to vacant posts within the Health Protection Team and a significant review and redesign of the service to optimise capacity, resilience and performance. The new structure has now been developed with recruitment to all posts, providing confidence internally and externally (to the Food Standards Agency), that the service has an appropriate establishment for meeting statutory Official Food Control targets moving forward. Underspends occurred due to delays in filling vacant posts. In the interim, and to assist with meeting existing food inspection targets, EHO Food Safety Consultants were appointed, funded from that underspend. In addition, resources have been diverted to activities associated with Contain Outbreak Management.					
Non Ring Fenced Public Health Services	**Adult Social Care, Public Health and Communities**	288,780	208,535	(80,245)	Y
The favourable variance is due to the application of Contain Outbreak Management Funding, where resources have been diverted to this initiative.					
Ring Fenced Public Health Services	**Adult Social Care, Public Health and Communities**	0	0	0	Y
No variation from budget.					

STRATEGIC MANAGEMENT BOARD		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total		**32,810**	**345**	**(32,465)**	Y

Chief Executive & PAs	**Leader, Policy and Strategy, Improvement and Communications**	21,870	(12,236)	(34,106)	Y
There were net savings within the PA's Team as a result of a number of posts held vacant that have now filled.					
Programme Management	**Leader, Policy and Strategy, Improvement and Communications**	10,940	12,581	1,641	G
Minor variance from budget at Period 13					

1.3 2022/23 Revenue Outturn By Portfolio Holder

Portfolio Holder	Revised Budget* £'000	Controllable Outturn £'000	Controllable Variance £'000
Portfolio Holder Children and Education	68,814	77,421	8,607
Portfolio Holder Adult Social Care, Public Health and Communities	121,197	125,826	4,629
Portfolio Holder Growth, Regeneration and Housing	3,273	8,305	5,032
Deputy Leader and Portfolio Holder Climate Change, Environment and Transport	44,579	44,381	(198)
Portfolio Holder Culture and Digital	8,903	9,573	670
Leader and Portfolio Holder Policy and Strategy, Improvement and Communications	633	203	(430)
Portfolio Holder Highways and Regulatory Services	19,475	19,144	(331)
Portfolio Holder Finance and Corporate Resources	(42,257)	(51,737)	(9,480)
Total	**224,616**	**233,115**	**8,499**

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	(3,947)	(8,205)	(4,258)	Release of reserves and allocation of grants. Reduction in MRP requirement following lower than anticipated delivery of new projects.
Health and Wellbeing	(265)	(307)	(42)	Minor variations between Q3 and outturn position.
People	12,987	13,920	933	Home to school transport pressures due to increase in numbers and inflation and further pressures linked to agency spend on Childrens social workers.
Place	5,018	5,106	89	Additional costs against Highways service for safety maintenance, engineering support, safety repairs, drain clearing and agency staff offset in the main against landfill waste amounts being less than anticipated at year end and increase in planning fee income.
Resources	(1,647)	(1,983)	(336)	Savings against vacancy management, agency staff and additional grant funding not anticipated.
Strategic Management Board	(32)	(32)	0	No variation between Q3 and outturn position.
Total				

APPENDIX 3

UPDATE ON DELIVERY OF 2022/23 SAVINGS PROPOSALS

3.1 Summary

Throughout 2022/23, 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	0	0	50	50
Health and Wellbeing	0	0	209	209
People	501	0	2,530	3,030
Place	5,247	0	3,466	8,713
Resources	50	0	634	684
Strategic Management Board	0	0	9	9
Tactical Budget Savings	768	0	7,712	8,480
Council	**6,566**	**0**	**14,610**	**21,175**
	31%	0%	69%	

The total tactical budget savings identified in the updated Financial Strategy and delivery against the savings plans are included in the table above alongside those approved at Council in February 2022.

The position above also includes unachievable savings which have been provided budget growth within the 2023/24 budget of £4.599m. These are detailed in the table below.
The figures presented above show that 69% of the 2022/23 savings required have been delivered. Savings that have not been delivered are presented below.

3.2 Breakdown of Red Savings

Ref	Directorate	Service Area	Description	Financial Year Saving Originally Required (£'000)	Total Saving Rated Red (£'000)	Value Rated Red (£,000)	Value Unachievable - Budget Growth Allocated within 2023/24 Budget (£'000)
AS6	People	Adult Social Care Operations	Adult Social Care - Review of double handed care	2022/23	192		192
CW2	People	Adult Social Care Provider Services	Increase to fees and charges income	2022/23	6		6
AS12	People	Adult Social Care Operations	Adult Social Care - Review care provider contract arrangements	2022/23	119		119
AS15c	People	Adult Social Care Operations	Review pre-placement framework	2022/23	70		70
2A37R	People	Housing Services	Increased Housing income	2020/21	114	15	99
PS4	Place	Planning Services	Building Control - Use of reserve	2022/23	37	37	
PS5	Place	Planning Services	Enhanced income through commercial activity in Natural & Historic Environment teams	2022/23	40		40
CW2	Place	Leisure	Increase to fees and charges income	2022/23	22		22
CW2	Place	Theatre Services	Increase to fees and charges income	2022/23	162		162
PS12	Place	Environment and Transport	Review of parking charges	2022/23	350		350
P33	Place	Corporate Landlord, Property and Development	Raise additional income from new development	2022/23	27		27
P35	Place	Corporate Landlord, Property and Development	Efficiencies within administrative buildings	2022/23	1,205	309	896
P39	Place	Corporate Landlord, Property and Development	Raise income from investment in assets	2022/23	2,000		2,000
P39	Place	Corporate Landlord, Property and Development	Raise income from investment in assets	2021/22	1,259	732	527

H16	Place	Trading Standards and Licensing	Increase parking enforcement functions in line with the parking strategy	2020/21	40		40
P11	Place	Libraries	Review of library provision	2022/23	104	104	
RS9	Resources	Human Resources and Organisational Development	Increase Human Resources and Development income generated from commercial activities	2022/23	50		50
Tactical Budget Savings				2022/23	768	768	
					6,565	**1,965**	**4,600**

3.3 Unachieved Savings Carried Forward to 2023/24

As per 3.2, £6.565m 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 2023/24, £4.600m growth funding has been applied in order to remove the 2022/23 red savings that have been determined to be undeliverable. Following the application of growth funding during the budget setting process, £1.965m 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 monthly with Directors throughout 2023/24. The £1.965m of unachieved savings carried forward into 2023/24 are shown in the penultimate column of 3.2 above

APPENDIX 4

ONGOING BUDGET PRESSURES

Directorate	Service	Nature of Pressure	Value (£'000)
People	Children's Social Care	Disabled Children's Team	292
People	Children's Social Care	Public law outline support packages (medical assessments and legal costs)	257
People	Children's Social Care	Increase in expenditure relating to operating the Council's children's residential homes	260
People	Children's Social Care	External Residential placements	6,045
People	Adults Social Care	Purchasing Costs increase in short term packages and rates	5,060
People	Housing	Temporary Accommodation and B&B numbers high	1,638
Place	Leisure	Pressure on Council Managed Leisure Centres	247
Place	Leisure	Serco Leisure Contract extension	193
Place	Leisure	Repairs & Maintenance	77
Place	Leisure	Leisure Contract utility unit cost increases	92
Place	Assistant Director, Homes and Communities	Shropshire Local	119
Place	Waste Management	Veolia contract price	450
Place	Shire Services	Ongoing pressures on Catering provision	694
Place	Corporate Landlord	Utility (electricity, water and gas) costs	231
Place	Corporate Landlord	Rates (Across Corporate Landlord estate)	266
Place	Corporate Landlord	Building Rental Contracts on ASC Housing	69
Place	Corporate Landlord	IT Hardware/Software	56
Place	Corporate Landlord	Repairs & Maintenance (across Corporate Landlord estate) & Grounds Maintenance	416
TOTAL			**16,462**

APPENDIX 5

RECONCILIATION OF MONITORING PROJECTIONS TO SAVINGS DELIVERY

	Outturn Variance (Controllable) £000	Savings Pressure in 2022/23 £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	(8,205)	0	0	0	0	(8,205)
Corporate Budgets	**(8,205)**	**0**	**0**	**0**	**0**	**(8.205)**
Regulatory Services	(227)	0	0	0	24	(251)
Non Ring Fenced Public Health Services	(80)	0	0	0	214	(295)
Ring Fenced Public Health Services	0	0	0	0	3,965	(3,965)
Health and Wellbeing	**(307)**	**0**	**0**	**0**	**4,203**	**(4,510)**
People Directorate Management	145	0	0	0	169	(23)
Adult Social Care Business Support and Development	(235)	0	0	0	15	(250)
Adult Social Care Management	(124)	0	0	0	0	(124)
Adult Social Care Provider Services	(95)	6	0	0	290	(391)
Adult Social Care Operations	5,020	381	5,060	0	539	(960)
Housing Services	604	114	1,637	0	32	(1,179)
Children's Social Care & Safeguarding	8,404	0	6,854	0	8,075	(6,525)
Children's Early Help, Partnerships and Commissioning	(291)	0	0	0	56	(347)
Learning and Skills	494	0	0	0	971	(476)
Central DSG	0	0	0	0	1,999	(1,999)
People	**13,922**	**501**	**13,551**	**0**	**12,145**	**(12,274)**
Director of Place	61	0	0	0	61	0
Assistant Director, Commercial Services	8	0	0	0	8	0
Corporate Landlord & Property and Development	4,114	4,380	1,038	0	850	(2,154)
Commercial Services Business Development	136	111	0	0	25	0
Climate Change	(52)	0	0	0	0	(52)
Shire Services	694	0	694	0	0	0
Assistant Director, Economy and Place	0	0	0	0	0	0
Planning Services	(189)	77	0	0	0	(266)
Economic Growth	0	0	0	0	0	0
Broadband	0	0	0	0	0	0
Planning Policy	1	0	0	0	1	0
Shrewsbury Shopping Centres – Development Sites	(101)	0	0	0	0	(101)
Shrewsbury Shopping Centres – Commercial Sites	(68)	0	0	0	0	(68)
Assistant Director, Infrastructure	(43)	0	0	0	0	(43)
Environment and Transport	196	350	0	0	0	(154)
Highways	221	0	0	0	221	0
Waste Management	(299)	0	450	0	12	(761)
Assistant Director, Homes and Communities	204	0	119	0	85	0
Housing Development and HRA	(619)	0	0	0	0	(619)
Bereavement Services	(2)	0	0	0	0	(2)
Registrars and Coroners	12	0	0	0	12	0
Trading Standards and Licensing	(148)	40	0	0	0	(188)
Head of Culture, Leisure and Tourism	2	0	0	0	2	0
Arts	(12)	0	0	0	0	(12)
Shropshire Hills AONB	0	0	0	0	0	0
Outdoor Partnerships	13	0	0	0	13	0
Leisure	711	22	609	0	667	(587)
Libraries	49	104	0	0	0	(55)
Museums and Archives	137	0	0	0	186	(49)
Theatre Services	78	162	0	0	0	(84)
Place	**5,105**	**5,247**	**2,910**	**0**	**2,143**	**(5,195)**
Resources Directorate Management	31	0	0	0	31	0
Automation and Technology	(249)	0	0	0	259	(508)
Finance	(676)	0	0	0	47	(723)

	Outturn Variance (Controllable) £000	Savings Pressure in 2022/23 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Housing Benefits	0	0	0	0	0	0
Business Improvement: Data, Analysis and Intelligence	(61)	0	0	0	7	(68)
Human Resources & Organisational Development	(290)	50	0	0	72	(412)
Risk Management and Insurance	7	0	0	0	77	(70)
Scrutiny	27	0	0	0	27	0
Commissioning Development and Procurement	(126)	0	0	0	0	(126)
Legal Services	1	0	0	0	133	(132)
Democratic Services	(14)	0	0	0	54	(68)
Elections	(56)	0	0	0	0	(56)
Audit and Information Governance	(182)	0	0	0	0	(182)
Treasury and Pensions	1	0	0	0	7	(6)
Communications and Engagement	(397)	0	0	0	33	(430)
Resources	**(1,984)**	**50**	**0**	**0**	**747**	**(2,781)**
Chief Executive and PAs	(34)	0	0	0	0	(34)
Programme Management	2	0	0	0	2	0
Strategic Management Board	**(32)**	**0**	**0**	**0**	**2**	**(34)**
TOTAL	**8,499**	**5,797**	**16,461**	**0**	**19,240**	**(33,000)**

APPENDIX 6

GENERAL FUND BALANCE

7.1 In 2019/20, 2020/21 and 2021/22, the General Fund was used to offset Shire Services' deficit outturn position, as the Shire Services' earmarked reserve had been fully utilised in 2019/20. 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 2022/23 to offset Shire Services' unfunded deficit (£0.694m), following a further year in which the service has been unable to repay the General Fund contribution made in the last 3 years. Therefore, the total loan now stands at £1.350m, and this must be repaid within a reasonable time frame.

	£'000
Balance at 1st April 2023	11,522
Budgeted Contribution to GF	4,028
Outturn Controllable Overspend (all services excluding Shire Services)	(7,797)
Use of Fund to Offset Shire Services' Deficit Position – to be repaid	(694)
Net Outturn Controllable Overspend (all services)	
Outturn Non-Controllable Insurance Underspend	34
Balance at 31 March 2023	**7,093**

APPENDIX 7

AMENDMENTS TO ORIGINAL BUDGET 2022/23

£'000	Total	Corporate Budgets	Health and Wellbeing	People	Place	Resources	Strategic Management Board
Original Budget as Agreed by Council	**224,616**	**(54,919)**	**3,449**	**198,809**	**70,934**	**6,328**	**15**
Quarter 1							
Structure Changes	0	0	(1,266)	1	1,292	(28)	0
Virements	0	521	276	99	(797)	(99)	0
Quarter 2							
Virements	0	(284)	(1)	32	217	36	0
Quarter 3							
Virements	0	(3,185)	49	1,505	885	730	16
Quarter 4							
Virements	**0**	**(167)**	**7**	**70**	**45**	**38**	**7**
Q4 Revised Budget	**224,616**	**(58,034)**	**2,514**	**200,516**	**72,576**	**7,005**	**38**

APPENDIX 8

HOUSING REVENUE ACCOUNT 2022/23

As at 31 March 2023	Original Budget £	Outturn £	Variance Adverse/ (Favourable) £
<u>Income</u>			
Dwellings Rent	(18,101,280)	(17,965,084)	136,196
Garage Rent	(104,900)	(102,978)	1,922
Other Rent	(17,000)	(6,290)	10,710
Charges for Services	(686,820)	(916,143)	(229,323)
Total Income	**(18,910,000)**	**(18,990,494)**	**(80,494)**
<u>Expenditure</u>			
ALMO Management Fee	9,021,410	9,021,409	(1)
Supplies and Services	640,370	591,997	(48,373)
Capital Charges - Dwelling Depreciation	4,047,050	4,471,690	424,640
Capital Charges - Depreciation Other	196,250	203,130	6,880
Interest Paid	2,988,250	3,196,356	208,106
Repairs charged to revenue	600,000	542,718	(57,282)
Revenue Financing Capital Expenditure	1,693,450	0	(1,693,450)
New Development Feasibility	200,000	100,718	(99,282)
Increase in Bad Debt Provision	50,000	50,000	0
Corporate & Democratic Core	335,910	340,886	4,976
Total Expenditure	**19,772,690**	**18,518,904**	**(1,253,786)**
Net Cost of Services	**862,690**	**(471,590)**	**(1,334,280)**
Interest Received	(60,000)	(295,956)	(235,956)
Net Operating Expenditure	**802,690**	**(767,547)**	**(1,570,237)**
Net Cost of Service/(Surplus) for Year	**802,690**	**(767,547)**	**(1,570,237)**
<u>HRA Reserve</u>			
B/fwd 1 April	11,055,680	11,591,766	
Surplus/(Deficit) for year	(802,690)	767,547	
Carried Forward 31 March	10,252,990	12,359,313	

APPENDIX 9

EARMARKED RESERVES

9.1 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 2022/23

	Reserves	Provisions	Bad Debt Provisions	Total Reserves & Provisions
	£000	£000	£000	£000
As at 31 March 2022 As at 31 March 2023	89,638 52,579	8,549 12,240	18,572 21,044	116,759 85,863
Increase/(Decrease)	**(37,059)**	**3,691**	**2,472**	**(31,697)**
Delegated School Balances Movement	2,296	0	0	2,296
Increase/(Decrease) (excluding Delegated School Balances)	**(39,355)**	**3,691**	**2,472**	**(33,192)**

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Reserves						
Sums set aside for major schemes, such as capital developments, or to fund major reorganisation						
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	0	0	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.	4,079	0	-994	731	3,815
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	18,389	-190	-13,813	4,476	8,862
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	2,964	0	-1,022	128	2,070
		25,431	**-190**	**-15,829**	**5,335**	**14,747**
Insurance Reserves						
Fire Liability	Required to meet the cost of excesses on all council properties.	2,412	0	-501	305	2,216
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,341	0	-46	124	1,420
		3,754	**0**	**-547**	**429**	**3,636**
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	-8	8	0
		0	**0**	**-8**	**8**	**0**
Reserves retained for service departmental use						
Building Control	Required to manage the position regarding building control charges.	487	0	-63	0	424
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. Plus unspent IBCF monies required to fund the IBCF programme in future years.	4,137	0	-2,477	308	1,968
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.	2,838	0	-520	380	2,698
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	7,043	0	-7,043	0	0
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	14,415	0	-14,024	0	391

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Savings Management - Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	409	0	-1,609	1,200	0
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	1,200	0	0	300	1,500
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	1,633	0	-5,108	4,652	1,177
Public Health Reserve	This reserve includes balances committed to specific public health projects.	3,750	0	-158	732	4,323
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	685	0	-351	0	333
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.	987	0	-237	466	1,217
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2023/24	9,381	0	-5,481	428	4,328
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.	2,809	190	-787	797	3,009
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	80	0	-13	0	67
		50,001	**190**	**-37,870**	**9,263**	**21,583**
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.	8,191	0	-7,154	9,450	10,487
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.	2,261	0	-313	177	2,126
		10,452	**0**	**-7,467**	**9,627**	**12,612**

Total Reserves	**89,638**	**0**	**-61,721**	**24,662**	**52,579**

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.	3,013	0	3,055	-3,013	3,055

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Other Provisions - Short Term	Includes a number of small provisions including Environmental Maintenance contract commitments and Shopping Centre rental payments	705	0	303	-300	708
Provisions - Long Term						
Other Provisions - Long Term	Includes a number of small provisions including S106 Accrued Interest, profit share agreements and Shopping Centre rental payments.	73	0	0	0	73
Tenancy Deposit Claw backs	This represents deposits held for the economic development workshops that may be repaid at some point in the future.	216	0	38	-20	234
Liability Insurance	Provision to meet the estimated actuarial valuation of claims for public liability and employers' liability	3,706	0	868	-479	4,096
NDR Appeals	Represents the Council's share of the provision held for successful appeals against business rates.	835	0	6,572	-3,332	4,074
Council Tax Bad Debt	Held for potential write offs of Council tax debtor balances.	8,993	0	1,724	0	10,717
NNDR Bad Debt	Held for potential write offs of NNDR debtor balances.	2,020	0	499	0	2,520
General Fund Bad Debts	Held for potential write offs of debtor balances for General Fund Services including Housing Benefits.	7,168	0	1,057	-813	7,412
HRA Bad Debts	Held for potential write offs of debtor balances for Housing Revenue Account rents and other debtor balances.	391	0	50	-45	395
Total Provisions		**27,121**	**0**	**14,165**	**-8,002**	**33,284**

Total Reserves & Provisions	**116,759**	**0**	**-47,555**	**16,659**	**85,863**

HRA Earmarked Reserves						
Major Repairs Reserve	Required to meet the costs of major repairs to be undertaken on the Council's housing stock.	6,919	0	4,675	-4,194	7,400
		6,919	**0**	**4,675**	**-4,194**	**7,400**

Delegated School Balances

9.2 The movement in delegated schools' balances are detailed in the table below.

Movement in delegated schools' balances 2022/23

	2021/22 £'000	2022/23 £'000	Increase/ (Decrease) £'000
Schools:			
- Revenue Balances	6,215	6,486	271
- Invested Balances	400	382	(18)
- Extended Schools Activities Balance	1,002	923	(79)
Sub Total within Schools	**7,617**	**7,791**	**174**
Purchasing IT equipment	(9)	0	9
DSG (Deficit) / Surplus	582	2,695	2,113
Total Delegated School Balances	**8,190**	**10,486**	**2,296**

9.3 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, 5 have deficit balances.

9.54 The Extended Schools activities allocations for schools were paid over during 2022/23, these balances have been ringfenced to each individual school within School Balances.

9.65 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 2022/23 financial year, Shropshire Council has a £2.695m DSG surplus which is required to be held in a statutorily ring-fenced unusable reserve called the DSG Adjustment Account.

APPENDIX 10

REVISED CAPITAL PROGRAMME

Detail	Agreed Capital Programme - Council 24/02/22 £m	Slippage & Budget Changes Approved To Quarter 3 20221/23	Quarter 4 Budget Changes to be Approved £m	Revised 2022/23 Capital Programme Quarter 4 £m
General Fund				
Adult Services	-	-	-	-
Childrens Services	17.795	7.430	(8.950)	16.275
Place	90.657	(19.1950)	5.038	76.500
Workforce & Transformation	0.351	0.135	0.000	0.486
Total General Fund	**108.803**	**(11.630)**	**(3.9122)**	**93.261**
Housing Revenue Account	16.511	1.435	(0.095)	17.851
Total Approved Budget	**125.314**	**(10.195)**	**(4.007)**	**111.112**

APPENDIX 11

CAPITAL PROGRAMME OUTTURN POSITION BY DIRECTORATE 2022/23

Detail	Revised Capital Programme - Outturn 2022/23 £m	Actual Expenditure 31/03/2023 £m	Variance £m	Spend To Budget %
General Fund				
Health & Wellbeing	-	-	-	-
People	16.275	19.175	(2.899)	117.8%
Place	76.500	67.289	9.211	88.0%
Workforce & Transformation	0.486	0.443	0.042	91.3%
Total General Fund	**93.261**	**86.907**	**6.354**	**93.2%**
Housing Revenue Account	17.851	13.458	4.393	75.4%
Total Approved Budget	**111.112**	**100.365**	**10.747**	**90.3%**

APPENDIX 12

SUMMARY OF SIGNIFICANT VARIANCES BETWEEN REVISED OUTTURN BUDGET & OUTTURN EXPENDITURE BY DIRECTORATE AND SERVICE AREA FOR 2022-23

People - Total overspend against People capital programme was £2.900m.

- 0.265m overspend against Adult Social Care for OT Equipment purchases across county. This has been carried forward for financing from the 2023-24 Disabled Facilities Grant allocation. This is mainly as a result of inflationary pressures on equipment costs. Work is under way to review the purchasing process and how savings can be achieved in this area through more bulk purchasing in future. This overspend was forecast earlier in year and reported.
- £2.654m overspend against Learning and Skills. This is mainly in relation to cashflow timing of payments rather than a budget pressure on the Schools Future Place Planning Programme for the new Bowbrook Primary School. The overspend will be carried forward into 2023-24 for allocation against the budget set in 2023-24. The overall programme is still within budget allocation.

Place – Total underspend against the Place capital programme was £9.211m, which was comprised of the following areas of main underspends and overspends:

- £0.738m 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 2022-23 was above the allocation and has been funded from the capital receipt projections.
- £0.410 on the Shrewsbury SITP programme due to delays in the final instalment of the VMS signage and agreement on locations.
- £1.563m underspend on various LTP projects, including Schools 20mph Scheme and Shifnal Network Improvements, these are expected to continue into 2023-24.
- £0.981m underspend against expected profile on various Highways CIL and Section 106 projects which will continue into 2023-24.
- £1.933m underspend against Corporate Landlord capital maintenance programme due to delays in the deliverability of some schemes. These schemes are expected to complete in early 2023-24.
- £0.444m underspend against budget profile on the Oswestry Mile End pedestrian overbridge scheme due to delays in revising the procurement options to ensure savings on construction where possible.
- £1.484m underspend against forecast on the On Street Residential Charging Point Scheme due to an extension of the programme until June 2023.
- £1.103m underspend against the Whitchurch Medical Practice project which is as a result in payment drawdowns behind expected profile.
- 0.484m underspend on the Meole Brace Pitch and Putt project against expected profile due to planning requirements.

Resources - Total underspend against the Resources capital programme was £0.043m. This is in relation to the allocation of funding towards the cost of IT Kit Replacement Programme which will continue into 2023-24.

Housing Revenue Account - Total underspend against the HRA programme was £4.393m, of which £0.817m was on the Major Repairs Programme against an overall budget allocation of £5.055m so significant expenditure has been invested with just a slight underspend. £2.588m was on the New Build Programme which was mainly due to profiling of contractor payments and costs which will continue into 2023-24, with the overall programme still on schedule. £0.938m was on the Temporary Accommodation Programme against an overall budget allocation of £1.871m, careful consideration of suitable properties and locations has resulted in a slight delay on completions against profile, but considerable progress has been made in securing properties.

APPENDIX 13

REVISED CAPITAL PROGRAMME FINANCING 2022/23

Within the financing of the Capital Programme £5.656m is funded from revenue contributions. The major areas of revenue contributions to capital are in ringfenced HRA monies to undertake major housing stock repairs (£1.052m) and new build schemes (£2.364m), essential repairs in relation to the Corporate Landlord estate (£1.456m), the Community Led Affordable Housing Contributions Grant Scheme (£0.379m) and Schools revenue contributions to various capital schemes (0.243m).

Detail	Agreed Capital Programme - Council 24/02/22 £m	Slippage & Budget Changes Approved To Quarter 3 2022/23 £m	Quarter 4 Budget Changes to be Approved £m	Revised 2022/23 Capital Programme Quarter 4 £m
Financing				
Self Financed Prudential Borrowing *	22.176	12.454	3.869	38.499
SALIX Loan	1.790	(1.003)	-	0.787
Government Grants	69.413	(28.398)	(4.805)	36.210
Other Grants	0.138	6.377	(4.999)	1.515
Other Contributions	14.468	0.599	0.244	15.311
Revenue Contributions to Capital	3.428	1.767	0.461	5.656
Major Repairs Allowance	3.780	0.310	(0.267)	3.823
Corporate Resources (expectation - Capital Receipts only)	10.121	(2.300)	1.490	9.310
Total Confirmed Funding	**125.314**	**(10.195)**	**(4.007)**	**111.112**

APPENDIX 14

CAPITAL PROGRAMME 2023/24 to 2025/26

Detail	2023/24 £m	2024/25 £m	2025/26 £m
General Fund			
Health & Wellbeing	-	-	-
People	28.272	17.577	7.399
Place & Enterprise	76.828	78.088	35.552
Resources	1.000	-	-
Total General Fund	**106.100**	**95.665**	**42.951**
Housing Revenue Account	20.475	15.122	13.313
Total Approved Budget	**126.575**	**110.787**	**56.264**
Financing			
Self Financed Prudential Borrowing *	41.654	30.734	12.342
SALIX Loan	1.910	0.000	-
Government Grants	55.010	58.801	30.481
Other Grants	2.188	0.061	0.020
Other Contributions	7.855	5.951	2.100
Revenue Contributions to Capital	1.049	0.000	0.369
Major Repairs Allowance	4.828	4.828	5.000
Corporate Resources (expectation - Capital Receipts only)	12.080	10.412	5.952
Total Confirmed Funding	**126.575**	**110.787**	**56.264**

***** 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 Council 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 either revenue savings or revenue generation.

APPENDIX 15

PROJECTED CAPITAL RECEIPTS POSITION

15.1 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. The table below summarises the current allocated and projected capital receipt position across 2022-23 to 2025-26. 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. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Detail	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Corporate Resources Allocated in Capital Programme	7.888	12.080	11.039	6.952
Capital Receipts used to finance redundancy costs	0.944	1.044	-	-
To be allocated from Ring Fenced Receipts	-	20.835	4.000	17.932
Total Commitments	**8.832**	**33.958**	**15.039**	**24.884**
Capital Receipts in hand/projected:				
Brought Forward in hand	18.273	18.273	**(9.581)**	**(24.620)**
Generated 2020/21 YTD	8.832	-	-	-
Projected - 'Green'	-	6.104	-	0.495
Total in hand/projected	**27.105**	**24.377**	**(9.581)**	**(24.125)**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**(18.273)**	**9.581**	**24.620**	**49.009**
Further Assets Being Considered for Disposal	**-**	**23.677**	**15.147**	**2.000**

15.2 Capital receipts of £18.273m were brought forward from 2021/22 and £8.832m was generated in 2022/23. 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, £0.944m has been used to finance redundancy costs under the flexibilities around the use of Capital Receipts for transformation revenue purposes.

15.3 Following the underspend position for the capital programme for 2022/23 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 £17.465m in capital receipts in hand at 31/03/23. These will be set-aside, enabling the Council to achieve an additional MRP saving of £0.542m in 2023/24. These capital receipts are required to finance schemes they are allocated to in the future years' capital programme.

15.4 Based on the current approved position, across the life of the programme the are significant shortfalls in capital receipt projections of £9.581m, £24.620m and £49.009m in 2023/24, 2024/25 and 2025/26 respectively based on receipts rated green in the RAG analysis to fund the required budget in the capital programme. There is, therefore, the requirement to progress the disposals rated amber and red, which over the period 2023-24 to 2026-27 total £52.092m, to ensure they are realised, together with realising the revenue running cost savings from some of the properties. Considerable work is required to realise these receipts, with generally a lead in in time of at least 12 to 18 months on larger disposals. In addition to the current expenditure commitments, the programme will also grow as new schemes are approved.

15.5 It is important that work progresses, to avoid funding shortfalls in 2023/24, 2024/25 and 2025/26 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, some of which will occur naturally as part of the review of the delivery of schemes; or undertake prudential borrowing, which will incur future year's revenue costs that are not budgeted in the revenue financial strategy.

15.6 The projected shortfall in capital receipts is purely based on the currently approved capital programme for the period 2023/24 to 2025/26. The current Capital Strategy 2023/24 to 2027/28, approved by Council in March 2023, identifies potential future priority capital schemes with estimated costs of £301.823m. 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 2022/23 - 2025/26

Appendix 16

Capital Programme Summary Outturn 2022/23

Directorate	Revised Budget Q3 2022/23 £	Budget Virements Q4	Revised Budget Q4 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund										
Health & Wellbeing	0	0	0	0	0	0.00%	0	0	0	0
People	25,225,543	-8,950,442	16,275,101	19,174,601	-2,899,500	117.82%	16,275,101	28,545,946	17,577,384	7,399,000
Place	71,462,173	5,038,284	76,500,457	67,289,238	9,211,219	87.96%	76,500,457	76,554,008	78,088,032	35,552,041
Resources	485,549	0	485,549	443,188	42,361	91.28%	485,549	1,000,000	0	0
Total General Fund	**97,173,265**	**-3,912,158**	**93,261,107**	**86,907,026**	**6,354,081**	**93.19%**	**93,261,107**	**106,099,954**	**95,665,416**	**42,951,041**
Housing Revenue Account	17,945,870	-95,223	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
Total Approved Budget	**115,119,135**	**-4,007,381**	**111,111,754**	**100,364,883**	**10,746,871**	**90.33%**	**111,111,754**	**126,575,210**	**110,787,028**	**56,263,860**

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Shropshire Council - Capital Programme Portfolio Holder Summary Outturn 2022/23

Portfolio Holder	Initial Budget 2022/23 £	Budget Virements £	Revised Budget 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund										
Portfolio Holder Adult Social Care and Public Health	6,612,500	-2,006,597	4,605,903	4,944,997	-339,094	107.36%	4,605,903	6,854,000	5,349,000	4,149,000
Portfolio Growth and Regeneration	35,350,074	5,640,899	40,990,973	31,947,630	9,043,343	77.94%	40,990,973	50,827,827	34,522,251	14,305,612
Deputy Leader and Portfolio Holder Climate Change, Environment and Transport	325,000	1,700,384	2,025,384	2,025,384	0	100.00%	2,025,384	0	325,000	0
Portfolio Holder Children and Education	11,182,552	-739,006	10,443,546	13,007,581	-2,564,035	124.55%	10,443,546	14,773,996	12,228,384	3,250,000
Portfolio Holder Finance and Corporate Resources	0	0	0	0	0	0.00%	0	0	0	0
Portfolio Holder Culture and Digital	5,360,711	-3,031,547	2,329,164	1,923,464	405,700	82.58%	2,329,164	9,361,088	7,130,393	2,147,248
Portfolio Holder Highways and Regulatory Services	49,972,130	-17,105,993	32,866,137	33,057,971	-191,834	100.58%	32,866,137	24,283,043	36,110,388	19,099,181
Leader and Portfolio Holder Strategy	0	0	0	0	0	0.00%	0	0	0	0
Total General Fund	**108,802,967**	**-15,541,860**	**93,261,107**	**86,907,026**	**6,354,081**	**93.19%**	**93,261,107**	**106,099,954**	**95,665,416**	**42,951,041**
Housing Revenue Account										
Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets) (HRA)	16,510,712	1,339,935	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
Total Approved Budget	**125,313,679**	**-14,201,925**	**111,111,754**	**100,364,883**	**10,746,871**	**90.33%**	**111,111,754**	**126,575,210**	**110,787,028**	**56,263,860**

Shropshire Council - Capital Programme Budget Outturn Report 2022/23

Appendix 16

Directorate Service Area	Initial Budget 2022/23 £	Budget Virements £	Revised Budget 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund										
Health & Wellbeing	**0**	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0**	**0**	**0**
Public Health Capital	0	0	0	0	0	0.00%	0	0	0	0
Regulatory Services Capital	0	0	0	0	0	0.00%	0	0	0	0
People	**17,795,052**	**-1,519,951**	**16,275,101**	**19,174,601**	**-2,899,500**	**117.82%**	**16,275,101**	**28,271,680**	**17,577,384**	**7,399,000**
Adult Social Care Contracts & Provider Capital	0	0	0	0	0	0.00%	0	0	0	0
Adult Social Care Operations Capital	3,332,500	-1,812,089	1,520,411	1,601,220	-80,809	105.31%	1,520,411	2,405,000	1,200,000	0
Children's Residential Care Capital	300,000	854,828	1,154,828	827,314	327,514	71.64%	1,154,828	65,612	0	0
Housing Services Capital	3,280,000	1,031,144	4,311,144	4,565,800	-254,656	105.91%	4,311,144	11,092,684	4,149,000	4,149,000
Non Maintained Schools Capital	3,055,855	451,988	3,507,843	8,257,475	-4,749,632	235.40%	3,507,843	2,504,877	3,000,000	0
Primary School Capital	4,967,048	797,241	5,764,289	3,792,592	1,971,697	65.79%	5,764,289	2,380,038	1,000,000	0
Secondary School Capital	250,000	267,049	517,049	71,864	445,185	13.90%	517,049	46,439	0	0
Special Schools Capital	0	73,070	73,070	58,336	14,734	79.84%	73,070	30,888	0	0
Unallocated School Capital	2,609,649	-3,183,182	-573,533	0	-573,533	0.00%	-573,533	9,746,142	8,228,384	3,250,000
Place Capital - Commercial Services	**14,714,402**	**608,064**	**15,322,466**	**11,598,429**	**3,724,037**	**75.70%**	**15,322,466**	**14,365,056**	**12,783,119**	**1,701,000**
Corporate Landlord Capital	14,714,402	608,064	15,322,466	11,598,429	3,724,037	75.70%	15,322,466	14,365,056	12,783,119	1,701,000
Place Capital - Economic Growth	**9,104,905**	**-1,517,561**	**7,587,344**	**6,558,018**	**1,029,326**	**86.43%**	**7,587,344**	**13,018,262**	**8,190,676**	**4,371,738**
Broadband Capital	4,979,945	-3,984,809	995,136	884,047	111,089	88.84%	995,136	3,674,431	1,573,156	79,945
Development Management Capital	758,248	-28,493	729,755	442,196	287,559	60.60%	729,755	236,069	121,500	40,500
Economic Growth Capital	2,940,753	1,680,909	4,621,662	4,400,983	220,679	95.23%	4,621,662	8,558,803	6,496,020	4,251,293
Planning Policy Capital	425,959	814,832	1,240,791	830,791	410,000	66.96%	1,240,791	548,959	0	0
Place Capital - Homes & Communities	**30,000**	**818,479**	**848,479**	**596,229**	**252,250**	**70.27%**	**848,479**	**4,686,657**	**5,557,237**	**2,067,303**
Leisure Capital	30,000	695,663	725,663	494,331	231,332	68.12%	725,663	4,454,657	5,357,237	2,067,303
Outdoor Partnerships Capital	0	122,816	122,816	78,998	43,818	64.32%	122,816	232,000	200,000	0
Visitor Economy Capital	0	0	0	22,900	-22,900	0.00%	0	0	0	0
Place Capital - Infrastructure	**66,807,842**	**-14,065,674**	**52,742,168**	**48,536,561**	**4,205,607**	**92.03%**	**52,742,168**	**44,758,299**	**51,557,000**	**27,412,000**
Environment & Transport Capital	0	0	0	0	0	0.00%	0	0	0	0
Highways Capital	66,482,842	-15,766,058	50,716,784	46,511,178	4,205,606	91.71%	50,716,784	44,758,299	51,232,000	27,412,000
Waste Capital	325,000	1,700,384	2,025,384	2,025,384	0	100.00%	2,025,384	0	325,000	0
Resources	**350,766**	**134,783**	**485,549**	**443,188**	**42,361**	**91.28%**	**485,549**	**1,000,000**	**0**	**0**
ICT Digital Transformation - CRM Capital	0	364,179	364,179	364,178	1	100.00%	364,179	0	0	0
ICT Digital Transformation - ERP Capital	0	0	0	0	0	0.00%	0	0	0	0
ICT Digital Transformation - Infrastructure & Architecture Capital	0	0	0	0	0	0.00%	0	0	0	0
ICT Digital Transformation - Social Care Capital	0	79,010	79,010	79,010	0	100.00%	79,010	0	0	0
ICT Digital Transformation - Unallocated Capital	350,766	-308,406	42,360	0	42,360	0.00%	42,360	1,000,000	0	0
Total General Fund	**108,802,967**	**-15,541,860**	**93,261,107**	**86,907,026**	**6,354,081**	**93.19%**	**93,261,107**	**106,099,954**	**95,665,416**	**42,951,041**
Housing Revenue Account	16,510,712	1,339,935	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
HRA Dwellings Capital	16,510,712	1,339,935	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
Total Approved Budget	**125,313,679**	**-14,201,925**	**111,111,754**	**100,364,883**	**10,746,871**	**90.33%**	**111,111,754**	**126,575,210**	**110,787,028**	**56,263,860**

Shropshire Council	**Committee and Date** Audit Committee 22nd June 2023	Item Public

Healthy People | Healthy Economy | Healthy Environment | Healthy Organisation

Approval of the Council's Draft Statement of Accounts 2022/23

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

1. Synopsis

The deadline for producing pre-audit accounts is earlier in this year, having been moved from 30th June to 31st May. Despite this, the Council has produced its accounts by the deadline and confirmed the financial position at the end of 2022/23.

2. Executive Summary

2.1. The Accounts and Audit (amendment Regulations 2022 came into force on 22nd July 2022 and revised the statutory deadline for publishing the final audited accounts to 30th September for 2022/23 accounts and the following 5 years. Therefore the deadline for publishing unaudited accounts has reverted back to the 31st May for the 2022/23 accounts. This has brought the deadline for publishing unaudited accounts forward 2 months from the 2021/22 timetable. The table below summarises the key deadlines with regards to preparing and approval of the Statement of Accounts:

Task	Responsible Organisation	Deadline
Year end	N/A	31st Mar 2023
Produce and approve Draft Accounts	Local Authority	31st May 2023 Complete (31st May 2023)
External Audit carried out	External Audit	19th Jun – 30 Sep 2023 (Not yet started)
Approve and Publish Audited Accounts	External Audit / Local Authority	30th Sep 2023 (Awaiting confirmation from Grant Thornton)

2.2. The Draft Statement of Accounts for 2022/23 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 2021/22 Accounts and the 2022/23 Accounts.

2.3 The final revenue outturn for 2022/23 is an overspend of £8.499m, a 1.4% variance on the gross budget. The final capital outturn shows a spend of £100.365m, representing 90.3% of the revised budget. The authority's Earmarked Reserves and Provisions have decreased by £31.697m and the general fund balance has decreased by £4.429m. Delegated Schools' balances have increased by £2.296m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on the agenda for this meeting.

3. Recommendations

3.1. Members are asked to receive and comment on the 2022/23 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.

4.2 The review by an independent external auditor of the Council's statements of accounts is a vital part of the overall governance of the Council, providing as it does a review of both the accuracy of the reported financial position and the adequacy of the Council's governance and oversight of it. Given the level of financial pressure the Council is currently facing, it is essential that all the outstanding statements of account can be concluded upon as soon as possible to provide the necessary assurances on the adequacy of the Council's management arrangements.

5. Financial Implications

5.1 This report considers the outturn position for the 2022/23 revenue budget and the implications on the level of general fund balances of any underspend or known spending pressures.

5.2 The outturn reported internally to managers for the purposes of decision making is fully aligned to the statement of accounts. This is set out in note 6, the expenditure and funding analysis (p53). This shows the net expenditure reported for resource management purposes as £233.155m, which aligns to the outturn as reported to Cabinet (7 June). The key table from that report is shown below.

Directorate	Revised Budget (£'000)	Controllable Outturn (£'000)	(Under) / Overspend (£'000)
People	195,734	209,655	13,921
Place	70,157	75,263	5,106
Strategic Management	33	0	(33)
Health and Wellbeing	2,332	2,025	(307)
Resources	6,622	4,639	(1,983)
Service delivery budgets	**274,878**	**291,582**	**16,704**
Corporate Budgets	(50,262)	(58,467)	(8,205)
Total	**224,616**	**233,115**	**8,499**

Figure 1 - Outturn for management decision making

The corresponding values in note 6 (accounts, p.53) are shown below.

	Net expenditure reported for resource management £000
Health and Wellbeing	2,025
Local Authority Housing	0
People	209,655
Place	75,263
Resources	4,639
Strategic Management Board	0
Corporate	(58,467)
Net Cost of Services	**233,115**

Figure 2 - Note 6 to the 2022/23 draft Accounts

6. Climate Change Appraisal

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

7. Background

7.1. The external audit by Grant Thornton is due to start on 19th June 2023 and the bulk of the fieldwork is due to be complete in late September, after which the Statement of Accounts will be formally published, and a final report brought back to Audit Committee for approval. This report will detail any material changes required as a result of the audit as agreed with the External Auditor.

7.2. There have been a number of external factors affecting the ability of Grant Thornton (GT) to sign off the accounts for 2020/21 and 2021/22, so there are now 2 sets of accounts to be concluded upon. It is expected the 2020/21 accounts can be concluded very shortly, and GT have indicated that the final position for 2021/22 can be concluded in the coming weeks. This would provide much needed independent assurance on the accuracy of the accounts and confirm the overall financial position of the council.

8. Statement of Accounts

8.1 The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. To make the account as useful as possible to its audience and to make meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

8.2 The Code is updated each year to reflect the latest accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council. For 2022/23, there have only been minor changes to some of the requirements within the standards.

8.3 All of the above has been taken into consideration when producing the authority's Draft Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:

8.4.1 **Narrative Report** – this provides an explanation of the authority's financial position for 2022/23 and details the performance of the Council during the financial year.

8.4.2 **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.

8.4.3 **The Audit Opinion and Certificate** – this is provided by the External Auditor following the completion of the annual audit, this document is therefore awaiting completion pending the outcome of the audit.

8.4.4 **The Core Financial Statements,** which comprises:

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

- **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2022/23 Comprehensive Income and Expenditure Statement reports a surplus for the year of £390.020m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was a decrease of £4.429m which has occurred due to the year-end overspend on the revenue budget.

- **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2023. It shows the balances and reserves at the authority's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The authority's total equity amounts to £713.019m, an increase of £390.020m which is analysed in the Movement in Reserves Statement. The major swing on the balance sheet has been a reduction in the Pension Reserve/Liability by £384m due to changes in assumptions used on measuring pension liabilities.

- **The Cash Flow Statement** - this consolidated statement summarises the authority's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

8.4.5 **The Notes to the Core Financial Statements,** which provides supporting and explanatory information on the Core Financial Statements and includes the Council's accounting policies.

8.4.6 **The Group Accounts** – these are prepared to account for the Council's share in 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)** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 (Amended). The account details the income and expenditure relating to the local authority housing provision and details of the movement on the HRA Balance for the year.

8.4.8 **The Collection Fund Account** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.

8.4.9 **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. The statement and supporting notes are an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2022/23 and assets and liabilities as at 31 March 2023.

8.5 The Draft Statement of Accounts for the year ended 31 March 2023 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy.

9. Accounting Policies

9.1 The accounting policies that the Council uses to determine the treatment of items within the Statement of Accounts are detailed in Note 1 to the Core Financial Statements. There have been no significant changes to the Council's accounting policies in 2022/23 to those used in the 2021/22 Statement of Accounts.

10. Analytical Review

10.1 An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous year's accounts. For 2022/23 the materiality threshold (i.e. the level of change between 2021/22 and 2022/23) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

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

Outturn report – Cabinet, 7 June 2023 - Date (shropshire.gov.uk)

Draft accounts on website - annual accounts (shropshire.gov.uk)

Local Member:	***All***

Appendices [Please list the titles of Appendices]

1. Draft Statement of Accounts 2022/23 (Unaudited)
2. Analytical Review of Statement of Accounts

Analytical Review of Shropshire Council's Statement of Accounts for 2022/23

1. The analytical review for 2022/23 highlighted a number of areas where there were material changes (Variances over £8m or over 10%), the most significant are detailed below along with an explanation of why these changes have occurred:

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

	2022/23	2021/22	Decrease (Value)	Decrease
	£000	£000	£000	%
Income	(15,559)	(23,768)	(8,209)	35

Income within Health & Wellbeing has decreased by £8.209m. In 2021/22 there was an increase in income due to the release of the COMF grant relating to the COVID-19 pandemic. This grant is no longer in place and so overall the income has reduced.

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

	2022/23	2021/22	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	3,386	(5,001)	8,387	(168)

A £19.5m revaluation increase was recognised in revenue in 2021/22 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. The equivalent revaluation increase for 2022/23 was £12.1m.

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

	2022/23	2021/22	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	454,862	390,472	64,390	16
Income	(216,908)	(196,221)	(20,687)	11

Expenditure has increased within Adult Social Care Operations by £20.274m, and Children's Social Care and Safeguarding of £13.684m. This includes increases in care packages and placements in these areas. Expenditure on Housing Services has also increased by £7.622m, however this included £1.970m relating to Homes for Ukraine which is grant funded. Revenue Expenditure Funded by Capital Under Statute has increased by £6.768m in 2022/23. Also the level of Dedicated Schools Grant increased by £3.456m which would have been passported and spent within schools. Employee related costs across all services within People have increased by £11.824m reflecting inflationary increases during the year.

Income relating to care received has increased by £3.5m within Adult Social Care. Grant income increased by £6.185m, which included the increase in Dedicated Schools Grant. Contributions from third parties which includes Health, other Local Authorities and CHC income has increased by £9.9m.

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

	2022/23	2021/22	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	161,935	144,882	17,053	12

Expenditure within Place has increased by £17.053m. Depreciation and impairment losses have increased by £5.099m. As services continue to recover from the impact of covid-19, expenditure has increased: expenditure within Theatre Services has increased by £1.195m, Leisure has increased by £0.771m and expenditure within Infrastructure Services has increased by £6.328m. This is made up of increases within Highways of £3.418m, Waste Management of £1.368m and Environment and Transport of £1.519m

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

	2022/23	2021/22	Increase (Value)	Increase
	£000	£000	£000	%
Expenditure	26,123	10,315	15,808	61

Expenditure has decreased by £15.808m in 2022/23. In 2021/22 the Council incurred costs of £15.694m in relation to the Covid-19 pandemic which have not been incurred in 2022/23.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
15,556	10,532	5,024	32

The increase of £5.024m is due to a reduction in the gain/loss on non-current assets. In 2021/22 a loss of £5.590m was incurred, mainly due to academy transfers and there have been no such transfers in 2022/23 resulting in a reduced loss on non-current assets of £0.806m.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
47,286	31,872	15,514	48

The movement in valuation of Investment Properties, swung from a £3.184m gain in 2021/22 to a £5.476m loss in 2022/23. 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. There were three assets experiencing significant losses in 2022/23, a total of £5.353m, reflecting market conditions; and losses were also experienced against properties purchased in year in comparison to their acquisition cost in Shrewsbury and Oswestry (£1.672m). Properties with significant gains were Mount McKinley £0.880m following a reclassification of the asset to an Investment Property and therefore valued on a market value basis and the former Morrison's Supermarket Site, Oswestry £1.363m due to a new lease agreed on the site.

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

2022/23	2021/22	Decrease (Value)	Decrease
£000	£000	£000	(%)
(316,145)	(326,122)	9,977	3

Taxation and Non specific grant income has decreased by £9.977m. This is due to a decrease in the following grants: Business Rates Relief Grant (£4.953m), Covid-19 LAA Support Grant (£7.632m), Local Council Tax Support Grant (£1.878m), capital grants reducing by £9.350m. These decrease have been offset by a new Services grant of £3.521m and an increase in Council Tax and Business Rates Funding of £11.502m.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
(41,074)	(32,260)	(8,814)	27

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts, this can only be done where there is a balance on the revaluation reserve for the asset. The increase recorded in 2022/23 is £41.074m compared to £32.260m in 2021/22. The increase in 2022/23 valuations, reflect the current market conditions in 2022/23, increase in build costs (Depreciated Replacement Cost valuations) and the latest property information provided to the Valuers.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
(419,732)	(63,869)	(355,863)	(557)

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 gain of £5.435m in 2021/22 to a net gain of £495.548m due to an increase in the discount rate and a decrease in the assumed CPI. The assets element has reduced from a gain of £58.434m in 2021/22 to a loss of £75.816m. In 2021/22 there was a gain due to positive returns on investments.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
1,115,889	1,054,190	61,699	6

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 Council Dwellings, Other Land and Buildings, and Assets Under Construction. These revaluation increases reflect the growth in residential properties and build costs. Another significant proportion of the increase relates to Non Infrastructure Assets, which includes the development of the Bishops Castle Business Park during the year.

The increase in asset values has been partially offset by a reduction in the value of Surplus Assets where assets have now been disposed of.

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

2022/23	2021/22	Decrease (Value)	Decrease
£000	£000	£000	(%)
3,907	5,381	(1,474)	(27)

The reduction in the balance sheet value of intangible assets in 2022/23 reflects the reduction in expenditure under the Digital Transformation Programme which had resulted in a higher level of expenditure on intangible assets in previous years. As intangible assets are subject to a relatively short asset life, the annual amortisation charge leads to a significant reduction in the net book value annually.

- **Balance Sheet Long Term Assets – Assets Held for Sale**

2022/23	2021/22	Decrease (Value)	Decrease
£000	**£000**	**£000**	**(%)**
0	599	(599)	(100)

At 31/03/22 one property met the criteria of a Long Term Asset Held for Sale. Disposal of that property was completed at the end of 2022/23 and no other property meets the criteria to fall into this category.

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

2022/23	2021/22	Increase (Value)	Increase
£000	**£000**	**£000**	**(%)**
5,906	570	5,336	936

At 31/03/22 one asset met the criteria of current held for sale investment property. Due to delays in this disposal the property is still in this category as at 31/03/23. In addition, land in Shrewsbury identified for development falls into this category at 31/03/23.

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

2022/23	2021/22	Decrease (Value)	Decrease
£000	**£000**	**£000**	**(%)**
1,627	3,866	(2,239)	(58)

The balance sheet value of assets in this classification reflects the position the Council are at with regards disposing of assets and whether they meet the criteria to be classified as Asset Held for Sale at the balance sheet date. At the 2021/22 Balance Sheet date the properties in this category included The Willows (former school caretakers bungalow at Mary Webb School), Severn Valley Workshops, four Small Holdings, Meole Brace Golf Course - Pitch & Putt Land, The Aspire Centre and further HRA Shared Ownership Properties. In 2022/23 disposals of a number of these assets have complete and only two additional properties now meet this criteria, both of which are of relatively low asset value.

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

2022/23	2021/22	Increase (Value)	Increase
£000	**£000**	**£000**	**(%)**
58,000	119,000	(61,000)	(51)

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

2022/23	2021/22	Decrease (Value)	Decrease

£000	£000	£000	(%)
27,584	45,302	(17,718)	(39)

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
(21,640)	(17,714)	(3,926)	(22)

The net decrease 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)

i. There was a £4.429m decrease in the General Fund Balance in 2022/23 which reflects the overspend position in the revenue budget. Earmarked reserves reduced by £37.059m indicating that the cash balances will have reduced.
ii. The Council received a number of revenue grants in 2022/23 which can be carried forward to be spent in 2023/24 or repaid to government which are accounted for within the cash balance. In 2022/23 capital grants were spent which had been brought forward from the previous year. The net movement on capital and revenue grants received in advance was an increase of £0.480m
iii. Debtors have increased by £6.730m during 2022/23 thereby increasing the amount of money owed to the authority and decreasing the potential cash balance held. Creditors have decreased by £26.172m thereby decreasing the cash balance held.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
(7,606)	(1,858)	(5,748)	309

Short term borrowing has increased as £5.5m of loans are due for repayment in 2023/24.

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

2022/23	2021/22	Decrease (Value)	Decrease
£000	£000	£000	(%)
(100,676)	(126,848)	26,172	21

There are numerous changes to creditor balances between years, however the largest swing relates to the grant creditors where the Council has been acting as an agent, where the balance has reduced by £14.8m. This reflects the reduction in energy grants between years with a £16.8m Council tax energy rebate grant in 21/22 and a £1.964m energy grant for those people off grid, or those that pay for energy through an intermediary. There has also been a swing in grants due to be repaid to the Government as the 2022/23 balance has reduced by £14m from 2021/22 as a significant balance was held for Business Rate Reliefs in 2021/22 which has now been repaid . In addition the balance held as a creditor for the Marches LEP creditor has reduced by £5.6m and S106 balances have reduced by £3m. This has been offset by increases in some creditor balances during the course of the year.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
(8,217)	(6,030)	(2,187)	36

The increase relates to £3.920m funding received for Homes for Ukraine Scheme in 2022/23 to be spent supporting individuals going forward and a further £0.921m of UK Shared Prosperity Funding which has been carried forward to 2023/24 to be committed. Previous brought forward balances in 2021/22 of £2.276m have now wither been spent or repaid and so offset the increase in funding detailed above.

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

2022/23	2021/22	Decrease (Value)	Decrease
£000	£000	£000	(%)
(117,328)	(498,624)	381,296	76

The deficit on the Pensions Liability has decreased by £381.296m in 2022/23. This is due to a decrease in pension liabilities. The discount rate has increased by 2.0% and the CPI inflation assumption has decreased by 0.7%, the combined effect of this is a decrease in the pension liabilities.

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

2022/23	2021/22	Increase (Value)	Increase
£000	£000	£000	(%)
(8,477)	(4,889)	3,588	73

Provisions has increased mainly due to an increase in the NNDR Appeals provision. There was a large number of appeals lodged towards the end of 2022/23, prior to start of new revaluation list being issued as at 1 April and therefore this has had to be reflected in an increased appeals provision.

- **Balance Sheet Financing – Usable Reserves**

2022/23	2021/22	Decrease (Value)	Decrease
£000	**£000**	**£000**	**(%)**
131,826	166,752	(34,926)	(21)

Usable reserves have reduced due to Earmarked reserves reducing by £37.059m and the General Fund reducing by £4.429m as detailed in the Financial Outturn report. This has been offset by an increase in the Capital Grants Unapplied Account of £5m.

- **Balance Sheet Financing – Unusable Reserves**

2022/23	2021/22	Decrease (Value)	Decrease
£000	**£000**	**£000**	**(%)**
(581,193)	(156,247)	424,946	272

The decrease in Unusable Reserves is due to changes in the Revaluation Reserve, Pensions Reserve and Collection Fund Adjustment Account.

The Revaluation Reserve increased by £30.204m (23%) in 2022/23 which reflects the movement in asset values and disposals. The area of significant movement in 2022/23 was on the revaluation of PPE 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 deficit on the Pensions Reserve has decreased by £384.173m in 2022/23. This is due to a decrease in pension liabilities. The discount rate has increased by 2.0% and the CPI inflation assumption has decreased by 0.7%, the combined effect of this is a decrease in the pension liabilities.

The Collection Fund Adjustment Account has moved from a deficit of £7.051m in 2021/22 to a surplus of £1.431m at the end of 2022/23. The deficit position in 2021/22 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 in 2021/22.

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

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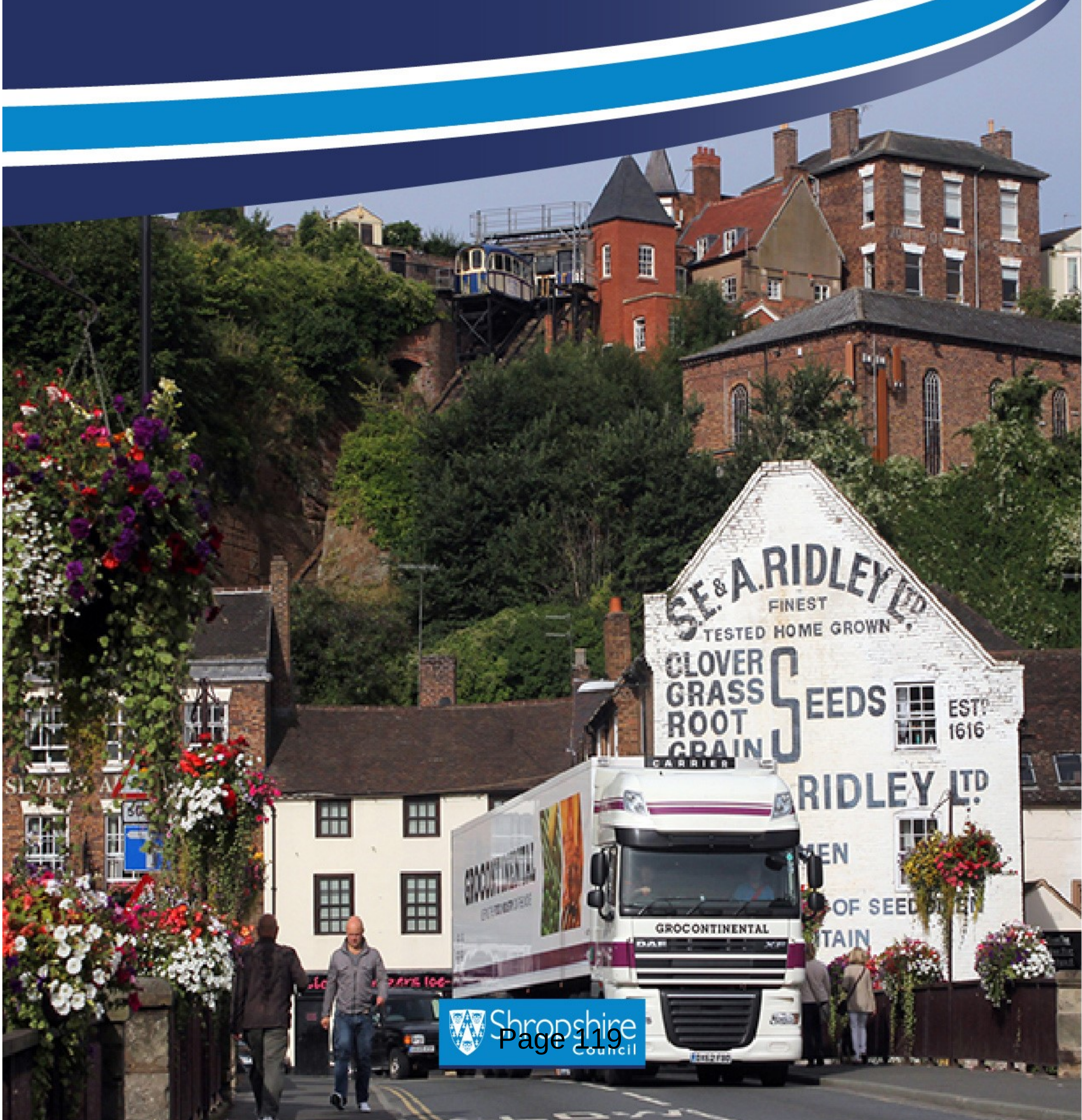
Draft Statement of Accounts

2022-2023



Shropshire Council

Annual Statement of Accounts 2022/23

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

The statement includes:

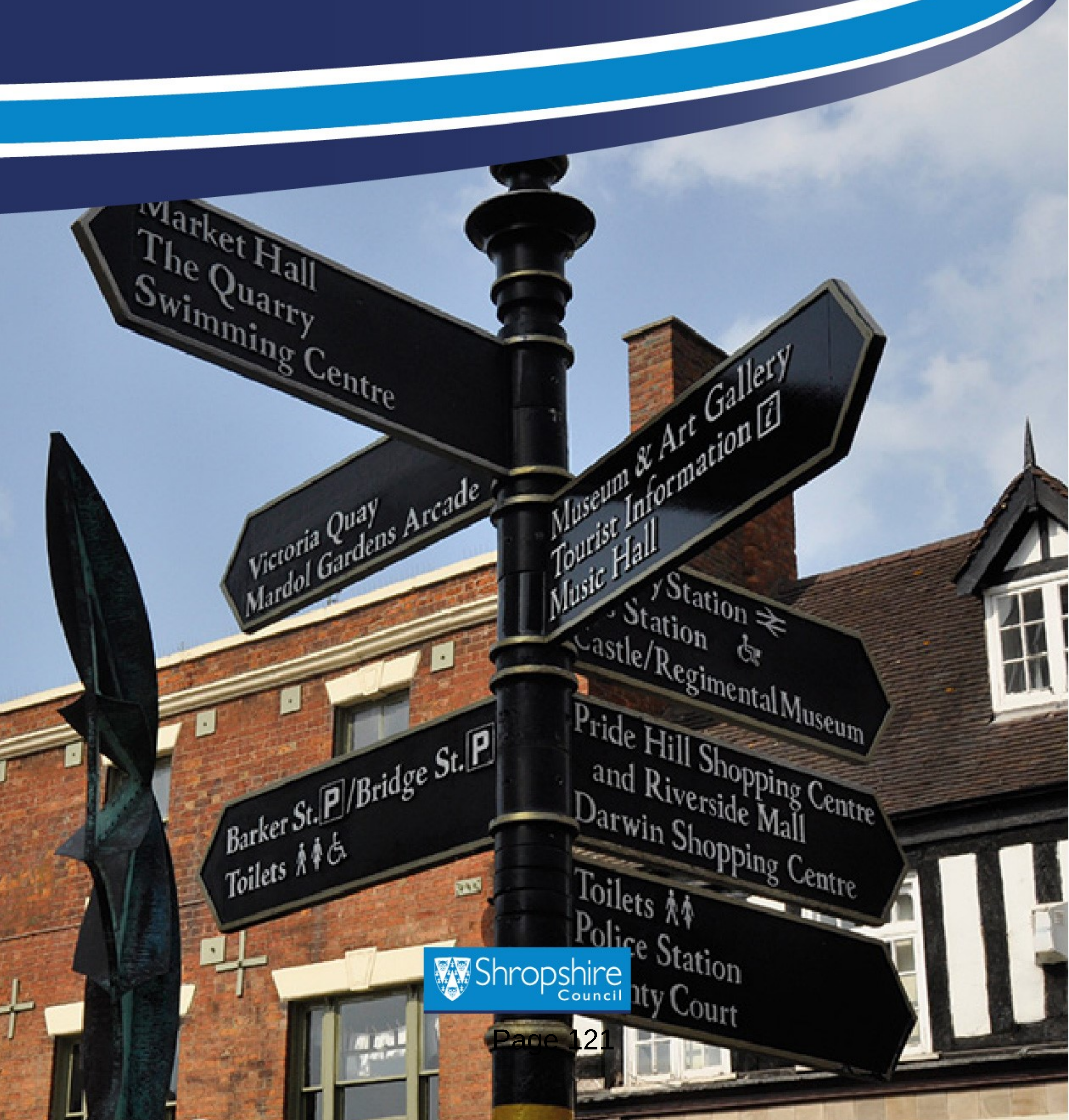
Further information about the Council's Accounts can be obtained from the Finance Department.

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

James Walton
Executive Director of Resources

Section 1

Narrative Report



Shropshire Council

Narrative Report

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.

In 2022/23, the Council has 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.

Our Services

In 2022/23 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 Shropshire Plan for 2022 to 2025 was agreed by Full Council on 12th May 2022. The Shropshire Plan is the key strategic document for the Council and sets out the vision, purpose and priorities of the Council and for its people, communities, businesses and organisations.

The Shropshire Plan (see link here: [The Shropshire Plan 2022-2025 | Shropshire Council]) is informed by the following key objectives which sit at the heart of everything the Council does:

- Healthy people,
- Healthy economy,
- Healthy environment, and a

- Healthy organisation.

Figure 1: Priorities within the Shropshire Plan

Alongside the Shropshire Plan, the Workforce Strategy sets out the key values of 'Getting It Right' (GiR) which is our overarching approach for the long term future of Shropshire.

Figure 2: Getting It Right – core values agreed by staff

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 2022/23 is detailed below:

Healthy People
Numbers of Looked After Childrens have increased during the financial year, albeit as a slower rate than in previous years. The Council introduced a Stepping Stones project to help address the rising number of looked after children, providing family support services to reduce the number of care placements required. Initial targets for the programme in 2022/23 have all been exceeded.

The Homelessness and Rough Sleepers Strategy has been delayed due to resources having to be redirected during floods, the pandemic and more recently to deal with the re-settlement of people fleeing the conflict in Ukraine. The Council has now however procured a partner to carry out a homeless/housing review to support development of the Strategy.

Healthy Economy
During 2022/23 the Council has published a new Economic Growth Strategy for Shropshire. This sets out the Council's vision to support businesses, providing infrastructure to encourage business investment and encourage connectivity, housing and employment opportunities for our communities. The results of the 2022 road survey showed that the percentage of non principal classified roads has improved slightly and principal classified roads has stabilised. Further improvement is still planned in this area.

Healthy Environment
Over the course of 2022. The Council has completed a mass roll out of new recycling bins, delivering over 100,000 new bins. Level of recycling was relatively stable, however as at the year end, the amnnual recycling rate was marginally below the target This was due to a significant reduction in composting tonnage compared to previous years which was impacted by the weather over the summer period which reduced garden waste collected.

Healthy Organisation
During the course of 2022/23 the Council has seen a marginal reduction in complaints and a corresponding increase in compliments, which demonstrates a positive impact with how the Council is dealing with its customers. The level of staff has remained relatively static and demonstrates the difficulties that all local authorities are experiencing with recruitment to key roles. Levels of council tax and business rates collected during 2022/23 are in excess of the target.

Revenue Spending Plans for 2022/23

The Council's budget for the provision of services in 2022/23 and the Medium Term Financial Plan to 2026/27 was agreed by Council in February 2022. The budget was set against a backdrop of increasing demand pressures for statutory services, such as Children's Social Care and Adult's Services.

In total, the Council planned to spend £597.6m (gross) on council services in 2022/23 and planned to deliver new savings of £10.655m in addition to undelivered savings of £2.040m from 2021/22. Following approval of the budget, the invasion of Ukraine caused significant economic uncertainty, which resulted in high levels of inflation, which highlighted potential cost pressures for 2022/23, as a result a further £8.5m of one off tactical budget savings were identified to address the budget pressure.

The gross budget was financed through Government Grants (£250.7m), Service Income (£122.2m), Council Tax (£180.3m), Business Rates (£36.8m) Top Up Grant (£10.0m), Revenue Support Grant (£6.5m) and a Collection Fund Deficit (-£9.0m).

Revenue Outturn Position for 2022/23

As set out in the table below the 2022/23 outturn was a £8.499m overspend, representing a 1.4% variance on the gross budget. Further details of the outturn position for each directorate is shown in the Financial Outturn report which is presented to Cabinet and Council in June and July.

	Final Budget £000	Actual Outturn £000	Controllable Over/ (Under) £000
Service Expenditure			
Corporate	(50,262)	(58,467)	(8,205)
Health and Wellbeing	2,332	2,025	(307)
People	195,734	209,655	13,921
Place	70,157	75,263	5,106
Resources	6,622	4,639	(1,983)
Strategic Management Board	33	0	(33)
Net Budget	**224,616**	**233,115**	**8,499**

The outturn position marginally improved from the projected outurn reported during the course of the year as management action was taken to try to reduce the overall overspend, however demand pressures could not be fully mitigated.

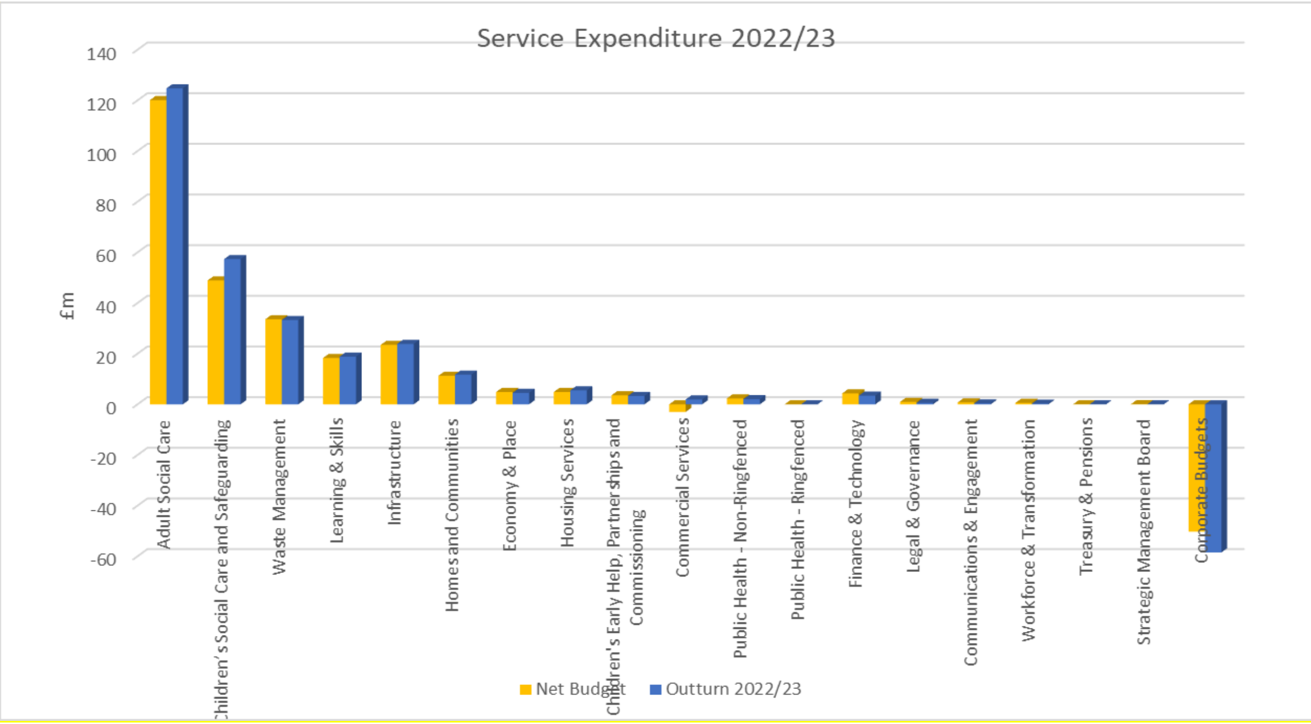
Year End Projected Over/(Under)spend	Quarter 1* £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Corporate	(2,047)	(4,121)	(6,014)	(8,205)
Health and Wellbeing	(139)	(168)	(265)	(307)
People	4,605	11,520	12,987	13,921
Place	7,496	5,167	5,018	5,106
Resources	(526)	(1,384)	(1,744)	(1,983)
Strategic Management Board	(16)	(16)	(32)	(33)
TOTAL	**9,373**	**10,998**	**9,950**	**8,499**

During the year the Council experienced increased demand pressures for Children's Social Care resulting in additional cost pressures. Demand for services within Adult Service was broadly similar to previous years however the Council found that the care needs of service users have become more complex, resulting in more costly care packages. The impact of inflationary pressures within the economy impacted on income targets within the Council with some targets in Commercial Services no longer being viable.

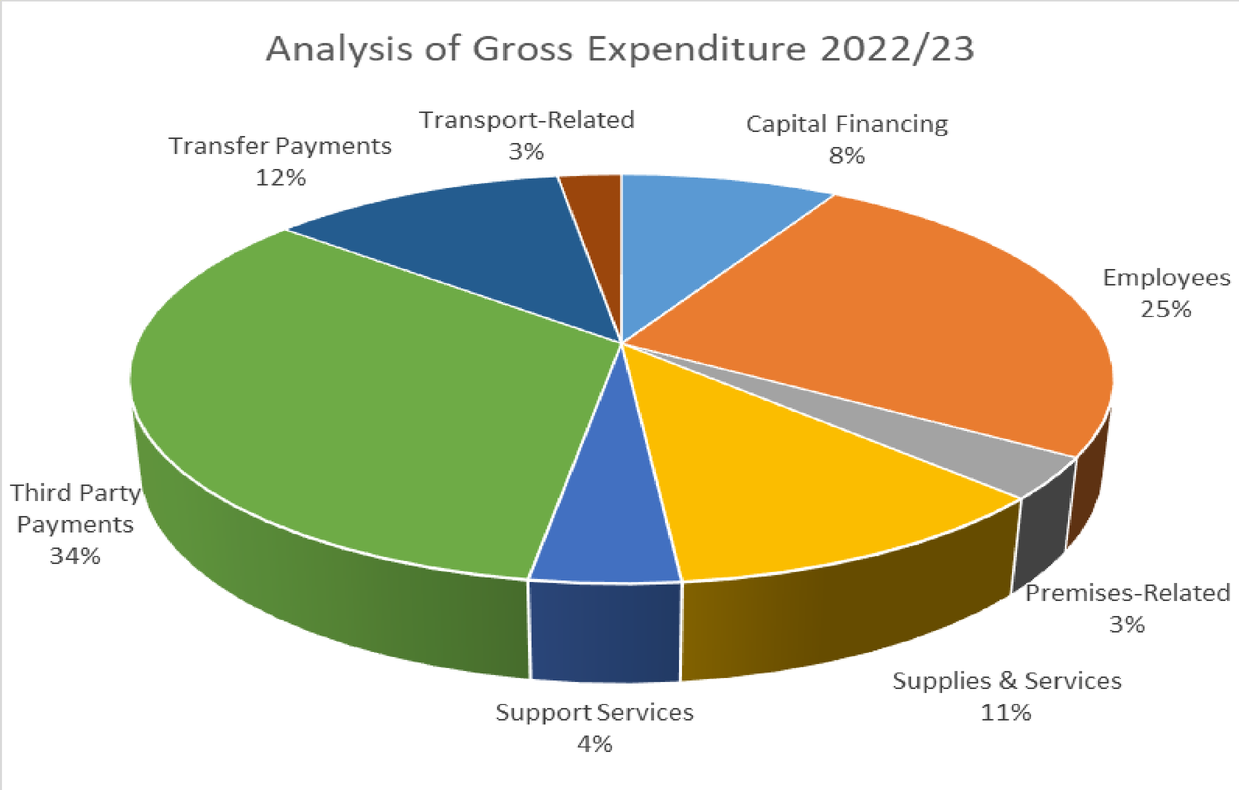
A total of £17.214m in other specific funding streams was deployed against specific activity or passported directly to third parties. Where the Council was required to distribute the grants according to specific criteria, and was therefore acting as an agent, the transactions have been excluded from 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. This includes transactions relating to Energy rebates through Council Tax and Homes for Ukraine payments. Details of these grants are shown in note 37.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 6, 7, 8 and 9 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 £875.816m 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 2022/23 the general fund balance reduced by £4.429m to a total of £7.093m. This is due to the overspend within the revenue account during 2022/23 . This balance lies below the risk assessed level of balances calculated for 2022/23. As a result of this anticipated position, The Council has budgeted to increase reserves in 2023/24, however this is dependent on the Council delivering fully on their planned spending reductions.

Earmarked reserves have decreased by £37.059m during 2022/23, which includes an increase in schools delegated balances of £2.296m. A reduction in specific earmarked reserves in 2022/23 was set out in the budget strategy for 2022/23 and so the outturn is in line with this. Total earmarked reserves are held at £52.579m including school balances of £10.487m.

Capital Outturn Position for 2022/23

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 2022/23 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Financial Outturn report presented to Cabinet and Full Council.

Service Area	Revised Budget 2022/23 £000	Actual Spend 2022/23 £000	Variance 2022/23 £000
General Fund			
People	16,275	19,175	2,900
Place	76,500	67,289	(9,211)
Resources	486	443	(43)
Total General Fund	**93,261**	**86,907**	**(6,354)**
Housing Revenue Account	17,851	13,458	(4,393)
Total Capital Programme	**111,112**	**100,365**	**(10,747)**

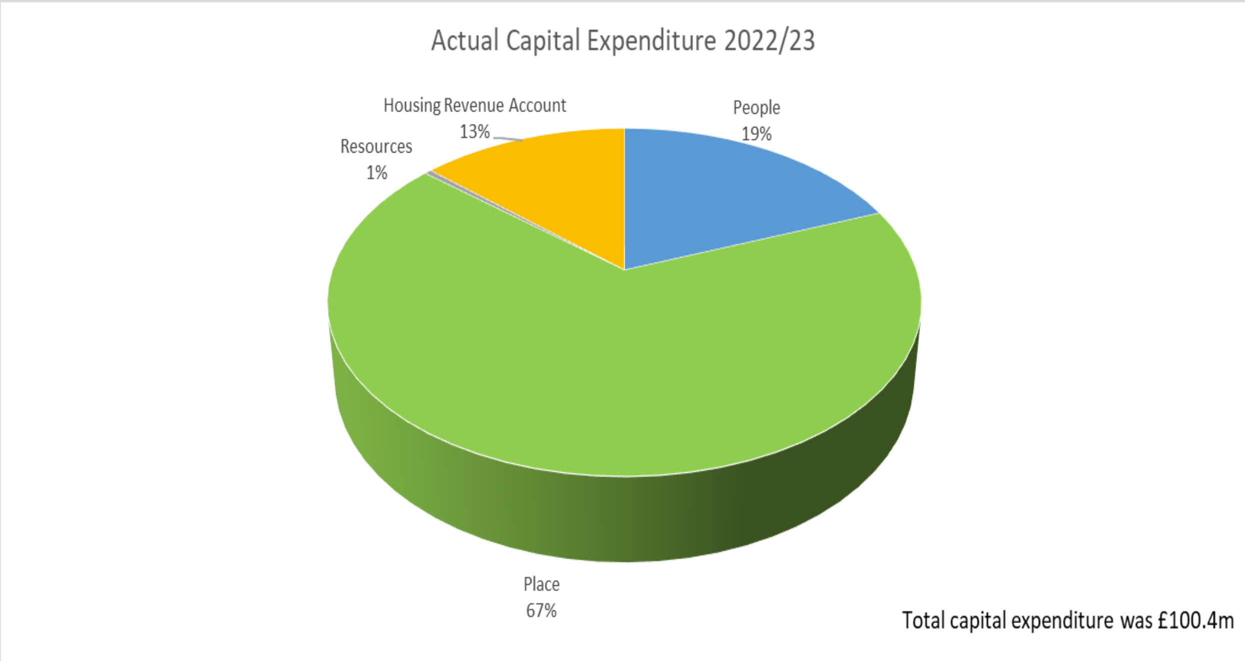
The table below provides a summary of the capital financing for the actual capital expenditure for 2022/23.

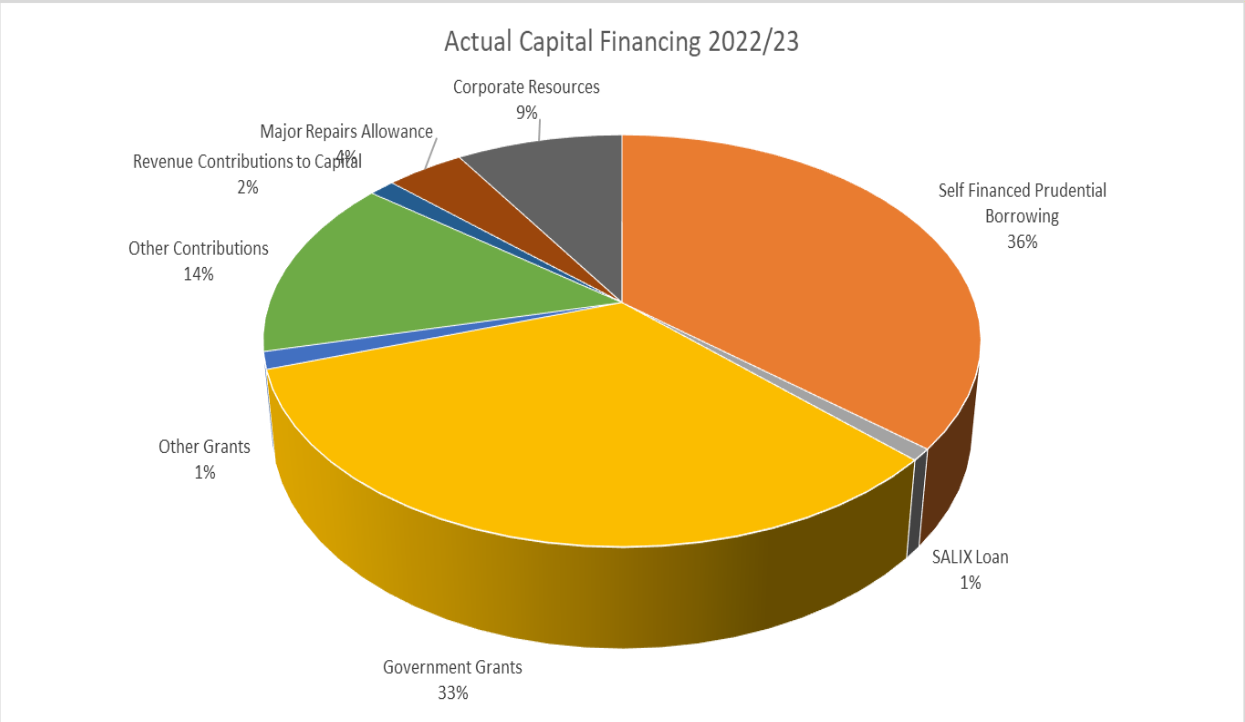
Financing	2022/23 £000
Capital Grants & Contributions	48,537
Revenue Contributions	1,370
Major Repairs Allowance	4,194
Self Financing Prudential Borrowing	36,361
Corporate Resources	8,993
SALIX Loan	910
	100,365

The areas of most significant expenditure for schemes undertaken in 2022/23 are as follows:

	Expenditure 2022/23 £000
People	
Disabled Facilities Grants	3,316
Occupational Therapy Equipment	994
Carbon Reduction – Warm Homes	1,222
Children's Residential Care	792
Schools Condition Schemes	1,425
Devolved Formula Capital	454
School Future Place Planning	8,715
Place	
Highways and Transport	38,069
North West Relief Road	5,171
Waste Management – Recycling Bins	2,025
Street Lighting Replacement	1,884
Flood Defences and Water Management	654

Broadband	884
Economic Development	5,876
Commercial Investments	9,164
Corporate Landlord	10,713
Housing Revenue Account	
Housing Major Repairs Programme	4,239
House Repurchases	122
Temporary Accommodation	933
New Build Programme - Phase 4-6	8,164





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.

Cash balances held at the year end have reduced as a result of reserve balances reducing. Further details are provided in the Statement of Accounts.

The Council is satisfied that cashflow levels are sustainable in the short to medium term based on the information that is currently held.

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:

Narrative Report

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

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

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

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

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

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

  - **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2023. 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 2022/23 and assets and liabilities as at 31 March 2023.

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 2023/24 – 2027/28, and the plan sets out a clear route to securing long term financial sustainability for the Council, whilst aligning the Council's resources to the Shropshire Plan.

The year 2022 was a turbulent period for the UK economy. In February 2022, Russia embarked on an invasion of Ukraine, whilst not involving the UK directly, this has huge implications for the world economy. Prices of fuel, energy, and commodities rose as trade sanctions were applied with Russia. As a result, inflation rates in the UK have increased to their highest level since 1977. Attempts to mitigate this through the 'mini budget' proved counterproductive, eventually leading in October to a new Prime Minister and Chancellor who then focussed on securing fiscal stability.

The impact of this economic uncertainty resulting in the Council facing increased inflationary pressures in 2022/23, and a pressure of around £40m in 2023/24 to be addressed. In previous financial strategies, the Council had used the Financial Strategy Reserve, alongside other earmarked reserves and COVID funding to balance the books. The Financial Strategy Reserve has been fully utilised in 2022/23 and COVID funding is no longer applicable, therefore in order to balance the budget for 2023/24, the Council would need to deliver an ambitious savings and efficiency programme. The approach taken to planning for 2023/24 was to:

- <u>seek recurrent savings from service areas</u> in order to address the budget gap identified for 2023/24 in a sustainable way, and

- <u>remove use of reserves to bridge the budget gap</u>, and if possible, make contributions in order to replenish them.

The approach to planning our budget for 2023/24 has been guided by several key principles:

- Putting services first; these proposals are guided by the best way to deliver services and our Shropshire Plan priorities
- Seeking to increase overall efficiency and effectiveness of council services significantly as our response to rising costs, rather than simply 'cutting' services back

- Planning to make significant changes rapidly so we can secure a sustainable financial base for the coming years
- taking difficult decisions and planning to deliver those

The Council identified spending reduction plans of £51.4m and this was consulted on and then agreed by Full Council in March 2023. As a result of the work of officers to identify these spending reductions, this produced a balanced budget for 2023/24, and produce a more sustaniable fotting for the Council over the remaining life of the Medium term Financial Strategy.

Next year we will be investing over £115 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.

Section 2

Statement of Responsibilities

Shropshire Council

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 Executive Director of Resources;
- 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 2022/23 was formally approved at a meeting of the Audit Committee on xx xxxxxxxxx 2023

Brian Williams
Chair of the Audit Committee
xx xxxxxxxxxx 2023

Responsibilities of Executive Director of Resources

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

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

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

The Executive Director of Resources has also:

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

Certificate of the Executive Director of Resources

I hereby certify that the Statement of Accounts present a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2023.

James Walton
Executive Director of Resources
31 May 2023

Section 3

Audit Opinion and Certificate

Audit Opinion and Certificate

WILL BE UPDATED FOLLOWING AUDIT OF ACCOUNTS

Audit Opinion and Certificate

Audit Opinion and Certificate

Audit Opinion and Certificate

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.

2021/22				2022/23		
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)			
18,162	(23,768)	(5,606)	Health and Wellbeing	18,560	(15,559)	3,001
(5,001)	(18,395)	(23,396)	Local Authority Housing	3,386	(19,162)	(15,776)
390,472	(196,221)	194,251	People	454,862	(216,908)	237,954
144,882	(48,361)	96,521	Place	161,936	(49,602)	112,334
56,736	(49,605)	7,131	Resources	60,257	(52,474)	7,783
923	0	923	Strategic Management Board	716	0	716
26,123	(33,015)	(6,892)	Corporate	10,314	(27,410)	(17,096)
632,297	**(369,365)**	**262,932**	**Net Cost of Services**	**710,031**	**(381,115)**	**328,916**
		15,556	Other Operating Expenditure (Note 12)			10,532
		31,872	Financing and Investment Income and Expenditure (Note 13)			47,286
		(326,122)	Taxation and Non Specific Grant Income (Note 14)			(316,145)
		(15,762)	**(Surplus) or Deficit on Provision of Services**			**70,589**
		(32,260)	(Surplus) or Deficit on Revaluation of Non-Current Assets			(41,074)
		(2)	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			197
		(63,869)	Remeasurement of the Net Defined Benefit Liability			(419,732)
		(96,131)	**Other Comprehensive Income and Expenditure**			**(460,609)**
		(111,893)	**Total Comprehensive Income and Expenditure**			**(390,020)**

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.

2022/23	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 2022	**11,522**	**89,638**	**101,160**	**11,592**	**6,918**	**47,082**	**166,752**	**156,247**	**322,999**
Movement in reserves during 2022/23									
Surplus or (deficit) on the provision of services	(87,057)	0	**(87,057)**	16,468	0	0	**(70,589)**	0	**(70,589)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	460,609	**460,609**
Total Comprehensive Income and Expenditure	**(87,057)**	**0**	**(87,057)**	**16,468**	**0**	**0**	**(70,589)**	**460,609**	**390,020**
Adjustments between accounting basis & funding basis under regulations (Note 10)	45,537	0	**45,537**	(15,669)	482	5,313	**35,663**	(35,663)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(41,520)**	**0**	**(41,520)**	**799**	**482**	**5,313**	**(34,926)**	**424,946**	**390,020**
Transfers to/(from) Earmarked Reserves (Note 11)	37,091	(37,059)	**32**	(32)	0	0	**0**	0	**0**
Increase/(Decrease) in 2022/23	**(4,429)**	**(37,059)**	**(41,488)**	**767**	**482**	**5,313**	**(34,926)**	**424,946**	**390,020**
Balance at 31 March 2023	**7,093**	**52,579**	**59,672**	**12,359**	**7,400**	**52,395**	**131,826**	**581,193**	**713,019**

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
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**40,978**	**211,105**
<u>Movement in reserves during 2021/22</u>									
Surplus or (deficit) on the provision of services	(7,314)	0	**(7,314)**	23,076	0	0	**15,762**	0	**15,762**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	96,131	**96,131**
Total Comprehensive Income and Expenditure	(7,314)	0	**(7,314)**	23,076	0	0	**15,762**	**96,131**	**111,893**
Adjustments between accounting basis & funding basis under regulations (Note 10)	687	0	**687**	(22,787)	968	1,995	**(19,137)**	19,137	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(6,627)**	**0**	**(6,627)**	**289**	**968**	**1,995**	**(3,375)**	**115,268**	**111,893**
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)**	**115,268**	**111,893**
Balance at 31 March 2022	**11,522**	**89,638**	**101,160**	**11,592**	**6,918**	**47,082**	**166,752**	**156,246**	**322,998**

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'.

2021/22 £000		2022/23 £000	2022/23 £000
1,054,190	Property, Plant & Equipment (Note 15)	1,115,889	
2,137	Heritage Assets	2,096	
61,879	Investment Property (Note 16)	60,736	
5,381	Intangible Assets	3,907	
599	Assets Held for Sale	0	
1,124,186	**Total Non Current Assets**		**1,182,628**
970	Long Term Investment (Note 20)	970	
17,166	Long Term Debtors (Note 20)	16,074	
1,142,322	**Total Long Term Assets**		**1,199,672**
	Current Assets		
570	Current Held for Sale Investment Properties (Note 16)	5,906	
3,866	Assets Held for Sale	1,627	
119,000	Short Term Investments (Note 20)	58,000	
808	Inventories	786	
82,430	Short Term Debtors (Notes 20, 22 & 23)	89,160	
45,302	Cash & Cash Equivalents (Notes 20 & 24)	27,584	
251,976	**Total Current Assets**		**183,063**
1,394,298	**Total Assets**		**1,382,735**
	Current Liabilities		
(17,714)	Bank Overdraft (Notes 20 & 24)	(21,640)	
(1,858)	Short Term Borrowing (Note 20)	(7,606)	
(126,848)	Short Term Creditors (Notes 20 & 25)	(100,676)	
(3,660)	Provisions (Note 28)	(3,763)	
(6,030)	Grants Receipts in Advance - Revenue (Note 37)	(8,217)	
(18,645)	Grants Receipts in Advance - Capital (Note 37)	(16,938)	
(174,755)	**Total Current Liabilities**		**(158,840)**
1,219,543	**Total Assets Less Current Liabilities**		**1,223,895**
	Long Term Liabilities		
(625)	Long Term Creditors (Note 20)	(614)	
(291,568)	Long Term Borrowing (Note 20)	(286,998)	
(100,838)	Other Long Term Liabilities (Note 18)	(97,459)	
(498,624)	Pensions Liability (Note 40)	(117,328)	
(4,889)	Provisions (Note 26)	(8,477)	
(896,544)	**Total Long Term Liabilities**		**(510,876)**
322,999	**Net Assets**		**713,019**
	Financed by:		
166,752	Usable Reserves (Note 27)	131,826	
156,247	Unusable Reserves (Note 28)	581,193	
322,999	**Total Reserves**		**713,019**

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.

2021/22 £000	Revenue Activities	2022/23 £000	 £000
(15,762)	Net (surplus) or deficit on the provision of services	70,589	
(57,252)	Adjust net surplus or deficit on the provision of services for non cash movements	(63,721)	
121,440	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	83,193	
48,426	**Net cash flows from Operating Activities (Note 29)**		**90,061**
(17,853)	Investing Activities (Note 30)	(60,070)	
5,374	Financing Activities (Note 31)	(8,347)	
35,947	**Net (increase) or decrease in cash and cash equivalents**		**21,644**
63,535	Cash and cash equivalents at the beginning of the reporting period		27,588
27,588	**Cash and cash equivalents at the end of the reporting period (Note 24)**		**5,944**

Section 5

Notes to the Core Financial Statements

Shropshire Council

1. Accounting Policies

1.1 General

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23 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.

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

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

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

Initial Measurement

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

Measurement after recognition

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

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

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

<u>Componentisation</u>
Where components of an asset are significant in value in relation to the total value of the asset and they have substantially different economic lives, they are recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1 April 2010. Significant assets for this purpose are properties with a value in excess of £2.5m.

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

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

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

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

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or

Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance in the Movement in Reserves Statement.

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

1.7. 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.

<u>Recognition</u>
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.

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

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

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

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

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

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

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

Disposals and derecognition

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

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

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

1.8. Investment Properties

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

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

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

Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

1.9. Non-Current Assets Held for Sale

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

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

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

1.10. Impairment

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

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

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

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

1.11. Depreciation

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

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

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

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

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

1.12. Charges to Revenue for Non-Current Assets

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

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

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

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 1.16 (The Redemption of Debt). Depreciation, amortisation and revaluation/impairment losses are therefore replaced by revenue provision transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Interest payable is reported within Net Operating cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 1.11 (Depreciation), is charged directly to service revenue accounts.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately on the Movement in Reserves Statement.

1.13. Revenue Expenditure Funded from Capital under Statute

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

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

1.14. Heritage Assets

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

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

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

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

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

- **Museum and Archives artefacts**

Museum Service

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

Principal collections held by the Museum Service include:

- Agricultural
- Archaeology (including Prehistory, Roman, Medieval, Post-Medieval and Foreign)
- Archives
- Biology
- Costume & Textiles
- Decorative & Applied Arts
- Ethnography
- Fine Art
- Geological
- Numismatics
- Social History

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

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

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

Complete holdings are not valued, as items are generally unique and full valuation would be extremely expensive; however, some significant items have a market valuation at purchase or insurance valuation. As a consequence only those items for which the

Museum Service holds an existing valuation (above a de-minimus threshold of £5,000) are recognised in the balance sheet. These principally consist of fine art paintings and items of decorative art. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Any new acquisitions will be recognised at purchase price valuation. Assets are not subject to a revaluation cycle, with revaluations only undertaken where required by the Museum Service.

Archives

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

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

Heritage Assets – Impairment

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

1.15. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure, used to finance expenditure under the flexibilities around the use of Capital Receipts for transformational revenue purposes currently extended to 2024/25 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.

<u>The Council as Lessee</u>

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 20 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 2022/23. 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 rises to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts and prepayments.

In relation to Non-Domestic Rates, Shropshire Council collects income due as an agency arrangement. As with council tax, the cash collected belongs proportionately to Shropshire Council as the billing authority, and to Central Government and Shropshire &

Wrekin Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts, appeals and prepayments.

1.31. Accounting for Local Authority Maintained Schools

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

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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 2023/24 Code:

- Definition of Accounting Estimates (Amendments to IAS8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issues in February 2021.
- Deferred Tac related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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:

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

  A judgement is taken around Local Authority Maintained schools and particularly Voluntary Aided, Voluntary Controlled and Foundation schools that are not owned by the Council. The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The substance of the arrangement in addition to the legal form are considered including any rights to take back the school buildings.

  The Council makes an assessment on whether it is probable that economic benefits or service potential associated with the asset will flow to the authority. Where assets are owned by the Council and used by maintained schools, the 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).

- The Council receives a number of grants which require a judgment to be made 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 material grants where the Council has deemed it is acting as an agent are included in Note 37.

- 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 43.

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 2023:

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 £2.360m increase in the valuation of Council dwellings and a £4.366m increase in the value of other land and buildings.
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment - Infrastructure	Infrastructure assets are measured at historic cost and depreciated over the useful lives of the various types of works on the highways network as assessed by the Asset Manager in Highways using industry standards. Highways assets are assumed to have been fully consumed once the useful life applied has expired. The carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is considered to be nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.	If the useful life of assets is different to the life applied, depreciation is over or under charged in year and the carrying amounts of the assets are misstated. If previous expenditure has not been fully depreciated (carrying amount not nil) at the point replacement expenditure is incurred, the carrying amounts for assets will be overstated.
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 £0.666m 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 40.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £85.680m.
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	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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 20.	management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates within the accruals processed for debtors and creditors are: • Debtors 47% • Creditors 17%	The expense or the income could be either higher or lower than expected. A 10% increase in the estimates for debtors would result in an additional debtor of £0.428m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.329m.
Debt Impairment	The balance of outstanding debtors, including Council Tax and Business Rates debtors, is assessed annually and a bad debt provision calculated to estimate the potential liability from non collection of the outstanding debts. The ongoing impact of COVID-19 and cost of living increases has created uncertainly around future collection rates. The estimated impact of this has been included in the calculation however the long-term impact of this is currently unknown.	There is a risk that if collection rates were to deteriorate then the allowance for the impairment of bad debts would need to increase.

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 31st May 2023. Events taking place after this date are not reflected in the financial statement or notes.

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.

2021/22						2022/23				
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
2,144	(8,416)	(6,272)	666	(5,606)	Health and Wellbeing	2,025	168	2,193	808	3,001
0	(3,243)	(3,243)	(20,153)	(23,396)	Local Authority Housing	0	(3,725)	(3,725)	(12,051)	(15,776)
196,375	(14,258)	182,117	12,134	194,251	People	209,655	5,917	215,572	22,382	237,954
73,214	(10,270)	62,944	33,577	96,521	Place	75,263	(7,459)	67,804	44,530	112,334
2,878	2,808	5,686	1,445	7,131	Resources	4,639	1,653	6,292	1,491	7,783
(33)	942	909	14	923	Strategic Management Board	0	873	873	(157)	716
(63,386)	61,610	(1,776)	(5,116)	(6,892)	Corporate	(58,467)	45,007	(13,460)	(3,636)	(17,096)
211,192	**29,173**	**240,365**	**22,567**	**262,932**	**Net Cost of Services**	**233,115**	**42,434**	**275,549**	**53,367**	**328,916**
0	(234,027)	(234,027)	(44,667)	(278,694)	Other Income and Expenditure	0	(234,828)	(234,828)	(23,499)	(258,327)

2021/22						2022/23				
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
211,192	**(204,854)**	**6,338**	**(22,100)**	**(15,762)**	**Surplus or Deficit**	**233,115**	**(192,394)**	**40,721**	**29,868**	**70,589**
		119,090			Opening General Fund and HRA Balance			112,752		
		(6,338)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(40,721)		
		112,752			**Closing General Fund and HRA Balance at 31 March***			**72,031**		

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

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7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23

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	0	2,044	0	(1,848)	0	(28)	**168**	9	788	11	**808**
Local Authority Housing	0	0	0	0	0	0	(3,725)	**(3,725)**	(12,051)	0	0	**(12,051)**
People	0	42	4,498	(199)	2,037	0	(461)	**5,917**	9,711	12,663	8	**22,382**
Place	0	1,666	3,818	(13,202)	(1,833)	2,091	1	**(7,459)**	39,582	4,918	30	**44,530**
Resources	0	314	1,638	155	(412)	0	(42)	**1,653**	763	727	1	**1,491**
Strategic Management Board	0	0	861	0	12	0	0	**873**	(172)	15	(0)	**(157)**
Corporate	0	0	19,533	(7,087)	6	0	32,555	**45,007**	(4,323)	1,000	(313)	**(3,636)**
Net Cost of Services	**0**	**2,022**	**32,392**	**(20,333)**	**(2,038)**	**2,091**	**28,300**	**42,434**	**33,519**	**20,111**	**(263)**	**53,367**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(2,022)	664	20,333	2,038	(2,091)	(253,750)	**(234,828)**	(30,454)	15,448	(8,493)	**(23,499)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**33,056**	**0**	**(0)**	**0**	**(225,450)**	**(192,394)**	**3,065**	**35,559**	**(8,756)**	**29,868**

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 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	**(20,153)**
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)**	29,439	4,106	32	**33,577**
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**	**8,391**	**15,080**	**(904)**	**22,567**
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)**	**(35,661)**	**27,724**	**(14,163)**	**(22,100)**

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

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

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

Adjustments for Capital Purposes

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

Net Change for the Pensions Adjustments

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

Other Differences

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

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

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2022/23 £000	2021/22 £000
Expenditure		
Employee benefits expenses	231,628	209,185
Other service expenses	480,387	439,988
Support service recharges	36,771	35,375
Depreciation, amortisation, impairment	49,172	20,230
Interest payments	26,373	25,223
Precepts and levies	9,680	9,261
Payments to Housing Capital Receipts Pool	0	607
(Gain)/Loss on the disposal of assets	851	5,688
Total Expenditure	**834,862**	**745,557**
Income		
Fees, charges and other service income	(195,731)	(183,086)
Interest and investment income	(3,139)	(1,117)
Income from council tax, non-domestic rates	(236,182)	(224,679)
Government grants and contributions	(329,221)	(352,437)
Total Income	**(764,273)**	**(761,319)**
Surplus or Deficit on the Provision of Services	**70,589**	**(15,762)**

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	2022/23 £000	2021/22 £000
Health and Wellbeing	(1,499)	(1,083)
Local Authority Housing	(19,015)	(18,425)
People	(70,180)	(64,327)
Resources	(36,674)	(37,351)
Place	(65,430)	(59,422)
Strategic Management Board	(1,030)	(912)
Corporate	(1,903)	(1,566)
Total Income	**(195,731)**	**(183,086)**

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.

2022/23	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs	35,559	0	0	0	0	(35,559)
Financial instruments	(315)	0	0	0	0	315
Council tax and NDR	(8,482)	0	0	0	0	8,482
Holiday pay	41	0	0	0	0	(41)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	35,279	(13,098)	4,675	0	15,808	(42,664)
Dedicated Schools grant	0	0	0	0	0	0
Total Adjustments to Revenue Resources	**62,082**	**(13,098)**	**4,675**	**0**	**15,808**	**(69,467)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(5,622)	(2,606)	0	28,718	0	(20,490)
Administrative costs of non-current asset disposals	102	35	0	(137)	0	0
Payments to the government housing receipts pool	0	0	0	0	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	(9,655)	0	0	0	0	9,655
Capital expenditure financed from revenue balances	(1,370)	0	0	0	0	1,370
Total Adjustments between Revenue and Capital Resources	**(16,545)**	**(2,571)**	**0**	**28,581**	**0**	**(9,465)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(28,623)	0	28,623
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(4,193)	0	0	4,193
Application of capital grants to finance capital expenditure	0	0	0	0	(10,495)	10,495
Cash payments in relation to deferred capital receipts	0	0	0	42	0	(42)
Total Adjustments to Capital Resources	**0**	**0**	**(4,193)**	**(28,581)**	**(10,495)**	**43,269**
Total Adjustments	**45,537**	**(15,669)**	**482**	**0**	**5,313**	**(35,663)**

2021/22 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs	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	(1,427)	(18,595)	4,245	0	7,434	8,343
Dedicated Schools grant	(659)	0	0	0	0	659
Total Adjustments to Revenue Resources	**12,134**	**(18,595)**	**4,245**	**0**	**7,434**	**(5,218)**
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		3,276
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	**688**	**(22,787)**	**969**	**0**	**1,994**	**19,136**

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 2022/23.

	Balance at 31 March 2021 £000	Transfers Out 2021/2022 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 23 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	17,505	(4,418)	12,344	25,431	(16,019)	5,335	14,747
Insurance Reserves	3,739	(342)	357	3,754	(547)	429	3,636
Reserves of trading and business units	0	(150)	150	0	(8)	8	0
Reserves retained for service departmental use	64,370	(48,367)	33,998	50,001	(37,870)	9,453	21,584
School Balances	8,045	(6,553)	8,960	10,452	(7,467)	9,627	12,612
Total	**93,659**	**(59,830)**	**55,809**	**89,638**	**(61,911)**	**24,852**	**52,579**

<u>RESERVES</u>

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 Public Health 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 2022/23 Financial Outturn report.

12. OTHER OPERATING EXPENDITURE

	2022/23 £000	2021/22 £000
Parish Council Precepts	9,534	9,110
Levies	146	151
Payments to the Government Housing Capital Receipts Pool	0	607
(Gains)/losses on the disposal of non-current assets*	806	5,590
(Gains)/losses on change in valuation of non-current assets	46	98
	10,532	**15,556**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2022/23 £000	2021/22 £000
Interest payable and similar charges	26,373	25,223
Pensions interest cost and expected return on pensions assets	13,425	10,836
Interest receivable and similar income	(3,139)	(1,117)
Income and expenditure in relation to investment properties and changes in their fair value	3,360	(6,890)
Revenue Impairment Losses	783	605
(Surpluses)/deficits on Trading Activities	6,484	3,215
	47,286	**31,872**

14. TAXATION AND NON SPECIFIC GRANT INCOMES

	2022/23 £000	2021/22 £000
Council tax income	(191,590)	(182,336)
Non domestic rates	(44,591)	(42,343)
Non ringfenced government grants	(39,422)	(51,552)
Capital grants and contributions	(40,542)	(49,891)
	(316,145)	**(326,122)**

15. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2022/23.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Cost or valuation									
At 1 April 2022	**224,132**	**404,660**	**21,811**	**7,797**	**2,358**	**3,288**	**36,020**	**700,066**	**123,265**
Additions	5,919	6,254	3,526	84	26	0	15,445	**31,254**	684
Revaluation increases/(decreases) recognised in the Revaluation Reserve	79	23,220	0	0	0	44	0	**23,343**	7,738
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,579	(2,680)	0	0	0	0	0	**4,899**	478
Derecognition – disposals	(1,571)	(480)	0	0	0	(1,400)	0	**(3,451)**	0
Derecognition – other	(2)	(2,189)	(1,329)	0	(99)	0	0	**(3,619)**	(490)
Assets reclassified (to)/from Held for Sale	(198)	(225)	0	0	0	0	(22)	**(445)**	0
Other movements in cost or valuation	86	8,040	0	869	0	556	(11,979)	**(2,428)**	0
At 31 March 2023	**236,024**	**436,600**	**24,008**	**8,750**	**2,285**	**2,488**	**39,464**	**749,619**	**131,675**
At 1 April 2022	**0**	**0**	**(12,389)**	**(3,432)**	**(580)**	**(1,006)**	**0**	**(17,407)**	**(9,435)**
Depreciation charge for 2022/23	(4,610)	(20,001)	(3,187)	(388)	(55)	(43)	0	**(28,284)**	(8,290)
Depreciation written out to the Revaluation Reserve	138	17,583	0	0	0	9	0	**17,730**	5,961
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,472	2,419	0	0	0	34	0	**6,925**	290
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(197)	0	0	0	0	0	**(197)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(184)	0	0	0	0	0	**(184)**	0

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Derecognition – disposals	0	0	0	0	0	0	0	**0**	0
Derecognition – other	0	0	1,326	0	98	0	0	**1,424**	487
Other movements in depreciation and impairment	0	380	0	0	0	0	0	**380**	0
At 31 March 2023	**0**	**0**	**(14,250)**	**(3,820)**	**(537)**	**(1,006)**	**0**	**(19,613)**	**(10,987)**
NBV at 31 March 2023	**236,024**	**436,600**	**9,758**	**4,930**	**1,748**	**1,482**	**39,464**	**730,006**	**120,688**
NBV at 31 March 2022	**224,132**	**404,660**	**9,422**	**4,365**	**1,778**	**2,282**	**36,020**	**682,659**	**113,830**

The comparative movements in 2021/22 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Cost or valuation									
At 1 April 2021	**204,772**	**393,044**	**21,703**	**7,843**	**2,480**	**2,252**	**14,734**	**646,828**	**123,986**
Additions	6,878	2,915	1,293	15	0	0	21,363	**32,464**	760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(113)	17,109	0	0	0	729	0	**17,725**	(1,035)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487	1,043	0	0	0	2	0	**16,532**	(277)
Derecognition – disposals	(2,682)	(3,928)	(13)	0	0	0	0	**(6,623)**	0
Derecognition – other	0	(2,840)	(1,172)	(61)	(122)	0	0	**(4,195)**	(169)
Assets reclassified (to)/from Held for Sale	(213)	(3,394)	0	0	0	0	0	**(3,607)**	0
Other movements in cost or valuation	3	711	0	0	0	305	(77)	**942**	0
At 31 March 2022	**224,132**	**404,660**	**21,811**	**7,797**	**2,358**	**3,288**	**36,020**	**700,066**	**123,265**
Depreciation and Impairments									
At 1 April 2021	**0**	**0**	**(10,563)**	**(3,178)**	**(638)**	**(1,006)**	**0**	**(15,385)**	**(7,579)**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,960)	(315)	(65)	(54)	0	**(23,576)**	(7,069)
Depreciation written out to the Revaluation Reserve	147	14,367	2	0	0	20	0	**14,536**	4,816
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,047	1,621	0	0	0	34	0	**5,702**	273
Impairment losses/(reversals) recognised in the Revaluation Reserve	2	0	0	0	0	0	0	**2**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,381	0	0	0	0	0	**1,381**	0
Derecognition – disposals	0	0	5	0	0	0	0	**5**	0
Derecognition – other	0	0	1,127	61	123	0	0	**1,311**	124
Other movements in depreciation and impairment	(2)	(1,381)	0	0	0	0	0	**(1,383)**	0
At 31 March 2022	**0**	**0**	**(12,389)**	**(3,432)**	**(580)**	**(1,006)**	**0**	**(17,407)**	**(9,435)**
NBV at 31 March 2022	**224,132**	**404,660**	**9,422**	**4,365**	**1,778**	**2,282**	**36,020**	**682,659**	**113,830**
NBV at 31 March 2021	**204,772**	**393,044**	**11,140**	**4,665**	**1,842**	**1,246**	**14,734**	**631,443**	**116,407**

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 £10.260m.

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

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. No transfers took place in 2022/23.

At balance sheet date Department of Education approval had been granted for one school to convert to Academy status. The school converted to Academy School status in early 2023/24 financial year. The school was in Council freehold ownership and a lease to the school on a 125 year peppercorn rent has been completed as part of the transfer. The value of the school in the 2022/23 accounts is £1.090m. This is considered as a non-adjusting event after the reporting date.

Depreciation

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

- Council Dwelling – componentised depreciation basis, using the Planned Programme Approach. The components are depreciated on a straightline basis over their useful life (10-80 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 2023, 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 £33.450m. Similar commitments at 31 March 2022 were £33.501m. The major commitments were:

- Highways & Transport schemes - £18.424m
- HRA New Build Programme - £6.849m
- Whitchurch Medical Practice - £3.497m
- Rural Broadband - £2.122m
- School Future Place Planning Programme - £1.747m

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 significant assumptions applied in estimating the current values are:

- For all assets valued on a DRC or EUV basis an apportionment of each valuation has been made between land and buildings. The apportionment is provided only for the financial purposes, but this does not necessarily reflect how each asset would be treated in the open market.
- Valuation is based on the continuation of the existing uses for all of those properties that are owner occupied by Shropshire Council. Assumed that the properties are all occupied and/or operated in accordance with a valid planning permission. Valuers have not carried out any enquiries into highways or other statutory matters and have assumed there is nothing that would affect value.
- In accordance with instructions from Shropshire Council, Valuers have not undertaken any Building Surveys, test of services or site investigations and have prepared valuations on the basis that all properties (sites and buildings) are:
  - Free of any matters (including deleterious materials or contamination) that could otherwise affect value;
  - None of the properties are prone to flooding or other infrequent or regularly occurring natural events that could affect value;
  - All necessary mains services are connected to the properties.
- All valuations undertaken are reported on a gross basis before deduction of purchaser's costs, including stamp duty at prevailing rates. No allowance has been made for any expenses of realisation, nor taxation (including VAT) which might arise in the event of a disposal, and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.
- All of the assets are held on an unencumbered freehold basis with the Title being good and marketable, based on the Report on Title provided.
- Where relevant, Valuers have carried out informal enquiries only of statutory undertakers. This information has been obtained from verbal discussions or the internet, and is provided without liability on behalf of the statutory bodies.
- Opinion of the remaining lives of property assets has been provided. This may not necessarily be the useful life of the asset to Shropshire Council. Estimates of the properties remaining lives are based upon information provided together with Valuers understanding of any recent capital expenditure which has been incurred in replacing or refurbishing individual buildings and the use of the buildings (if any) at the date of valuation. All buildings are assumed to have a maximum life expectancy from new of 60 years.

Valuations of Non-Current Assets carried at Current Value

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	0	9,758	0	9,758
Valued at Fair Value as at: 31-Mar-23	236,024	436,600	0	1,482	674,106
Total Cost or Valuation	**236,024**	**436,600**	**9,758**	**1,482**	**683,864**

All assets were subject to a Full or Desktop Valuations as at 31/03/23 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:

	2022/23 £000	2021/22 £000
Schools, Children's Services and other Education Facilities	85,472	73,235
Culture & Heritage Buildings	64,982	59,560
Leisure & Recreation	55,486	52,187
Highways & Car Parks	24,159	25,520
Social Care	40,113	36,813
Administrative Offices	16,492	17,368
Waste Management Site	104,254	97,673
Business / Commercial Sites (including Markets)	29,808	27,182
Housing Services (including Gypsy Sites)	7,990	7,545
Smallholdings	6,710	6,774
Other	1,134	803
Total	**436,600**	**404,660**

Highway Infrastructure Assets

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

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2022/23 £000	2021/22 £000
Net book value (modified historical cost):		
At 1 April	371,531	360,721
Additions	39,635	32,024
Derecognition	0	0
Depreciation	(25,427)	(21,654)
Impairment	0	0
Other Movement in cost	144	440
At 31 March	**385,883**	**371,531**

Reconciliation note to Property, Plant & Equipment in the Balance Sheet:

	2022/23 £000	2021/22 £000
Highway Infrastructure Assets	385,883	371,531
Other PPE Items	730,006	682,658
Total PPE Assets	**1,115,889**	**1,054,189**

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. Given the financial position of the Council over a number of years, we have not had sufficient resources to do anything other than undertake replacement or renewal expenditure when parts of infrastructure assets are worn out.

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.

	2022/23 £000	2021/22 £000
Rental income & service charges from investment property	(2,457)	(4,010)
Direct operating expenses arising from investment property	341	304
Net (gain)/loss	**(2,116)**	**(3,706)**

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	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Balance at start of the year	61,879	59,261	570	250
Additions:				
- Purchases	7,766	4	0	0
- Construction	4	17	0	0
- Subsequent expenditure	9	100	0	0
Disposals	(15)	(116)	0	(250)
Net gains/(losses) from fair value adjustments	(5,476)	3,340	0	(157)
Transfers:				
- (To)/from Property, Plant and Equipment	1,905	0	5,336	0
- (To)/from Current/Long term	(5,336)	(727)	0	727
Balance at end of the year	**60,736**	**61,879**	**5,906**	**570**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 are as follows:

2022/23 Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2023 £000
Residential (market rental) properties	0	3,396	0	3,396
Land	0	36,707	0	36,707
Commercial units	0	26,538	0	26,538
Total	**0**	**66,641**	**0**	**66,641**

2021/22 comparatives Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2022 £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**

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. 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.

	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	**479,614**	**477,554**

	2022/23 £000	2021/22 £000
Capital investment		
Property, Plant and Equipment	70,235	64,503
Investment Properties	7,779	120
Long Term Investment	-	191
Intangible Assets	79	524
Revenue Expenditure Funded from Capital under Statute	23,216	18,854
Capital Loans	28,806	3,000
Sources of finance		
Capital receipts	(28,623)	(7,057)
Capital grants and other contributions	(49,162)	(62,675)
Direct Revenue Financing (Including MRA)	(5,564)	(6,061)
Minimum Revenue Provision	(8,971)	(9,339)
Closing Capital Financing Requirement (including PFI & Finance Lease)	**517,409**	**479,614**
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	334,529	298,326
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	92,252	86,894
Closing Capital Financing Requirement – PFI & Finance Lease	90,628	94,394
	517,409	**479,614**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	3,540	2,602
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	38,021	3,850
Assets acquired under finance leases		
Assets acquired under PFI contracts	(3,766)	(4,392)
Increase/(decrease) in Capital Financing Requirement	**37,795**	**2,060**

18. PRIVATE FINANCE INITIATIVE SCHEMES

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

a. The Quality in Community Services PFI Project

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

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

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

b. The Waste Services PFI Project

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

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

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

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

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

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

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

	QICS PFI		Waste PFI	
	Year Ended 31/03/23 £000	Year Ended 31/03/22 £000	Year Ended 31/03/23 £000	Year Ended 31/03/22 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	16,090	16,172	91,424	92,671
- Depreciation in Period	0	0	(16)	(16)
- Additions	0	0		0
- Revaluation/Impairment	1,304	(82)	6,912	(1,231)
- Derecognition	0	0	0	0
Balance Carried Forward	17,394	16,090	98,320	91,424
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	6,316	7,563
- Depreciation in Period	0	0	(2,023)	(1,963)
- Additions	0	0	684	760
- Derecognition	0	0	(3)	(45)
Balance Carried Forward	0	0	4,974	6,316

	QICS PFI		Waste PFI	
	Year Ended 31/03/23 £000	Year Ended 31/03/22 £000	Year Ended 31/03/23 £000	Year Ended 31/03/22 £000
Prepayments				
Balance Brought Forward	0	0	10,833	10,113
- Planned Capital Expenditure	0	0	533	720
Balance Carried Forward	0	0	11,386	10,833
Finance Lease Liability				
Balance Brought Forward	(11,027)	(11,398)	(94,200)	(97,501)
- Additions	0	0	0	0
- Early Lifecycle	0	0	0	0
- Repayment of Principal	389	371	2,824	3,301
Balance Carried Forward	(10,638)	(11,027)	(91,376)	(94,200)

Details of Payments due to be made under PFI contracts

Year	Service Charges * £000	Principal £000	Interest # £000	Total Unitary Charge Payment £000
Amounts Falling Due Within One Year	32,134	4,556	8,843	45,533
Amounts Falling Due Within 2 – 5 Years	107,184	21,342	42,623	171,149
Amounts Falling Due Within 6 – 10 Years	155,858	29,025	45,574	230,457
Amounts Falling Due Within 11 – 15 Years	174,329	42,031	35,842	252,202
Amounts Falling Due Within 16 – 20 Years	32,931	10,834	7,117	50,882
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

19. LEASES

Authority as a Lessee

Finance Leases

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

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

	31 March 2023 £000	31 March 2022 £000
Buildings	115,714	107,514
Vehicles, Plant and Equipment (PFI)	4,974	6,316
Total	**120,688**	**113,830**

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 2023 £000	31 March 2022 £000
Finance lease liabilities (NPV of minimum lease payments)	107,788	111,001
Finance costs payable in future years	139,999	147,110
Minimum lease payments	**247,787**	**258,111**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Not later than one year	13,399	16,041	4,556	4,389
Later than one year and not later than five years	63,965	59,552	21,342	19,678
Later than five years	170,423	182,518	81,890	86,934
Total	**247,787**	**258,111**	**107,788**	**111,001**

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £102.014m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 18 Private Finance Initiative Schemes.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	415	4,140	4,555
Lease liability (due after 1 year)	10,223	87,236	97,459
Total	**10,638**	**91,376**	**102,014**

<u>Operating Leases</u>

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 2023 £000	31 March 2022 £000
Expiring not later than one year	33	53
Expiring later than one year and not later than five years	849	317
Expiring later than five years	408	420
Total	**1,290**	**790**

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

	31 March 2023 £000	31 March 2022 £000
Lease payments	1,140	911
Sub Lease receivable	0	0
Total	**1,140**	**911**

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 2023 £000	31 March 2022 £000
Expiring not later than one year	1,201	823
Expiring later than one year and not later than five years	1,241	1,314
Expiring later than five years	1,166	1,439
Total	**3,608**	**3,576**

20. 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-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000
Fair value through profit or loss										
Long Term Equity Instruments	570	570	0	0	0	0	0	0	570	570
Amortised cost										
Investment	400	400	16,074	17,166	58,000	119,000	51,765	43,811	126,239	180,377
Cash and Cash Equivalents	0	0	0	0	26,969	45,190	0	0	26,969	45,190
Total financial assets	**970**	**970**	**16,074**	**17,166**	**84,969**	**164,190**	**51,765**	**43,811**	**153,778**	**226,137**
Non-financial assets	0	0	0	0	0	0	37,395	38,619	37,395	38,619
Total	**970**	**970**	**16,074**	**17,166**	**84,969**	**164,190**	**89,160**	**82,430**	**191,173**	**264,756**

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000	31-Mar-23 £000	31-Mar-22 £000
Amortised cost										
Principal	(286,998)	(291,568)	(614)	(626)	(5,776)	(26)	(73,067)	(104,252)	(366,455)	(396,472)
Loans accrued interest	0	0	0	0	(1,830)	(1,832)		0	(1,830)	(1,832)
Bank Overdraft	0	0	0	0	0	0	(21,640)	(17,714)	(21,640)	(17,714)
PFI and Finance lease liabilities	(97,459)	(100,838)	0	0	0	0	(4,555)	(4,389)	(102,014)	(105,227)
Total Financial Liabilities	**(384,457)**	**(392,406)**	**(614)**	**(626)**	**(7,606)**	**(1,858)**	**(99,262)**	**(126,355)**	**(491,939)**	**(521,245)**
Non financial liabilities	0	0	0	0	0	0	(23,053)	(18,207)	(23,053)	(18,207)
Total	**(384,457)**	**(392,406)**	**(614)**	**(626)**	**(7,606)**	**(1,858)**	**(122,315)**	**(144,562)**	**(514,992)**	**(539,452)**

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

	31-Mar-23 £000	31-Mar-22 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	51,765	43,811
Debtors that are not financial instruments	37,395	38,619
Total Debtors as per Balance Sheet	**89,160**	**82,430**
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(77,623)	(108,641)
Creditors that are not financial instruments	(23,053)	(18,207)
Total Creditors as per Balance Sheet	**(100,676)**	**(126,848)**

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 £2.186m 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 £0.290m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

Income, Expense, Gains and Losses

	2022/23		2021/22	
	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	0	0	(191)	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	**0**	**0**	**(191)**	**0**
Interest revenue:				
Financial assets measured at amortised cost	(3,139)	0	(1,117)	0
Other financial assets measured at fair value through other comprehensive income	0		0	0
Total interest revenue	**(3,139)**		**(1,117)**	**0**
Interest expense				
Interest Expense	26,373	0	25,223	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 2023 Carrying amount £000	31 March 2023 Fair value £000	31 March 2022 Carrying amount £000	31 March 2022 Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	292,498	324,264	291,568	378,336
- PFI and finance lease liabilities	102,014	136,742	105,227	165,806

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000	31 March 2022 Carrying amount £000	31 March 2022 Fair value £000
Financial assets held at amortised cost				
Loans and receivables:				
Cash	41,400	41,400	40,200	40,200
Fixed Term Deposits	43,000	43,000	123,300	123,088
Short term investments	0	0	0	0
Long term debtors	16,074	16,074	17,166	17,166
Long term investments	970	970	970	970

The fair value of loans and receivables is taken to be the carrying amount due to the short term nature of the assets.

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-23			
Recurring fair value measurements using:	Quoted prices in active markets for identical assets(Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	324,264	0	324,264
PFI and finance lease liabilities	0	146,203	0	146,203
Total	**0**	**470,467**	**0**	**470,467**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	84,400	0	84,400
Total	**0**	**84,400**	**750**	**85,150**

Recurring fair value measurements using:	31-Mar-22 Quoted prices in active markets for identical assets (Level 1) £000	Comparative Year Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	378,336	0	378,336
PFI and finance lease liabilities	0	165,806	0	165,806
Total	**0**	**544,142**	**0**	**544,142**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	163,288	0	163,288
Total	**0**	**163,288**	**750**	**164,038**

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
The fair value of loans and receivables is taken to be the carrying amount due to the short term nature of the assets.	Estimated ranges of interest rates at 31 March 2023 of 4.24% to 4.78% 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 2023 of 4.24% to 4.28% based on new lending rates

21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

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

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

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

	Amount deposited at 31 March 2023 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2023 %	Estimated maximum exposure to default and uncollectability at 31 March 2023 £000
	A	B	C	(AxC)
Loans and receivables held with counterparties having a default rating of:				
AAA	26,400	0.00	0.00	0
AA	0	0.02	0.02	0
A	58,000	0.05	0.05	8
BBB	0	0.14	0.14	0
Other Local Authorities	0	0.00	0.00	0
Debtors (Customers)	22,306	Local Experience	Local Experience	Local Experience

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

The Council generally allows its customers 20 days credit. Of the £22.306m outstanding from customers £15.241m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2022/23 £000	2021/22 £000
Less than 3 months overdue	2,287	5,252
3 to 6 months overdue	2,241	1,828
6 months to 1 year overdue	1,557	2,018
More than 1 year overdue	9,156	9,250
	15,241	18,348

Further details on the amounts outstanding from customers which is past its due date for payment is provided in the below table.

2022/23	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	1,359	0	752	0	176	2	2,287	2
3 to 6 months overdue	1,326	0	555	8	360	9	2,242	17
6 months to 1 year overdue	1,425	128	119	59	13	1	1,557	188
More than 1 year overdue	7,357	4,494	1,241	518	558	232	9,156	5,244
	11,467	4,622	2,667	585	1,107	244	15,241	5,451

* Allowance for impairment losses in the table above relates only to sundry debtors. Other allowances for impairment losses in relation to Council Tax, Business Rates and shopping centre debtors are also provided for within the total Debtors figure on the Balance Sheet.

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

Long term debtors are assessed for expected credit losses by reviewing historical experience of repayments and assessing any current or future events which could result in default of repayments.

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient 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	2022/23 £000	2021/22 £000
Less than 1 year	5,749	0
Between 1 and 2 years	849	5,500
Between 2 and 5 years	1,181	1,100
Between 5 and 10 years	58,487	38,887
More than ten years	226,481	246,081
	292,748	**291,568**

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 2023 the Council's total outstanding debt (excluding accrued interest) amounted to £292,774 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, £1.180m relates to SALIX loans and £0.026m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. The interest rates range between 3.83% and 4.27%. Of the total amount, £16.500m has an annual call date, £5.700m has a 2 yearly call date and £10.000m has a 5 yearly call date. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable. To date the call option has not been exercised.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2023, £26.400m 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.

22. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2023.

	2022/23 £000	2021/22 £000
Debtors:		
Central Government Bodies	18,261	23,425
Other Local Authorities	2,963	2,516
NHS Bodies	1,042	3,713
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	46,268	35,336
Prepayments	20,626	17,440
	89,160	**82,430**

23. 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:

	2022/23 £000	2021/22 £000
Less than 1 year	6,181	5,172
1 – 2 years	3,394	3,106
2 – 3 years	2,650	2,414
More than 3 years	8,919	7,066
	21,144	**17,758**

24. CASH AND CASH EQUIVALENTS

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

	31 March 2023 £000	31 March 2022 £000
Bank current accounts	27,092	25,905
Short term deposits	492	19,397
Total Cash and Cash Equivalents	**27,584**	**45,302**
Bank Overdraft	(21,640)	(17,714)
Cash Overdrawn	**(21,640)**	**(17,714)**

25. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2023.

	2022/23 £000	2021/22 £000
Creditors:		
Central Government Bodies	(22,556)	(44,832)
Other Local Authorities	(2,114)	(2,815)
NHS Bodies	(1,099)	(620)
Public Corporations and Trading Funds	0	(14)
Other Entities and Individuals	(61,672)	(65,642)
Receipts In Advance	(13,235)	(12,925)
	(100,676)	**(126,848)**

26. PROVISIONS

The value of provisions held as at 31 March 2023 are as follows:

	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Short Term Provisions							
Accumulated Absences Account	3,026	(3,026)	3,013	3,013	(3,013)	3,055	3,055
Environmental Maintenance Provision	60	(60)	0	0	0	0	0
Highways & Transport Provision	405	0	0	405	0	0	405
Cultural Provision	191	(191)	0	0	0	0	0
Highways Retention	0	0	110	110	(110)	0	0
Housing Enforcement	0	0	0	0	0	156	156
Termination Benefits	230	(240)	132	122	(121)	54	55
Other short term provisions	0	0	69	69	(69)	92	92
Total Short Term Provisions	**3,912**	**(3,517)**	**3,324**	**3,719**	**(3,313)**	**3,357**	**3,763**
Long Term Provisions							
S106	73	0	0	73	0	0	73
Liability Insurance	3,777	(802)	731	3,706	(481)	870	4,095
NDR Appeals	4,619	(4,428)	644	835	(3,332)	6,571	4,074
Tenancy Deposit Clawbacks	204	(25)	38	217	(20)	38	235
Total Long Term Provisions	**8,673**	**(5,255)**	**1,413**	**4,831**	**(3,833)**	**7,479**	**8,477**
Total Provisions	**12,585**	**(8,772)**	**4,737**	**8,550**	**(7,146)**	**10,836**	**12,240**

27. USABLE RESERVES

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

	31 March 2023 £000	31 March 2022 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	7,400	6,919
Earmarked Reserves	52,579	89,638
Capital Grants Unapplied Account	52,395	47,082
HRA Balance	12,359	11,591
General Fund Balance	7,093	11,522
Total Usable Reserves	**131,826**	**166,752**

28. UNUSABLE RESERVES

	31 March 2023 £000	31 March 2022 £000
Revaluation Reserve	166,380	136,176
Capital Adjustment Account	536,319	534,463
Financial Instruments Adjustment Account	(3,052)	(3,367)
Deferred Capital Receipts Reserve	498	540
Pensions Reserve	(117,328)	(501,501)
Collection Fund Adjustment Account	1,431	(7,051)
Accumulated Absences Account	(3,055)	(3,013)
Dedicated Schools Grant Adjustment Account	0	0
Total Unusable Reserves	**581,193**	**156,247**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**136,176**	**110,801**
Upward revaluation of assets	42,895	42,114
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,018)	(9,851)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**40,877**	**32,263**
Difference between fair value depreciation and historical depreciation	(6,758)	(4,815)
Accumulated gains on assets sold or scrapped	(3,915)	(2,073)
Other transfers to the Capital Adjustment Account	0	0
Amount written off to the Capital Adjustment Account	**(10,673)**	**(6,888)**
Balance at 31 March	**166,380**	**136,176**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**534,463**	**494,837**
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	(53,963)	(43,915)
- Revaluation losses on Property, Plant and Equipment	11,779	22,137
- Revaluation loss on Long Term Investment	0	(191)
- Amortisation of intangible assets	(1,557)	(1,542)
- Revenue expenditure funded from capital under statute	(23,216)	(18,854)
- 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	(29,387)	(13,213)
	(96,344)	**(55,578)**
Adjusting amounts written out of the Revaluation Reserve	**10,673**	**6,888**
Net written out amount of the cost of non current assets consumed in the year	**(85,671)**	**(48,690)**
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	28,623	7,057
- Use of the Major Repairs Reserve to finance new capital expenditure	4,194	3,276
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	38,667	57,236
- Application of grants to capital financing from the Capital Grants Unapplied Account	10,495	5,440
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,655	9,340
- Capital expenditure charged against the General Fund and HRA balances	1,370	2,784
	93,004	**85,133**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(5,477)**	**3,183**
Balance at 31 March	**536,319**	**534,463**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**(3,367)**	**(3,682)**
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	0
Balance at 31 March	**(3,052)**	**(3,367)**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**540**	**581**
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	(42)	(41)
Balance at 31 March	**498**	**540**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**(501,501)**	**(537,647)**
Remeasurements of the net defined benefit liability/(asset)	419,732	63,869
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	(59,326)	(49,784)
Employer's pension contributions and direct payments to pensioners payable in the year	23,767	22,061
Balance at 31 March	**(117,328)**	**(501,501)**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**(7,051)**	**(20,227)**
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	8,482	13,176
Balance at 31 March	**1,431**	**(7,051)**

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**(3,013)**	**(3,026)**
Settlement or cancellation of accrual made at the end of the preceding year	3,013	3,026
Amounts accrued at the end of the current year	(3,055)	(3,013)

	2022/23 £000	2021/22 £000
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	**(42)**	**13**
Balance at 31 March	**(3,055)**	**(3,013)**

Dedicated Schools Grant Adjustment Account

On the 6 November 2020, the secretary of State for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument to amend the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020 for the financial years beginning 1 April 2020 and ending 31 March 2023. The Regulations have since been extened for a further three years.

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 the financial years beginning on 1 April 2020 and ending 31 March 2026, 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.

	2022/23 £000	2021/22 £000
Balance at 1 April	**0**	**(659)**
Dedicated Schools Grant Adjustment Account Transfer of Opening Balance	0	0
Restated Opening Balance	**0**	**(659)**
In year Dedicated Schools Grant (over)/underspend	**0**	**659**
Balance at 31 March	**0**	**0**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2022/23 £000	2021/22 £000
Interest received	(2,854)	(922)
Interest paid	26,374	25,258

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

	2022/23 £000	2021/22 £000
Depreciation	53,963	43,915
Impairment and downward valuations	(11,779)	(22,137)
Amortisation	1,557	1,542
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	0	0
Impairment losses on Investments debited to surplus or deficit on the provision of services in year	0	191
Increase/Decrease in Interest Creditors	(1)	(34)
Increase/Decrease in Creditors	(33,025)	(8,676)
Increase/Decrease in Interest and Dividend Debtors	(285)	(195)
Increase/Decrease in Debtors	(3,231)	9,656
Increase/Decrease in Inventories	22	(111)
Pension Liability	38,436	30,610
Contributions to/(from) Provisions	3,691	(4,035)
Carrying amount of non-current assets sold	8,897	9,710
Movement in Investment Property Values	5,476	(3,184)
	63,721	**57,252**

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

	2022/23 £000	2021/22 £000
Carrying amount of short and long term investment sold	0	(49,037)
Capital Grants credited to surplus or deficit on the provision of services	(54,475)	(64,670)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(28,718)	(7,733)
Non cash adjustments	**(83,193)**	**(121,440)**

30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2022/23 £000	2021/22 £000
Purchase of property, plant and equipment, investment property and intangible assets	75,242	64,806
Purchase of short term and long term investments	43,000	0
Other payments for investing activities	29,288	3,501
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,649)	(4,183)
Proceeds from the sale of short term and long term investments	(104,505)	0
Other receipts from investing activities*	(100,446)	(81,977)
Net cash flows from investing activities	**(60,070)**	**(17,853)**

* This includes capital grants received in year.

31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2022/23 £000	2021/22 £000
Cash receipts of short and long-term borrowing	(1,248)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,213	3,672
Repayments of short and long term borrowing	79	12,012
Other payments for financing activities*	(10,391)	(10,310)
Net cash flows from financing activities	**(8,347)**	**5,374**

* Represents the difference between the preceptors/Central Government share of cash collected and net cash paid in relation to Council Tax and NDR

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2022/23	1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	31 March
	£000	£000	£000	£000	£000
Long-term borrowings	291,568	0	0	(5,500)	286,068
Short-term borrowings	1,858	(1)	0	5,500	7,357
On balance sheet PFI liabilities	105,227	(3,213)	0	0	102,014
Total liabilities from financing activities	**398,653**	**(3,214)**	**0**	**0**	**395,439**

2021/22	1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	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**

33. MEMBERS' ALLOWANCES

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

	2022/23 £000	2021/22 £000
Basic Allowances	948	881
Special Responsibility Allowances	266	249
Expenses	18	9
Total	**1,232**	**1,139**

34. 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 - Andy Begley	2022/23	£163,848	£0	£0	£163,848	£28,510	£192,358
	2021/22	£157,208	£0	£0	£157,208	£27,354	£184,562
Executive Director of Adult Services (in post 1st October 2020 to 30th September 2021)	2022/23	£0	£0	£0	£0	£0	£0
	2021/22	£65,503	£0	£0	£65,503	£11,398	£76,901
Executive Director of People (started in post on 1st October 2021)	2022/23	£142,220	£0	£0	£142,220	£24,746	£166,966
	2021/22	£68,123	£0	£0	£68,123	£11,853	£79,976
Director of Public Health (direct report to the Chief Executive from 1st October 2021)	2022/23	£129,295	£0	£0	£129,295	£22,497	£151,792
	2021/22	£55,023	£0	£0	£55,023	£9,574	£64,597
Executive Director of Children's Services (left post on 30th September 2021)	2022/23	£0	£0	£0	£0	£0	£0
	2021/22	£68,671	£0	£117,589	£186,260	£11,853	£198,113
Executive Director of Place	2022/23	£142,259	£0	£0	£142,259	£0	£142,259
	2021/22	£136,247	£0	£0	£136,247	£0	£136,247
Executive Director of Resources (Interim Executive Director from 1st December 2020 to 26th May 2021)°	2022/23	£142,089	£0	£	£142,089	£24,723	£166,812
	2021/22	£126,639	£0	£0	£126,639	£22,035	£148,674
	2022/23	£0	£0	£0	£0	£0	£0

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 Legal and Democratic Services, Monitoring Officer (left post 30th September 2021)	2021/22	£59,958	£0	£97,840	£157,798	£8,748	£166,546

° An element of the total remuneration paid to the Executive Director of Resources is recharged to Shropshire County Pension Fund (£5,940), Shropshire & Wrekin Fire Authority (£16,990), the Marches LEP (£4,855), West Mercia Energy (£10,389) and West Mercia Supplies (£1,138) to reflect the various treasurer roles undertaken within those organisations.
* Includes 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 34 above are not included within this analysis. The remuneration disclosed below includes salary costs and expense allowances, paid in line with the Council's pay policy agreed by Full Council:

Salaried Remuneration Band £	2022/23 No. of Employees	2021/22 No. of Employees
50,000 – 54,999	115	89
55,000 – 59,999	57	37
60,000 – 64,999	28	32
65,000 – 69,999	17	13
70,000 – 74,999	14	14
75,000 – 79,999	6	18
80,000 – 84,999	18	4
85,000 – 89,999	3	10
90,000 – 94,999	10	5
95,000 – 99,999	7	4
100,000 – 104,999	11	1
105,000 and above	1	2

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £40,000	4	18	31	31	35	49	135	337
£40,001 - £100,000	0	3	2	0	3	3	97	174
£100,001 +	3	0	1	5	3	5	936	781
	7	**21**	**34**	**36**	**41**	**57**	**1,168**	**1,292**

35. 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:

	2022/23 £000	2021/22 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	213	175
Fees payable to external audit for the certification of grant claims and returns	29	23
Fees payable in respect of other services provided by the external audit during the year	12	9
Total	**254**	**207**

36. 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 2022/23 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2022/23 before academy recoupment	55,499	189,815	245,314
Academy and high needs figure recouped for 2022/23	(6,287)	(128,486)	(134,773)
Central provision with schools and de-delegated budgets	2,713	(2,713)	0
Early years maintained settings included in ISB on S251	(926)	926	0
Re-allocation of high needs to ISB	949	(949)	0
Total DSG after academy recoupment for 2022/23	**51,948**	**58,593**	**110,541**
Brought forward from 2021/22	582	0	582
Agreed initial budget distribution in 2022/23	**52,530**	**58,593**	**111,123**
In year adjustments	135	0	135
Final budget distribution in 2022/23	**52,665**	**58,593**	**111,258**
Actual central expenditure	(47,947)	0	(47,947)
Actual ISB deployed to schools	0	(59,690)	(59,690)
Early years maintained settings included in ISB on S251	0	(926)	(926)
Final expenditure in 2022/23	**(47,947)**	**(60,616)**	**(108,563)**
Carry forward to 2023/24	**4,718**	**(2,023)**	**2,695**

37. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £000	2021/22 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(6,450)	(6,253)
Local Services Support Grant	(385)	(318)
New Homes Bonus	(4,651)	(5,943)
Business Rates Relief Grant	(16,637)	(21,590)
Rural Service Support Grant	(6,941)	(6,941)
Covid-19 LA Support Grant	0	(7,632)
Local Council Tax Support Grant	0	(1,878)
Services Grant	(3,521)	0
Other Grants	(837)	(997)
Capital Grants & contributions	(40,542)	(49,891)
Total	**(79,964)**	**(101,443)**
Credited to Services		
DWP Housing Benefit	(45,255)	(45,743)
DWP Housing Benefit Admin Subsidy	(648)	(640)
MHCLG Waste PFI	(3,186)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(110,676)	(103,535)
DFE Pupil Premium Grant	(4,010)	(3,576)
DFE UFSM	(1,718)	(1,647)
DFE PE & Sports	(1,652)	(1,471)
Teachers Pay Grant	(29)	(28)
Teachers Pension employer contribution grant	(83)	(79)
DfT Bus Services Operators Grant	(512)	(512)
Strengthening Families	(879)	(753)
Resettlement	(39)	(116)
HO Asylum Seekers	(2,833)	(765)
DoH Public Health Grant	(12,775)	(12,426)
MHCLG/DoH Adult Social Care New Burdens	(12,620)	(9,112)
Independent Living Fund Grant	(1,512)	(1,512)
Improved Better Care Fund	(11,863)	(11,515)
DWP Discretionary Housing Payment Grant	(304)	(435)
School monitoring and brokering grant	(141)	(310)
Flexible Homelessness grant	(926)	(701)
Apprenticeship Levy	(606)	(814)
DWP Household Support Fund	(4,178)	(2,089)
DfE Holiday Activites and Food Programme	(731)	(648)

	2022/23 £000	2021/22 £000
MHCLG Rough Sleepers Initiative	(346)	(538)
MHCLG Domestic Abuse Duty Capacity Building Fund	(581)	(579)
DfT CBSSG Restart	(626)	(406)
Dft Better Deal for Bus Users	0	(319)
DLUHC Homes for Ukraine Scheme Local Authority Tariff Payment	(1,959)	0
DfE Homes for Ukrainine Education and Childcare Grant	(900)	0
DHSC Adult Social Care Discharge Fund	(1,162)	0
DfT Local Transport Authority Bus Recovery Funding	(460)	0
DHSC Market Sustainability and Fair Cost Fund	(941)	0
ESFA Schools Supplementary Grant	(1,682)	0
DHSC Rough Sleeping Drug and Alcohol Treatment Grant	(491)	0
Council Tax Rebate	(582)	0
DfE Multiply Funding	(408)	0
DHSC Supplementary Substance Misuse Treatment and Recovery Grant	(338)	0
Covid-19 Loss of Sales, Fees and Charges Income Compensation Grant	0	(243)
Covid-19 Job Retention Scheme	0	(52)
Covid-19 LRSG/ARG	0	(6,983)
Covid-19 Adult Social Care Infection Control Fund	97	(1,154)
Covid-19 Winter Grant Scheme	0	(258)
Covid-19 Workforce Capacity Fund	0	(2,672)
Covid-19 Contain Outbreak Management Fund	0	(8,813)
Covid-19 Track & Trace Service	0	(361)
Covid-19 Cultural Recovery Fund	0	(533)
Covid-19 Other Grants	(197)	(5,816)
Other Grants	(6,049)	(4,353)
Capital Grants & contributions	(13,933)	(14,779)
Total	**(249,257)**	**(250,995)**

The Council receives a number of grants where we are 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	(2,147)	0	(8)	1,956	(199)
Covid-19 LRSG/CSP/CBL Grant	0	0	(7)	0	(7)
Covid-19 Rapid Testing Fund	(37)	0	0	37	0
Covid-19 Adult Social Care Infection Control Fund	(125)	0	(20)	145	0
Covid-19 Test and Trace Support Payments	146	(156)	10	0	0
Council Tax Rebate	(16,785)	0	16,666	0	(119)

	Grant Balance b/f £000	Grant Income £000	Grant Expenditure £000	Grant Repaid £000	Grant Balance c/f £000
Homes for Ukraine Thank you Payments	0	(271)	556		285
Homes for Ukraine Welcome Payments	0	(117)	117	0	0
Total	**(18,948)**	**(544)**	**17,314**	**2,138**	**(40)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31-Mar-23 £000	31-Mar-22 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(3,254)	(2,938)
Department for Education	(1,782)	(2,307)
Environment Agency	(431)	(450)
Homes England	0	0
Highways England	0	0
Homes & Communities Agency	0	(523)
Department for Business, Energy & Industrial Strategy	(4,667)	(4,578)
Historic England	(51)	(64)
Deprtment for Levelling Up, Housing & Communities	(1,799)	0
Department for Environment, Food & Rural Affairs	(43)	0
Other Grants & Contributions	(4,911)	(7,785)
Total	**(16,938)**	**(18,645)**
Grants Receipts in Advance (Revenue Grants)		
Standards Fund	(591)	(812)
CBSSG Restart	0	(1,126)
Homes for Ukraine Scheme Local Authority Tariff Payment	(3,920)	0
Homes for Ukraine Education and Childcare Grant	(313)	0
UK Shared Prosperity Fund	(921)	0
Local Transport Fund	(279)	0
Rough Sleepers Initiative	(26)	(86)
MHCLG Social Services PFI	(210)	(210)
Adoption Support Fund	0	(341)
Council Tax Rebate	0	(585)
DfT – Bus Capacity	(345)	(182)
DfT – Local Transport Authority Bus Recovery Funding	(47)	(229)
DWP – Covid-19 Winter Grant Scheme	0	(566)
Other Grants	(1,565)	(1,893)
Total	**(8,217)**	**(6,030)**
TOTAL	**(25,155)**	**(24,675)**

38. COMMUNITIES INFRASTRUCTURE LEVY

The Communities Infrastructure Levy (CIL) is a planning charge that is applied to most types of new development within the county. The balance held at the end of the finanncial year is detailed in the below table. The Neighbourhood Fund due to Parish and Town Councils is held on the Balance Sheet within Creditors, the remaining balance is held within Capital Grants Unapplied.

	2022/23		2021/22	
	£000	£000	£000	£000
Opening Balance April		**(34,305)**		**(31,188)**
Receipts received	(8,949)		(8,228)	
Expenditure incurred	8,966		5,111	
Closing Balance		**(34,288)**		**(34,305)**
Closing Balance allocated to:				
Neighbourhood Fund	1,661		1,586	
Strategic Fund	4,925		4,203	
Local Area Fund	27,702		28,516	
Total		**34,288**		**34,305**

39. 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 2022/23, the Council paid £6.907m 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 2021/22 were £6.625m 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 2022/23, the Council paid £0.020m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2021/22 were £0.021m and 14.4%.

40. DEFINED BENEFIT PENSION SCHEMES

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

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

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(45,211)	(39,459)
- past service gain/(cost)	(216)	(55)
- curtailment gain/(cost)	(474)	566
	(45,901)	**(38,948)**
Financing and Investment Income and Expenditure:		
- net interest expense	(13,425)	(10,836)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(59,326)**	**(49,784)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	(75,816)	58,434
- experience (gain)/loss	(155,887)	(4,294)
- actuarial gains and losses arising on changes in demographic assumptions	22,505	9,687
- actuarial gains and losses arising on changes in financial assumptions	628,930	42

	Local Government Pension Scheme 2022/23 £000	Local Government Pension Scheme 2021/22 £000
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**360,406**	**14,085**
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	59,326	49,784
Actual amount charged against the Fund Balances for pensions in the year: - employers' contributions payable to scheme	(23,767)	(22,061)

Assets and Liabilities Recognised in the Balance Sheet

	2022/23 £000	2021/22 £000
Present value of the defined benefit obligation	(1,129,617)	(1,566,420)
Fair value of plan assets	1,012,289	1,067,796
Net liability arising from defined benefit obligation	**(117,328)**	**(498,624)**

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

	Local Government Pension Scheme 2022/23 £000	Local Government Pension Scheme 2021/22 £000
Opening fair value of scheme assets at 1 April	1,067,796	999,151
Interest income	30,059	21,061
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	(75,816)	58,434
Contributions from employer	23,767	22,061
Contributions from employees into the scheme	7,145	6,303
Benefits paid	(39,807)	(37,744)
Other	(855)	(1,470)
Closing fair value of scheme assets at 31 March	**1,012,289**	**1,067,796**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme 2022/23 £000	Local Government Pension Scheme 2021/22 £000
Opening balance at 1 April	(1,566,420)	(1,531,034)
Current Service Cost	(44,356)	(38,870)
Interest Cost	(43,484)	(31,897)

Contributions from scheme participants	(7,145)	(6,303)
Remeasurement gain/(loss):		
Experience gains/(losses)	(155,887)	(4,294)
Actuarial gains/(losses) arising from changes in demographic assumptions	22,505	9,687
Actuarial gains/(losses) arising from changes in financial assumptions	628,930	42
Other		
Past service costs	(216)	(55)
Losses/(gains) on curtailment	(474)	(808)
Benefits paid	39,807	37,744
Liabilities extinguished on settlements	0	2,255
Lump Sum Deficit Repayment	(2,877)	(2,887)
Closing balance at 31 March	**(1,129,617)**	**(1,566,420)**

Local Government Pension Scheme Assets

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

	2022/23 £000	2021/22 £000
Cash and cash equivalents	**4,758**	**17,939**
Equity investments:		
UK quoted	0	51,682
Global quoted	518,392	488,623
Sub-total equity	**518,392**	**540,305**
Bonds:		
Overseas Global Fixed Income	61,648	69,941
Overseas Global Dynamic	68,026	67,591
Other class 2 - absolute return bonds	60,029	64,708
Sub-total bonds	**189,703**	**202,240**
Property:		
Property funds	33,608	39,829
Sub-total property	**33,608**	**39,829**
Alternatives:		
Private Equity	90,195	89,161
Infrastructure	64,888	36,519
Hedge Funds	66,609	65,883
BMO – LDI Manager	0	36,946
Property Debt	14,172	22,317
Insurance Linked Securities	15,387	15,269
Private Debt	14,577	1,388
Sub-total alternatives	**265,828**	**267,483**
Total assets	**1,012,289**	**1,067,796**

Basis for Estimating Assets and Liabilities

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

The Council element of the Fund liabilities has been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2022/23	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2yrs	22.9yrs
Women	24.5yrs	25.1yrs
Longevity at 65 for future pensioners:		
Men	23.5yrs	24.1yrs
Women	26.3yrs	26.7yrs
Rate of inflation	2.70%	3.40%
Rate of increase in salaries	3.95%	4.65%
Rate of increase in pensions	2.80%	3.50%
Rate for discounting scheme liabilities	4.80%	2.80%

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)	1,152,857	1,106,377
Rate of inflation (increase or decrease by 0.25%)	1,175,803	1,083,431
Rate of increase in salaries (increase or decrease by 0.25%)	1,134,554	1,124,680
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,043,937	1,215,297

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 2022. Revised contribution rates from the 2022 actuarial valuation will take effect on 1st April 2023.

The Council anticipated to pay £20.214m expected contributions to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2022/23 (15 years 2021/22).

41. 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 2022/23 was £26.745m compared with £19.698m for 2021/22.

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 £17.199m to organisations where members and senior officers are employed and £0.455m 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 £1.843m from the pension fund for the costs of administration it provided in 2022/23 compared with £1.465m for 2021/22.

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 2022/23 expenditure of £21.896m and income of £0.724m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £1.367m and a debtor balance of £0.306m as at 31st March 2023.

During 2022/23 income of £1.057m was incurred between Shropshire Council and Cornovii Developments Ltd.

During 2022/23 Shropshire Council paid West Mercia Energy £4.863m.

42. 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	64,429	(70,906)	(6,477)
Secondary	4,029	(3,619)	410
Special	3,076	(3,494)	(418)
Total	**71,534**	**(78,019)**	**(6,485)**

The number of Shropshire Council maintained schools in 2022/23 was:

	31st March 2023	31st March 2022
Primary	83	83

Secondary	1	1
Special	1	1
Total	**85**	**85**

43. 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.

	2022/23		2021/22	
	£000	£000	£000	£000
Opening Creditor 1 April		**(11,723)**		**(29,828)**
Funding Received:				
Growth Deal	0		(9,300)	
Growth Hub	(231)		(462)	
Core Funding	(381)		(526)	
Capacity and Other Project Funding	(48)		(113)	
Careers & Enterprise	(306)		(225)	
Match Funding – Partner Contributions	(188)		(149)	
Marches Investment Fund	(66)		(458)	
Interest Received	(24)		(144)	
		(1,244)		(11,377)
Expenditure:				
Growth Deal Projects	5,305		27,321	
Growth Hub	320		461	
Capacity Funding Projects	71		120	
Careers & Enterprise	191		262	
Marches Investment Fund Expenditure	80		0	
LEP Management Costs	860		1,318	
		6,827		29,482
Marches LEP Creditor		**(6,140)**		**(11,723)**

44. BETTER CARE FUND

Shropshire Council and NHS Shropshire Telford & Wrekin Integrated Care Board 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		2022/23 £000	2021/22 £000
Pooled Fund			
Funding provided to the Better Care Fund:			
Shropshire Council		0	0
Shropshire CCG		10,986	11,918
	Total	**10,986**	**11,918**
Expenditure met from the Better Care Fund:			
Shropshire Council		10,986	11,918
Shropshire CCG		0	0
	Total	**10,986**	**11,918**
Non-Pooled Fund			
Funding provided to the Better Care Fund:			
Shropshire Council		18,321	17,357
Shropshire CCG		16,318	15,444
	Total	**34,639**	**32,801**
Expenditure met from the Better Care Fund:			
Shropshire Council		18,067	15,736
Shropshire CCG		16,318	15,443
	Total	**34,639**	**31,179**
Total Better Care Fund			
Total funding provided to the Better Care Fund:		**45,624**	**44,719**
Total expenditure met from the Better Care Fund:		**45,370**	**43,098**
Net Underspend Arising on the Better Care Fund During the Year		**254**	**1,621**

The Pooled Fund decreased during 2021/22, following a variation to the section 75 agreement. Areas of funding were reviewed and where funding had previously related to the impact from Covid-19, the new focus within 2022/23 was the reablement area relating to hospital discharge.

The underspend that has arisen during 2022/23 relates to Disabled Facilities Grants. Grants are fully committed against works that will progress in early 2023/24 subject to contractors arranging access to properties with grant receipients. The underspend will be carried forward into 2023/24 financial year for payments of these works.

The Council acts as the principal for the Pooled Fund and therefore all income and expenditure incurred in relation to this is accounted for within the Council's Income and Expenditure Statement. Income and expenditure incurred directly by the Council in relation to the Non-Pooled Fund is accounted for in the Council's Income and Expenditure Statement.

45. 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.	(9,015)	50,181	252,321	(2,400)
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(5,159)	10,377	163,533	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(9,843)	15,453	361,595	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,562)	829	61,166	0

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.

46. CONTINGENT LIABILITIES

At 31 March 2023 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

- Potential changes to CIL regulations and impact that this may have on Council CIL liabilities
- Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs.
- Judicial review regarding adult social care care regarding responsibility for care costs
- Planning litigation
- Potential property tenancy dispute.

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

Bodies that have additional pension liability guarantee

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2022 Valuation
Age UK Telford & Wrekin	3	6	28	0	£0.286m
Association of Local Councils	2	0	1	0	(£0.050m)
Coverage Care from 1/3/1997	2	29	128	10	£2.299m
Coverage Care from 13/1/2013	9	21	14	2	£0.690m
Perthyn	3	12	6	0	£0.072m
Shropshire Towns & Rural Housing	133	49	29	2	£0.367m
Connexus Housing One Ltd	3	2	15	2	£1.409m

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	12	5	1	0
Bethphage from1/7/2017	7	2	1	0
Energize Shropshire Telford & Wrekin	0	0	1	0

Enterprise South West Shropshire	0	2	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.

47. 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

Shropshire Council

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2022 to 31 March 2023. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2023, 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 2022/23 Shropshire Towns and Rural Housing Limited had total income of £22.410m, total expenditure of £23.995m, assets of £8.211m and liabilities of £3.178m.

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 2022/23 West Mercia Energy had total income of £135.629m, total expenditure of £133.601m, assets of £40.130m and liabilities of £36.090m.

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 2022/23 West Mercia Supplies (Pensions) had total income of £0.213m, total expenditure of £0.191m, assets of £0.001m and liabilities of £2.844m.

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 2022/23 the amounts incorporated into the group accounts for SSC No. Limited are 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 2022/23 the amounts incorporated into the group accounts for Cornovii Developments Limited are total expenditure of £3.597m, income of £3.292m, assets of £13.567m and liabilities of £13.888m.

The Group Comprehensive Income & Expenditure Statement

2021/22 Group Expenditure £000	2021/22 Group Income £000	2021/22 Group Net Expenditure £000		2022/23 Group Expenditure £000	2022/23 Group Income £000	2022/23 Group Net Expenditure £000
			Expenditure on Continuing Services			
18,162	(23,768)	(5,606)	Health and Wellbeing	18,560	(15,559)	3,001
(3,858)	(19,344)	(23,202)	Local Authority Housing	4,567	(18,951)	(14,384)
390,472	(196,221)	194,251	People	454,862	(216,908)	237,954
144,853	(48,734)	96,119	Place	164,541	(52,128)	112,413
56,736	(49,605)	7,131	Resources	60,257	(52,474)	7,783
923	0	923	Strategic Management Board	716	0	716
26,123	(33,015)	(6,892)	Corporate	10,588	(27,410)	(16,822)
633,411	**(370,687)**	**262,724**	**Net Cost of Services**	**714,091**	**(383,430)**	**330,661**
		15,556	Other Operating Expenditure			10,532
		32,256	Financing and Investment Income and Expenditure			47,862
		(326,122)	Taxation and Non Specific Grant Income			(316,145)
		(15,586)	**(Surplus)/Deficit on the provision of services**			**72,910**
		(94)	Associates & Joint Ventures Accounted for on an equity basis			(623)
		0	Tax expenses of subsidiaries			0
		(15,680)	**Group (Surplus)/Deficit**			**72,287**
		(32,260)	(Surplus) or deficit on revaluation of non-current assets			(41,074)
		(2)	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve			197
		(65,364)	Remeasurement of pension assets and liabilities			(429,800)
		(97,626)	**Other Comprehensive Income and Expenditure**			**(470,677)**
		(113,306)	**Total Comprehensive Income and Expenditure**			**(398,390)**

Group Movement in Reserves Statement

2022/23	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2022	11,522	89,638	101,160	11,592	6,918	47,082	166,752	156,247	322,999	(3,851)	319,148
Movement in reserves during 2022/23											
Surplus or (deficit) on the provision of services	(66,938)	0	(66,938)	16,468	0	0	(50,470)	0	(50,470)	(21,817)	(72,287)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	460,609	460,609	10,068	470,677
Total Comprehensive Income and Expenditure	**(66,938)**	**0**	**(66,938)**	**16,468**	**0**	**0**	**(50,470)**	**460,609**	**410,139**	**(11,749)**	**398,390**
Adjustments between Group Accounts and authority accounts	(20,119)	0	(20,119)	0	0	0	(20,119)	0	(20,119)	20,119	0
Net Increase/Decrease before Transfers	**(87,057)**	**0**	**(87,057)**	**16,468**	**0**	**0**	**(70,589)**	**460,609**	**390,020**	**8,370**	**398,390**
Adjustments between accounting basis and funding basis under regulations	45,537	0	45,537	(15,669)	482	5,313	35,663	(35,663)	0	68	68
Net Increase/Decrease before Transfers to Earmarked Reserves	**(41,520)**	**0**	**(41,520)**	**799**	**482**	**5,313**	**(34,926)**	**424,946**	**390,020**	**8,438**	**398,458**
Transfers to/from Earmarked Reserves	37,091	(37,059)	32	(32)	0	0	0	0	0	0	0
Increase/Decrease in 2022/23	**(4,429)**	**(37,059)**	**(41,488)**	**767**	**482**	**5,313**	**(34,926)**	**424,946**	**390,020**	**8,438**	**398,458**
Balance at 31 March 2023	**7,093**	**52,579**	**59,672**	**12,359**	**7,400**	**52,395**	**131,826**	**581,193**	**713,019**	**4,587**	**717,606**

2021/22 Comparative figures

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**40,978**	**211,105**	**(5,253)**	**205,852**
Movement in reserves during 2021/22											
Surplus or (deficit) on the provision of services	5,514	0	5,514	23,076	0	0	28,590	0	28,590	(12,910)	15,680
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	96,131	96,131	1,495	97,626
Total Comprehensive Income and Expenditure	5,514	0	5,514	23,076	0	0	28,590	96,131	124,721	**(11,415)**	**113,306**
Adjustments between Group Accounts and authority accounts	(12,828)	0	(12,828)	0	0	0	(12,828)	0	(12,828)	12,828	0
Net Increase/Decrease before Transfers	**(7,314)**	**0**	**(7,314)**	**23,076**	**0**	**0**	**15,762**	**96,131**	**111,893**	**1,413**	**113,306**
Adjustments between accounting basis and funding basis under regulations	687	0	687	(22,787)	968	1,995	(19,137)	19,137	0	(11)	(11)
Net Increase/Decrease before Transfers to Earmarked Reserves	**(6,627)**	**0**	**(6,627)**	**289**	**968**	**1,995**	**(3,375)**	**115,268**	**111,893**	**1,402**	**113,295**
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)**	**115,268**	**111,893**	**1,402**	**113,295**
Balance at 31 March 2022	**11,522**	**89,638**	**101,160**	**11,592**	**6,918**	**47,082**	**166,752**	**156,246**	**322,998**	**(3,851)**	**319,147**

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	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	20,119*	0	0	0	20,119	0	20,119	(20,119)	0
Total adjustments between Group Accounts and authority accounts	**20,119**	**0**	**0**	**0**	**20,119**	**0**	**20,119**	**(20,119)**	**0**

Group Balance Sheet at 31 March 2023

31 March 2022 SC	31 March 2022 Adjustments	31 March 2022 Group		31 March 2023 SC	31 March 2023 Adjustments	31 March 2023 Group
£000	£000	£000		£000	£000	£000
1,054,190	25	1,054,215	Property, Plant & Equipment	1,115,889	70	1,115,959
2,137	0	2,137	Heritage Assets	2,096	0	2,096
61,879	0	61,879	Investment Property	60,736	0	60,736
5,381	0	5,381	Intangible Assets	3,907	17	3,924
599	0	599	Assets Held for Sale	0	0	0
1,124,186	**25**	**1,124,211**	**Total Non-Current Assets**	**1,182,628**	**87**	**1,182,715**
970	(570)	400	Long Term Investment	970	(570)	400
0	(1,339)	(1,339)	Investments in Associates and Joint Ventures	0	425	425
17,166	(238)	16,928	Long Term Debtors	16,074	0	16,074
1,142,322	**(2,122)**	**1,140,200**	**Total Long Term Assets**	**1,199,672**	**(58)**	**1,199,614**
			Current Assets			
570	0	570	Current Held for Sale Investment Properties	5,906	0	5,906
3,866	0	3,866	Assets Held for Sale	1,627	0	1,627
119,000	0	119,000	Short Term Investments	58,000	0	58,000
808	4,478	5,286	Inventories	786	7,088	7,874
82,430	(4,880)	77,550	Short Term Debtors	89,160	(13,220)	75,940
45,302	8,500	53,802	Cash & Cash Equivalents	27,584	12,734	40,318
251,976	**8,098**	**260,074**	**Total Current Assets**	**183,063**	**6,602**	**189,665**
1,394,298	**5,976**	**1,400,274**	**Total Assets**	**1,382,735**	**6,544**	**1,389,279**
			Current Liabilities			
(17,714)	0	(17,714)	Bank Overdraft	(21,640)	0	(21,640)
(1,858)	0	(1,858)	Short Term Borrowing	(7,606)	0	(7,606)
(126,848)	(1,123)	(127,971)	Short Term Creditors	(100,676)	(819)	(101,495)
(3,660)	0	(3,660)	Provisions	(3,763)	0	(3,763)
(6,030)	0	(6,030)	Grants Receipts in Advance – Revenue	(8,217)	0	(8,217)
(18,645)	0	(18,645)	Grants Receipts in Advance – Capital	(16,938)	0	(16,938)
(174,755)	**(1,123)**	**(175,878)**	**Total Current Liabilities**	**(158,840)**	**(819)**	**(159,659)**
1,219,543	**4,853**	**1,224,396**	**Total Assets Less Current Liabilities**	**1,223,895**	**5,725**	**1,229,620**
			Long Term Liabilities			
(625)	0	(625)	Long Term Creditors	(614)	0	(614)
(291,568)	0	(291,568)	Long Term Borrowing	(286,998)	0	(286,998)
(100,838)	0	(100,838)	Other Long Term Liabilities	(97,459)	0	(97,459)
(498,624)	(8,704)	(507,328)	Pensions Liability	(117,328)	(1,138)	(118,466)
(4,889)	0	(4,889)	Provisions	(8,477)	0	(8,477)
(896,544)	**(8,704)**	**(905,248)**	**Total Long Term Liabilities**	**(510,876)**	**(1,138)**	**(512,014)**
322,999	**(3,851)**	**319,148**	**Total Assets Less Liabilities**	**713,019**	**4,587**	**717,606**
			Financed by:			
166,752	6,636	173,388	Usable Reserves	131,826	6,211	138,037
156,247	(10,487)	145,760	Unusable Reserves	581,193	(1,624)	579,569
322,999	**(3,851)**	**319,148**	**Total Reserves**	**713,019**	**4,587**	**717,606**

Group Cash Flow Statement

2021/22 SC £000	2021/22 Adjustments £000	2021/22 Group £000	Revenue Activities	2022/23 SC £000	2022/23 Adjustments £000	2022/23 Group £000
(15,762)	82	(15,680)	Net (surplus) or deficit on the provision of services	70,589	1,698	72,287
(57,252)	2,376	(54,876)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(63,721)	1,415	(62,306)
121,440	(37)	121,403	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	83,193	(23)	83,170
48,426	**2,421**	**50,847**	**Net cash flows from operating activities**	**90,061**	**3,090**	**93,151**
(17,853)	(1,981)	(19,834)	Investing activities	(60,070)	(7,051)	(67,121)
5,374	0	5,374	Financing activities	(8,347)	(273)	(8,620)
35,947	**440**	**36,387**	**Net (increase) or decrease in cash and cash equivalents**	**21,644**	**(4,234)**	**17,410**
63,535	8,940	72,475	Cash and cash equivalents at the beginning of the reporting period	27,588	8,500	36,088
27,588	**8,500**	**36,088**	**Cash and cash equivalents at the end of the reporting period**	**5,944**	**12,734**	**18,678**

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' balances is 28.1%. 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 2023.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Energy' balances is 25%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2023.

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)
Operational	
Land & Buildings	Existing Use Value (EUV) – determined as the amount that would be paid for the asset in its existing use
Vehicles, Plant & Equipment	Depreciated Historic Cost (HC) - as a proxy for current value where they are of short life or low value.

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

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

G2. Consolidation of West Mercia Energy

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

	WME £000	SC Share (28.1%) £000
Turnover	(135,629)	(38,123)
Cost of Goods Sold and Operating Expenses	133,601	37,553
Interest and Investment Income	(85)	(24)
Net Operating Surplus	**(2,113)**	**(594)**
Distribution of Surplus to Member Authorities	972	273
Net Surplus for the year	**(1,141)**	**(321)**

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	(213)	(53)
Cost of Goods Sold and Operating Expenses	4	1
Interest and Investment Income	187	47
Net surplus for the year	**(22)**	**(5)**

G4. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£22.410m) and expenditure (£23.801m) of Shropshire Towns & Rural Housing Limited, giving a net expenditure of £1.391m 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 £21.172m).

G5. Consolidation of SSC No.1 Ltd

There was no operating expenditure or income for SSC No.1 Ltd in 2022/23.

G6. Consolidation of Cornovii Developments Ltd

The operating expenditure (£3.480m) and income (£3.292m) 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 (28.1%) £000
Assets		
Plant & Equipment	8	2
Other Long Term Assets	793	223
Short term debtors	23,804	6,691
Cash and cash equivalents	15,525	4,364
Total Assets	**40,130**	**11,280**
Liabilities		
Short term creditors	(36,090)	(10,144)
Other long term liabilities	0	0

	WME £000	SC Share (28.1%) £000
Total Liabilities	(36,090)	(10,144)
Net Investments in Associates and Joint Ventures	4,040	1,136

	WMS(P) £000	SC Share (25%) £000
Assets		
Short term debtors	1	0
Total Assets	1	0
Liabilities		
Short term creditors	(1)	0
Other long term liabilities	(2,843)	(711)
Total Liabilities	(2,844)	(711)
Net Investments in Associates and Joint Ventures	(2,843)	(711)

G8. Property, Plant & Equipment in Group Balance Sheet

The figures below provide information on the movement of non-current assets during 2022/23.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Cost or valuation									
At 1 April 2022	**224,132**	**404,660**	**21,866**	**7,797**	**2,358**	**3,288**	**36,020**	**700,121**	**123,265**
Additions	5,919	6,254	3,593	84	26	0	15,445	**31,321**	684
Revaluation increases/(decreases) recognised in the Revaluation Reserve	79	23,220	0	0	0	44	0	**23,343**	7,738
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,579	(2,680)	0	0	0	0	0	**4,899**	478
Derecognition – disposals	(1,571)	(480)	0	0	0	(1,400)	0	**(3,451)**	0
Derecognition – other	(2)	(2,189)	(1,350)	0	(99)	0	0	**(3,640)**	(490)
Assets reclassified (to)/from Held for Sale	(198)	(225)	0	0	0	0	(22)	**(445)**	0
Other movements in cost or valuation	86	8,040	0	869	0	556	(11,979)	**(2,428)**	0
At 31 March 2023	**236,024**	**436,600**	**24,109**	**8,750**	**2,285**	**2,488**	**39,464**	**749,720**	**131,675**
At 1 April 2022	**0**	**0**	**(12,419)**	**(3,432)**	**(580)**	**(1,006)**	**0**	**(17,437)**	**(9,435)**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Depreciation charge for 2022/23	(4,610)	(20,001)	(3,190)	(388)	(55)	(43)	0	**(28,287)**	(8,290)
Depreciation written out to the Revaluation Reserve	138	17,583	0	0	0	9	0	**17,730**	5,961
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,472	2,419	0	0	0	34	0	**6,925**	290
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(197)	0	0	0	0	0	**(197)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(184)	0	0	0	0	0	**(184)**	0
Derecognition – disposals	0	0	0	0	0	0	0	**0**	0
Derecognition – other	0	0	1,328	0	98	0	0	**1,426**	487
Other movements in depreciation and impairment	0	380	0	0	0	0	0	**380**	0
At 31 March 2023	**0**	**0**	**(14,281)**	**(3,820)**	**(537)**	**(1,006)**	**0**	**(19,644)**	**(10,987)**
NBV at 31 March 2023	**236,024**	**436,600**	**9,828**	**4,930**	**1,748**	**1,482**	**39,464**	**730,076**	**120,688**
NBV at 31 March 2022	**224,132**	**404,660**	**9,446**	**4,365**	**1,778**	**2,282**	**36,020**	**682,683**	**113,830**

The comparative movements in 2021/22 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Cost or valuation At 1 April 2021	**204,772**	**393,044**	**21,744**	**7,843**	**2,480**	**2,252**	**14,734**	**646,869**	**123,986**
Additions	6,878	2,915	1,295	15	0	0	21,363	**32,466**	760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(113)	17,109	0	0	0	729	0	**17,725**	(1,035)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487	1,043	0	0	0	2	0	**16,532**	(277)
Derecognition – disposals	(2,682)	(3,928)	(13)	0	0	0	0	**(6,623)**	0
Derecognition – other	0	(2,840)	(1,172)	(61)	(122)	0	0	**(4,195)**	(169)
Assets reclassified (to)/from Held for Sale	(213)	(3,394)	0	0	0	0	0	**(3,607)**	0
Other movements in cost or valuation	3	711	0	0	0	305	(77)	**942**	0
At 31 March 2022	**224,132**	**404,660**	**21,854**	**7,797**	**2,358**	**3,288**	**36,020**	**700,109**	**123,265**
Depreciation and Impairments At 1 April 2021	**0**	**0**	**(10,578)**	**(3,178)**	**(638)**	**(1,006)**	**0**	**(15,400)**	**(7,579)**
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,964)	(315)	(65)	(54)	0	**(23,580)**	(7,069)
Depreciation written out to the Revaluation Reserve	147	14,367	2	0	0	20	0	**14,536**	4,816
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,047	1,621	0	0	0	34	0	**5,702**	273
Impairment losses/(reversals) recognised in the Revaluation Reserve	2	0	0	0	0	0	0	**2**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,381	0	0	0	0	0	**1,381**	0
Derecognition – disposals	0	0	5	0	0	0	0	**5**	0
Derecognition – other	0	0	1,127	61	123	0	0	**1,311**	124
Other movements in depreciation and impairment	(2)	(1,381)	0	0	0	0	0	**(1,383)**	0
At 31 March 2022	**0**	**0**	**(12,408)**	**(3,432)**	**(580)**	**(1,006)**	**0**	**(17,426)**	**(9,435)**
NBV at 31 March 2022	**224,132**	**404,660**	**9,446**	**4,365**	**1,778**	**2,282**	**36,020**	**682,683**	**113,830**
NBV at 31 March 2021	**204,772**	**393,044**	**11,166**	**4,665**	**1,842**	**1,246**	**14,734**	**631,469**	**116,407**

Highway Infrastructure Assets

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

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2022/23 £000	2021/22 £000
Net book value (modified historical cost):		
At 1 April	371,531	360,721
Additions	39,635	32,024
Derecognition	0	0
Depreciation	(25,427)	(21,654)
Impairment	0	0
Other Movement in cost	144	440
At 31 March	**385,883**	**371,531**

Reconciliation note to Property, Plant & Equipment in the Balance Sheet:

	2022/23 £000	2021/22 £000
Highway Infrastructure Assets	385,883	371,531
Other PPE Items	730,076	682,683
Total PPE Assets	**1,115,959**	**1,054,215**

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. Given the financial position of the Council over a number of years, we have not had sufficient resources to do anything other than undertake replacement or renewal expenditure when parts of infrastructure assets are worn out.

G9. Cash and Cash Equivalents

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

	31 March 2023 £000	31 March 2022 £000
Bank current accounts	39,826	34,405
Short term deposits with building societies	492	19,397
Total Cash and Cash Equivalents	**40,318**	**53,802**

	31 March 2023 £000	31 March 2022 £000
Bank Overdraft	(21,640)	(17,714)
Cash Overdrawn	**(21,640)**	**(17,714)**

G10. Pension Liability

Assets and Liabilities Recognised in the Balance Sheet

	2022/23 £000	2021/22 £000
Present value of the defined benefit obligation	(1,147,142)	(1,590,775)
Fair value of plan assets	1,028,676	1,083,447
Net liability arising from defined benefit obligation	**(118,466)**	**(507,328)**

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

	Local Government Pension Scheme	
	2022/23 £000	2021/22 £000
Opening fair value of scheme assets at 1 April	1,083,447	1,013,696
Interest income	30,512	21,367
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	(76,527)	59,158
Contributions from employer	24,484	22,780
Contributions from employees into the scheme	7,404	6,540
Benefits paid	(39,757)	(38,603)
Other	(887)	(1,491)
Closing fair value of scheme assets at 31 March	**1,028,676**	**1,083,447**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2022/23 £000	2021/22 £000
Opening balance at 1 April	(1,590,775)	(1,554,568)
Current Service Cost	(45,941)	(40,286)
Interest Cost	(44,170)	(32,385)
Contributions from scheme participants	(7,404)	(6,540)
Remeasurement gain/(loss):		
Experience gains/losses	(158,565)	(4,349)
Actuarial gains/losses arising from changes in demographic assumptions	22,800	9,845
Actuarial gains/losses arising from changes in financial assumptions	640,723	524
Other	0	0
Past service costs	(216)	(55)
Losses/(gains) on curtailment	(474)	(932)
Benefits paid	39,757	38,603
Liabilities extinguished on settlements	0	2,255

Lump Sum Deficit Repayment	(2,877)	(2,887)
Closing balance at 31 March	**(1,147,142)**	**(1,590,775)**

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2022/23 £000	2021/22 £000
Cash and cash equivalents	**4,835**	**18,202**
Equity investments:		
UK quoted	0	52,439
Global quoted	526,785	495,785
Sub-total equity	**526,785**	**548,224**
Bonds:		
Overseas Global Fixed Income	62,646	70,966
Overseas Global Dynamic	69,127	68,582
Other class 2 - absolute return bonds	61,001	65,656
Sub-total bonds	**192,774**	**205,204**
Property:		
Property funds	34,152	40,413
Sub-total property	**34,152**	**40,413**
Alternatives:		
Private Equity	91,655	90,468
Infrastructure	65,938	37,054
Hedge Funds	67,687	66,849
BMO – LDI Manager	0	37,488
Property Debt	14,401	22,644
Insurance Linked Securities	15,636	15,493
Private Debt	14,813	1,408
Sub-total alternatives	**270,130**	**271,404**
Total assets	**1,028,676**	**1,083,447**

G11. Unusable Reserves

	31 March 2023 Total £000	31 March 2023 SC Share £000	31 March 2022 Total £000	31 March 2022 SC Share £000
Shropshire Towns & Rural Housing – Pensions Reserve	1,138	1,138	8,704	8,704
West Mercia Energy – Pensions Reserve and Capital Adjustment Account	(801)	(225)	257	61
West Mercia Supplies – Pensions Reserve	2,843	711	6,888	1,722
Total	**3,180**	**1,624**	**15,849**	**10,487**

Section 7

Housing Revenue Account

Shropshire Council

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

2021/22		2022/23	
£'		£	£
	Expenditure		
6,057,685	Repairs & Maintenance	6,745,212	
3,717,200	Supervision and Management	3,472,785	
144,544	Rents, rates taxes and other charges	203,648	
4,047,050	Depreciation – Dwellings	4,471,690	
197,780	- Other	203,130	
(19,534,419)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(12,051,130)	
54,800	Debt Management Costs	42,090	
38,000	Provision for Bad or Doubtful Debts	50,000	
(5,277,360)	**Total Expenditure**		**3,137,425**
	Income		
(17,453,740)	Dwelling Rents	(17,965,084)	
(108,801)	Non Dwelling Rents	(102,928)	
(5,451)	Other Income	(6,290)	
(827,379)	Charges for Services and Facilities	(916,142)	
(18,395,371)	**Total Income**		**(18,990,444)**
(23,672,731)			**(15,853,019)**
314,409	HRA Share of Corporate & Democratic Core		298,796
(23,358,322)	**Net Cost of HRA Services**		**(15,554,223)**
(821,248)	(Gain) or loss on sale of HRA Assets		(564,220)
2,988,070	Interest payable and similar charges		3,196,356
(43,232)	Interest and Investment Income		(295,956)
(36,051)	Income & Expenditure in relation to investment properties & change in fair values		(5,800)
(1,804,818)	Capital grants and contributions receivable		(3,244,152)
(23,075,601)	**(Surplus) or deficit for the year on HRA Services**		**(16,467,995)**

MOVEMENT ON THE HRA STATEMENT

2021/22 £		2022/23 £
(11,341,017)	**Balance on the HRA at the end of the previous year**	**(11,591,766)**
(23,075,601)	**(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement**	**(16,467,995)**
22,786,452	Adjustments between accounting basis and funding basis under statute	15,668,578
(289,149)	**Net increase or (decrease) before transfers to or from reserves**	**(799,417)**
38,400	Transfers to or (from) Reserves	31,870
(250,749)	**(Increase) or Decrease in year on the HRA**	**(767,547)**
(11,591,766)	**Balance on the HRA at the end of the current year**	**(12,359,313)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2022/23	2021/22
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,129	3,140
Flats	871	874
	4,000	**4,014**
Change in Stock		
Stock at 1 April	4,014	4,042
Less: Sales – Right to Buy	(27)	(45)
Sales – Other	0	(1)
Acquisition – full ownership	10	18
Acquisition – shared ownership	3	0
	4,000	**4,014**

2. RENT ARREARS

	2022/23 £	2021/22 £
Due from Current Tenants	126,737	81,245
Due from Former Tenants	96,066	106,255
Total Rent Arrears as at 31 March	**222,803**	**187,500**
Pre-Payments	(607,644)	(652,427)
Net Arrears	**(384,841)**	**(464,927)**

As at 31 March 2023, the total provision set aside for HRA related bad debts is £0.395m.

3. BALANCE SHEET VALUE OF ASSETS

Housing Revenue Account

	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 2021	**224,132,105**	**1,205,000**	**312,455**	**1,932,996**	**227,582,556**	**275,250**	**213,661**	**228,071,467**
Additions	5,918,836	315,000	775	7,051,822	**13,286,433**	0	0	**13,286,433**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	79,405	40,000	0	0	**119,405**	0	0	**119,405**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,579,440	0	0	0	**7,579,440**	(19,250)	0	**7,560,190**
Derecognition – disposals	(1,571,000)	0	0	0	**(1,571,000)**	0	(433,834)	**(2,004,834)**
Derecognition – other	(2,160)	0	0	0	**(2,160)**	0	0	**(2,160)**
Assets reclassified (to)/from Held for Sale	(198,355)	0	0	(21,818)	**(220,173)**	0	220,173	**0**
Other movements in cost or valuation	85,959	0	0	(85,959)	**0**	0	0	**0**
As at 31 March 2022	**236,024,230**	**1,560,000**	**313,230**	**8,877,041**	**246,774,501**	**256,000**	**0**	**247,030,501**
Accumulated Depreciation and Impairment								
At 1 April 2021	**0**	**0**	**(150,430)**	**0**	**(150,430)**	**0**	**0**	**(150,430)**
Depreciation Charge	(4,610,260)	(30,690)	(33,870)	0	**(4,674,820)**	0	0	**(4,674,820)**
Depreciation written out to the Revaluation Reserve	138,570	30,690	0	0	**169,260**	0	0	**169,260**
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,471,690	0	0	0	**4,471,690**	0	0	**4,471,690**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0	0	**0**
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	0	0	0	0	**0**	0	0	**0**
As at 31 March 2022	**0**	**0**	**(184,300)**	**0**	**(184,300)**	**0**	**0**	**(184,300)**
Net Book Value								
As at 31 March 2023	**236,024,230**	**1,560,000**	**128,930**	**8,877,041**	**246,590,201**	**256,000**	**0**	**246,846,201**
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**

There is a difference of £352.254m between the tenanted valuation and the District Valuer's Vacant Possession Value of £587.090m at 31 April 2023.

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.

	2022/23 £	2021/22 £
Usable Capital Receipts	262,051	992,871
Revenue Contributions utilised in year	1,009,077	898,926
Major Repairs Allowance	4,193,547	3,276,361
Government Supported borrowing	5,353,456	1,399,060
Government Grants and Contributions	2,635,076	1,532,300
Total Capital Expenditure on Housing Stock	**13,453,207**	**8,099,518**

5. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. Prior to 2022/23, 75% of Capital Receipts arising from Right to Buy disposals were subject to National Pooling arrangements payable to DLUHC. For 2022/23 and 2023/24 flexibilities were introduced to allow Local Authorities to retain 100% of the Right to Buy Disposal income for these time periods.

	2022/23 £	2021/22 £
Sale of Council Houses under Right to Buy (RTB)	2,013,494	3,238,900
RTB Discounts Repaid	0	0
Other Land & Buildings	0	0
Mortgage Receipts	0	0
Total Capital Receipts from HRA Asset Disposals	**2,013,494**	**3,238,900**
Less Capital Receipts subject to Pooling requirement	0	(607,015)
Net Capital Receipts from HRA Asset Disposals	**2,013,494**	**2,631,885**

6. HOUSING REPAIRS ACCOUNT

	2022/23 £	2021/22 £
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.

2021/22 Council Tax £000	2021/22 NDR £000	2021/22 Total £000		2022/23 Council Tax £000	2022/23 NDR £000	2022/23 Total £000
			Income:			
(222,926)	0	(222,926)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(234,865)	0	(234,865)
			Transfers from General Fund			
2	0	2	- Transitional relief	0	0	0
(1,160)	0	(1,160)	- Discretionary relief	(299)	0	(299)
0	(58,771)	(58,771)	Income collectable from business ratepayers	0	(79,745)	(79,745)
0	(82)	(82)	Transitional Protection Payments	0	2,326	2,326
(224,084)	**(58,853)**	**(282,937)**	**TOTAL INCOME**	**(235,164)**	**(77,419)**	**(312,583)**
			Expenditure:			
			Precepts			
179,782	43,073	222,855	- Shropshire Council and Parish and Town Councils	189,820	36,844	226,664
27,307	0	27,307	- West Mercia Police & Crime Commissioner	28,832	0	28,832
11,846	858	12,704	- Shropshire & Wrekin Fire Authority	12,273	729	13,002
0	42,895	42,895	- Central Government	0	36,427	36,427
			Charges to Collection Fund			
0	453	453	- costs of collection	0	454	454
			Bad and doubtful debts			
(141)	1	(140)	- write offs	12	5	17
2,180	998	3,178	- allowance for impairment	2,074	1,014	3,088
			Appeals rates			
0	(4,428)	(4,428)	- write offs	0	(3,332)	(3,332)
0	(3,294)	(3,294)	- provisions	0	9,943	9,943
			Contributions			
(659)	(42,920)	(43,579)	- Towards previous year's estimated Collection Fund surplus/(deficit)	2,915	(22,946)	(20,031)
220,315	**37,636**	**257,951**	**TOTAL EXPENDITURE**	**235,926**	**59,138**	**295,064**
(3,769)	**(21,217)**	**(24,986)**	**Deficit/(Surplus) for the Year**	**762**	**(18,281)**	**(17,519)**
796	40,329	41,125	Balance brought forward	(2,973)	19,112	16,139
(2,973)	**19,112**	**16,139**	**Balance carried forward**	**(2,211)**	**831**	**(1,380)**

NOTES TO THE COLLECTION FUND

1. GENERAL

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 2022/23 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	29.46	5/9	16.37
A	17,707.18	6/9	11,804.79
B	29,968.03	7/9	23,308.47
C	26,651.03	8/9	23,689.80
D	19,361.54	9/9	19,361.54
E	15,655.37	11/9	19,134.33
F	8,400.64	13/9	12,134.26
G	4,398.39	15/9	7,330.65
H	289.78	18/9	579.56
			117,359.77
Adjustment for MoD Properties (602.76.46 Band D Equivalents) and Collection Rate (97.9%)			(1,874.44)
			115,485.33

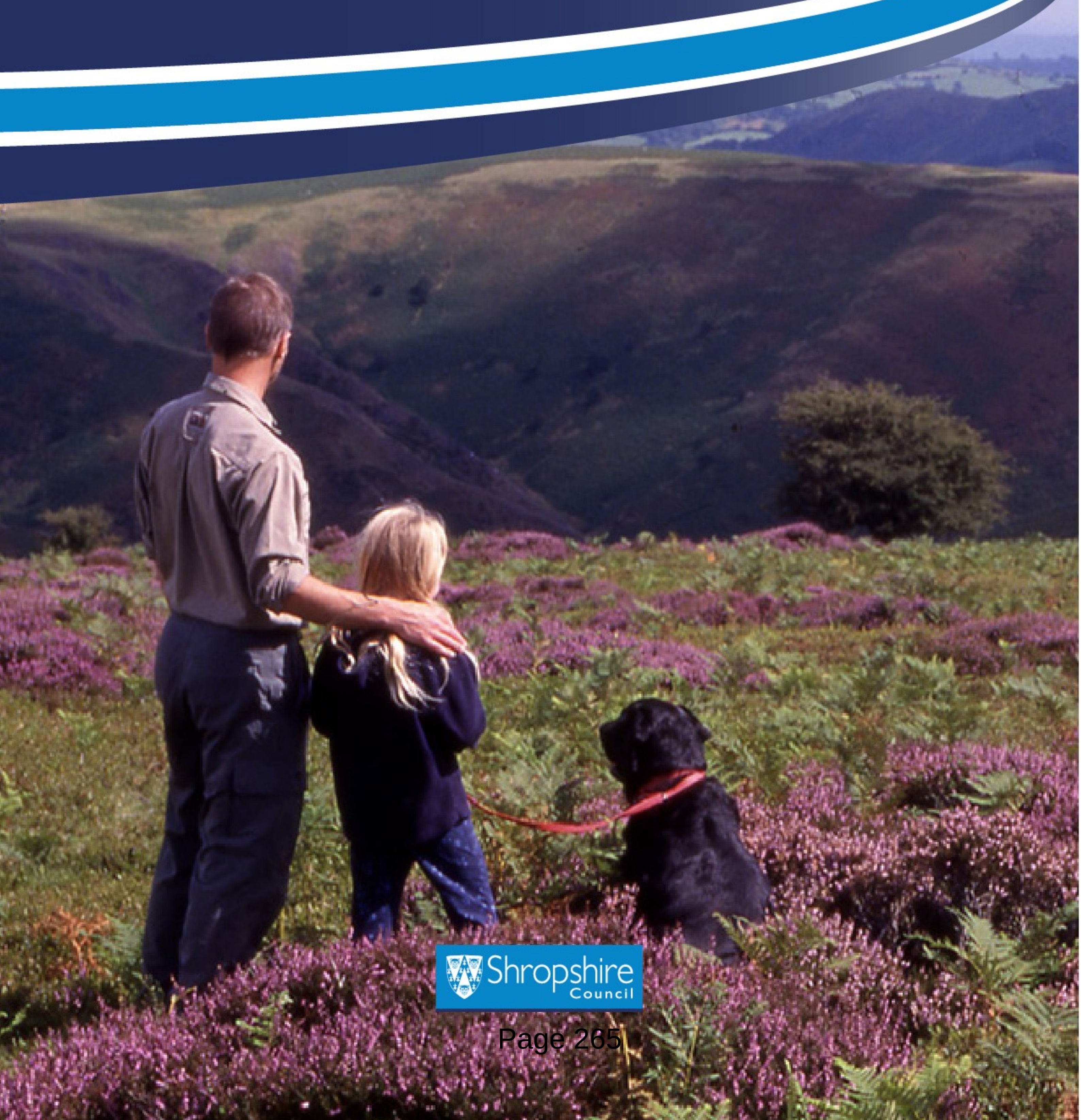
3. NON-DOMESTIC RATES (BUSINESS RATES)

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 2023, the total non-domestic rateable value for all business premises in Shropshire was £235,213,779. The multiplier set by Government to calculate rate bills in 2022/23 was 49.9p for small businesses and 51.2p for all other businesses.

Section 9

Pension Fund Accounts



Introduction

The Introduction to the Pension Fund will be updated in line with the Pension Fund Annual Report. This will be included in the Audited Statement of Accounts.

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

2021/22 £000		2022/23 £000
	Income	
	Contributions	
(41,967)	Employers (Note 7)	(57,110)
(17,320)	Employees (Note 7)	(19,208)
(10,170)	Transfers In from other pension funds (Notes 3, 7)	(9,525)
(69,457)	**Total Income**	**(85,843)**
	Expenditure	
	Benefits Payable	
66,544	Pensions (Note 7)	70,888
11,080	Commutation of pensions and lump sum retirement benefits (Note 7)	12,633
1,322	Lump Sum Death Benefits (Note 7)	2,522
	Payment to & on Account of Leavers	
220	Refund of contributions (Note 7)	216
4,942	Transfers to other funds (Notes 3, 7)	8,128
84,108	**Total Expenditure**	**94,387**
14,651	**Net (additions) / withdrawals from dealings with scheme members**	**8,544**
17,492	**Management Expenses (Note 8)**	**18,809**
32,143	**Net additions/(withdrawals) including fund management expenses**	**27,353**
	Returns on Investments	
(15,862)	Investment Income (Notes 3, 9)	(8,188)
(47,334)	(Gain)/loss on cash and currency hedging	(21,364)
135	Taxes on Income (Note 10)	98
(114,349)	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	97,301
(177,410)	**Net return on investments**	**67,847**
(145,267)	**Net (increase)/decrease in the net assets available for benefits during the year**	**95,200**
2,194,020	**Opening net assets of the scheme**	**2,339,287**
2,339,287	**Closing net assets of the scheme**	**2,244,087**

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2023

31-Mar-22 £000		31-Mar-23 £000	%
	Long Term Investments		
1,315	Equities (Note 11b)	1,315	0.06
	Investment Assets		
109,022	Equities (Note 11b)	10	0.00
	Pooled Investment Vehicles		
2,203,838	Other Managed Funds (Note 11b)	2,221,038	98.97
	Other Investment Balances		
685	Loans (Note 11b)	685	0.03
	Cash Deposits		
17,436	Deposits (Note 11a)	12,683	0.57
2,500	Temporary Investments (Note 27)	2,600	0.12
2,334,796	**Total Investment Assets**	**2,238,331**	**99.75**
	Long Term Debtors		
1,055	Lifetime and Annual Tax Allowances (Note 18)	1,551	0.07
	Current Assets		
5,653	Contributions due from Employers (Note 18)	6,463	0.29
1,061	Other Current Assets (Note 18)	1,609	0.07
26	Cash Balances (Note 27)	60	0.00
	Current Liabilities		
(422)	Unpaid Benefits (Note 19)	(352)	(0.02)
(2,882)	Other Current Liabilities (Note 19)	(3,575)	(0.16)
2,339,287	**Net Assets of the Scheme – Available to Fund Benefits as at 31 March**	**2,244,087**	**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 227 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2023	31 March 2022
Number of employers with active members	159	157
Number of employees in the scheme		
Shropshire Council	5,898	5,807
Other employers	10,927	10,683

Shropshire County Pension Fund	31 March 2023	31 March 2022
Total	**16,825**	**16,490**
Number of pensioners in the scheme		
Shropshire Council	5,994	5,805
Other employers	6,688	6,311
Total	**12,682**	**12,116**
Number of deferred pensioners in the scheme		
Shropshire Council	8,556	8,456
Other employers	9,892	9,797
Total	**18,448**	**18,253**

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 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2022. 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 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2022/23

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information within the statement by the consulting actuary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income
Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. Contributions received earlier than the due date are accounted for on receipt and are recognised as contributions received within the pension fund account statement.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than due date.

Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the Fund.
Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 7). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the net assets statement as a current financial asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable
Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, provided that payment has been approved.

Taxation
The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses
The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses	All staff costs 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	Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

	In addition, the Fund has negotiated with BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2022/23 £0.097 (2021/22 £0.807m). 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 2022/23, £0.497m of fees is based on such estimates (2021/22 £0.147m).

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 2023 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.

Contingent Liabilities
Shropshire County Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. More details are disclosed in Note 21 Related Party Transactions.

The Fund has no other contingent liabilities.

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 2023 cannot be reliably estimated. Management have made this judgment because:

- LGPS Central Limited did not commence trading until 3 April 2018
- No dividend to shareholders has as yet been declared
- Published trading results are only available for four 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 £197.4 million. There is a risk that this investment may be under or overstated in the accounts.** A 5% movement in the valuation would equate to a £9.9 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 £148.2 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 £7.4 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 £27.5 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 £1.4 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 £33.9 million. There is a risk that this**

Item	Uncertainties	Effect if actual results differ from assumptions
		investment may be under or over-stated in the accounts. A 5% movement in the valuation would equate to a £1.7 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 £34.7 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 £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 £147.3 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 £7.4 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 2023, 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).

2022/23	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
<u>Contributions Received</u>				
Employees	7,141	1,849	10,218	19,208
Employers	19,114	5,446	32,550	57,110
Transfers In	5,297	228	4,000	9,525
Total Income	**31,552**	**7,523**	**46,768**	**85,843**
<u>Payments Made</u>				
Pensions	39,028	9,271	22,589	70,888
Lump Sums	4,477	2,295	5,861	12,633
Death Benefits	842	554	1,125	2,521
Refunds	70	9	137	216
Transfers Out	*5,738	92	2,298	8,128
Total Expenditure	**50,155**	**12,221**	**32,010**	**94,386**

2021/22 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £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
Refunds	58	28	134	220
Transfers Out	2,240	517	2,285	4,942
Total Expenditure	**44,303**	**11,646**	**28,159**	**84,108**

*2022/23 Transfers Out figure includes £3.899m bulk transfers out.

This table shows a breakdown of the employers contributions above:

	2022/23 £000	2021/22 £000
Employers normal contributions	49,983	**34,604
Employers deficit contributions	6,075	6,215
Employers augmentation contributions	1,052	1,148
	57,110	**41,967**

** Employers normal contributions figure for 2022/23 includes normal contributions for Telford & Wrekin Council. The comparative figure for 2021/22 excludes normal contributions paid upfront in 2020/21 for Telford & Wrekin 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	2022/23 £000	2021/22 £000
Administrative costs	1,457	1,148
Investment management expenses	15,822	15,046
Oversight and governance costs	1,530	1,298
	18,809	**17,492**

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. One active manager is required to produce a specific target return in excess of their benchmark return and is paid a performance related fee (over and above a basic fee) for reaching required level of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

The investment management expenses shown below includes £0.097m (2021/22 £0.807m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £4.305m in respect of transaction costs (2021/22 £3.670m).

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	2022/23 £000	2021/22 £000
Management Fees	8,521	8,865
Performance Fees	97	807
Other Fees	2,875	1,682
Transaction Costs	4,305	3,670
Custody Fees	24	22
	15,822	**15,046**

The costs incurred by the fund in administering the fund totalled £1.457m for the year ended 31 March 2023 (2021/22 £1.148m).

Administrative Costs	2022/23 £000	2021/22 £000
Employee Costs	1,074	777
IT	278	245
Consultants	13	50
Printing, Postage & Design	29	26
Office Accommodation	19	14
Subscriptions	17	14
Other Costs	27	22
	1,457	**1,148**

The costs incurred by the fund in Oversight and Governance totalled £1.530m for the year ended 31 March 2023 (2021/22 £1.298m).

Oversight & Governance costs	2022/23 £000	2021/22 £000
Investment advice	249	269
Employee costs (pensions investment)	251	220
Actuarial advice	262	86
LGPS Central Pooling costs	567	532
Responsible engagement overlay	40	50
External audit	43	41*
Performance analysis	35	32
Internal audit	17	17
Legal & Committee	22	21
Other Costs	44	30
	1,530	**1,298**

*The External audit figure for 2021/22 comprises the current year audit fee paid of £28,952 as noted in the audit plan and non audit fees payable of £5,000 relating to the provision of IAS19 assurance reports for auditors.

8a. INVESTMENT MANAGEMENT EXPENSES

The tables below show a breakdown of investment management expenses by investment type.

2022/23	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	8	8	0	0	0
Pooled Investments Vehicles					
Global Equity	2,803	1,237	0	1,526	42
Fixed Income	4,334	1,754	0	2,204	85
Hedge Fund of Funds	1,121	833	27	0	261
Infrastructure	1,749	1,501	0	0	248
Pooled property investments	1,318	662	70	251	335
Private Equity	3,740	1,988	0	0	1,752
Private Debt	18	9	0	0	9
Property Debt	376	278	0	0	98
Insurance Linked Securities	331	251	0	35	45
	15,798	**4**	**97**	**4,305**	**2,875**
Custody Fees	24				
Total	**15,822**				

2021/22 comparative figures	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	618	434	0	184	0
Pooled Investments Vehicles					
Global Equity	2,711	1,266	0	1,392	53
Fixed Income	3,112	1,816	0	1,204	92
Hedge Fund of Funds	1,865	803	807	0	255
Infrastructure	1,955	1,855	0	0	100
Pooled property investments	1,116	259	0	857	0
Private Equity	2,744	1,781	0	0	963
Private Debt	14	14	0	0	0
Property Debt	585	410	0	0	175

2022/23	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Insurance Linked Securities	304	227	0	33	44
	15,024	**8,865**	**807**	**3,670**	**1,682**
Custody Fees	22				
Total	**15,046**				

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund over the last 12 months.

	2022/23 £000	2021/22 £000
Dividends from equities	(555)	(4,235)
Income from pooled investment vehicles	(7,437)	(11,593)
Interest on cash deposits	(108)	(34)
Other	(88)	(0)
	(8,188)	**(15,862)**

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2022/23 £000	2021/22 £000
Withholding tax – equities	0	44
Withholding tax – pooled	98	91
	98	**135**

11. INVESTMENTS

This table shows investment assets by type of investment

	2022/23 £000	2021/22 £000
Investment Assets		
Equities	10	109,022
Pooled Funds		
Global Equity	1,149,555	1,069,331
Fixed Income	409,028	511,499
Hedge Fund of Funds	147,259	143,746
Infrastructure	148,204	106,817
Pooled property investments	73,538	90,509
Private Equity	197,376	195,854
Property Debt	27,477	48,346
Insurance Linked Securities	34,709	33,463
Private Debt	33,891	4,273
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	12,684	17,436
Temporary Investments	2,600	2,500
Total	**2,237,016**	**2,333,481**
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	**2,238,331**	**2,334,796**

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type 2022/23	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Transition £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	110,337	45	(293)	(109,472)	0	708	*1,325
Pooled Investment Vehicles – Other Managed Funds	2,203,838	116,886	(99,400)	109,472	(11,780)	(97,978)	*2,221,038
Other Investment Balances	685						685
Sub total	**2,314,860**	**116,931**	**(99,693)**	**0**	**(11,780)**	**(97,270)**	**2,223,048**
Cash deposits – with Managers	17,436	4,861	(5,123)	0	(4,460)	31	12,683
Temporary Investments	2,500				100		2,600
Total	**2,334,796**	**121,792**	**(104,816)**	**0**	**(16,140)**	****(97,301)**	**2,238,331**

* Within the Pooled Investment Vehicles - other managed funds total of £2221.038m are £588.916m of level 3 investments as at 31 March 2023. Within the Equities figure of £1.325m are £1.315m of level 3 investments as at 31 March 2023. The value of the level 3 investments was £533.814m as at 1st April 2022 which increased to £590.231m as at 31 March 2023. The increase in value is due to purchases of £98.586m, sales of £55.715m and change in market value of £13.546m.

** The total change in market value for 2022/23 as per the table above is (£97.301m). This figure is made of up of loss on sales of (£29.280m), market value gains offset by directly charged fees of £14.785m and also the difference between book cost and market value for the whole Fund which for 2022/23 (£82.806m).

Investment type 2021/22 Comparative figures	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	105,363	35,246	(33,198)	(183)	3,109	*110,337
Pooled Investment Vehicles – Other Managed Funds	2,063,901	86,912	(43,673)	(14,510)	111,208	*2,203,838
Other Investment Balances	685					685
Sub total	**2,169,949**	**122,158**	**(76,871)**	**(14,693)**	**114,317**	**2,314,860**

Investment type 2021/22 Comparative figures	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Cash deposits – with Managers	16,950	1,157	(387)	(316)	32	16,950
Temporary Investments	3,500			(1,000)		3,500
Total	**2,190,399**	**123,315**	**(77,258)**	**(16,009)**	****114,349**	**2,334,796**

* Within the Pooled Investment Vehicles - other managed funds total of £2203.838m are £532.499m of level 3 investments as at 31 March 2022. Within the Equities figure of £110.337m are £1.315m of level 3 investments as at 31 March 2022. The value of the level 3 investments was £409.372m as at 1st April 2021 which increased to £533.814m as at 31 March 2022. The increase in value is due to transfers into level 3 of £69.301m, purchases of £86.207m, sales of £43.410m and change in market value of £12.344m.

** The total change in market value for 2021/22 as per the table above is £114.349m. This figure is made of up of profit on sales of £11.138m, market value gains offset by directly charged fees of £12.956m and also the difference between book cost and market value for the whole Fund which for 2021/22 was £90.255m

12. STOCK LENDING

The Fund participated 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). This program ended in April 2023 with the closure of the segregated UK equities portfolio.

Collateralised lending generated income of £116 in 2022/23 (2021/22 £0.006m) and this is included within investment income in the Pension Fund Account. At 31 March 2023 no stock was on loan (via the Custodian) (2021/22 £5.522m).

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

13. ANALYSIS OF DERIVATIVES

Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

14. FAIR VALUE – BASIS OF VALUATION

Unquoted equities in LGPS Central are valued using the cost approach / considering Fair Value at Initial Recognition approach as these methodologies provide viable approaches to valuing this shareholding, and they both generate consistent valuations at historic cost less any adjustment for impairment. This will be the approach used for valuing this holding until any change in circumstances creates an alternative approach.

All other investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Quoted fixed income bonds	Level 1	Quoted market value based on current yields	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single 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 3	Discounted Cash Flows, Market valuations of comparable companies	Enterprise Value / EBITDA multiple, Discount Rate	Valuations could be affected by changes to expected

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		& Binding sale agreements		cashflows or by differences between audited and unaudited accounts
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at initial recognition approach	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost approach generates a figure similar to the original cost of investment when LGPS Central was created	Valuation reviewed on an annual basis to ascertain if there is any reason that this valuation may have been impaired
Insurance linked securities	Level 3	Closing single price. Investments are fair valued using earned net assets value method	NAV based pricing set on a forward pricing basis. NAV based pricing based upon either 3rd party broker marks or independent Milliman valuations using available industry loss assumptions and 3rd party reports.	Valuations could be affected by any changes to underlying values of the invested portfolio. Value appreciation/depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring.
Private Debt	Level 3	Valuations received directly from the manager of the underlying investment and comply with revised International Private Equity and Venture Capital Valuation Guidelines 2018	Inputs are unobservable and are dependent on the valuations provided by the manager of the underlying investment	Valuations could be affected by changes to the valuation of the underlying investment portfolio arising from changes to estimates and differences between unaudited and audited accounts
Property Debt	Level 3	Valued using amortised cost and considering fair	Underlying property value,	Valuation reviewed on a

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		value at initial recognition approach	projected future cashflows, cash available, indicative market interest rates for similar products	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 quidelines	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 2023 and 31 March 2022.

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-23 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	197,376	207,245	187,507
Hedge Funds	5%	147,259	154,622	139,896
Insurance Linked	5%	34,709	36,444	32,974
Infrastructure	5%	148,204	155,614	140,794
Private Debt	5%	33,891	35,586	32,196
Property Debt	5%	27,477	28,851	26,103

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-23	Potential value on increase	Potential value on decrease
		£000	£000	£000
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**590,231**	**619,743**	**560,719**

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-22	Potential value on increase	Potential value on decrease
		£000	£000	£000
Private Equity	5%	195,854	205,647	186,061
Hedge Funds	5%	143,746	150,933	136,559
Insurance Linked	5%	33,463	35,136	31,790
Infrastructure	5%	106,817	112,158	101,476
Private Debt	5%	4,273	4,487	4,059
Property Debt	5%	48,346	50,763	45,929
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**533,814**	**560,505**	**507,123**

14a. FAIR VALUE HIERARCHY

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset type 2022/23	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Pimco Europe Ltd	Global Bonds	132,149		132,149	
	HarbourVest Partners Ltd	Private Equity	196,556			196,556
	Aberdeen Property Investors	Property Unit Trusts	73,538		73,538	
	Blackrock	Hedge Fund	147,259			147,259
	Global Infrastructure Partners	Infrastructure	109,228			109,228
	Legal & General	Global Equities	664,879		664,879	
	Blackrock	Fixed Interest	134,677		134,677	
	T Rowe Price	Global Dynamic Bonds	142,203		142,203	
	BMO**	LDI	0	0		
	Securis	Insurance Linked Securities	34,709			34,709
	DRC	Property Debt	27,477			27,477
	LGPS Central Ltd	Global Equities	484,676	484,676		
	LGPS Central Ltd	Private Debt	33,891			33,891
	LGPS Central Ltd	Infrastructure	38,976			38,976
	LGPS Central Ltd	Private Equity	820			820
Cash Deposits & Other (including net Current Assets)			21,734	21,734		

Asset type 2022/23	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Total			**2,244,087**	**506,410**	**1,147,446**	**590,231**

Asset type 2021/22	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	109,014	109,014		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	8,151	8,151		
	Pimco Europe Ltd	Global Bonds	137,299		137,299	
	HarbourVest Partners Ltd	Private Equity	195,854			195,854
	Aberdeen Property Investors	Property Unit Trusts	90,509		90,509	
	Blackrock	Hedge Fund	143,746			143,746
	Global Infrastructure Partners	Infrastructure	88,473			88,473
	Legal & General	Global Equities	701,925		701,925	
	Blackrock	Fixed Interest	149,154		149,154	
	T Rowe Price	Global Dynamic Bonds	150,456		150,456	
	BMO**	LDI	74,590	74,590		
	Securis	Insurance Linked Securities	33,463			33,463
	DRC	Property Debt	48,346			48,346
	LGPS Central Ltd	Global Equities	359,255	359,255		
	LGPS Central Ltd	Private Debt	4,273			4,273
	LGPS Central Ltd	Infrastructure	18,344			18,344
Cash Deposits & Other (including net			25,120	25,120		

Asset type 2021/22	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Current Assets)						
Total			**2,339,287**	**576,130**	**1,229,343**	**533,814**

* Share Capital investment in LGPS Central Ltd has been carried at cost
**Investment closed in 2022/23

14b.RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Investment type 2022/23	Value as at 1 April £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases at cost and derivative payments £000	Sale proceeeds and derivative reciepts £000	Other cash transactions £000	Unrealised gains and losses £000	Realised gains and losses £000	Value as at 31 March £000
Equities (unquoted)	1,315								1,315
Private Equity	195,854			22,816	(18,732)	(1,218)	(6,869)	5,525	197,376
Infrastructure	106,817			41,818	(10,725)	(1,749)	9,297	2,746	148,204
Hedge Fund	143,746					(1,121)	1,825	2,809	147,259
Insurance Linked Securities	33,463					(331)	(487)	2,064	34,709
Property Debt	48,346			734	(22,484)	(376)	880	377	27,477
Private Debt	4,273			33,218	(3,774)	(18)	174	18	33,891
Total	**533,814**	**0**	**0**	**98,586**	**(55,715)**	**(4,813)**	**4,820**	**13,539**	**590,231**

* Transferred from level 2 to level 3 in 2021/22 due to an increase in significant unobservable inputs

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	31 March 2023			31 March 2022		
	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 Assets						
Equities	1,325			110,337		
Pooled Investment Vehicles – Other Managed Funds	2,221,038			2,203,838		
Other Investment Balances - Loans		685			685	
Cash		15,343			19,962	
Debtors		9,623			7,769	
Total Assets	**2,222,363**	**25,651**	**0**	**2,314,175**	**28,416**	**0**
Financial Liabilities						
Creditors			(3,927)			(3,304)
Total Liabilities	**0**	**0**	**(3,927)**	**0**	**0**	**(3,304)**
Total	**2,222,363**	**26,651**	**(3,927)**	**2,314,175**	**28,416**	**(3,304)**

15b.NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2022/23 £000	2021/22 £000
Financial Assets		
Fair value through profit and loss	(97,301)	114,349
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	(97,301)	**114,349**

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits to pay members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk
Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis
In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period,

assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
Global Unconstrained Equities	20.3%
Global Equities (passive)	19.2%
Unconstrained bonds	5.9%
Property	12.5%
Private Equity	28.3%
Hedge Funds	9.3%
Infrastructure	19.2%
Property Debt	7.7%
Insurance Linked Securities	4.7%
Private Debt	8.5%

Should the market price of the Fund investments increase/decrease in line with the above, the change in the net assets available to pay benefits would be as follows.

Asset type 2022/23	Value as at 31 March 2023 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	23,040	0	23,040	23,040
Investment Portfolio Assets				
Global Equities (unconstrained)	484,686	98,391	583,077	386,295
Global Equities (passive)	664,879	127,657	792,536	537,222
Unconstrained Bonds	409,028	24,133	433,161	384,895
Property	73,538	9,192	82,730	64,346
Private Equity	197,376	55,857	253,233	141,519
Hedge Funds	147,259	13,695	160,954	133,564
Infrastructure	148,204	28,455	176,659	119,749
Property Debt	27,477	2,116	29,593	25,361
Insurance Linked Securities	34,709	1,631	36,340	33,078
Private Debt	33,891	2,881	36,772	31,010
	2,244,087	**364,008**	**2,608,095**	**1,880,079**

Asset type 2021/22 Comparative Figures	Value as at 31 March 2022 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	26,427	0	26,427	26,427

Asset type 2021/22 Comparative Figures	Value as at 31 March 2022 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Investment Portfolio Assets				
UK Equities	107,579	20,440	128,019	87,139
Global Equities (unconstrained)	368,849	74,876	443,725	293,973
Global Equities (passive)	701,925	134,770	836,695	567,155
Unconstrained Bonds	463,909	24,904	461,813	412,005
Property	90,509	11,314	101,823	79,195
Private Equity	195,854	55,427	251,281	140,427
Hedge Funds	143,746	13,368	157,114	130,378
Infrastructure	106,817	20,509	127,326	86,308
Property Debt	48,346	3,578	51,924	44,768
Insurance Linked Securities	33,463	1,506	34,969	31,957
LDI	74,590	18,200	92,790	56,390
Private Debt	4,273	346	4,619	3,927
Total assets available to pay benefits	**2,339,287**	**379,238**	**2,718,525**	**1,960,049**

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 2023 and 31 March 2022 is set out below.

Asset Type	As at 31 March 2023 £000	As at 31 March 2022 £000
Cash and cash equivalents	15,284	19,936
Cash balances	60	26
Bonds	409,028	511,499
Total change in assets available	**424,372**	**531,461**

The following analysis shows the effect in the year on the net assets available to pay benefits of a plus or minus 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 2023				
Cash and cash equivalents	15,284	0	15,284	15,284
Cash balances	60	0	60	60
Bonds	409,028	4,090	413,118	404,938
Total	**424,372**	**4,090**	**428,462**	**420,282**

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2022				
Cash and cash equivalents	19,936	0	19,936	19,936
Cash balances	26	0	26	26
Bonds	511,499	5,115	516,614	506,384
Total	**531,461**	**5,115**	**536,576**	**526,346**

During 2022/23 the Fund received £0.061m (2021/22 £0.002m) 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. A 1% change in interest rates throughout the year would have increased or decreased the amount of interest earned on these investments by £0.030m. In addition, the Fund earned £0.047m (2021/22 £0.032m) in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investments assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency risk – sensitivity analysis

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000 10%	Value on increase £000 10%	Value on decrease £000 10%
As at 31 March 2023				
Overseas Equities	451,908	45,191	497,099	406,717
Overseas Private Equity	196,955	19,696	216,651	177,259
Overseas Private Debt	13,290	1,329	14,619	11,961
Overseas Pooled Property	82	8	90	74
Overseas Infrastructure	130,761	13,076	143,837	117,685
Cash balances	3,671	367	4,038	3,304
Total change in assets available to pay benefits	**796,667**	**79,667**	**876,334**	**717,000**

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000 10%	Value on increase £000 10%	Value on decrease £000 10%
As at 31 March 2022				
Overseas Equities	338,057	33,806	371,863	304,251
Overseas Private Equity	195,854	19,585	215,439	176,269
Overseas Private Debt	2,891	289	3,180	2,602
Overseas Pooled Property	93	9	102	84
Overseas Infrastructure	95,528	9,553	105,081	85,975
Cash balances	10,036	1,004	11,040	9,032
Total change in assets available to pay benefits	**642,459**	**64,246**	**706,705**	**578,213**

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 2023 and 31 March 2022 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 2023 is therefore not considered to be significant and no credit loss adjustment has been made.

The Fund has set limits on the maximum sum placed on deposit with individual financial institutions.

The investment priorities for the management of the pension fund revenue cash held for day to day transactions are the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the minimisation of risk. Accordingly, the Administering Authority ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

The Pension Fund has had no experience of default or uncollectable deposits over the past five financial years.

Asset type	Rating	As at 31 March 2023 £000	As at 31 March 2022 £000
Handelsbanken Instant Access Account	AA	1,800	1,500
Barclays	A+	800	1,000
Total		**2,600**	**2,500**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £2.6m (31 March 2022 £2.5m).

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2023 was £9.245m (31 March 2022 £9.543m). 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 2022 and the next valuation will take place as at 31 March 2025.

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 16 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 2022 actuarial valuation, the Fund was assessed as 99% funded (94% at the March 2019 valuation). This corresponded to a deficit of £22 million (2019 valuation was £132 million) at that time. Revised contributions set by the 2022 valuation will be introduced in 2023/24 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 18.4% of pensionable pay (16.6% at the March 2019 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 2012	31 March 2019
Discount rate	4.8% p.a.	4.25% p.a.
Assumed long term CPI inflation	3.1% p.a.	2.4% p.a.
Salary increases – long term	4.35% p.a.	3.65% p.a.
Salary increases – short term	No allowance	No allowance
Pension increases in payment	3.1% p.a	2.4% p.a

The assumed life expectancy from age 65 is as follows:

Demographic assumptions		31 March 2012	31 March 2019
Current pensioners (at age 65)	Males	22.1	22.8
	Females	24.4	24.9
Future pensioners (assumed current age 45)	Males	23.4	24.1
	Females	26.2	26.6

It is assumed that, on average, retiring members will take 75% of the maximum tax-free cash available at retirement (80% at 2019).

18a. LONG TERM DEBTORS

Details of long-term debtors outstanding as at 31 March 2023 is shown below:

Long term Debtors	2022/23 £000	2021/22 £000
Lifetime and annual tax allowances*	1,551	1,055
Total	**1,551**	**1,055**

* The HMRC annual allowance limits the tax relief on pension contributions each year and the Life time allowance limits the total amount of savings in a pension pot without facing a tax charge when drawing it. The Pension Fund pays the tax charge upfront on behalf of those members affected and who elect for 'scheme pays'. The Fund is reimbursed by the members via pension deductions over time.

18b. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2023. An analysis of debtors outstanding as at 31 March 2023 is shown below:

Debtors	2022/23 £000	2021/22 £000
Contributions due - employees	1,442	1,510
Contributions due - employers	5,021	4,143
Other entities and individuals	1,609	1,061
Total	**8,072**	**6,714**

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2023. An analysis of creditors outstanding as at 31 March 2023 is shown below:

	2022/23 £000	2021/22 £000
Central Government bodies	(789)	(709)
Other Local Authorities	(1,845)	(1,470)
Other entities and individuals	(1,293)	(1,125)
Total	**(3,927)**	**(3,304)**

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 504 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2022/23 contributions to schemes amounted to £0.538m (2021/22 £0.538m). The combined value of the AVC funds as at 31 March 2023 was £5.061m (31 March 2022 £5.985m).

NOTE 21: RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.843m (2021/22 £1.465m) 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 £2.186m (2021/22 £1.606m) was due to the Fund from the Council relating to contributions which became due in March but were paid in April and other payments due.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Executive Director of Resources (s151 Officer), the Head of Pensions (LGPS Senior Officer), the Pensions Investment & Responsible Investment Manager, 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 2023. The Fund was owed interest of £0.047m (31 March 2022 £0.032m) on the loan to LGPSC at 31 March 2023. The rate of interest applied to the LGPSC loan is Bank of England Base Rate plus 4.5% margin. This loan is due to be repaid to the fund in 2027.

In addition, the Fund has now invested in several LGPSC sub-funds (Global Equity, Global Sustainable Equity, Infrastructure, Private Debt & Private Equity). The Fund incurred investment management costs totalling £1.525m in respect of investments held with LGPS Central of which £0.011 was payable to LGPSC at 31 March 2023.

The Fund incurred costs totalling £0.556m (2021/22 £0.519m) in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2022/23 of which £0.139m (31 March 2022 £0.123m) was payable to LGPSC at 31 March 2023.

Shropshire Council as the Administering Authority of the Shropshire County Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. If this guarantee is called this will be funded by the Pension Fund.

The Fund's share of the guarantee relating to LGPS Central's IAS 19 pension liability of £0.665m amounts to £0.083m although all partner funds are jointly and severally liable. The guarantee only comes into effect following certain events which (directly or indirectly) cause LGPS Central to cease to be a Scheme employer or fail to pay amounts due. This is not anticipated to be a likely event. The amount of the liability calculated under IAS 19 is subject to the specific assumptions required for the calculation of such a figure under accounting standards. In the event of an exit payment being required this would be calculated by the Actuary based on the best estimates of the actual liability at the time.

NOTE 21a: KEY MANAGEMENT PERSONNEL

The posts of Executive Director of Resources (s151 Officer) and Head of Pensions (LGPS Senior Officer) 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:

	2022/23 £000	2021/22 £000
Short-term benefits*	111	113
Post employment benefits**	68	35
Total	**179**	**148**

* This is the Pension Fund's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions
** This is the change in value of accrued pension benefits, expressed as cash equivalent transfer value

22. CONTRACTUAL COMMITMENTS

The Fund has a 6.25% (£140 million) strategic asset allocation to both Private Equity and Infrastructure, a 1.5% (£34 million) strategic allocation to Property Debt & a 6.0% (£135 million) strategic allocation to Private Debt. It is necessary to over commit the strategic asset allocation because some of these investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2023 £334m has been committed to investments in private equity via a fund of funds manager, HarbourVest Partners (£304m) and a separate investment through LGPS Central (£30m). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2023 the fund's Private Equity investments totalled £197.376m (31 March 2022 £195.854m).

As at 31 March 2023 £211m has been committed to investment in Infrastructure via Global Infrastructure Partners (£146m) and LGPS Central Add/Opportunistic Infrastructure Partnership (£65m). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2023 the fund's Infrastructure investments totalled £148.204m (31 March 2022 £106.817m).

As at 31 March 2023 £47m has been committed to investment in Property Debt via DRC & £120m committed to investment in Private Debt via LGPS Central. Investments will be made as opportunities arise over the next 2-3 years. As at 31 March 2023 the fund's Property Debt and Private Debt investments totalled £27.477m & 33.891m (31 March 2022 £48.346m & 4.273m respectively).

NOTE 23: CONTINGENT ASSETS

18 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.

NOTE 24: VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

NOTE 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.

NOTE 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.

NOTE 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 2023 £2.6 million was invested (31 March 2022 £2.5m). The cash balance in the Pension Fund account as at the same date was £0.060m (31 March 2022 £0.026m).

NOTE 28: FUND STRUCTURE UPDATE

In March 2021 following several investment strategy workshops the Pension Committee agreed the Fund's new strategic asset allocation which is detailed below:

Asset	% of Fund
Targeted return funds (e.g.absolute return bonds, hedge funds, insurance linked securities)	25%
Property Debt	3.5%
Equities	50%
Private Debt	4%
Indirect Property	5%
Private Equity	6.25%
Infrastructure	6.25%

The revised strategy has been delayed following the delay in the launch of the LGPS Central targeted return fund which had not been launched at 31st March 2023. Investments currently reside with individual managers in this sector.

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments. Just over 30% of total global equities are being protected at this time. The equity protection strategy was decreased during 2021/22 to c.£390 million following the strong bounce back in global equity markets following the pandemic. During June 2022 and December 2022 due to the continued impact of the war in Ukraine and volatility in financial markets, the equity protection options were rolled for a further year with Legal and General and now expire in June 2023 and December 2023. Full updates are provided to Pension Committee each quarter on the equity protection strategy.

During the financial year, following agreement from the Pension Committee in March 2022 a redemption request was submitted to Majedie. Funds from the Majedie UK Equity Fund were transitioned in full to the LGPS Central Global Sustainable Equity Fund in May 2022. In addition, the Fund also terminated its Liability Driven Investment mandate with Columbia Threadneedle in October 2022, to fund existing commitments to LGPS Central Private Debt and Infrastructure investments as agreed in the previous financial year.

The balance between property debt and private debt was changed in 2021/22 following agreement by the Pension Committee to reflect the commitment of £120m to the LGPS Central private debt fund in that year. The total proportion of the fund to debt investments remains at 7.5% but this is now reflected as 1.5% to property debt and 6% to private debt.

The delay in the launch of the LGPS Central Targeted Return fund has meant there have been no further structural changes to the Fund in 2022/23.

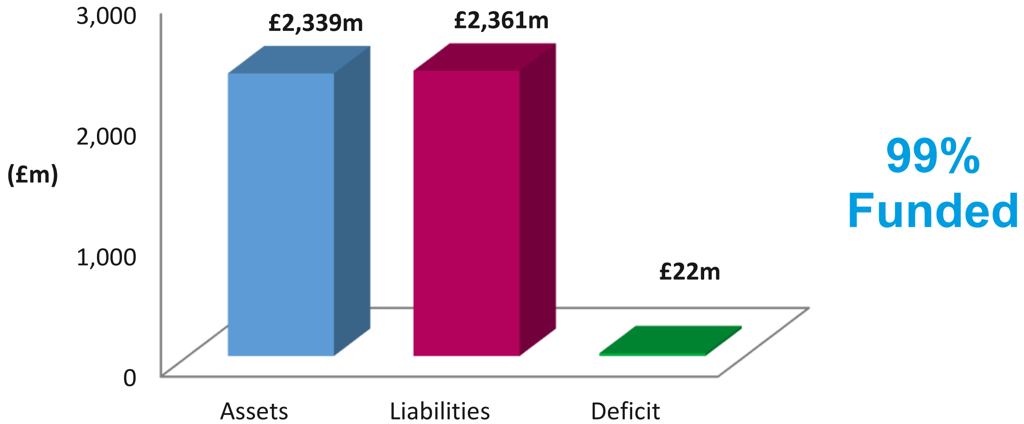
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2023
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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £2,339 million represented 99% of the Fund's past service liabilities of £2,361 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £22 million.



The valuation also showed that a Primary contribution rate of 18.4% 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. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 16 years for employers in deficit and 12 years for the employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was an addition of approximately £1.7m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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):		
Standard	4.80% per annum	5.20% per annum
Lower risk	4.55% per annum	4.70% per annum
Rate of pay increases (long term)	4.35% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

The assets were assessed at market value.
The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.80% per annum	4.80% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.40% per annum	2.70% per annum
Rate of pay increases	4.65% per annum	3.95% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	3.50% per annum	2.80% per annum

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumptions adopted for the 2022 actuarial valuation.
-

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
Start of period	£3,521m
Interest	£98m
Net benefits accrued/paid over the period*	£57m
Actuarial losses / (gains) - see below	(£1,207m)
End of period	£2,469m

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4%. In combination, these factors lead to a significant reduction in liabilities

- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities

- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2023 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities

- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

Michelle Doman
Fellow of the Institute and
Faculty of Actuaries

Mark Wilson
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
May 2023

Appendix - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

Current high inflation: The period-end above figures allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

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 Absences Account	The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
Accruals	The accruals accounting concept requires the non-cash effect of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gain	This may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Loss	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

Glossary

Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council's Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council's revenue budget. Once calculated the figure is fixed.
Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.). The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non-current assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.
Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision- making powers are set out in the Council's Constitution.
Capital Adjustment Account	The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.

Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. non-current assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council's Minimum Revenue Provision.
Capital Grants Unapplied	The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.
Capital Receipts	The proceeds from the sale of non-current assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Collection Fund	A separate statutory fund which records Council Tax and Non-Domestic Rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), NDR distribution to Central Government and the billing Council's own General Fund.
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.

Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council’s total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Dedicated Schools Grant (DSG) Adjustment Account	The Dedicated Schools Grant (DSG) Adjustment Account holds any DSG deficit separately from the Council’s General Fund.
Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.

Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Council, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.

Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.
General Fund Balance	The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.

Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The Housing Revenue Account reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. This account includes the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
JPUT	A Jersey Property Unit Trust is a specific type of Jersey Trust which is commonly used to acquire and hold interest in UK real estate. The assets of the JPUT are held by its trustees on trust for the unitholders of the JPUT.

LDI	Liability driven investment (LDI) strategies aim to enable pension funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.

Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
Net Book Value	The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to non-current assets.
Non-Current Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.
Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.
Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes ‘proper practice’ with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.

Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.
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
2022-2023

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Have your say –
We want to know what you think of this statement of accounts.
Tell us your views by telephone (01743) 258948 or email
corporate.finance@shropshire.gov.uk

If you can read this but know someone who can't, please contact us on (01743) 258948 so we can provide this information in a more suitable format such as large print, Braille and audio, or translated into another language.

Shropshire Council

By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 11

Document is Restricted

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