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

Date: 12 December 2024
My Ref:
Your Ref:

Committee:
Audit Committee

Date:	**Friday, 20 December 2024**
Time:	**10.00 am**
Venue:	**Shrewsbury/Oswestry 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)
Brian Williams (Chairman)
Roger Evans
Kate Halliday

Independent Member: Jim Arnold

Your Committee Officer is:

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

AGENDA

1 Apologies for Absence / Notification of Substitutes

2 Disclosable Pecuniary Interests

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

3 Minutes of the previous meeting held on the 28 November 2024 (Pages 1 - 16)

The Minutes of the meeting held on the 28 November 2024 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 12noon on Monday 16 December 2024.

5 Member Questions

To receive any questions from Members, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on Monday 16 December 2024.

6 Third line assurance: External Audit: Shropshire Council Audit Findings 2023/24

The report of the Engagement Lead is to follow.
Contact: Avtar S Sohal (0121) 232 6420

7 First line assurance: Final Approval Statement of Accounts 2023/24 (Pages 17 - 226)

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

8 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 6 February 2025 at

10.00 am.

9 **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.

10 **First line assurance: Cyber Security Management Update** (Pages 227 - 238)

The report of the Head of Automation and Technology is attached.
Contact: David Baker (01743) 254118

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Committee and Date
Audit Committee
20 December 2024

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28 NOVEMBER 2024 10.00 AM - 12.55 PM

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 Kate Halliday

Independent Member: Jim Arnold

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

None received.

54 **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.

55 **Minutes of the previous meeting held on the 27 September 2024**

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 27 September 2024 be approved as a true record and signed by the Chairman.

56 **Public Questions**

A public question had been received from Mr Frank Oldaker in relation to the North West Relief Road. The Head of Policy and Governance read out the question and the Executive Director of Resources (Section 151 Officer) read out the response.

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

57 **Member Questions**

There were no questions from Members.

58 **Bishops Castle Community College Management Update**

The Committee received the report of the Headteacher of Bishops Castle Community College which outlined the actions taken by school leaders and the monitoring by Council Officers.

The Chairman expressed the concerns of the Audit Committee about the time it had taken the college to comply with the requirements of the audit as it had been going on for almost a year and he hoped that the Headteacher was in a position to assure the Committee that the situation had been resolved to its satisfaction.

The Headteacher (Mr Thorley) introduced and amplified his report. He drew attention to the Action Plan and management responses to each item and he confirmed that progress was reported back to the Governors on a regular basis. He explained that there were some items still to be addressed including the fundamental recommendation that ‘a full review be completed of the financial management of the College by an independent body’. He stated that they had so far been unsuccessful in commissioning an independent body to carry out the review despite approaching a number of bodies and it was proving difficult to ensure cost effectiveness.

In response to a query, Mr Thorley confirmed that ‘school leaders’ referred to himself as headteacher, the Business Manager who was responsible for implementing the Action Plan and the Resources and Personnel Committee who oversaw the action plan and held them accountable for it. Members felt that one of the problems could be that there needed to be one leader who took responsibility, rather than generic ‘leaders’.

A brief discussion ensued around the failure to find an auditor for the accounts. In response, Mr Thorley explained that they had tried 8 different organisations including the local authority, but they either did not have the capacity, or the cost was felt not to be an effective use of funds. The Committee felt that they did not have a choice but to have their accounts audited whether cost effective or not.

In response to a query, Mr Thorley assured the Committee that the Governors had had oversight of the issues which had occurred over a number of years and he addressed the issue of the College’s historic deficit which was being paid back over a number of years, as agreed with the local authority and he informed the committee of the steps that had been taken to reduce the deficit including reducing staff and the curriculum offer.

Members congratulated the College on its ‘good’ Ofsted result but were concerned that if the College converted to an academy that the local authority would pick up the deficit. Mr Thorley clarified that the local authority would only pick up the deficit if the College was forced to academise because it was in special measures, but if it became an academy of its own accord, it would take the deficit with it. Having looked into the possibility, they were unable to become an academy as the Trust did not want the deficit.

RESOLVED:

To note that school leaders had formed an appropriate action plan and were taking the necessary actions to remedy the audit report;

To note that monitoring oversight was maintained by the Governing Body, plus termly updates to Council Officers via the Head of Education Quality and Safeguarding.

That the audit of the accounts should be completed by the end of the academic year and reported back to the Committee.

To write to the Education department of the Local Authority asking them to give Bishops Castle Community College every possible support.

59 **Customer Journey Project Management Update**

The Chairman informed the meeting that this report was being deferred to the additional meeting in December.

60 **Second line assurance: Treasury Strategy Mid-Year Report 2024/25**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which provided Members with an economic update for the first six months of 2024/25, along with reviews of the Treasury Strategy 2024/25 and Annual Investment Strategy, the Council's investment portfolio for 2024/25, the Council's borrowing strategy for 2024/25, any debt rescheduling taken and confirmed compliance with Treasury and Prudential limits for 2024/25, as agreed by Full Council.

The Executive Director of Resources (Section 151 Officer) introduced and amplified his report. He informed the Committee that in terms of relative performance, there was £22m held in investments and £311m held in borrowing, which was not a high level of borrowing and had been coming down over the last few years as borrowing was paid off as it matured and had not been replaced. In addition, when borrowing had been required for the capital programme, they had internally borrowed, and he explained the reasons for doing so. This had however led to those cash balances being significantly lower than 2-3 years ago and so they would be looking to undertake external borrowing (in the order of £100m) over the remainder of this financial year, which was in line with the Treasury Strategy and Prudential Indicators, and not as a result of the Council's financial position.

In response to a query, the Executive Director of Resources (Section 151 Officer) reiterated that the borrowing being undertaken was to externalise existing borrowing that had been undertaken internally based on the capital programme approved by Council and he reassured the Committee that there were no plans to borrow speculatively outside of the Capital Programme/Strategy.

In response to a query, the Executive Director of Resources (Section 151 Officer) explained how the £0.977m savings on interest payable had been generated and confirmed that the saving was not over the length of the loan but just in this financial year. He thought that this figure was included within the £1,059m referred to in paragraph 5.3 of the report but that he would check and confirm to the Committee. He explained that routine changes to the Authorised Boundary were reported to the Audit Committee as well as Cabinet and Council along with an explanation of why they were changing. It then allowed Council to agree the Mid-Year Strategy which authorised the change in the Authorised Boundary. He went on to explain that although there was a degree of delegation a change of any magnitude would need Council approval.

In response to a further query, the Executive Director of Resources (Section 151 Officer) agreed to provide Members with a written explanation of the calculations done by the Treasury Team in terms of the Capital Finance Requirement (CFR). There was some confusion as the amount being borrowed was less than the CFR figure and the Executive Director of Resources (Section 151 Officer) explained that the Council would not necessarily borrow the full amount of the CFR.

Following a question about how the Medium Term Financial Strategy (MTFS) could be addressed when the amount of borrowing to be undertaken would be unknown by the end of March 2025, the Executive Director of Resources (Section 151 Officer) explained that the amount of expected borrowing had been built into the Minimum Revenue Provision (MRP) over the last two years however, as it had not been undertaken a saving had been made and if less was borrowed than budgeted for that would also lead to a saving as less interest would have to be paid.

RESOLVED:

To agree the Treasury Strategy activity as set out in the report.

To recommend to Council the revision to the Prudential Indicators as set out in section 9 of the report.

To note that the changes to prudential indicators reflect the reduction of internal cash balances and the need to externalise debt; this was a straightforward liquidity requirement unrelated to other financial matters and would have been required at this time regardless of the wider financial position.

To note that provision for additional borrowing costs in revenue budgets was included in the 2024/25 budget.

61 **Governance Assurance: Annual Audit Committee Self-Assessment**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which asked Members to review and comment on the self-assessment of good practice questionnaire attached to the report. The questionnaire allowed Members to assess the effectiveness of the Audit Committee and to identify any further improvements that could be made which would improve the Committee's overall effectiveness.

There were three areas of partial compliance as set out in Appendix A of the report for which there was a proposed Action Plan however, given that the Council had its elections in May 2025 and there was a high likelihood that there would be a change to the Audit Committee membership, the areas of partial compliance needed to be addressed over a longer period of time.

In response to a query the Executive Director of Resources (Section 151 Officer) explained that the Committee had the opportunity to have completely unfettered access to External Audit and although that had not happened, the opportunity was there.

A query was raised about whether there was any learning to be had, specifically for the Audit Committee, from those authorities that had issued section 114 notices. In response, the Executive Director of Resources (Section 151 Officer) explained that where Section 114 notices had been issued, there had been some debate around the financial and governance elements that had driven the authority to issue the notice. So, for example, was it a case of not enough money, or bad decision making, or something in between. If the discussion is around bad decision making and the governance processes around that, you automatically look to External Audit and the Audit Committee. He agreed that there were lessons that could be learnt, that there was advice and public interest reports that External Audit had provided on the back of that and that there was opportunity in terms of the Audit Committee's work and programme that could be pulled together and look at.

From Shropshire Council's point of view, the Audit Committee had the opportunity of looking at some of those governance issues contained in the External Auditors reports later in the meeting and he felt that there were recommendations within those reports that the Council needed to address but there was also a role for the Audit Committee to play to ensure that they were seen through and were acceptable and an appropriate plan to be taken forward.

It was agreed to identify some of the learning and best practice from other authorities along with any learning that External Audit may identify and share this at a future training session which could then be built into the self-assessment.

The Executive Director of Resources (Section 151 Officer) clarified that the Council were not looking to issue a section 114 notice as it was not in a position where it needed to do so.

RESOLVED:

To approve the self-assessment of good practice attached at Appendix A and D having identified any errors or amendments required.

62 **Third line assurance: Internal Audit Charter and Mandate**

The Committee received the report of the Head of Policy and Governance which set out the Internal Audit Charter. The Head of Policy and Governance introduced his report and explained that in January 2024 the Institute of Internal Auditors issued the new Global Internal Audit standards which were due to be implemented on 9 January 2025. CIPFA were currently undertaking a consultation in relation to their new code which was due to be implemented on 1 April 2025.

Internal Audit had therefore taken the opportunity to review the mandate and charter so that it better aligned with the global internal audit standards and revised UK Internal Audit Code of Practice, leading to some minor amendments which were shown in bold, underlined and italic font.

In response to a query, the Head of Policy and Governance confirmed that he was the Chief Audit Executive referred to in paragraph 7.9 and as such, it was his opinion that was reported at year end on the internal control environment.

RESOLVED:

To endorse the Internal Audit Charter as set out in Appendix A of the report.

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

The Committee received the report of the Head of Policy and Governance which outlined the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council managed those risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

The Head of Policy and Governance stated that the strategy was available on the Council's website alongside the 'Speaking up about Wrongdoing' policies for both staff and the public, and the anti-money laundering procedures and guidance. The review identified minor changes which had been reflected in the strategy and supporting policies, procedures and guidance.

He drew attention to paragraph 8.12 of the report which set out the approved Action Plan that ensured the Council continued to protect its assets and further improve its resilience to fraud and corruption. Section 8 of the report also provided Members with some updates on the national picture including references to some key supporting guidance and documentation.

In response to a query, the Head of Policy and Governance explained how the Whistleblowing Policy was promoted which included via online training for all staff, it was also available on the corporate intranet and was now included in the Chief Executive's newsletter, at the request of Audit Committee. He also discussed the protections afforded to any such whistleblowers including confidentiality.

RESOLVED:

To endorse the Counter Fraud, Bribery and Anti-Corruption Strategy along with the measures detailed within the report to manage the associated risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

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

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which set out the review of the Audit Committee Terms of Reference. He confirmed that no changes had been made.

RESOLVED:

To approve the revised Audit Committee Terms of Reference.

65 First line assurance: Final Approval Statement of Accounts 2023/24

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which provided an update on the approval of the 2023/24 Statement of Accounts, and particularly progress on the audit of the accounts.

The Executive Director of Resources (Section 151 Officer) informed the Committee that it had been hoped to bring the audited Statement of Accounts to this Committee but due to a number of reasons (set out in paragraph 8.3 of the report) there was still some work to be finalised. That work was progressing, and it was expected that the audited Statement of Accounts would be presented to the 20 December Audit Committee meeting to allow sufficient time to meet the statutory deadline of 31 December 2024.

Given the slippages that had occurred in the past, Members sought assurance that officers were confident that the Statement of Accounts would be signed off by the deadline. In response, the Executive Director of Resources (Section 151 Officer) assured the Committee that as it currently stood, he could not see any reason why they could not hit the deadline. The Public Sector Audit Senior Manager informed the meeting that she was confident of bringing their Audit Findings report to the meeting on 20 December but that this was dependent upon receipt of the requested information and any further queries that that information may raise.

RESOLVED:

To note the progress on the audit of the 2023/24 Statement of Accounts, and that formal approval of the Audited Statement of Accounts would take place in December.

66 **Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2024/25**

The Committee received the report of the Head of Policy and Governance which provided Members with an update on the work undertaken by Internal Audit since the September Audit Committee.

The Head of Policy and Governance informed the Committee that, in line with previous delivery records, 49% of the revised plan had been completed. Revisions to the plan provided for a total of 1334 days and were targeted to provide enough activity to inform the year end opinion. He explained that the number of days had been reduced slightly from 1347 days due to a member of the team undertaking an apprenticeship which included the requirement to allow for 20% of their time for training.

In total, 15 final reports had been issued (between 26 August and 20 October 2024) containing 110 recommendations (set out in paragraph 8.5 of the report) and two draft reports were awaiting management responses. Five reports provided reasonable assurance (33%) which was a decrease in the higher levels of assurance for the period compared to last year (60%). This was offset by a corresponding increase in the number of limited and unsatisfactory assurance opinions (67%) compared to 40% the previous year (set out in paragraphs 8.14 to 8.16).

Three fundamental recommendations had been made, detailed at paragraph 8.13 of the report and Members were asked whether they wished for any further updates to be provided from responsible officers to a future meeting of the Audit Committee.

The Head of Policy and Governance drew Members attention to the notable increases in repeated low assurances where follow-up audits indicated that action had not been taken to address the control weaknesses identified and Internal Audit had noticed that Management were suggesting longer implementation dates for significant recommendations (highlighted in table 3). Therefore, evidence-based risks identified by Internal Audit were not being mitigated in a timely manner and could potentially increase the Council's risk appetite as significant weaknesses and deficiencies identified from formal audit work were unaddressed for extended periods of time. Members were therefore also asked whether they wished for any updates to be provided from responsible officers in relation to the unsatisfactory and limited assurances detailed in Table 3.

A discussion ensued in relation to the falling levels of assurance and possible reasons for them. The Committee expressed their concerns, that the important role of audit was not well understood and was just seen as an 'add-on', and they were not comfortable with the longer implementation dates being suggested. The Chairman stated that the Committee had tried, over many years to raise the profile of audit sufficiently that managers at all levels took it as seriously as they should.

In response, the Head of Policy and Governance explained the procedure for following up a fundamental recommendation and for agreeing management responses and an implementation date. If within three months of the audit, then a follow up audit would be undertaken but Internal Audit were seeing an increase in the time scale for implementation, which was very much symptomatic of where the organisation was, however, from a risk perspective, there was a risk in doing that, hence the reason for drawing it to the Committee's attention. As an organisation it was important particularly unsatisfactory areas with associated fundamental recommendations within them were taken seriously and were followed up in a timely manner.

A brief discussion ensued in relation to how much time Internal Audit should spend chasing up unsatisfactory audit opinions for relatively minor issues which would not appear to affect the viability of the Council or cause significant reputational damage. In response the Internal Audit Manager explained that they did not simply look at the high-level financial risks but looked across the strategic risks to determine which to audit and she gave several examples which showed that although small discrete areas in some respects, there were risks that were applicable across the authority when looking at value for money and efficiencies, and if some of these areas were run more efficiently, more income would be generated or less resource expended trying to support them. It was therefore agreed that management updates on all four areas would be presented to the February Audit Committee.

In response to a query the Internal Audit Manager agreed to circulate to Committee Members the total number of days delivered in each year along with an update on resources. She reported that they worked within the resources available but that there were currently vacancies within the team, and she explained that the Council structure for 2025 had not yet been confirmed. She stated that there were currently no plans to go out to recruit but they were comfortable that they had enough coverage to provide the year end opinion. In response to a query whether there were adequate resources to ensure that the year-end opinion was not limited, the Head of Policy and Governance explained that an additional number of days would not result in a different opinion at year end and reiterated that there was enough cover to provide his opinion.

Members were concerned that unless there was a recruitment plan in place, they were committing themselves to another limited year end opinion and that resources would be pared down even more come April and the Committee sought assurance from senior managers that that was not the case. The Chairman informed the Committee that he had received assurance from the Executive Director of Resources (Section 151 Officer) that the Audit team would be maintained at its current level.

The Executive Director of Resources (Section 151 Officer) clarified that in terms of the budget for the Internal Audit team and the number of posts within the establishment, this had not changed, however they had been unable to recruit and also vacant posts across the Council were being held vacant for financial savings. He explained that there would be changes to the audit budget going forward as the authority was resizing and that would be worked through when it was understood what the new authority would look like in terms of the new operating model and the internal control framework.

He made it very clear that what the Audit Committee were seeing was that recommendations made by the Internal Audit team were not being followed up in a timely manner however, that would not be helped by recruiting more auditors to go out and ask the same questions. It was a fundamental problem that lay with the organisation. So, in theory, you could have just a couple of auditors and still have a substantial opinion provided they were able to look at the key fundamental issues of the organisation in a way that allowed them to do the audit in a few days, for example. So, it did not directly correlate that a small Internal Audit team would automatically lead to a limited assurance. However, there was a risk that a smaller team would have to look at more problematic areas rather than having a lot more auditors finding lots of good practice which was not necessarily adding value.

The Executive Director of Resources (Section 151 Officer) did not think that the problem lay in the Internal Audit function but was the fault of the organisation as a whole and whether it was addressing the issues that were being raised and he was more concerned about that than specifically the size of the team. He explained that the right sizing that the Council was going through would ensure the Council was financially sustainable and that would be applied in the same way to Internal Audit and would provide an opportunity to look at the three levels of defence, the management assurance, the oversight and the independent assurance, and could reconfigure the way that worked across the organisation and if the Internal Audit team were confident that the management assurances and oversight provided good information that enabled the authority to understand its control environment without audit coming in and having to tell it, you would not need to spend 20 days doing the audit, you could do it in three. That was what the Council needed to get right as it was not acceptable that the Council had had limited assurances for the last 4 or 5 years.

The Committee wished the minutes to reflect that they had asked the question and that they had been reassured by the Executive Director of Resources (Section 151

Officer) and the Head of Policy and Governance around the whole issue especially around the issue of resizing, so should the Council ever get to the position where there was not enough coverage to provide the year end opinion at least it could be shown that the Audit Committee had raised a concern about it.

Although reassured, there were still some concerns about the continued limited assurances and the way management were responding to Internal Audit. A brief discussion ensued. In response, the Executive Director of Resources (Section 151 Officer) explained that the organisational redesign would have the cultural changes that they would like to see built in however this would take time but, until then, the Audit Committee could ask questions to gain assurance that things were changing across the organisation.

It was agreed that an Action Plan would be brought to the February meeting setting out a clear indication of the plans around Internal Audit although it was reiterated that the structure for the Council would not be known by February. In that case, it was suggested that a possible additional meeting be arranged prior to the pre-election period to provide an update to the Committee on the structure of Internal Audit, if deemed necessary. The Executive Director of Resources (Section 151 Officer) reassured the Committee that the audits would not stop in the meantime.

RESOLVED:

To note the performance of Internal Audit against the 2024/25 Audit Plan.

To receive updates on all four unsatisfactory audits and an update on Audit resources at the February meeting.

67 **Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2023/24**

The Committee received a verbal update from the Public Sector Audit Senior Manager in relation to the Audit Findings for 2023/24. She informed the Committee that there were a number of areas where they were awaiting evidence from external bodies and she touched on each area in turn.

In relation to group assurances, the group accounts included a material inventory stock balance in relation to Cornovii housing who were building houses to sell and not to maintain and as such the most efficient way to gain assurance over that balance was to speak to Cornovii's auditors and gain assurance around the work that they've done on Cornovii's financial statements. That work was in progress however should those assurances not be received in a timely manner there were alternative procedures that Grant Thornton could undertake.

Secondly, there were two external valuers where they were waiting for responses to queries and although the majority of Grant Thornton's work was complete, they did need these responses in order to complete these areas.

The final point was around the Pension Fund assurance letters, which had been received in the last couple of weeks so that work was now complete, and the authority was working through the amendments to the financial statements. There were other areas where evidence or explanations were awaited in order to conclude their sample testing but the majority of those were outside of the finance department, but work was ongoing to complete those areas.

The Public Sector Audit Senior Manager informed the Committee that they would be bringing the Audit Findings report to the December meeting and she had extended the audit teams' time to ensure that these points can be looked at as they come in. She was therefore confident that they could met the timeline if in receipt of the relevant information from the Council.

RESOLVED:

To note the contents of the verbal update.

68 **Third line of assurance: External Audit: Auditors Annual Report 2023/24**

The Committee received the report of the Associate Director which provided a summary of the work undertaken for Shropshire Council during 2023/24 as the appointed external auditor.

The Associate Director introduced his report and explained that the annual report was the conclusion of their value for money work for 2023/24 and also reflected on activity that had happened since the end of March 2024. He drew attention to the three key areas looked at, which were, financial sustainability, governance, and economy, efficiency, and effectiveness (a summary of the findings for each area was set out on pages 5 to 7 of the report).

In terms of financial sustainability, the Associate Director reported that a significant weakness had been raised in relation to the Council's arrangements for value for money and it was noted that over the last three financial years there had been consistent overspends that had put pressure on the level of reserves, which stood at 38.8m at the end of 2023/24 and, given that there was currently a forecast overspend for 2024/25 of £35.1m, there was a risk that this could deplete the reserves to £3.7m which posed a threat to the financial sustainability of the Council.

However, work was ongoing, and the Council were seeking to address these challenges throughout 2024/25 including engaging PWC as a strategic partner and developing a financial dashboard which he commended as a very useful tool for monitoring savings and the financial challenges facing the Council and therefore felt that the Council had a good grip of the financial challenge notwithstanding that it was a particularly challenging outlook. The 2024/25 forecast overspend and challenges for 2025/26 poses significant financial risk to the Council.

Of the £90m of savings needed to be delivered in 2024/25, at the time of reporting, only 41% of savings had been delivered but what he was most concerned about was the 42% that had not yet been planned. It was noted that the Council had established a Savings Delivery Group and was exploring a range of options with MHLGC with regards to addressing the financial challenges. It was also noted that there were a number of one-off items that were required to balance the budget, and he was concerned that these did not address the long-term structural deficit and was not a sustainable approach to financial management.

The Associate Director informed the Committee that the precarious nature of the Council's finances had been echoed in both the LGA Financial Challenge and the recent CIPFA report and on that basis felt that the risk of the Council having to issue a section 114 notice was significant. They had therefore rolled forward a key recommendation from last year around the financial sustainability arrangements. He explained that as some of the issues had been addressed in the previous year, they had slightly reworded their key recommendation to focus on two key areas (as set out on page 17 of his report).

Turning to governance, the Associate Director drew attention to page 7 of his report which showed that in 2022/23 this area had been rated as amber and only an improvement recommendation had been issued, however, since then there had been a deterioration in their judgment for 2023/24 specifically in relation to the governance arrangements of the North West Relief Road (NWRR) and a potential risk of significant weakness was identified. As a result, External Audit undertook a specific piece of work to review the governance arrangements (detailed in Appendix D of the report). The review identified a number of weaknesses in the governance arrangements, particularly in relation to funding of the project and the Associate Director highlighted some of the weaknesses including the lack of a formal Executive Board, the Executive Board had not including standing Members (such as the Section 151 Officer and the Council Leader), exceeding delegated budgets, no detail around the DFT funding, unsatisfactory reporting around the increased costs between the Outline Business Case and Full Business Case and no reference in the risk register to the costs of aborting the project. Therefore, with regard to the value for money view, a significant weakness had been identified in the Council's governance arrangements and a key recommendation has been raised addressing those issues.

Two other key areas of weakness had been identified and although not significant, improvement recommendations had been raised and these were around addressing issues from the internal audit report on risk management including addressing the minor control issues around the operational risk registers and in relation to the limited assurance given by the Head of Internal Audit over the last 5 years. The Associate Director informed the meeting that if steps were not taken to address these issues, they could become significant weaknesses.

Finally, looking at improving economy, efficiency and effectiveness, three improvement recommendations had been identified in relation to the deterioration in the quality of social care practice for children subject to child protection plans raised following the recent Ofsted inspection, contract register not fit for purpose and did not allow for tracking and monitoring of contracts and finally, the use of waivers in tendering and procurement activity with no way of identifying them on the contracts register and not being reported to Audit Committee. It was noted however that the Council operated effectively with its partners and had a strong performance management framework.

In conclusion, the Associate Director stated that the report highlighted the significant financial challenges facing the Council, whose position was precarious, and there was a real risk that the Council would need to issue a Section 114 notice unless the issues contained in the report were addressed. However, the Council were taking steps to try and avert this from happening and had a clear grasp on the scale of the challenge, which was also well understood across the Council and was being transparently reported.

The Chairman acknowledged that it was a very concerning report and assured the Associate Director that it was being taken very seriously by the Committee.

In terms of financial sustainability, a query was raised as to the statement in the report that the situation was ‘precarious but not catastrophic’ as, from what had been said by the Associate Director, the situation sounded catastrophic. In response, the Associate Director clarified that precarious meant ‘teetering on the edge’ however there were other Councils that were treading closer to the edge and in a much more difficult position. The Council were taking steps to address the issues whereas catastrophic would be if the Council were not taking those steps.

It was felt that the report reconfirmed the Committees’ concern around the seriousness with which audit and governance were taken by management and indeed that recommendations made by the Audit Committee appeared not to have been addressed. As a Committee, they needed assurance that senior management were taking audit and governance seriously because it did not seem like it from reading the report and it was suggested that they attend a meeting and/or present a report to address in particular the Committee’s recommendations and why these had not been looked at.

In response to Member comments, the Executive Director of Resources (Section 151 Officer) explained that, in relation to the precarious/catastrophic question, the LGA peer review had expected the situation to be difficult and were given assurances, however, as they were only assurances, that was why they said the situation was precarious because the Council was close to that edge. There were other authorities who were closer to that edge, including 19 that were given exceptional financial support, the Council was not one of them and he therefore felt that assurance could be taken from that.

In terms of the NWRR specifically, a number of conversations had been had at Audit Committee over the last 12-18 months around that and the Committee had been given management assurances that those things would change and was always based on a point in time in which external audit have reviewed that information but he pointed back to the management assurances that had been given by the relevant Executive Director around the acceptance of those recommendations and the changes that had been made on the back of that. He informed the Committee that Internal Audit would be reviewing that again and once done the Committee would have direct assurance about whether those things had happened or not. At the moment however, all the Committee had to rely on was the management assurances that had been provided.

The Committee felt that they continually got management assurances that things were happening, but it appeared that a specific recommendation made by the Audit Committee had not been addressed. In response the Executive Director of Resources (Section 151 Officer) explained that when reviewed by Internal Audit, they would see the evidence and would provide independent assurance to the Committee.

A brief discussion ensued in relation to the NWRR. Councillor Evans expressed his utter dismay at the information contained in Appendix D and referred to the assurances received by the Committee that members would be updated about the NWRR in October and that a special meeting of Full Council would be held in November, neither of which had happened. The information contained within this report had been asked for previously and had been refused. He was therefore not prepared to wait for an internal audit report and requested that officers be summoned to attend this meeting to respond to questions about this report as he felt that the Council had been placed at severe risk by the way in which the NWRR had been managed.

The Chairman stated that he had been assured that the NWRR would be on the agenda for the next Full Council meeting in December. This came as a surprise to some members as it had been stated at the last meeting that there would be a special meeting of the Council in November in order to discuss the Full Business Case before it went to the DFT for decision prior to Purdah.

In response to a comment, the Executive Director of Resources (Section 151 Officer) agreed to check whether the CIPFA report had been circulated and if not would ensure that it was circulated to all Members.

In response to a query, the Associate Director explained that the report did also have a forward look as to where the Council was currently, and he reported that the comments in the summary of the report stood that the Council was facing a significant financial challenge and the 2024/25 materialisation of the potential overspend would be critical. With regard to the other areas, it could be seen from the management responses contained within the report that work was already ongoing in some of those areas.

In relation to the NWRR and in response to the suggestion that the Executive Director for Place attend the December meeting to answer questions as to why the Audit Committee's recommendations had not been carried out and to provide assurance around the financial aspects of the project. Concern was raised that if these issues were ignored, what was the point of having an Audit Committee. In response, the Committee was reminded that the Executive Director for Place had attended the last meeting, and that Internal Audit needed time to go back in and report back to the Committee. The Internal Audit Manager explained the timeline for looking at this again and felt that they would not have enough time to complete the audit and give assurance in time for the February meeting, but the Committee could ask the Executive Director and project lead to come back to the December or February meeting. The Committee could also ask the Portfolio Holder to attend or escalate it to the Chief Executive.

A brief discussion ensued about whether to request that the relevant officers attend the December or February meeting. The Chairman expressed his preference for the update to come to the February meeting after the Full Business Case had been presented to Council. Councillor Evans proposed that the appropriate officers be asked to attend the additional meeting of Audit Committee in December. This was seconded by Councillor Halliday however, upon being put to the vote, the proposal fell. The Chairman resolved that the Executive Director of Place would be invited to the February Audit Committee meeting to provide an update regarding the actions taken to address both Internal and External Audit's recommendations.

The Chairman proposed that the Committee note the report and concerns about its content, and although this proposal was not agreed by the whole Committee, upon being put to the vote, the proposal stood.

RESOLVED:

To note the report and concerns about its content.

To invite the Executive Director of Place to the February Audit Committee meeting to provide an update regarding the actions taken to address both Internal and External Audit's recommendations.

69 **Third line of assurance: External Audit: IT Findings Report 2023/24**

The Committee received the report of the Engagement Lead which set out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements. In response to concerns that the report had the word 'Confidential' in the top right-hand corner, the Public Sector Audit Senior Manager explained that all of their reports were marked confidential for their own purposes however she had queried whether the Committee would like the report in the public domain and was assured by the Deputy Director of Finance and IT that he was happy that the content did not include any private information.

The report was for information and it's purpose was to underpin their opinion on the financial statements and usually formed part of the Audit Findings Report. It also covered the Altair Pension Fund IT system. There was nothing of concern in the report.

In response to a query around cyber security controls, the Public Sector Audit Senior Manager explained that in response to a follow up of a recommendation, they had not been supplied with evidence to say that it had been resolved so it would continue to be reviewed. They were not saying that it had a significant impact on the financial statements audit. The Head of Policy and Governance felt it was a question for the Head of IT in terms of providing that evidence, although there were elements of internal audit work that looked at cyber related controls but that was different to what was being requested. It was suggested that a progress report on the Council's cyber security controls be requested for the February meeting.

RESOLVED:

To note the contents of the report and to request a progress report on the Council's Cyber Security Controls for the February meeting.

70 **Date and Time of Next Meeting**

There would be an additional meeting of the Audit Committee to be held on the 20 December 2024 at 10.00am.

71 **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.

72 **Exempt Minutes of the previous meeting held on the 27 September 2024**

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 27 September 2024 be approved as a true record and signed by the Chairman.

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

The Committee received the exempt report of the Internal Audit 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:

To note the contents of the exempt report.

Signed .... (Chairman)

Date: ....

	Committee and Date Audit Committee 20th December 2024	Item Public

Healthy People | Healthy Economy | Healthy Environment | Healthy Organisation

Final Approval Statement of Accounts 2023/24

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

1. Synopsis

This report provides for the approval of the 2023/24 Statement of Accounts, following completion of the audit of the accounts.

2. Executive Summary

2.1. For 2023/24 the statutory deadlines for publishing the final audited accounts was 30th September with unaudited accounts needing to be published by 31st May. It was identified during audit planning that external audit would be unable to work to the 30th September deadline as the audit sector work to address the backlog of public sector audits highlighted and acknowledged by the Public Sector Audit Appointments. As highlighted to Audit Committee in the June 2024 meeting, it was agreed that the auditors would plan to complete the audit by 30th November. As notified at Audit Committee on 28 November, due to delays in completion of the audit, the completion date was revised to the end of December 2024.

2.2. The audit on the 2023/24 Statement of Accounts is substantially complete and the auditors are planning to provide an unqualified audit on the Statement of Accounts as follows:

"In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

2.3. Grant Thornton have produced the Audit Findings Report on the 2023/24 Statement of Accounts which will be presented as a separate paper on this Audit Committee's agenda.

3. Recommendations

3.1. Consider and approve the 2023/24 Statement of Accounts and that the Chairman of the Audit Committee signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).

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

3.3. Agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts that has been subject to audit. The Audit Findings Report highlights that the audit work has been focussed on the significant risk areas identified for the audit.

5. Financial Implications

5.1. Shropshire Council is currently managing an unprecedented financial position as budgeted for within the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve

- scaling down initiatives,
- changing the scope,

- delaying implementation, or
- extending delivery timescales.

5.2. This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances of held.

6. Climate Change Appraisal

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

7. Background

7.1. The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts following the completion of the audit of the accounts.

7.2. A copy of the 2023/24 Audited Statement of Accounts is attached at Appendix 1. The Council's external auditors, Grant Thornton, have audited the accounts between the periods August to December. The audit of the accounts is substantially complete, and the Auditor has indicated that an unqualified audit opinion will be issued on the accounts, subject to the successful completion of the outstanding matters.

7.3. There have been two significant adjustments to the accounts identified during the audit. The first relates to an update of the IAS19 figures used for the pension costs in the accounts, given that the original IAS19 statement produced by the actuary was based on 11 months of actual inflation data, and 1 month of estimated inflation. During the audit, it was identified that had the actual inflation been used, then this would deliver a material change to the pension liability and reserve held in the accounts. Therefore, a revised IAS19 statement has been requested based on actual data for 2023/24, and this has generated the amendments as shown in Table 1 below.

7.4. It has also been identified during the audit that Grant Received in Advance – Capital which is held in the balance sheet has been overstated by £5.429m. This includes £3.435m of Shropshire Council's element of the Broadband gainshare which should have instead been held in Capital Grants Unapplied Account given that there were no specific conditions relating to the funding. Also, the £1.994m residual element of the gainshare payment related to BDUK's share of the gainshare and so should have been held in Creditors. The accounts have been updated for these adjustments and are detailed in Table 1 below.

Table 1: Amendments to the Statement of Accounts

Section in Statement of Accounts Amended	Value in Draft Accounts (£'000)	Amendment (£'000)	Value in Final Accounts (£'000)	Adjustment
Income & Expenditure Account				
Taxation and Non-Specific Grant Income	(342,574)	(3,435)	(346,009)	Grant RIA - Capital

Surplus or Deficit on Provision of Services	47,920	(3,435)	44,485	Grant RIA - Capital
Total Comprehensive Income and Expenditure	(88,057)	(3,435)	(91,492)	Grant RIA - Capital
Balance Sheet				
Short Term Creditors	(86,156)	(1,994)	(88,150)	Grant RIA - Capital
Grants Receipts in Advance - Capital	(25,145)	5,429	(19,716)	Grant RIA - Capital
Pension Liability	(21,397)	(17,190)	(38,587)	IAS19 Update
Net Assets	792,045	(17,190)	778,290	IAS19 Update & Grants RIA Capital
Usable Reserves	116,452	3,435	119,887	Grant RIA - Capital
Unusable Reserves	675,593	(17,190)	658,403	IAS19 Update
Total Reserves	792,045	(17,190)	774,855	IAS19 Update & Grants RIA Capital

In addition, the impact of these changes has been reflected in the Movement in Reserves Statement, the Cash Flow, in the following Notes to the Accounts and throughout Group Accounts:
Note 7 – Expenditure and Funding Analysis
Note 8 – Note to the Expenditure and Funding Analysis
Note 9 – Expenditure and Income Analysed by Nature
Note 11 – Adjustments Between Accounting Basis and Funding Basis Under Regulations
Note 15 – Taxation and Non-Specific Grant Incomes
Note 21 – Financial Instruments
Note 26 – Creditors
Note 28 – Usable Reserves
Note 29 – Unusable Reserves
Note 30 – Cash Flow Statement – Operating Activities
Note 38 – Grant Income
Note 41 – Defined Benefit Pension Schemes

7.5 There have also been other minor typographical errors corrected throughout the Statement of Accounts.

8. Letter of Representation

8.1. The Council is required to produce a letter of representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received.

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Audit Committee, 27th June 2024 – Approval of the Council's Draft Statement of Accounts 2023/24 Audit Committee, 28th November 2024 – Final Approval Statement of Accounts 2023/24
Local Member: ***All***
Appendices [Please list the titles of Appendices]
Appendix 1 – Audited Statement of Accounts 2023/24

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Statement of Accounts

2023-2024

Shropshire Council

Annual Statement of Accounts 2023/24

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:

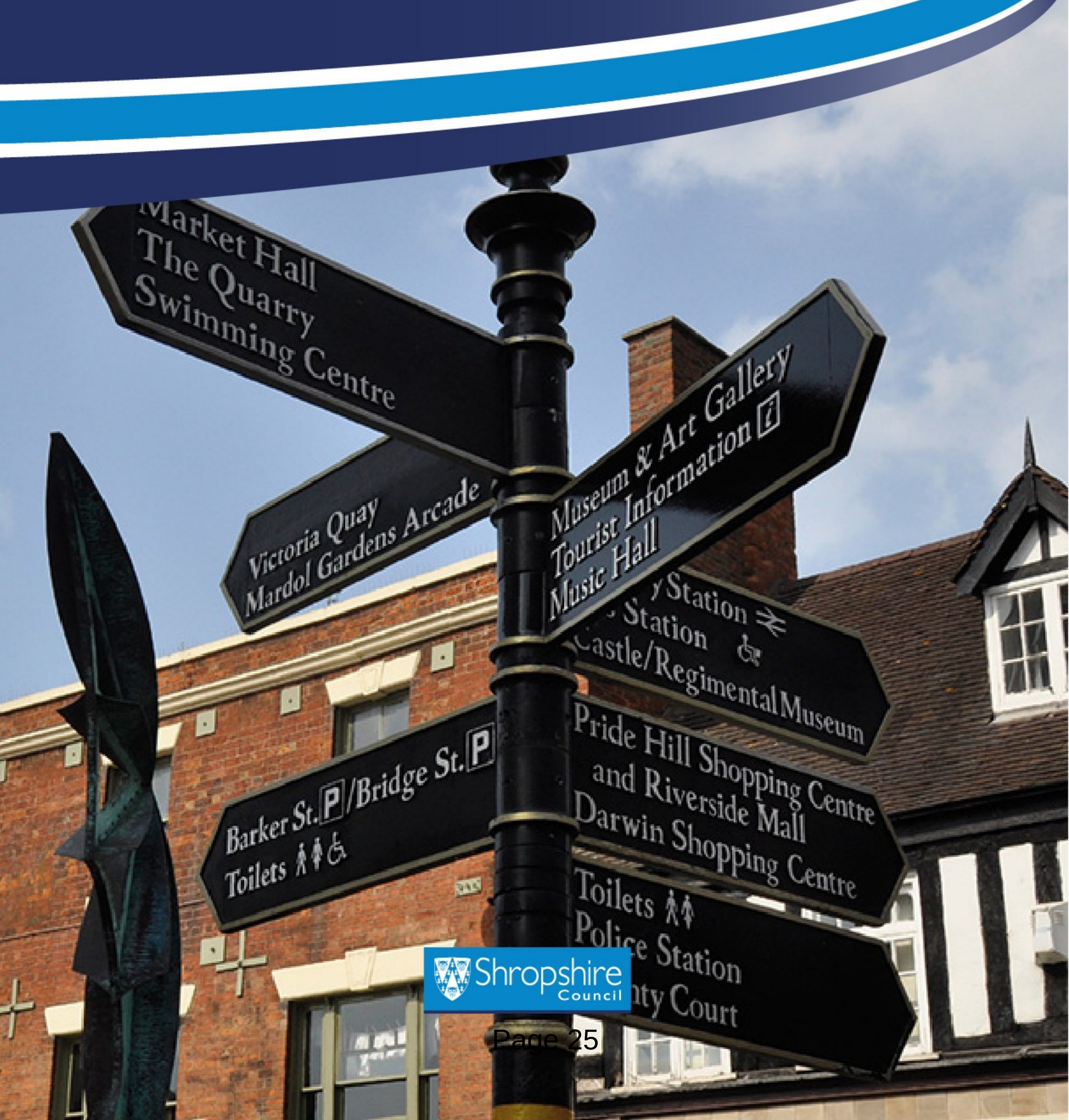
Further information about the Council's Accounts can be obtained from the Finance Department.

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

James Walton
Executive Director of Resources

Section 1

Narrative Report



Shropshire Council

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 327,200. 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 the Shropshire Plan which outlines a new vision and priorities for the Council for the following 3 years, in addition to a new performance approach.

Our Services

In 2023/24 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 2023/24 is detailed below:

Healthy People

63% of the performance targets relating to Health People have been achieved during the financial year, against the backdrop of increased demand for services, particularly within Adults and Children's Social Care during the financial year.

There are 5 targets where action is required and these relate to the following indicators:

- Percentage of adults who are overweight or obese
- Excess under 75 mortality rate in adults with Severe Mental Illness
- Assessment timeliness – within 45 working days (Children's Social Care)
- Stability of placements of looked after children
- Percentage of Education Health Care Plans issued within 20 weeks

Delivery plans are in place to address performance for these areas, however it is acknowledged that some of the measures planned to improve the first two measures may only see an improvement over the medium to long term.

Healthy Economy

2023/24 has seen a net increase in the number of jobs for Shropshire and the level of investment for the county was above the target set out in the Economic Growth Strategy. There has also been an increase in the number of new homes developed, alongside a reduction in the level of households in B&B accommodation.

Healthy Environment

During the course of 2023/24 the Council has made good progress in improving the level of household waste rent for re-use, recycling and composting. Also the Council has invested in a programme of installing public electric vehicle charging point in a bid to deliver against the Climate Change Strategy for the Council.

Healthy Organisation

In 2023/24 the strategic objective of delivering the best workforce has seen an improvement in staff turnover rates, and an increase in the number of employees enrolled in apprenticeships programmes, in order to improve continuing professional development for our staff. However, the average number of days lost to sickness has increased during the course of the year, and particularly over the winter months. The financial outturn position improved during the course of the year, as outlined below however this is a key focus for the Council in order to deliver a sustainable budget.

Revenue Spending Plans for 2023/24

The Council's budget for the provision of services in 2023/24 and the Medium Term Financial Plan to 2027/28 was agreed by Council in March 2023. 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 £645.7m (gross) on council services in 2023/24 and planned to deliver new savings of £51.390m.

The gross budget was financed through Government Grants (£259.0m), Service Income (£130.8m), Council Tax (£193.6m), Business Rates (£39.4m), Top Up Grant (£11.1m), Revenue Support Grant (£7.5m) and a Collection Fund Surplus (£4.3m).

Revenue Outturn Position for 2023/24

As set out in the table below the 2023/24 outturn was a £7.877m spend variation from budget, representing a 1.2% 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	(22,758)	(26,245)	(3,487)
Health and Wellbeing	1,878	1,398	(480)
People	198,118	206,496	8,379
Place	75,750	77,677	1,928
Resources	2,764	4,161	1,397
Strategic Management Board	163	302	140
Net Budget	**255,914**	**263,791**	**7,877**

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

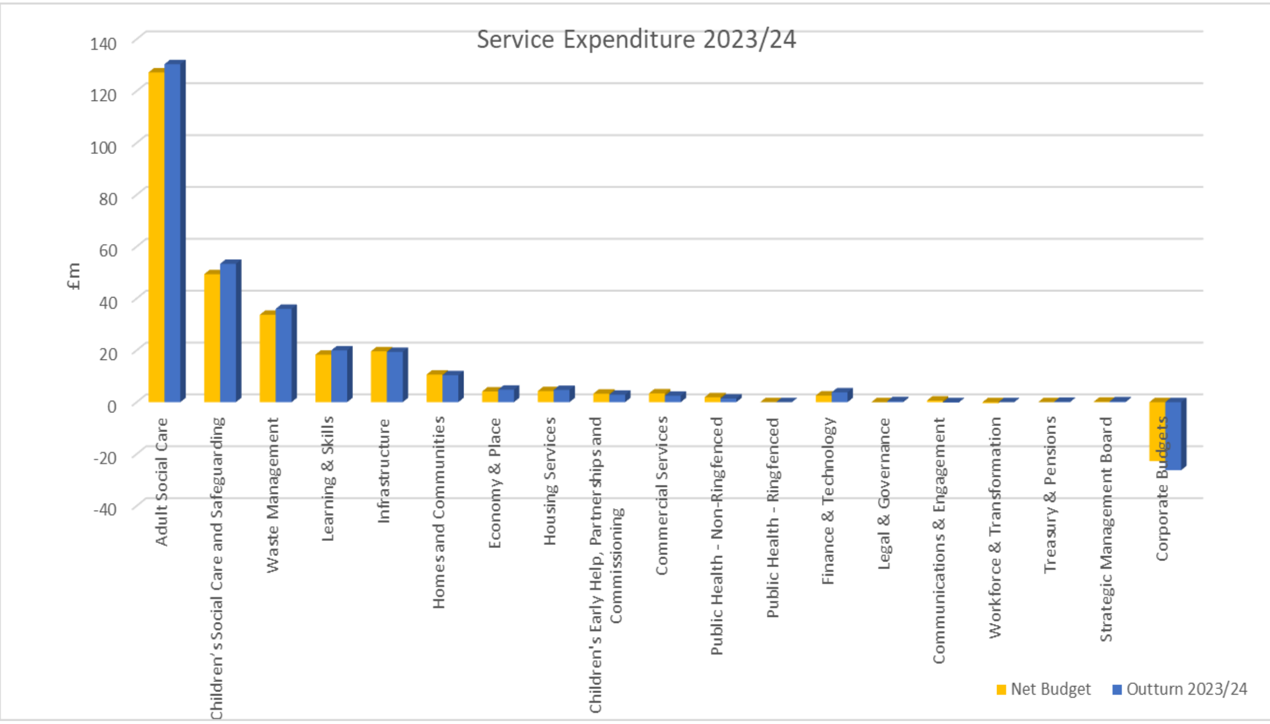
Year End Projected Over/(Under)spend	Quarter 1* £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Corporate	727	(455)	(404)	(3,487)
Health and Wellbeing	63	(2)	(12)	(480)
People	24,859	25,377	7,955	8,379
Place	8,475	4,289	3,545	1,928
Resources	3,452	3,201	2,877	1,397
Strategic Management Board	14	(17)	(2)	140
TOTAL	**37,590**	**32,393**	**13,959**	**7,877**

During the year the Council experienced increased activity for Children's Social Care resulting in additional cost pressures. Activity in Adults Services also increased, with more costly care packages contributed to increased cost pressures within the service during the year.

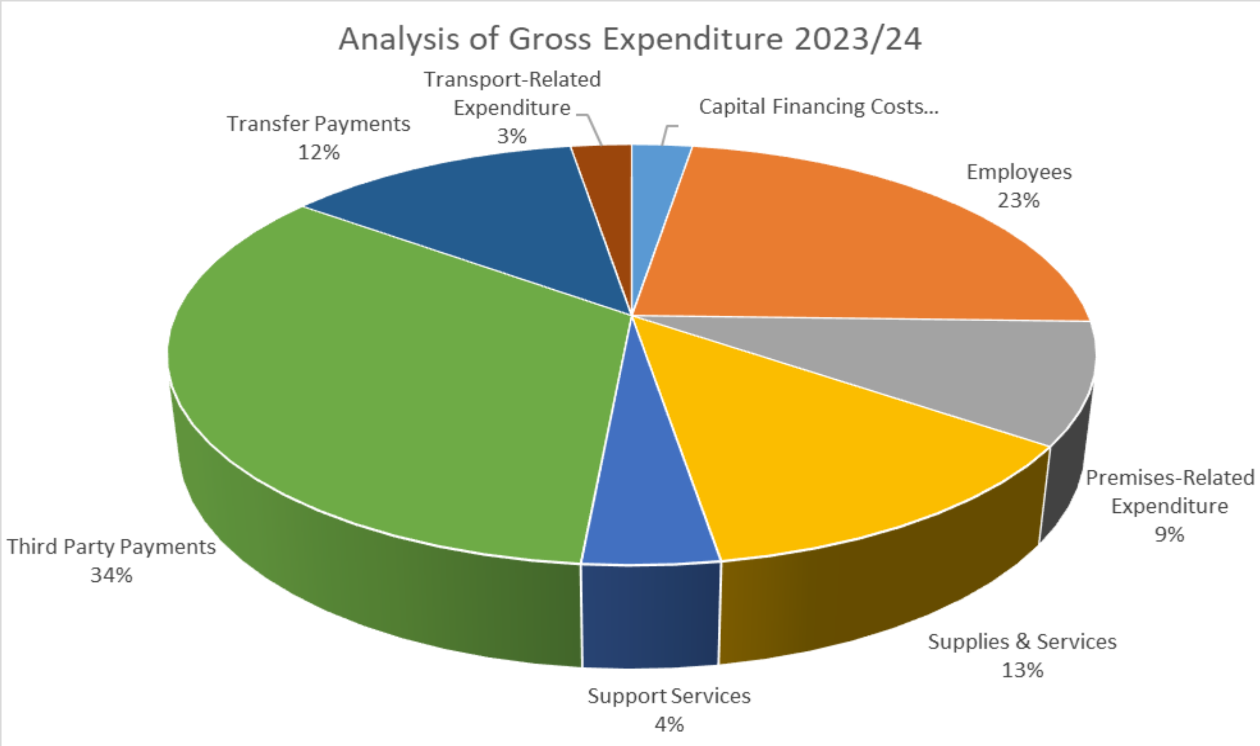
It was agreed during the year that a contribution from the General Fund Balance would be used to offset the demand pressures experienced within Adult Social Care and Children's Social Care in the interim whilst those services implemented demand management plans that would help to curtail the cost pressures being experienced. A contribution of £20.5m was released from the General Fund to reduce the overspend pressure in Q3.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 7, 8, 9 and 10 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 £906.960m 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 2023/24 the Council had planned to increase the general fund balance by £19.868m to a balance of £26.961m. However, as outlined above, it has been necessary to release £20.5m to offset demand pressures experienced within Adults and Children's Social Care. A review of earmarked reserves was carried out during the course of 2023/24, and this highlighted that £9.658m could be released into the General Fund to offset the demand pressures funded from the General Fund. Also, the impact of the revenue outturn of £7.877m, has reduced the general fund balance further to £8.237m as at the 31 March 2024. . This balance lies below the risk assessed level of balances calculated for 2023/24. As a result of this anticipated position, The Council has again budgeted to increase reserves in 2024/25, however this is dependent on the Council delivering fully on their planned spending reductions.

Earmarked reserves have decreased by £17.172m during 2023/24, which includes an decrease in schools delegated balances of £3.147m. Earmarked reserves have been utilised in 2023/24 to offset saving plans where there has been slippage in delivery. As outlined above the reduction in earmarked reserves includes the release of balances to the General Fund Balance. Total earmarked reserves are held at £35.407m including delegated school balances of £7.340m.

Capital Outturn Position for 2023/24

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 2023/24 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 2023/24 £000	Actual Spend 2023/24 £000	Variance 2023/24 £000
General Fund			
People	9,381	6,823	(2,558)
Place	73,908	69,662	(4,246)
Resources	521	794	273
Total General Fund	**83,810**	**77,279**	**(6,531)**
Housing Revenue Account	16,202	15,060	(1,142)
Total Capital Programme	**100,012**	**92,339**	**(7,673)**

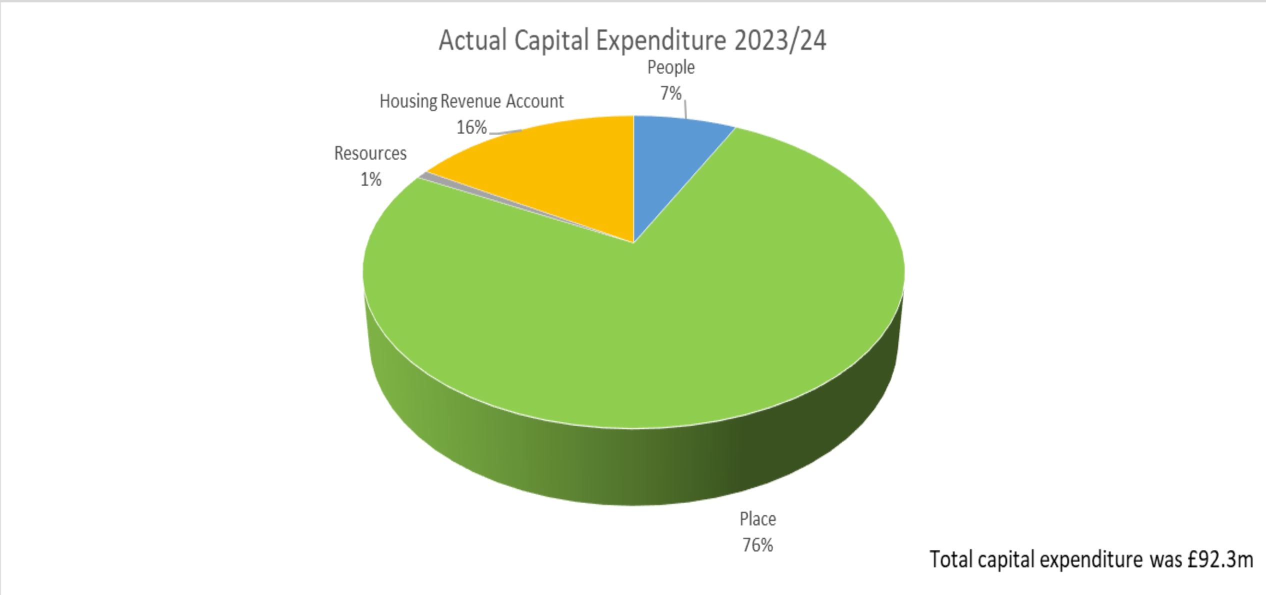
The table below provides a summary of the capital financing for the actual capital expenditure for 2023/24.

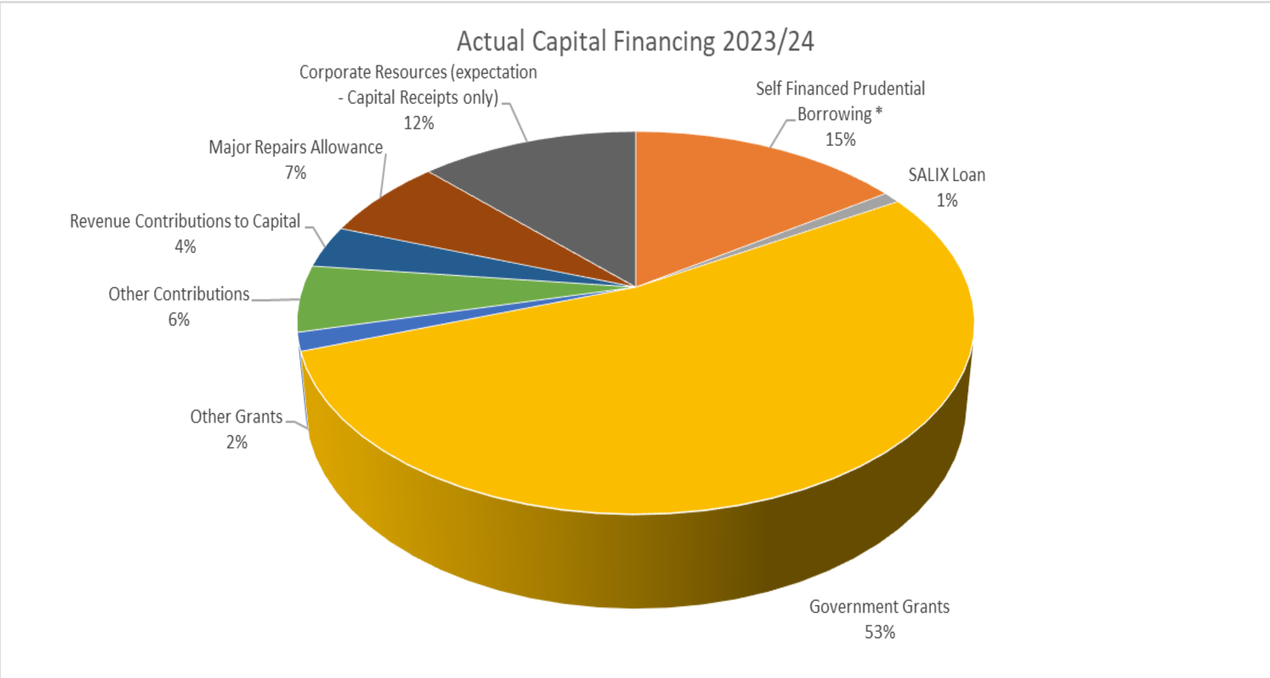
Financing	2023/24 £000
Capital Grants & Contributions	55,713
Revenue Contributions	3,338
Major Repairs Allowance	6,526
Self Financing Prudential Borrowing	14,351
Corporate Resources	11,501
SALIX Loan	910
	92,339

The areas of most significant expenditure for schemes undertaken in 2023/24 are as follows:

	Expenditure 2023/24 £000
People	
Disabled Facilities Grants	4,395
Carbon Reduction – Warm Homes	5,469
Children's Residential Care	386
Schools Condition Schemes	1,925
Devolved Formula Capital	1,101
School Future Place Planning	3,109
Place	
Highways and Transport	28,503
North West Relief Road	5,544
Street Lighting Replacement	3,728

	Expenditure 2023/24 £000
Flood Defences and Water Management	388
Electronic Vehicle Charging Points	872
Broadband	1,542
Economic Development	7,670
Commercial Investments	2,172
Corporate Landlord	3,954
Housing Revenue Account	
Housing Major Repairs Programme	6,845
Local Authority Housing Fund	1,163
Temporary Accommodation	462
New Build Programme	6,302





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.

The Council has used cash to offset external borrowing for a number of years and this has generated significant savings for the Council in borrowing costs. Cash balances held by the Council had reduced in 2022/23 and have continued to reduce due to the reduction of reserve balances in 2023/24. As a result, for cashflow purposes, the Council secured a new loan for £30million. Further details are provided in the Statement of Accounts.

The Council is satisfied that cashflow levels are sustainable in the short to medium term, although recognises a full review of borrowing levels is required in 2024/25.

The Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (the Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

The section on accounting policies describes the basis on which the financial information within the statements is prepared. The accounts have been prepared to give a true and fair view of the financial position of the Council and with the underlying assumption of the going concern concept. Information is included within the statements having regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

This statement of accounts comprises various sections and statements, which are briefly explained below:

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

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

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

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

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

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

    - **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 2024. 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 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 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 2023/24 and assets and liabilities as at 31 March 2024.

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 2024/25 – 2028/29, 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.

It was anticipated that proposals delivered in 2023/24 would put the Council on a stable financial footing over the medium term. The dual challenges of increasing inflation and rising demand for social care (in common with all upper-tier councils) have prevented the Council from achieving that in full. The specific factors affecting the budget for 2024/25 are:

- Low/no change to funding levels in real terms of the last 7 years, despite rebalancing between funding sources.
- Increased population, particularly amongst older adults
- Increasing demand for services such as:
    - children needing support or protection, and
    - adults with learning difficulties or autism;
    - older adults who often have care needs more complex than in the pre-COVID period
    - demand for Temporary Accommodation and housing support
    - cost of living support
    - the challenge of delivering services across a large rural area with a sparse population

The impact of these factors are that demand for services outstrips the resources available to the Council within the current operating model. The 2024/25 budget therefore proposed a reduction to the overall size and scope of the council, and to secure efficiency and transformational improvements to continue to provide services the greatest extent possible within the available resources. The Council is also developing broader approaches to demand management, enabling us to better meet the challenges of demand increases.

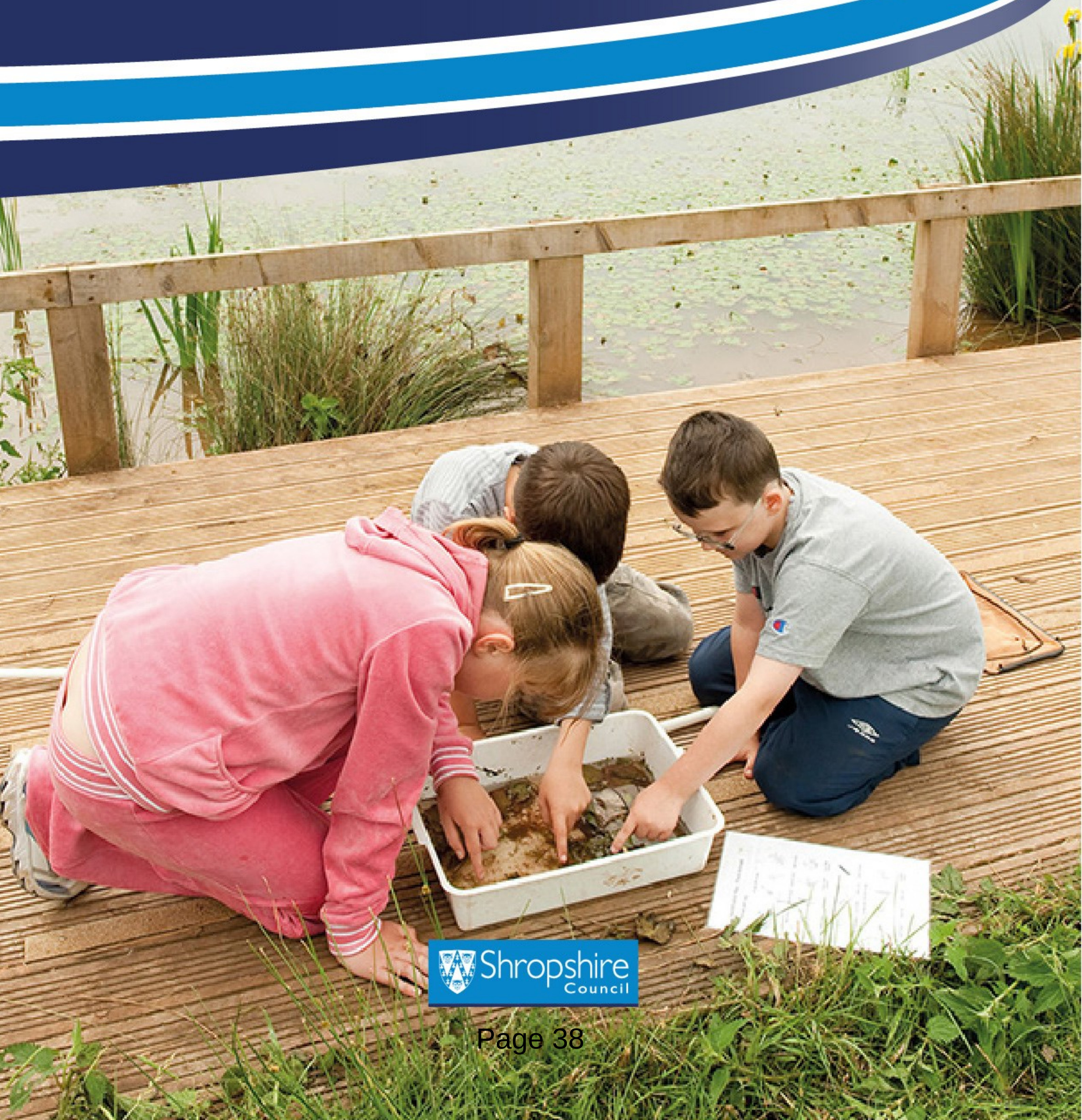
Despite the challenges encountered through the year, the objectives and overarching vision of The Shropshire Plan remain a clear guide to the priorities for the 2024/25 budget and the MTFS period following to 2028/29.

The Council identified spending reduction plans of £62.480m and this was consulted on and then agreed by Full Council in February 2024. As a result of the work of officers to identify these spending reductions, this produced a balanced budget for 2024/25, and produce a more sustainable footing for the Council over the remaining life of the Medium term Financial Strategy.

Next year we will be investing over £117 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 continuing 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 2023/24 was formally approved at a meeting of the Audit Committee on 20 December 2024.

Brian Williams
Chair of the Audit Committee
20 December 2024

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.

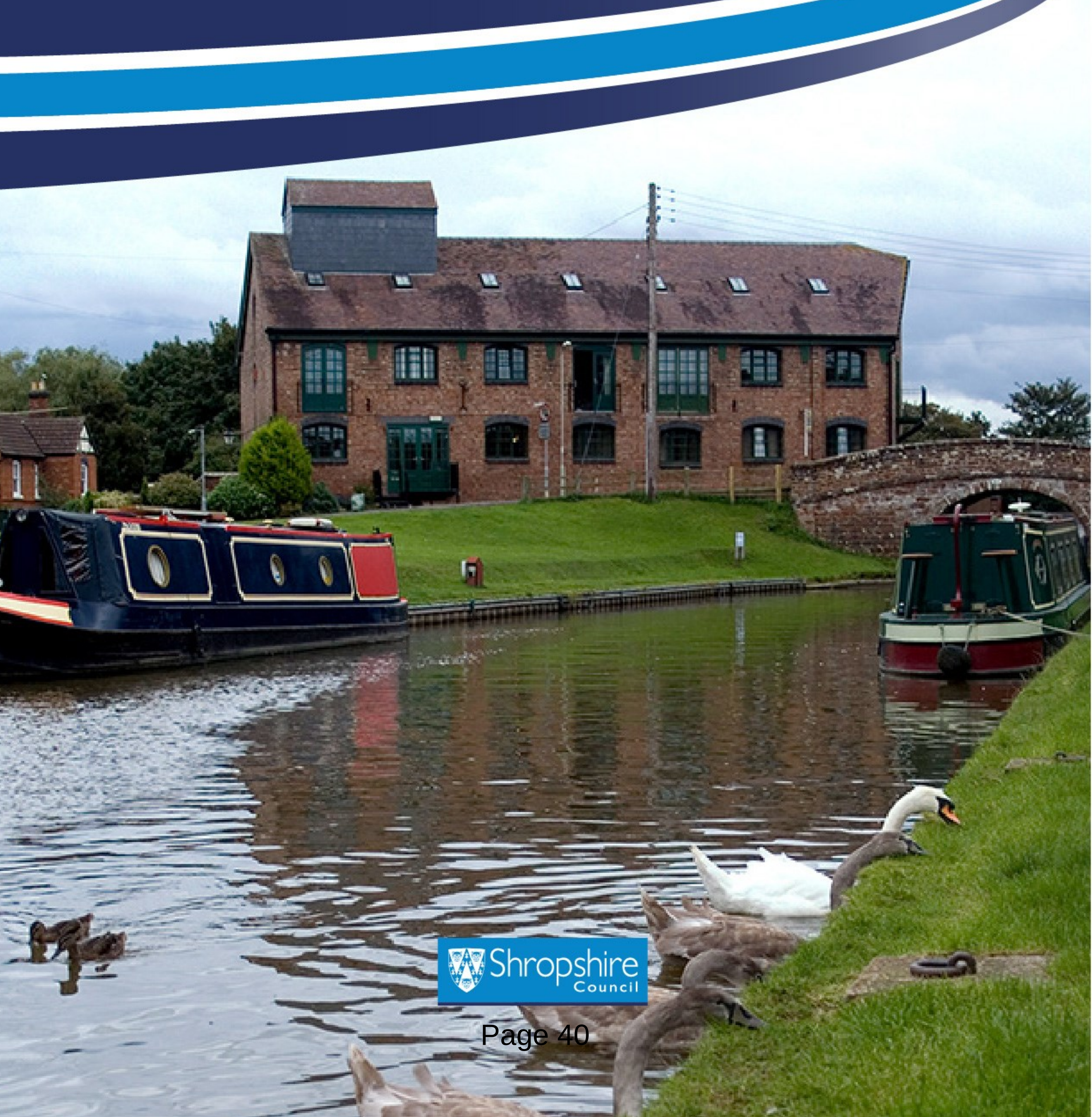
Certificate of the Executive Director of Resources

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 2024.

James Walton
Executive Director of Resources
31 May 2024

Section 3

Audit Opinion and Certificate



Shropshire Council

Audit Opinion and Certificate

WILL BE UPDATED ONCE AUDIT OPINION PROVIDED BY AUDITORS

Audit Opinion and Certificate

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.

2022/23 Restated (Note 2)				2023/24		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 7, 8, 9 and 10)			
18,542	(15,559)	2,983	Health and Wellbeing	17,735	(16,987)	748
3,386	(19,162)	(15,776)	Local Authority Housing	22,731	(20,399)	2,332
432,380	(203,555)	228,825	People	455,576	(217,839)	237,737
184,020	(62,955)	121,065	Place	189,866	(70,649)	119,217
60,240	(52,474)	7,766	Resources	63,094	(53,220)	9,874
716	0	716	Strategic Management Board	4,008	(1)	4,007
10,307	(27,410)	(17,103)	Corporate	10,327	(38,148)	(27,821)
709,591	**(381,115)**	**328,476**	**Net Cost of Services**	**763,337**	**(417,243)**	**346,094**
		10,532	Other Operating Expenditure (Note 13)			15,205
		48,301	Financing and Investment Income and Expenditure (Note 14)			29,195
		(316,145)	Taxation and Non Specific Grant Income (Note 15)			(346,009)
		71,164	**(Surplus) or Deficit on Provision of Services**			**44,485**
		(41,074)	(Surplus) or Deficit on Revaluation of Non-Current Assets			(28,387)
		197	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			2,928
		(449,181)	Remeasurement of the Net Defined Benefit Liability			(110,518)
		(490,058)	**Other Comprehensive Income and Expenditure**			**(135,977)**
		(418,894)	**Total Comprehensive Income and Expenditure**			**(91,492)**

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.

2023/24	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 2023	**7,093**	**52,579**	**59,672**	**12,359**	**7,400**	**52,395**	**131,826**	**572,162**	**703,988**
Movement in reserves during 2023/24									
Surplus or (deficit) on the provision of services	(42,446)	0	**(42,446)**	(2,039)	0	0	**(44,485)**	0	**(44,485)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	118,787	**118,787**
Total Comprehensive Income and Expenditure	**(42,446)**	**0**	**(42,446)**	**(2,039)**	**0**	**0**	**(44,485)**	**118,787**	**74,302**
Adjustments between accounting basis & funding basis under regulations (Note 11)	26,386	0	**26,386**	1,449	(1,392)	6,103	**32,546**	(32,546)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(16,060)**	**0**	**(16,060)**	**(590)**	**(1,392)**	**6,103**	**(11,939)**	**86,241**	**74,302**
Transfers to/(from) Earmarked Reserves (Note 12)	17,204	(17,172)	**32**	(32)	0	0	**0**	0	**0**
Increase/(Decrease) in 2023/24	**1,144**	**(17,172)**	**(16,028)**	**(622)**	**(1,392)**	**6,103**	**(11,939)**	**86,241**	**74,302**
Balance at 31 March 2024	**8,237**	**35,407**	**43,644**	**11,737**	**6,008**	**58,498**	**119,887**	**658,403**	**778,290**

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
Balance at 31 March 2022	**11,522**	**89,638**	**101,160**	**11,592**	**6,918**	**47,082**	**166,752**	**118,342**	**285,094**
<u>Movement in reserves during 2022/23</u>									
Surplus or (deficit) on the provision of services	(87,632)	0	**(87,632)**	16,468	0	0	**(71,164)**	0	**(71,164)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	490,058	**490,058**
Total Comprehensive Income and Expenditure	**(87,632)**	**0**	**(87,632)**	**16,468**	**0**	**0**	**(71,164)**	**490,058**	**418,894**
Adjustments between accounting basis & funding basis under regulations (Note 11)	46,112	0	**46,112**	(15,669)	482	5,313	**36,238**	(36,238)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(41,520)**	**0**	**(41,520)**	**799**	**482**	**5,313**	**(34,926)**	**453,820**	**418,894**
Transfers to/(from) Earmarked Reserves (Note 12)	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)**	**453,820**	**418,894**
Balance at 31 March 2023	**7,093**	**52,579**	**59,672**	**12,359**	**7,400**	**52,395**	**131,826**	**572,161**	**703,988**

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'.

2022/23		2023/24	
£000		£000	£000
1,115,889	Property, Plant & Equipment (Note 16)	1,138,504	
2,096	Heritage Assets	2,119	
60,736	Investment Property (Note 17)	43,029	
3,907	Intangible Assets	2,603	
1,182,628	**Total Non Current Assets**		**1,186,255**
970	Long Term Investment (Note 21)	971	
16,074	Long Term Debtors (Note 21)	15,259	
1,199,672	**Total Long Term Assets**		**1,202,485**
	Current Assets		
5,906	Current Held for Sale Investment Properties (Note 17)	18,283	
1,627	Assets Held for Sale	3,904	
58,000	Short Term Investments (Note 21)	0	
786	Inventories	729	
89,160	Short Term Debtors (Notes 21, 23 & 24)	123,805	
27,584	Cash & Cash Equivalents (Notes 21 & 25)	37,293	
183,063	**Total Current Assets**		**184,014**
1,382,735	**Total Assets**		**1,386,499**
	Current Liabilities		
(21,640)	Bank Overdraft (Notes 21 & 25)	(35,933)	
(7,606)	Short Term Borrowing (Note 21)	(32,802)	
(100,676)	Short Term Creditors (Notes 21 & 26)	(88,150)	
(3,763)	Provisions (Note 27)	(2,707)	
(8,217)	Grants Receipts in Advance - Revenue (Note 38)	(8,622)	
(16,938)	Grants Receipts in Advance - Capital (Note 38)	(19,716)	
(158,840)	**Total Current Liabilities**		**(187,930)**
1,223,895	**Total Assets Less Current Liabilities**		**1,198,569**
	Long Term Liabilities		
(614)	Long Term Creditors (Note 21)	(603)	
(286,998)	Long Term Borrowing (Note 21)	(281,527)	
(97,459)	Other Long Term Liabilities (Note 21)	(93,313)	
(126,359)	Pensions Liability (Note 41)	(38,587)	
(8,477)	Provisions (Note 27)	(6,249)	
(519,907)	**Total Long Term Liabilities**		**(420,279)**
703,988	**Net Assets**		**778,290**
	Financed by:		
131,826	Usable Reserves (Note 28)	119,887	
572,162	Unusable Reserves (Note 29)	658,403	
703,988	**Total Reserves**		**778,290**

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.

2022/23 £000	Revenue Activities	2023/24 £000	£000
71,164	Net (surplus) or deficit on the provision of services	44,485	
(64,296)	Adjust net surplus or deficit on the provision of services for non cash movements	(53,168)	
62,703	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	75,347	
69,571	**Net cash flows from Operating Activities (Note 30)**		**66,664**
(39,580)	Investing Activities (Note 31)	(50,197)	
(8,347)	Financing Activities (Note 32)	(11,883)	
21,644	**Net (increase) or decrease in cash and cash equivalents**		**4,584**
27,588	Cash and cash equivalents at the beginning of the reporting period		5,944
5,944	**Cash and cash equivalents at the end of the reporting period (Note 25)**		**1,360**

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 2023/24 financial year and its position at the year end of 31 March 2024. 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 2023/24 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 in the year that the activity takes place, not simply when cash payment are made or received. 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 in financing and investment income and expenditure 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 (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5. Non-Current Assets - Intangible

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the Council (e.g. computer software licences).

Intangible assets are recognised based on cost and are amortised over the economic life of the intangible asset to reflect the pattern of consumption of benefits. Only intangible assets included in the capital programme are capitalised. Each intangible asset is assessed in terms of economic life, usually between five and seven years.

1.6. Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

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

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

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than 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)

Land and buildings used for Council services are valued at fair value based on their existing use. Fair value is defined as the value that an asset would be purchased for by a willing buyer. Where sufficient market evidence of the value is not available, for example schools and leisure centres, depreciated replacement cost, using the modern equivalent asset method is used for valuation purposes. This is an estimate of how much it would cost to build the asset using the latest building methods which therefore takes into account the current cost of building materials. This value is then adjusted to take into account the age of the building.

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-minimis in the balance sheet.

When new material assets are acquired/constructed or assets substantially enhanced or there is a change in use of the asset; the asset will be valued in the financial year in which the asset becomes operational. Where there is a change in use of the asset, the impact of this will be considered to determine if a revaluation is required.

The Housing Revenue Account Council Dwellings are subject a full valuation every five years and to an annual desktop review to update the valuation to the balance sheet date; undertaken by the Valuation Office Agency.

When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment, see 1.10), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in the Surplus or Deficit on the Provision of Services.

Componentisation

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

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

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

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

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

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance in the Movement in Reserves Statement. For the two financial years, 2022-23 and 2023-24, local authorities were permitted to retain the share of Right to Buy receipts that had been previously returned to the Government and so retain 100% of these receipts.

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

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

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

<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.

Depreciation

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

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

Useful lives of the various types of works on the highways network are assessed by the 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.

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.

The Council as Lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Council's Revenue Account balance.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land and buildings are assessed as to whether they are operating or finance leases.

The Council as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the council's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.18. Government Grants and Contributions

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. If there are outstanding conditions on the grant income the income is held on the Balance Sheet as a Government 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
Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provision of a financial instrument. They 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 financial assets held by the Council,, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, adjusted for accrued interest receivable at the year end. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial Statements, instead Note 21 to the Core Financial Statements provides details about these soft loans.

Financial Assets Measured at Fair Value through Profit of Loss
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.20. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means the amount presented in the Balance Sheet is the outstanding principal repayable, adjusted for accrued interest payable at the year end. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.21. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. 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 General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

1.22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date that gives the Council a legal or constructive obligation that probably requires settlement by the transfer of economic benefits or service potential, 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, taking into account relevant risks and uncertainties.

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 included on the Balance Sheet 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 2023/24. 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. Intragroup transactions relating to Subsidiaries are eliminated on consolidation.

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 4.8% (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. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made to the Council's 2022/23 financial statements as a result of a change to the Council's reporting structure.

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

Directorates per 2022/23 statement of accounts	As reported in the CI&ES 2022/23	Movement between Directorates	As restated 2022/23
Gross Expenditure	**£000**	**£000**	**£000**
Health & Wellbeing	18,542	0	18,542
Housing Revenue Account	3,386	0	3,386
People	454,576	(22,196)	432,380
Place	161,824	22,196	184,020
Resources	60,240	0	60,240
Strategic Management Board	716	0	716
Corporate	10,307	0	10,307
Cost of services	**709,591**	**0**	**709,591**

Directorates per 2022/23 statement of accounts	As reported in the CI&ES 2022/23	Movement between Directorates	As restated 2022/23
Gross Income	**£000**	**£000**	**£000**
Health & Wellbeing	(15,559)	0	(15,559)
Housing Revenue Account	(19,162)	0	(19,162)
People	(216,908)	13,353	(203,555)
Place	(49,602)	(13,353)	(62,955)
Resources	(52,474)	0	(52,474)
Strategic Management Board	0	0	0
Corporate	(27,410)	0	(27,410)
Cost of services	**(381,115)**	**0**	**(381,115)**

Directorates per 2022/23 statement of accounts	As reported in the CI&ES 2022/23	Movement between Directorates	As restated 2022/23
Net Expenditure	**£000**	**£000**	**£000**
Health & Wellbeing	2,983	0	2,983
Housing Revenue Account	(15,776)	0	(15,776)
People	237,668	(8,843)	228,825
Place	112,222	8,843	121,065
Resources	7,766	0	7,766
Strategic Management Board	716	0	716
Corporate	(17,103)	0	(17,103)
Cost of services	**328,476**	**0**	**328,476**

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2024/25 Code:

- IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
    - specify that an entity's right to defer settlement must exist at the end of the reporting period
    - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
    - clarify how lending conditions affect classification, and
    - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

These changes, excluding IFRS 16 Leases, are not expected to have a material impact on the Council's accounts.

IFRS 16 Leases changes the way leases are accounted for in the financial statements with the main impact being to remove the traditional distinction between finance leases and operating leases for lessees. From 2024/25 the majority of leases will be accounted for on the Balance Sheet as a Right of Use asset with a corresponding liability. The code requires implementation from 1st April 2024. An impact assessment has been carried out in 2023/24 and it has been estimated that as of 1st April 2024 there will be a Right of Use asset of £5.406m, a corresponding liability of £1.088m (current) and £4.318m (non-current) along with a £0.173m charge to the I&E. These totals exclude short term leases (less than 12 months) and any leases which are below the de-minimis of £10,000.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

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

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

The Council makes an assessment on whether it is probable that economic benefits or service potential associated with the asset will flow to the authority. Where assets are owned by the Council and used by maintained schools, the 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 38.
- The Council is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. It was agreed on 12 March 2024 that the Marches Local Enterprise Partnership Limited would be voluntarily wound up following a decision by the Government earlier this year to devolve LEP responsibilities back to local councils. Shropshire Council, Herefordshire Council and Telford & Wrekin Council have set up a Joint Committee that will oversee the transition of the assets, resources and responsibilities of the Marches LEP to the three councils by the end of March 2024. 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 Joint Committee, and therefore only the net grant held and corresponding creditor is included within the Council's accounts. Further details are provided at Note 44.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2024:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment (PPE)	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. Note 16 details the carrying value for each class of PPE asset. A 1% increase in property valuations would result in a £2.441m increase in the valuation of Council dwellings and a £4.314m 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.
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.	Note 17 details the carrying value of Investment Properties. A 1% movement in Investment Property valuations would result in a £0.613m 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. Note 27 provides details on the NDR Appeals Provision. A 10% movement in the losses from appeals would result in a £0.196m movement in the value of the NDR Appeals Provision.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Further information on the assumptions and sensitivity is detailed in Note 41.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £79.264m.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured or based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 17 and 21.	The authority uses the discounted cash flow model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates within the accruals processed for debtors and creditors are: • Debtors 26% • Creditors 18%	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 £0.400m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.268m.
Debt Impairment	The balance of outstanding debtors, including Council Tax and Business Rates debtors, is assessed annually and	There is a risk that if collection rates were to deteriorate then the allowance

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	a bad debt provision calculated to estimate the potential liability from non collection of the outstanding debts. The impact of the 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.	for the impairment of bad debts would need to increase. Note 22 provides details on outstanding debtors and the allowance for impairment.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 31st May 2024. Events taking place after this date are not reflected in the financial statement or notes.

7. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23						2023/24				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
2,025	168	2,193	790	2,983	Health and Wellbeing	1,399	(1,521)	(122)	870	748
0	(3,725)	(3,725)	(12,051)	(15,776)	Local Authority Housing	0	(1,542)	(1,542)	3,874	2,332
209,655	(2,926)	206,729	22,096	228,825	People	206,496	25,951	232,447	5,290	237,737
75,263	1,384	76,647	44,418	121,065	Place	77,677	(4,424)	73,253	45,964	119,217
4,639	1,653	6,292	1,474	7,766	Resources	4,161	2,992	7,153	2,721	9,874
0	873	873	(157)	716	Strategic Management Board	302	47	349	3,658	4,007
(58,467)	45,007	(13,460)	(3,643)	(17,103)	Corporate	(26,819)	2,189	(24,630)	(3,191)	(27,821)
233,115	**42,434**	**275,549**	**52,927**	**328,476**	**Net Cost of Services**	**263,216**	**23,692**	**286,908**	**59,186**	**346,094**
0	(234,828)	(234,828)	(22,484)	(257,312)	Other Income and Expenditure	0	(270,258)	(270,258)	(31,351)	(301,609)

2022/23						2023/24				
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
233,115	**(192,394)**	**40,721**	**30,443**	**71,164**	**Surplus or Deficit**	**263,216**	**(246,566)**	**16,650**	**27,835**	**44,485**
		112,752			Opening General Fund and HRA Balance			72,031		
		(40,721)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(16,650)		
		72,031			**Closing General Fund and HRA Balance at 31 March***			**55,381**		

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

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2023/24 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 £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	894	0	(2,422)	0	7	**(1,521)**	946	(72)	(4)	**870**
Local Authority Housing	0	0	0	0	0	0	(1,542)	**(1,542)**	3,874	0	0	**3,874**
People	0	0	25,496	(207)	501	0	161	**25,951**	4,590	(1,055)	1,755	**5,290**
Place	0	(131)	5,223	(13,441)	2,248	1,782	(105)	**(4,424)**	46,394	(469)	39	**45,964**
Resources	0	(10)	1,078	369	1,309	0	246	**2,992**	2,806	(75)	(10)	**2,721**
Strategic Management Board	0	0	196	0	(149)	0	0	**47**	3,660	(6)	4	**3,658**
Corporate	0	0	(25,564)	(6,285)	(691)	0	34,729	**2,189**	(5,230)	2,355	(316)	**(3,191)**
Net Cost of Services	**0**	**(141)**	**7,323**	**(19,564)**	**796**	**1,782**	**33,496**	**23,692**	**57,040**	**678**	**1,468**	**59,186**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	141	856	19,564	(796)	(1,782)	(288,241)	**(270,258)**	(40,812)	4,878	4,583	**(31,351)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**8,179**	**0**	**0**	**0**	**(254,745)**	**(246,566)**	**16,228**	**5,556**	**6,051**	**27,835**

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 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	770	11	**790**
Local Authority Housing	0	0	0	0	0	0	(3,725)	**(3,725)**	(12,051)	0	0	**(12,051)**
People	0	41	4,498	(199)	2,038	0	(9,304)	**(2,926)**	9,711	12,377	8	**22,096**
Place	0	1,628	3,818	(13,202)	(1,795)	2,091	8,844	**1,384**	39,582	4,806	30	**44,418**
Resources	0	307	1,638	155	(405)	0	(42)	**1,653**	763	710	1	**1,474**
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)	993	(313)	**(3,643)**
Net Cost of Services	**0**	**1,976**	**32,392**	**(20,333)**	**(1,992)**	**2,091**	**28,300**	**42,434**	**33,519**	**19,671**	**(263)**	**52,927**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(1,976)	664	20,333	1,992	(2,091)	(253,750)	**(234,828)**	(30,454)	16,463	(8,493)	**(22,484)**
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**	**36,134**	**(8,756)**	**30,443**

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.

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2023/24 £000	2022/23 £000
Expenditure		
Employee benefits expenses	221,430	231,143
Other service expenses	510,969	481,447
Support service recharges	35,440	36,771
Depreciation, amortisation, impairment	64,980	49,172
Interest payments	26,194	26,373
Precepts and levies	10,306	9,680
Payments to Housing Capital Receipts Pool	0	0
(Gain)/Loss on the disposal of assets	4,898	851
Total Expenditure	**874,217**	**835,437**
Income		
Fees, charges and other service income	(204,734)	(195,731)
Interest and investment income	(4,515)	(3,139)
Income from council tax, non-domestic rates	(253,445)	(236,182)
Government grants and contributions	(367,038)	(329,221)
Total Income	**(829,732)**	**(764,273)**
Surplus or Deficit on the Provision of Services	**44,485**	**71,164**

10. REVENUE CONTRACTS WITH CUSTOMERS

The Council's income from revenue contracts with customers is analysed by Service Area as follows:

Fees, charges and other service income	2023/24 £000	2022/23 £000
Health and Wellbeing	(1,663)	(1,499)
Local Authority Housing	(20,421)	(19,015)
People	(70,672)	(70,180)
Resources	(35,900)	(36,674)
Place	(73,640)	(65,430)
Strategic Management Board	(958)	(1,030)
Corporate	(1,480)	(1,903)
Total Income	**(204,734)**	**(195,731)**

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2023/24	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	5,556	0	0	0	0	(5,556)
Financial instruments	(315)	0	0	0	0	315
Council tax and NDR	4,570	0	0	0	0	(4,570)
Holiday pay	(510)	0	0	0	0	510
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	38,565	5,465	5,134	0	15,465	(64,629)
Dedicated Schools grant	2,304	0	0	0	0	(2,304)
Total Adjustments to Revenue Resources	**50,170**	**5,465**	**5,134**	**0**	**15,465**	**(76,234)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(8,550)	(1,848)	0	14,833	0	(4,435)
Administrative costs of non-current asset disposals	65	20	0	(85)	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	(13,775)	0	0	0	0	13,775
Capital expenditure financed from revenue balances	(1,524)	(2,188)	0	0	0	3,712
Total Adjustments between Revenue and Capital Resources	**(23,784)**	**(4,016)**	**0**	**14,748**	**0**	**13,052**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(14,792)	0	14,792
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(6,526)	0	0	6,526
Application of capital grants to finance capital expenditure	0	0	0	0	(9,362)	9,362
Cash payments in relation to deferred capital receipts	0	0	0	44	0	(44)
Total Adjustments to Capital Resources	**0**	**0**	**(6,526)**	**(14,748)**	**(9,362)**	**30,636**
Total Adjustments	**26,386**	**1,449**	**(1,392)**	**0**	**6,103**	**(32,546)**

2022/23 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	36,134	0	0	0	0	(36,134)
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	**62,657**	**(13,098)**	**4,675**	**0**	**15,808**	**(70,042)**
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	**46,112**	**(15,669)**	**482**	**0**	**5,313**	**(36,238)**

12. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2023/24.

	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 24 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	25,431	(16,019)	5,335	14,747	(12,208)	9,735	12,274
Insurance Reserves	3,754	(547)	429	3,636	(2,582)	529	1,583
Reserves of trading and business units	0	(8)	8	0	(5)	5	0
Reserves retained for service departmental use	50,001	(37,870)	9,453	21,584	(10,521)	1,631	12,694
School Balances	10,452	(7,467)	9,627	12,612	(11,534)	7,778	8,856
Total	**89,638**	**(61,911)**	**24,852**	**52,579**	**(36,850)**	**19,678**	**35,407**

<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 2023/24 Financial Outturn report.

13. OTHER OPERATING EXPENDITURE

	2023/24 £000	2022/23 £000
Parish Council Precepts	10,156	9,534
Levies	151	146
Payments to the Government Housing Capital Receipts Pool	0	0
(Gains)/losses on the disposal of non-current assets	5,232	806
(Gains)/losses on change in valuation of non-current assets	(334)	46
	15,205	**10,532**

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2023/24 £000	2022/23 £000
Interest payable and similar charges	26,192	26,373
Pensions interest cost and expected return on pensions assets	5,019	14,486
Interest receivable and similar income	(4,515)	(3,139)
Income and expenditure in relation to investment properties and changes in their fair value	(2,271)	3,360
Revenue Impairment Losses	(22)	783
(Surpluses)/deficits on Trading Activities	4,792	6,438
	29,195	**48,301**

15. TAXATION AND NON SPECIFIC GRANT INCOMES

	2023/24 £000	2022/23 £000
Council tax income	(202,683)	(191,590)
Non domestic rates	(50,762)	(44,591)
Non ringfenced government grants	(42,597)	(39,422)
Capital grants and contributions	(49,967)	(40,542)
	(346,009)	**(316,145)**

16. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2023/24.

	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 2023	**236,024**	**436,600**	**24,008**	**8,750**	**2,285**	**2,488**	**39,464**	**749,619**	**131,675**
Additions	13,598	3,743	3,303	755	34	0	21,190	**42,623**	2,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(109)	7,612	0	0	0	1,107	0	**8,610**	1,329
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,092)	(1,106)	0	0	0	28	0	**(11,170)**	25
Derecognition – disposals	(882)	(3,251)	(49)	0	0	(317)	0	**(4,499)**	0
Derecognition – other	0	(3,297)	(9,520)	0	(77)	0	0	**(12,894)**	(7,819)
Assets reclassified (to)/from Held for Sale	(547)	(2,015)	0	0	0	0	(880)	**(3,442)**	0
Other movements in cost or valuation	6,127	(6,857)	0	0	47	3,455	(6,928)	**(4,156)**	0
At 31 March 2024	**244,119**	**431,429**	**17,742**	**9,505**	**2,289**	**6,761**	**52,846**	**764,691**	**127,299**
Depreciation and Impairments									
At 1 April 2023	**0**	**0**	**(14,250)**	**(3,820)**	**(537)**	**(1,006)**	**0**	**(19,613)**	**(10,987)**
Depreciation charge for 2023/24	(5,067)	(21,198)	(3,472)	(438)	(54)	(242)	0	**(30,471)**	(9,179)
Depreciation written out to the Revaluation Reserve	178	19,391	0	0	0	208	0	**19,777**	6,895
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,889	1,807	0	0	0	34	0	**6,730**	31
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(2,755)	0	0	0	(172)	0	**(2,927)**	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(762)	(68)	0	0	0	(63)	0	**(893)**	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	24	0	0	0	0	**24**	0
Derecognition – other	0	0	9,416	0	77	0	0	**9,493**	7,715
Other movements in depreciation and impairment	762	2,823	0	0	0	235	0	**3,820**	0
At 31 March 2024	**0**	**0**	**(8,282)**	**(4,258)**	**(514)**	**(1,006)**	**0**	**(14,060)**	**(5,525)**
NBV at 31 March 2024	**244,119**	**431,429**	**9,460**	**5,247**	**1,775**	**5,755**	**52,846**	**750,631**	**121,774**
NBV at 31 March 2023	**236,024**	**436,600**	**9,758**	**4,930**	**1,748**	**1,482**	**39,464**	**730,006**	**120,688**

The comparative movements in 2022/23 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 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**
Depreciation and Impairments At 1 April 2022	**0**	**0**	**(12,389)**	**(3,432)**	**(580)**	**(1,006)**	**0**	**(17,407)**	**(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)	(3,187)	(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
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**

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 £10.835m.

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. In 2023/24 two further schools in the freehold ownership of the Council transferred to Academy status. The value written out of the Council balance sheet in 2023/24 for the school transferring was £2.490m.

At the balance sheet date Department of Education approval had been granted for twelve schools to convert to Academy status. Of the schools to transfer, five are in Council freehold ownership plus a further two the playing field land is. A lease to the schools on a 125-year peppercorn rent will be completed as part of the Academy transfers. A further two schools that are scheduled to transfer are schools due to transfer ownership to the Diocese (as above) and those transfers will be completed prior to the Academy transfer. The value of the school in the 2023/24 accounts is £19.659m. 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 10 to 60 years range.
- Vehicles, Plant, Furniture & Equipment – 5 to 25 years.
- Infrastructure – 5 to 100 years.

Capital Commitments

At 31 March 2024, 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 2024/25 and future years budgeted to cost £30.302m. Similar commitments to 31 March 2023 were £33.450m. The major commitments were:

- Highways & Transport schemes - £16.515m
- Whitchurch Leisure Centre - £10.393m
- Whitchurch Medical Practice - £1.631m
- Primary School Basic Need Scheme - £0.700m
- HRA New Build Programme - £0.538m

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. Valuations are undertaken by External and Internal Valuers for the General Fund and External Valuers for 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	9,460	0	9,460
Valued at Current Value as at:					
31-Mar-24	244,119	431,429	0	5,755	681,303
Total Cost or Valuation	**244,119**	**431,429**	**9,460**	**5,755**	**690,763**

All assets were subject to a Full or Desktop Valuations as at 31/03/24 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:

	2023/24 £000	2022/23 £000
Schools, Children's Services and other Education Facilities	84,592	85,472
Culture & Heritage Buildings	60,683	64,982
Leisure & Recreation	52,501	55,486
Highways & Car Parks	25,710	24,159
Social Care	40,906	40,113
Administrative Offices	17,172	16,492
Waste Management Site	104,470	104,254
Business / Commercial Sites (including Markets)	28,618	29,808
Housing Services (including Gypsy Sites)	8,700	7,990
Smallholdings	5,676	6,710
Other	2,401	1,134
Total	**431,429**	**436,600**

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.

	2023/24 £000	2022/23 £000
Net book value (modified historical cost):		
At 1 April	385,883	371,531
Additions	29,613	39,635
Derecognition	0	0
Depreciation	(27,959)	(25,427)
Impairment	0	0
Other Movement in cost	336	144
At 31 March	**387,873**	**385,883**

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

	2023/24 £000	2022/23 £000
Highway Infrastructure Assets	387,873	385,883
Other PPE Items	750,631	730,006
Total PPE Assets	**1,138,504**	**1,115,889**

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.

17. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2023/24 £000	2022/23 £000
Rental income & service charges from investment property	(2,571)	(2,457)
Direct operating expenses arising from investment property	764	341
Net (gain)/loss	**(1,807)**	**(2,116)**

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 2023/24 £000	Long term 2022/23 £000	Current 2023/24 £000	Current 2022/23 £000
Balance at start of the year	60,736	61,879	5,906	570
Additions:				
- Purchases	0	7,766	0	0
- Construction	6	4	0	0
- Subsequent expenditure	371	9	0	0
Disposals	(293)	(15)	(5,906)	0
Net gains/(losses) from fair value adjustments	(3,569)	(5,476)	4,033	0
Transfers:				
- (To)/from Property, Plant and Equipment	28	1,905	0	0
- (To)/from Current/Long term	(14,250)	(5,336)	14,250	5,336
Balance at end of the year	**43,029**	**60,736**	**18,283**	**5,906**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2024 are as follows:

2023/24 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	3,993	0	3,993
Land	0	31,334	0	31,334
Commercial units	0	25,985	0	25,985
Total	**0**	**61,312**	**0**	**61,312**

2022/23 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	3,396	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**

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.

18. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2023/24 £000	2022/23 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	**517,409**	**479,614**
Capital investment		
Property, Plant and Equipment	72,336	70,919
Investment Properties	377	7,779
Long Term Investment	-	-
Intangible Assets	300	79
Revenue Expenditure Funded from Capital under Statute	33,921	23,216
Capital Loans	23,500	28,806
Sources of finance		
Capital receipts	(14,792)	(28,623)
Capital grants and other contributions	(58,845)	(49,162)
Direct Revenue Financing (Including MRA)	(10,239)	(5,564)
Minimum Revenue Provision	(13,775)	(9,655)
Closing Capital Financing Requirement (including PFI & Finance Lease)	**550,192**	**517,409**
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	368,442	334,529
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	96,745	92,252
Closing Capital Financing Requirement – PFI & Finance Lease	85,005	90,628
	550,192	**517,409**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	3,841	3,540
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	34,564	38,021
Assets acquired under finance leases		
Assets acquired under PFI contracts	(5,622)	(3,766)
Increase/(decrease) in Capital Financing Requirement	**32,783**	**37,795**

19. PRIVATE FINANCE INITIATIVE SCHEMES

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

a. The Quality in Community Services PFI Project

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

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

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

b. The Waste Services PFI Project

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

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

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

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

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

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

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

	QICS PFI		Waste PFI	
	Year Ended 31/03/24 £000	Year Ended 31/03/23 £000	Year Ended 31/03/24 £000	Year Ended 31/03/23 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	17,394	16,090	98,320	91,424
- Depreciation in Period	0	0	(16)	(16)
- Additions	0	0	0	0
- Revaluation/Impairment	524	1,304	831	6,912
- Derecognition	0	0	0	0
Balance Carried Forward	17,918	17,394	99,135	98,320
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	4,974	6,316
- Depreciation in Period	0	0	(2,237)	(2,023)
- Additions	0	0	2,089	684
- Derecognition	0	0	(104)	(3)
Balance Carried Forward	0	0	4,722	4,974

	QICS PFI		Waste PFI	
	Year Ended 31/03/24 £000	Year Ended 31/03/23 £000	Year Ended 31/03/24 £000	Year Ended 31/03/23 £000
Prepayments				
Balance Brought Forward	0	0	11,386	10,833
- Planned Capital Expenditure	0	0	1,754	553
Balance Carried Forward	0	0	13,140	11,386
Finance Lease Liability				
Balance Brought Forward	(10,638)	(11,027)	(91,376)	(94,200)
- Additions	0	0	0	0
- Early Lifecycle	0	0	0	0
- Repayment of Principal	415	389	3,454	2,824
Balance Carried Forward	(10,223)	(10,638)	(87,922)	(91,376)

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	32,861	4,832	11,148	48,841
Amounts Falling Due Within 2 – 5 Years	111,491	22,237	41,357	175,085
Amounts Falling Due Within 6 – 10 Years	163,223	30,770	42,789	236,782
Amounts Falling Due Within 11 – 15 Years	172,046	46,080	35,770	253,896
Amounts Falling Due Within 16 – 20 Years	0	0	0	0
Amounts Falling Due Within 21 – 25 Years	0	0	0	0

* comprised of operating costs and lifecycle costs
# comprised of finance lease interest and contingent rental

20. LEASES

Authority as a Lessee

Operating Leases

The Council has acquired vehicles and equipment by entering into operating leases, with typical lease lengths of four to seven years. The Council also has a number of land and buildings that are held under operating leases.

The minimum lease payments due for the following financial year under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2024 £000	31 March 2023 £000
Expiring not later than one year	267	33
Expiring later than one year and not later than five years	1,478	849
Expiring later than five years	245	408
Total	**1,990**	**1,290**

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

	31 March 2024 £000	31 March 2023 £000
Lease payments	2,102	1,140
Sub Lease receivable	0	0
Total	**2,102**	**1,140**

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 2024 £000	31 March 2023 £000
Expiring not later than one year	1,517	1,201
Expiring later than one year and not later than five years	1,333	1,241
Expiring later than five years	1,325	1,166
Total	**4,175**	**3,608**

21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000
Fair value through profit or loss										
Long Term Equity Instruments	571	570	0	0	0	0	0	0	571	570
Amortised cost										
Investment	400	400	15,259	16,074	0	58,000	79,847	51,765	95,506	126,239

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000
Cash and Cash Equivalents	0	0	0	0	37,293	27,585	0	0	37,293	27,585
Total financial assets	**971**	**970**	**15,259**	**16,074**	**37,293**	**85,585**	**79,847**	**51,765**	**133,370**	**154,394**
Non-financial assets	0	0	0	0	0	0	43,958	37,395	43,958	37,395
Total	**971**	**970**	**15,259**	**16,074**	**37,293**	**85,585**	**123,805**	**89,160**	**177,328**	**191,789**

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000	31-Mar-24 £000	31-Mar-23 £000
Amortised cost										
Principal	(281,527)	(286,998)	(603)	(614)	(31,058)	(5,776)	(63,788)	(73,067)	(376,976)	(366,455)
Loans accrued interest	0	0	0	0	(1,744)	(1,830)	0	0	(1,744)	(1,830)
Bank Overdraft	0	0	0	0	0	0	(35,933)	(21,640)	(35,933)	(21,640)
PFI and Finance lease liabilities	(93,313)	(97,459)	0	0	0	0	(4,832)	(4,555)	(98,145)	(102,014)
Total Financial Liabilities	**(374,840)**	**(384,457)**	**(603)**	**(614)**	**(32,802)**	**(7,606)**	**(104,553)**	**(99,262)**	**(512,798)**	**(491,939)**
Non financial liabilities	0	0	0	0	0	0	(19,530)	(23,053)	(19,530)	(23,053)
Total	**(374,840)**	**(384,457)**	**(603)**	**(614)**	**(32,802)**	**(7,606)**	**(124,083)**	**(122,315)**	**(532,328)**	**(514,992)**

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-24 £000	31-Mar-23 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	79,847	51,765
Debtors that are not financial instruments	43,958	37,395
Total Debtors as per Balance Sheet	**123,805**	**89,160**

	31-Mar-24 £000	31-Mar-23 £000
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(68,620)	(77,623)
Creditors that are not financial instruments	(19,530)	(23,053)
Total Creditors as per Balance Sheet	**(88,150)**	**(100,676)**

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 £2.046m 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 £0.289m. 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 Council's internal policies and therefore are not classified as soft loans.

Income, Expense, Gains and Losses

	2023/24 Surplus or Deficit on the Provision of Services £000	2023/24 Other Comprehensive Income and Expenditure £000	2022/23 Surplus or Deficit on the Provision of Services £000	2022/23 Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	0	0	0	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**	**0**	**0**
Interest revenue:				
Financial assets measured at amortised cost	(4,515)	0	(3,139)	0
Other financial assets measured at fair value through other comprehensive income	0	0	0	0
Total interest revenue	**(4,515)**	**0**	**(3,139)**	**0**
Interest expense				
Interest Expense	26,192	0	26,373	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 2024 Carrying amount £000	31 March 2024 Fair value £000	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	312,127	289,460	292,498	287,216
- PFI and finance lease liabilities	98,145	126,387	102,014	136,742

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

Financial Assets	31 March 2024 Carrying amount £000	31 March 2024 Fair value £000	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000
Financial assets held at amortised cost:				
Cash	28,400	28,400	41,400	41,400
Fixed Term Deposits	8,000	8,000	43,000	43,000
Long term debtors	15,259	15,259	16,074	16,074
Long term investments	970	970	970	970

The fair value of the assets held at amortised cost 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-24			
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	289,460	0	289,460
PFI and finance lease liabilities	0	126,387	0	126,387
Total	**0**	**415,847**	**0**	**415,847**
Financial assets				
Soft loans to third parties	0	0	750	750
Cash and Fixed Term Deposits	0	36,400	0	36,400
Total	**0**	**36,400**	**750**	**37,150**

Recurring fair value measurements using:	31-Mar-23 Comparative Year 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	287,215	0	287,215
PFI and finance lease liabilities	0	136,742	0	136,742
Total	**0**	**423,957**	**0**	**423,957**
Financial assets				
Soft loans to third parties	0	0	750	750
Cash and Fixed Term Deposits	0	84,400	0	84,400
Total	**0**	**84,400**	**750**	**85,150**

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 cash and fixed term deposits is taken to be the carrying amount due to the short term nature of the assets.	Estimated ranges of interest rates at 31 March 2024 of 4.61% to 5.36% 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 2024 of 4.61% to 4.66% based on new lending rates

22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;
- 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 2024 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2024 %	Estimated maximum exposure to default and uncollectability at 31 March 2024 £000
	A	B	C	(AxC)
Deposits with banks and financial institutions having a default rating of:				
AAA	28,400	0.00	0.00	0.00
AA	8,000	0.00	0.00	0.00
A	0	0.00	0.00	0.00

	Amount deposited at 31 March 2024 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2024 %	Estimated maximum exposure to default and uncollectability at 31 March 2024 £000
BBB	0	0.00	0.00	0.00
Other Local Authorities	0	0.00	0.00	0.00
Debtors (Customers)	27,732	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 £27.732m invoiced income outstanding from customers £21.376m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2023/24 £000	2022/23 £000
Less than 3 months overdue	6,967	2,287
3 to 6 months overdue	2,223	2,241
6 months to 1 year overdue	2,717	1,557
More than 1 year overdue	9,469	9,156
	21,376	**15,241**

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

2023/24	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	4,788	0	1,638	4	541	0	6,967	4
3 to 6 months overdue	1,890	0	287	76	46	2	2,223	78
6 months to 1 year overdue	2,388	204	290	86	40	4	2,718	294
More than 1 year overdue	7,639	4,173	1,374	451	455	112	9,468	4,736
	16,705	**4,377**	**3,589**	**617**	**1,082**	**118**	**21,376**	**5,112**

* 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	2023/24 £000	2022/23 £000
Less than 1 year	31,032	5,749
Between 1 and 2 years	932	849
Between 2 and 5 years	978	1,181
Between 5 and 10 years	73,487	58,487
More than ten years	206,131	226,481
	312,560	**292,747**

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 2024 the Council's total outstanding debt (excluding accrued interest) amounted to £312.585m of which none of these loans were at stepped interest rates. Out of this balance £266.868m relates to fixed rate Public Works Loan Board (PWLB) loans, £26.850m relates to Lenders Option Borrower Option (LOBO) market loans, £17.000m relates to Market Loans, £1.841m 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, £11.150m 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. In 2023/24 the call option was exercised against one LOBO loan which resulted in a loan repayment of £5.350m.

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.

23. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2024.

	2023/24 £000	2022/23 £000
Debtors:		
Central Government Bodies	14,358	18,261
Other Local Authorities	5,569	2,963
NHS Bodies	6,173	1,042
Public Corporations and Trading Funds	7	0
Other Entities and Individuals	73,420	46,268
Prepayments	24,278	20,626
	123,805	**89,160**

24. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2023/24 £000	2022/23 £000
Less than 1 year	6,870	6,181
1 – 2 years	3,837	3,394
2 – 3 years	2,753	2,650
More than 3 years	10,368	8,919
	23,828	**21,144**

25. CASH AND CASH EQUIVALENTS

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

	31 March 2024 £000	31 March 2023 £000
Bank current accounts	37,293	27,092
Short term deposits	0	492
Total Cash and Cash Equivalents	**37,293**	**27,584**
Bank Overdraft	(35,933)	(21,640)
Cash Overdrawn	**(35,933)**	**(21,640)**

26. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2024.

	2023/24 £000	2022/23 £000
Creditors:		
Central Government Bodies	(10,012)	(22,556)
Other Local Authorities	(637)	(2,114)
NHS Bodies	(1,929)	(1,099)
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(62,042)	(61,672)
Receipts In Advance	(13,530)	(13,235)
	(88,150)	**(100,676)**

27. PROVISIONS

The value of provisions held as at 31 March 2024 are as follows:

	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000
Short Term Provisions							
Accumulated Absences Account	3,013	(3,013)	3,055	3,055	(3,055)	2,545	2,545
Highways & Transport Provision	405	0	0	405	(405)	0	0
Highways Retention	110	(110)	0	0	0	0	0
Housing Enforcement	0	0	156	156	0	0	156
Termination Benefits	122	(121)	54	55	(55)	5	5
Other short term provisions	69	(69)	92	92	(92)	0	0
Total Short Term Provisions	**3,719**	**(3,313)**	**3,357**	**3,763**	**(3,607)**	**2,550**	**2,706**
Long Term Provisions							
S106	73	0	0	73	0	0	73
Liability Insurance	3,706	(481)	870	4,095	(964)	847	3,978
NDR Appeals	835	(3,332)	6,571	4,074	(4,461)	2,342	1,955
Tenancy Deposit Clawbacks	217	(20)	38	235	(28)	36	243
Total Long Term Provisions	**4,831**	**(3,833)**	**7,479**	**8,477**	**(5,453)**	**3,225**	**6,249**
Total Provisions	**8,550**	**(7,146)**	**10,836**	**12,240**	**(9,060)**	**5,775**	**8,955**

28. USABLE RESERVES

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

	31 March 2024 £000	31 March 2023 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	6,008	7,400
Earmarked Reserves	35,407	52,579
Capital Grants Unapplied Account	58,498	52,395
HRA Balance	11,737	12,359
General Fund Balance	8,237	7,093
Total Usable Reserves	**119,887**	**131,826**

29. UNUSABLE RESERVES

	31 March 2024 £000	31 March 2023 £000
Revaluation Reserve	180,081	166,380
Capital Adjustment Account	527,183	536,319
Financial Instruments Adjustment Account	(2,738)	(3,052)
Deferred Capital Receipts Reserve	454	498
Pensions Reserve	(38,587)	(126,359)

	31 March 2024 £000	31 March 2023 £000
Collection Fund Adjustment Account	(3,140)	1,431
Accumulated Absences Account	(2,545)	(3,055)
Dedicated Schools Grant Adjustment Account	(2,305)	0
Total Unusable Reserves	**658,403**	**572,162**

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**166,380**	**136,176**
Upward revaluation of assets	35,536	42,895
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(10,077)	(2,018)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**25,459**	**40,877**
Difference between fair value depreciation and historical depreciation	(8,572)	(6,758)
Accumulated gains on assets sold or scrapped	(3,169)	(3,915)
Other transfers to the Capital Adjustment Account	(17)	0
Amount written off to the Capital Adjustment Account	**(11,758)**	**(10,673)**
Balance at 31 March	**180,081**	**166,380**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2023/24 £000	2022/23 £000
Balance at 1 April	**536,319**	**534,463**
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	(59,400)	(53,963)
- Revaluation losses on Property, Plant and Equipment	(4,105)	11,779
- Revaluation loss on Long Term Investment	0	0
- Amortisation of intangible assets	(1,605)	(1,557)
- Revenue expenditure funded from capital under statute	(33,921)	(23,216)
- 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	(19,980)	(29,387)
	(119,011)	**(96,344)**
Adjusting amounts written out of the Revaluation Reserve	**11,758**	**10,673**
Net written out amount of the cost of non current assets consumed in the year	**(107,253)**	**(85,671)**
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	14,792	28,623
- Use of the Major Repairs Reserve to finance new capital expenditure	6,526	4,194
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	49,484	38,667
- Application of grants to capital financing from the Capital Grants Unapplied Account	9,362	10,495
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13,775	9,655
- Capital expenditure charged against the General Fund and HRA balances	3,713	1,370
	97,652	**93,004**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**465**	**(5,477)**
Balance at 31 March	**527,183**	**536,319**

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**(3,053)**	**(3,368)**
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	**(2,738)**	**(3,053)**

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**498**	**540**
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	(44)	(42)
Balance at 31 March	**454**	**498**

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**(126,359)**	**(539,406)**
Remeasurements of the net defined benefit liability/(asset)	93,328	449,181
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	(29,640)	(59,901)
Employer's pension contributions and direct payments to pensioners payable in the year	24,084	23,767
Balance at 31 March	**(38,587)**	**(126,359)**

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**1,431**	**(7,051)**
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	(4,571)	8,482
Balance at 31 March	**(3,140)**	**1,431**

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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**(3,055)**	**(3,013)**
Settlement or cancellation of accrual made at the end of the preceding year	3,055	3,013
Amounts accrued at the end of the current year	(2,545)	(3,055)
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	**510**	**(42)**
Balance at 31 March	**(2,545)**	**(3,055)**

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 extended 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.

	2023/24 £000	2022/23 £000
Balance at 1 April	**0**	**0**
In year Dedicated Schools Grant (over)/underspend	(2,304)	0
Balance at 31 March	**(2,304)**	**0**

30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2023/24 £000	2022/23 £000
Interest received	(5,397)	(2,854)
Interest paid	26,278	26,374

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

	2023/24 £000	2022/23 £000
Depreciation	59,400	53,963
Impairment and revaluation (increases)/decreases	4,106	(11,779)
Amortisation	1,605	1,557
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	0
Increase/Decrease in Interest Creditors	(86)	(1)
Increase/Decrease in Creditors	(12,005)	(33,025)
Increase/Decrease in Interest and Dividend Debtors	882	(285)

	2023/24 £000	2022/23 £000
Increase/Decrease in Debtors	(18,144)	(3,231)
Increase/Decrease in Inventories	57	22
Pension Liability	5,556	39,011
Contributions to/(from) Provisions	(3,285)	3,691
Carrying amount of non-current assets sold	15,546	8,897
Movement in Investment Property Values	(464)	5,476
	53,168	**64,296**

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

	2023/24 £000	2022/23 £000
Carrying amount of short and long term investment sold	0	0
Capital Grants credited to surplus or deficit on the provision of services	(64,948)	(54,475)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(10,399)	(8,228)
Non cash adjustments	**(75,347)**	**(62,703)**

31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2023/24 £000	2022/23 £000
Purchase of property, plant and equipment, investment property and intangible assets	72,650	75,242
Purchase of short term and long term investments	0	43,000
Other payments for investing activities*	24,182	29,288
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,444)	(8,271)
Proceeds from the sale of short term and long term investments	(57,536)	(104,505)
Other receipts from investing activities**	(79,049)	(74,334)
Net cash flows from investing activities	**(50,197)**	**(39,580)**

* This includes short term loans granted to third parties
** This includes capital grants received in year.

32. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2023/24 £000	2022/23 £000
Cash receipts of short and long-term borrowing	(30,911)	(1,248)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,869	3,213
Repayments of short and long term borrowing	11,111	79
Other payments for financing activities*	4,048	(10,391)
Net cash flows from financing activities	**(11,883)**	**(8,347)**

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

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2023/24	1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	31 March
	£000	£000	£000	£000	£000
Long-term borrowings	286,998	0	728	(6,199)	281,527
Short-term borrowings	7,606	(86)	182	25,100	32,802
On balance sheet PFI liabilities	102,014	(3,869)	0	0	98,146
Total liabilities from financing activities	**396,618**	**(3,955)**	**910**	**18,901**	**412,474**

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	998	(5,567)	286,998
Short-term borrowings	1,858	(1)	249	5,500	7,606
On balance sheet PFI liabilities	105,227	(3,213)	0	0	102,014
Total liabilities from financing activities	**398,653**	**(3,214)**	**1,247**	**(67)**	**396,618**

34. MEMBERS' ALLOWANCES

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

	2023/24 £000	2022/23 £000
Basic Allowances	1,015	948
Special Responsibility Allowances	278	266
Expenses	19	18
Total	**1,312**	**1,232**

35. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Chief Executive - Andy Begley	2023/24	£167,143	£0	£0	£167,143	£28,748	£195,891
	2022/23	£163,848	£0	£0	£163,848	£28,510	£192,358

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Executive Director of People	2023/24	£145,123	£0	£0	£145,123	£24,961	£170,084
	2022/23	£142,220	£0	£0	£142,220	£24,746	£166,966
Executive Director of Health, Wellbeing & Prevention	2023/24	£139,618	£0	£0	£139,618	£24,014	£163,632
	2022/23	£129,295	£0	£0	£129,295	£22,497	£151,792
Executive Director of Place	2023/24	£145,123	£0	£0	£145,123	£2,080	£147,203
	2022/23	£142,259	£0	£0	£142,259	£0	£142,259
Executive Director of Resources [1]	2023/24	£145,123	£0	£0	£145,123	£24,961	£170,084
	2022/23	£142,089	£0	£0	£142,089	£24,723	£166,812
Assistant Director – Transformation & Efficiency (started in post on 19th June 2023)	2023/24	£83,494	£0	£0	£83,494	£14,361	£97,855

[1] An element of the total remuneration paid to the Executive Director of Resources is recharged to Shropshire & Wrekin Fire Authority (£18,350), the Marches LEP (£6,934), West Mercia Energy (£11,220) and West Mercia Supplies (£1,187) to reflect the various treasurer roles undertaken within those organisations.

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The senior officers included in Note 35 above are not included within this analysis. The remuneration disclosed below includes salary costs and expense allowances, paid in line with the Council's pay policy agreed by Full Council:

Salaried Remuneration Band £	2023/24 No. of Employees	2022/23 No. of Employees
50,000 – 54,999	158	115
55,000 – 59,999	77	57
60,000 – 64,999	38	28
65,000 – 69,999	19	17
70,000 – 74,999	24	14
75,000 – 79,999	12	6
80,000 – 84,999	18	18
85,000 – 89,999	3	3
90,000 – 94,999	5	10
95,000 – 99,999	8	7
100,000 – 104,999	7	11
105,000 – 109,999	12	1
110,000 and above	1	0

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	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
£0 - £20,000	18	4	21	31	39	35	336	135
£20,001 - £40,000	5	0	8	0	13	0	393	0
£40,001+	16	3	8	3	24	6	2,784	1,034
	39	**7**	**37**	**34**	**76**	**41**	**3,513**	**1,169**

36. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2023/24 £000	2022/23 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	380	178
Fees payable in respect of other services provided by the external audit during the year	65	46
Total	**445**	**224**

37. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG for 2023/24 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2023/24 before academy recoupment			260,489
Academy and high needs figure recouped for 2023/24			(144,862)
Total DSG after academy recoupment for 2023/24			**115,627**
Brought forward from 2022/23			2,695
Less Carry Forward to 2024/25 agreed in advance			0

	Central Expenditure £000	ISB £000	Total £000
Agreed initial budget distribution in 2023/24	**57,683**	**60,639**	**118,322**
In year adjustments	(229)	0	(229)
Final budget distribution in 2023/24	**57,454**	**60,639**	**118,093**
Actual central expenditure	(57,500)	0	(57,500)
Actual ISB deployed to schools	0	(61,904)	(61,904)
Early years maintained settings included in ISB on S251	0	(993)	(993)
In year carry forward to 2024/25	(46)	(2,258)	(2,304)
Plus carry forward to 2024/25 agreed in advance			**0**
Carry forward to 2024/25			**(2,304)**
Net DSG position at the end of 2023/24			**(2,304)**
DSG unusable reserve at the end of 2022/23			0
Additions to DSG unusable reserve at the end of 2023/24			(2,304)
Total of DSG unusable reserve at the end of 2023/24			**(2,304)**

38. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2023/24:

	2023/24 £000	2022/23 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(7,479)	(6,450)
Local Services Support Grant	(430)	(385)
New Homes Bonus	(1,748)	(4,651)
Business Rates Relief Grant	(22,688)	(16,637)
Rural Service Support Grant	(7,757)	(6,941)
Services Grant	(2,066)	(3,521)
Other Grants	(556)	(837)
Capital Grants & Contributions	(49,966)	(40,542)
Total	**(92,690)**	**(79,964)**
Credited to Services		
DWP Housing Benefit	(45,973)	(45,255)
DWP Housing Benefit Admin Subsidy	(644)	(648)
MHCLG Waste PFI	(3,186)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(115,398)	(110,676)
DFE Pupil Premium Grant	(4,444)	(4,010)
DFE UFSM	(1,746)	(1,718)

	2023/24 £000	2022/23 £000
DFE PE & Sports	(1,652)	(1,652)
Teachers Pay Grant	(859)	(29)
Teachers Pension employer contribution grant	0	(83)
DfT Bus Services Operators Grant	(512)	(512)
Strengthening Families	(1,012)	(879)
Resettlement	(17)	(39)
HO Asylum Seekers	(3,390)	(2,833)
DoH Public Health Grant	(13,192)	(12,775)
MHCLG/DoH Adult Social Care New Burdens	(21,547)	(12,620)
Independent Living Fund Grant	0	(1,512)
Improved Better Care Fund	(11,863)	(11,863)
DWP Discretionary Housing Payment Grant	(308)	(304)
School monitoring and brokering grant	0	(141)
Flexible Homelessness grant	(1,138)	(926)
Apprenticeship Levy	(474)	(606)
DWP Household Support Fund	(4,178)	(4,178)
DfE Holiday Activities and Food Programme	(714)	(731)
MHCLG Rough Sleepers Initiative	(347)	(346)
MHCLG Domestic Abuse Duty Capacity Building Fund	(592)	(581)
DfT CBSSG Restart	0	(626)
DfT Local Transport Fund	(1,407)	0
DfE Recovery Premium Funding	(558)	(548)
DLUHC Homes for Ukraine Scheme Local Authority Tariff Payment	(2,365)	(1,959)
DLUHC UK Shared Prosperity Funding	(1,465)	0
DfE Homes for Ukraine Education and Childcare Grant	(5)	(900)
DHSC Adult Social Care Discharge Fund	(1,663)	(1,162)
DfT Local Transport Authority Bus Recovery Funding	(47)	(460)
DHSC Market Sustainability and Fair Cost Fund	(3,264)	(941)
ESFA Schools Supplementary Grant	0	(1,682)
DHSC Rough Sleeping Drug and Alcohol Treatment Grant	(878)	(491)
DEFRA Farming in Protected Landscapes	(894)	(310)
Council Tax Rebate	0	(582)
DfE Early Years Supplementary Grant	(929)	0
DfE Multiply Funding	(337)	(408)
DfE Mainstream Schools Additional Grant	(2,021)	0
DHSC Supplementary Substance Misuse Treatment and Recovery Grant	(336)	(338)
DHSC Market Sustainability and Improvement Fund	(2,120)	0
DHSC Local Authority Urgent and Emergency Care Support Fund	(654)	0
Covid-19 Adult Social Care Infection Control Fund	0	97
Covid-19 Other Grants	0	(197)
Other Grants	(5,715)	(5,191)
Capital Grants & Contributions	(14,982)	(13,933)
Total	**(274,349)**	**(249,257)**

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-24 £000	31-Mar-23 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(3,252)	(3,254)
Department for Education	(2,050)	(1,782)
Environment Agency	(872)	(431)
Department for Science, Innovation & Technology	(1,097)	0
Arts Council	(40)	0
Department for Business, Energy & Industrial Strategy	(2,318)	(4,667)
Department for Levelling Up, Housing & Communities	(9,118)	(1,799)
Department for Environment, Food & Rural Affairs	(12)	(43)
Historic England	(80)	(51)
Other Grants & Contributions	(877)	(4,911)
Total	**(19,716)**	**(16,938)**
Grants Receipts in Advance (Revenue Grants)		
Standards Fund	(350)	(591)
DfT Bus Service Improvement Plan Plus	(1,429)	0
Homes for Ukraine Scheme Local Authority Tariff Payment	(2,134)	(3,920)
Homes for Ukraine Education and Childcare Grant	0	(313)
UK Shared Prosperity Fund	(1,747)	(921)
Local Transport Fund	0	(279)
Rough Sleepers Initiative	0	(26)
MHCLG Social Services PFI	(210)	(210)
DEFRA Farming in Protected Landscapes	(595)	0
Council Tax Rebate	0	0
DfT – Bus Capacity	(290)	(345)
DfT CBSSG Restart	(500)	0
DfT – Local Transport Authority Bus Recovery Funding	0	(47)
DWP – Covid-19 Winter Grant Scheme	0	0
Other Grants	(1,367)	(1,565)
Total	**(8,622)**	**(8,217)**
TOTAL	**(28,338)**	**(25,155)**

39. COMMUNITIES INFRASTRUCTURE LEVY

The Communities Infrastructure Levy (CIL) is a planning charge that is applied to most types of new development within the county. The balance held at the end of the financial year is detailed in the below table. The Neighbourhood Fund due to Parish and Town Councils is held on the Balance Sheet within Creditors, the remaining balance is held within Capital Grants Unapplied.

	2023/24		2022/23	
	£000	£000	£000	£000
Opening Balance April		**(34,288)**		**(34,305)**
Receipts received	(7,881)		(8,949)	
Expenditure incurred	5,045		8,966	
Closing Balance		**(37,124)**		**(34,288)**
Closing Balance allocated to:				
Neighbourhood Fund	1,360		1,661	
Strategic Fund	5,260		4,925	
Local Area Fund	30,504		27,702	
Total		**37,124**		**34,288**

40. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The scheme is technically a defined benefits scheme. However the Scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the Council paid £7.069m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for April 2023 to March 2024 was 23.68%. The amount paid for 2022/23 were £6.907m 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 2023/24, the Council paid £0.018m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2022/23 were £0.020m and 14.4%.

41. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits 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	
	2023/24	2022/23
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(22,241)	(44,725)
- past service gain/(cost)	0	(216)
- curtailment gain/(cost)	(2,179)	(474)
- settlement gain/(cost)	(201)	0
	(24,621)	**(45,415)**
Financing and Investment Income and Expenditure:		
- net interest expense	(5,019)	(14,486)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(29,640)**	**(59,901)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	72,112	(71,812)
- experience gain/(loss)	(9,973)	(117,397)
- actuarial gains and (losses) arising on changes in financial assumptions	14,149	638,390
- actuarial gains and (losses) arising on changes in demographic assumptions	17,040	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**63,688**	**389,280**
Movement in Reserves Statement		

	Local Government Pension Scheme	
	2023/24 £000	2022/23 £000
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	29,640	59,901
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(24,084)	(23,767)

Assets and Liabilities Recognised in the Balance Sheet

	2023/24 £000	2022/23 £000
Present value of the defined benefit obligation	(1,151,280)	(1,138,966)
Fair value of plan assets	1,112,693	1,012,607
Net liability arising from defined benefit obligation	**(38,587)**	**(126,359)**

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2023/24 £000	2022/23 £000
Opening fair value of scheme assets at 1 April	1,012,607	1,064,210
Interest income	48,611	29,959
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	72,112	(71,812)
Settlements	(1,685)	0
Contributions from employer	24,084	23,767
Contributions from employees into the scheme	7,571	7,145
Benefits paid	(49,651)	(39,807)
Other	(956)	(855)
Closing fair value of scheme assets at 31 March	**1,112,693**	**1,012,607**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2023/24 £000	2022/23 £000
Opening balance at 1 April	(1,138,966)	(1,600,739)
Current Service Cost	(21,285)	(43,870)
Interest Cost	(53,630)	(44,445)
Contributions from scheme participants	(7,571)	(7,145)
Remeasurement gain/(loss):		
Experience gains/(losses)	(9,973)	(117,397)
Actuarial gains/(losses) arising from changes in financial assumptions	14,149	638,390
Actuarial gains/(losses) arising from changes in demographic assumptions	17,040	0
Other		

Past service costs	0	(216)
Losses/(gains) on curtailment	(2,179)	(474)
Benefits paid	49,651	39,807
Liabilities extinguished on settlements	1,484	0
Lump Sum Deficit Repayment	0	(2,877)
Closing balance at 31 March	**(1,151,280)**	**(1,138,966)**

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2023/24 £000	2022/23 £000
Cash and cash equivalents	**15,578**	**4,759**
Equity investments:		
Global quoted	629,117	518,555
Sub-total equity	**629,117**	**518,555**
Bonds:		
Overseas Global active investment grade	116,165	0
Overseas Global Fixed Income	0	61,668
Overseas Global Dynamic	46,177	68,047
Other class 2 - absolute return bonds	0	60,048
Sub-total bonds	**162,342**	**189,763**
Property:		
Property funds	39,167	33,619
Sub-total property	**39,167**	**33,619**
Alternatives:		
Private Equity	91,352	90,223
Infrastructure	69,432	64,908
Hedge Funds	46,844	66,630
Property Debt	11,349	14,176
Insurance Linked Securities	18,248	15,392
Private Debt	29,264	14,582
Sub-total alternatives	**266,489**	**265,911**
Total assets	**1,112,693**	**1,012,607**

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	
	2023/24	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8yrs	22.2yrs
Women	24.2yrs	24.5yrs
Longevity at 65 for future pensioners:		
Men	23.1yrs	23.5yrs
Women	26.0yrs	26.3yrs
Rate of inflation	2.70%	2.70%
Rate of increase in salaries	3.95%	3.95%
Rate of increase in pensions	2.80%	2.80%
Rate for discounting scheme liabilities	4.90%	4.80%

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)	1,178,532	1,124,028
Rate of inflation (increase or decrease by 0.25%)	1,193,199	1,109,361
Rate of increase in salaries (increase or decrease by 0.25%)	1,156,435	1,146,125
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,071,808	1,230,752

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 took effect on 1st April 2023.

The Council is projected to pay £22.514m employer contributions to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2023/24 (16 years 2022/23).

42. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government
Central Government has significant influence over the general operations of the Council, being responsible for the statutory framework within which the Council operates, provides the majority of its funding through the payment of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments appear in other parts of the Statement of Accounts.

Members and Officers
Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been contacted, advising them of their obligations and asking for any declarations of related party transactions to be disclosed. Members are also asked to confirm that their entries in their Disclosure of Pecuniary Interests are correct.

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2023/24 was £29.101m compared with £26.745m for 2022/23.

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 £20.389m to organisations where members and senior officers are employed and £0.428m 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 £2.299m from the pension fund for the costs of administration it provided in 2023/24 compared with £1.843m for 2022/23.

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 112.

During 2023/24 expenditure of £25.144m and income of £0.974m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £2.878m and a debtor balance of £0.453m as at 31st March 2024.

During 2023/24 expenditure of £0.017m and income of £2.060m was incurred between Shropshire Council and Cornovii Developments Ltd. There was a creditor balance of £0.001m and a debtor balance of £33.322m as at 31st March 2024.

During 2023/24 Shropshire Council paid West Mercia Energy £7.080m.

43. SCHOOLS

Transactions of Shropshire Council maintained schools are consolidated in the single entity financial statements.

Expenditure and income relating to these schools is detailed below:

	Expenditure £000	Income £000	Total £000
Primary	67,911	(74,002)	(6,091)
Secondary	4,022	(3,620)	402
Special	3,472	(3,866)	(394)
Total	**75,405**	**(81,488)**	**(6,083)**

The number of Shropshire Council maintained schools were:

	31st March 2024	31st March 2023
Primary	80	83
Secondary	1	1
Special	1	1
Total	**82**	**85**

44. MARCHES LOCAL ENTERPRISE PARTNERSHIP

The Marches Local Enterprise Partnership was launched in 2010 to create conditions for economic vitality and sustainable employment across the regions represented by the 3 Councils.

The Marches Local Enterprise Partnership Limited was incorporated on 12th February 2019 however the grant funding is still received by Shropshire Council as the accountable body for the Marches LEP. All funding and transactions in relation to this funding are processed through Shropshire Council's accounts. Shropshire Council's role within these transactions is deemed to be an agent, acting as an intermediary, therefore Shropshire Council accounts do not include the total income and expenditure for the Marches LEP. Instead, each Council within the Marches LEP will include any funding received from the Marches LEP and expenditure incurred in relation to LEP projects within their accounts. Accordingly any cash balances held by Shropshire Council in relation to the LEP is represented by a creditor within the Council's accounts.

It was agreed on 12 March 2024 that the Marches Local Enterprise Partnership Limited would be voluntarily wound up following a decision by the Government earlier this year to devolve LEP responsibilities back to local councils. Shropshire Council, Herefordshire Council and Telford & Wrekin Council have set up a Joint Committee that will oversee the transition of the assets, resources and responsibilities of the Marches LEP to the three councils by the end of March 2024.

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.

	2023/24		2022/23	
	£000	£000	£000	£000
Opening Creditor 1 April		**(6,140)**		**(11,723)**
Funding Received:				
Growth Deal	(115)		0	
Growth Hub	(261)		(231)	
Core Funding	(250)		(381)	
Capacity and Other Project Funding	(52)		(48)	
Careers & Enterprise	(240)		(306)	
Match Funding – Partner Contributions	(187)		(188)	
Marches Investment Fund	(598)		(66)	
Interest Received	(134)		(24)	
		(1,837)		(1,244)
Expenditure:				
Growth Deal Projects	306		5,305	
Growth Hub	220		320	
Capacity Funding Projects	1,104		71	
Careers & Enterprise	82		191	
Marches Investment Fund Expenditure	144		80	
LEP Management Costs	577		860	
		2,433		6,827
Marches LEP Creditor		**(5,544)**		**(6,140)**

45. BETTER CARE FUND

Shropshire Council and NHS Shropshire Telford & Wrekin Integrated Care Board (ICB) 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		2023/24 £000	2022/23 £000
Pooled Fund			
Funding provided to the Better Care Fund:			
Shropshire Council		0	0
NHS Shropshire Telford & Wrekin ICB		11,849	10,986
	Total	**11,849**	**10,986**
Expenditure met from the Better Care Fund:			
Shropshire Council		11,849	10,986
NHS Shropshire Telford & Wrekin ICB		0	0
	Total	**11,849**	**10,986**
Non-Pooled Fund			
Funding provided to the Better Care Fund:			
Shropshire Council		20,717	18,321
NHS Shropshire Telford & Wrekin ICB		17,241	16,318
	Total	**37,958**	**34,639**
Expenditure met from the Better Care Fund:			
Shropshire Council		20,717	18,067
NHS Shropshire Telford & Wrekin ICB		17,241	16,318
	Total	**37,958**	**34,385**
Total Better Care Fund			
Total funding provided to the Better Care Fund:		**49,806**	**45,624**
Total expenditure met from the Better Care Fund:		**49,806**	**45,370**
Net Underspend Arising on the Better Care Fund During the Year		**0**	**254**

In 2023/24 Shropshire Council spent Disabled Facilities Grant (DFG) of £4.404m due to clearing a backlog of works resulting from the Covid-19 pandemic. The overspend against the planned DFG commitments was funded through previous years slippage in our own Capital Programme and has been reported showing spend against the BCF of the full planned amount for 23/24 of £3.959m.

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.

46. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(7,507)	6,879	252,805	(3,600)
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(5,268)	4,270	167,576	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	0	3,496	364,753	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,603)	0	64,024	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.

47. CONTINGENT LIABILITIES

At 31 March 2024 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 appeals
- Potential changes to CIL regulations and impact that this may have on Council CIL liabilities
- Judicial review regarding a stop order in relation to repaying CIL.
- Dispute relating to adult social care day centre in relation to recovering overpayments.

- Potential planning permission litigation
- Potential property tenancy dispute.
- Civil claim in relation to the breach of a S106 claim.

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	5	28	0	£0.286m
Association of Local Councils	2	0	1	0	(£0.050m)
Coverage Care from 1/3/1997	2	27	126	10	£2.299m
Coverage Care from 13/1/2013	8	18	16	2	£0.690m
Perthyn	3	11	7	0	£0.072m
Shropshire Towns & Rural Housing	154	59	40	2	£0.367m

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	10	4	4	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	4	0
The Strettons Mayfair Trust	1	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.

Section 6

Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2023 to 31 March 2024. 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 2024, 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 2023/24 Shropshire Towns and Rural Housing Limited had total income of £25.393m, total expenditure of £28.112m, assets of £6.447m and liabilities of £2.976m.

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 2023/24 West Mercia Energy had total income of £187.534m, total expenditure of £185.206m, assets of £56.380m and liabilities of £51.940m.

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 2023/24 West Mercia Supplies (Pensions) had total income of £0.183m, total expenditure of £0.133m, assets of £0.001m and liabilities of £2.157m.

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.

There were no transactions for SSC No.1 Limited in 2023/24.

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 2023/24 the amounts incorporated into the group accounts for Cornovii Developments Limited are total expenditure of £0.806m, income of £0.298m, assets of £34.187m and liabilities of £35.012m.

The Group Comprehensive Income & Expenditure Statement

2022/23 Group Expenditure £000	2022/23 Group Income £000	2022/23 Group Net Expenditure £000		2023/24 Group Expenditure £000	2023/24 Group Income £000	2023/24 Group Net Expenditure £000
			Expenditure on Continuing Services			
18,542	(15,559)	2,983	Health and Wellbeing	17,735	(16,987)	748
4,567	(18,951)	(14,384)	Local Authority Housing	25,893	(20,680)	5,213
432,380	(203,555)	228,825	People	455,576	(217,839)	237,737
186,625	(65,481)	121,144	Place	188,365	(70,111)	118,254
60,240	(52,474)	7,766	Resources	63,094	(53,220)	9,874
716	0	716	Strategic Management Board	4,008	(1)	4,007
10,581	(27,410)	(16,829)	Corporate	10,682	(38,148)	(27,466)
713,651	**(383,430)**	**330,221**	**Net Cost of Services**	**765,353**	**(416,986)**	**348,367**
		10,532	Other Operating Expenditure			15,205
		48,877	Financing and Investment Income and Expenditure			30,470
		(316,145)	Taxation and Non Specific Grant Income			(346,009)
		73,485	**(Surplus)/Deficit on the provision of services**			**48,033**
		(623)	Associates & Joint Ventures Accounted for on an equity basis			(477)
		72,862	**Group (Surplus)/Deficit**			**47,556**
		(41,074)	(Surplus) or deficit on revaluation of non-current assets			(28,387)
		197	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve			2,927
		(457,880)	Remeasurement of pension assets and liabilities			(111,753)
		(1,369)	Share of other comprehensive income and expenditure of Associates and Joint Ventures			(20)
		(500,126)	**Other Comprehensive Income and Expenditure**			**(137,233)**
		(427,264)	**Total Comprehensive Income and Expenditure**			**(89,677)**

Group Movement in Reserves Statement

2023/24	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2023	7,093	52,579	59,672	12,359	7,400	52,395	131,826	572,162	703,988	4,587	708,575
Movement in reserves during 2023/24											
Surplus or (deficit) on the provision of services	(20,319)	0	(20,319)	(2,039)	0	0	(22,358)	0	(22,358)	(25,197)	(47,555)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	118,787	118,787	1,255	120,042
Total Comprehensive Income and Expenditure	**(20,319)**	**0**	**(20,319)**	**(2,039)**	**0**	**0**	**(22,358)**	**118,787**	**96,429**	**(23,942)**	**72,487**
Adjustments between Group Accounts and authority accounts	(22,127)	0	(22,127)	0	0	0	(22,127)	0	(22,127)	22,127	0
Net Increase/Decrease before Transfers	**(42,446)**	**0**	**(42,446)**	**(2,039)**	**0**	**0**	**(44,485)**	**118,787**	**74,302**	**(1,815)**	**72,487**
Adjustments between accounting basis and funding basis under regulations	26,386	0	26,386	1,449	(1,392)	6,103	32,546	(32,546)	0	(115)	(115)
Net Increase/Decrease before Transfers to Earmarked Reserves	**(16,060)**	**0**	**(16,060)**	**(590)**	**(1,392)**	**6,103**	**(11,939)**	**86,241**	**74,302**	**(1,930)**	**72,372**
Transfers to/from Earmarked Reserves	17,204	(17,172)	32	(32)	0	0	0	0	0	0	0
Increase/Decrease in 2023/24	**1,144**	**(17,172)**	**(16,028)**	**(622)**	**(1,392)**	**6,103**	**(11,939)**	**86,241**	**74,302**	**(1,930)**	**72,372**
Balance at 31 March 2024	**8,237**	**35,407**	**43,644**	**11,737**	**6,008**	**58,498**	**119,887**	**658,403**	**778,290**	**2,657**	**780,947**

2022/23 Comparative figures	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority’s Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2022	11,522	89,638	101,160	11,592	6,918	47,082	166,752	118,342	285,094	(3,851)	281,243
Movement in reserves during 2022/23											
Surplus or (deficit) on the provision of services	(67,513)	0	(67,513)	16,468	0	0	(51,045)	0	(51,045)	(21,817)	(72,862)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	490,058	490,058	10,068	500,126
Total Comprehensive Income and Expenditure	**(67,513)**	**0**	**(67,513)**	**16,468**	**0**	**0**	**(51,045)**	**490,058**	**439,013**	**(11,749)**	**427,264**
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	**(87,632)**	**0**	**(87,632)**	**16,468**	**0**	**0**	**(71,164)**	**490,058**	**418,894**	**8,370**	**427,264**
Adjustments between accounting basis and funding basis under regulations	46,112	0	46,112	(15,669)	482	5,313	36,238	(36,238)	0	68	68
Net Increase/Decrease before Transfers to Earmarked Reserves	**(41,520)**	**0**	**(41,520)**	**799**	**482**	**5,313**	**(34,926)**	**453,820**	**418,894**	**8,438**	**427,332**
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)**	**453,820**	**418,894**	**8,438**	**427,332**
Balance at 31 March 2023	**7,093**	**52,579**	**59,672**	**12,359**	**7,400**	**52,395**	**131,826**	**572,162**	**703,988**	**4,587**	**708,575**

Group Balance Sheet

31 March 2023 SC £000	31 March 2023 Adjustments £000	31 March 2023 Group £000		31 March 2024 SC £000	31 March 2024 Adjustments £000	31 March 2024 Group £000
1,115,889	70	1,115,959	Property, Plant & Equipment	1,138,504	56	1,138,560
2,096	0	2,096	Heritage Assets	2,119	0	2,119
60,736	0	60,736	Investment Property	43,029	0	43,029
3,907	17	3,924	Intangible Assets	2,603	15	2,618
1,182,628	**87**	**1,182,715**	**Total Non-Current Assets**	**1,186,255**	**71**	**1,186,326**
970	(570)	400	Long Term Investment	971	(571)	400
0	425	425	Investments in Associates and Joint Ventures	0	563	563
16,074	0	16,074	Long Term Debtors	15,259	0	15,259
1,199,672	**(58)**	**1,199,614**	**Total Long Term Assets**	**1,202,485**	**63**	**1,202,548**
			Current Assets			
5,906	0	5,906	Current Held for Sale Investment Properties	18,283	0	18,283
1,627	0	1,627	Assets Held for Sale	3,904	0	3,904
58,000	0	58,000	Short Term Investments	0	0	0
786	7,088	7,874	Inventories	729	31,357	32,086
89,160	(13,220)	75,940	Short Term Debtors	123,805	(32,985)	90,820
27,584	12,734	40,318	Cash & Cash Equivalents	37,293	5,556	42,849
183,063	**6,602**	**189,665**	**Total Current Assets**	**184,014**	**3,928**	**187,942**
1,382,735	**6,544**	**1,389,279**	**Total Assets**	**1,386,499**	**3,991**	**1,390,490**
			Current Liabilities			
(21,640)	0	(21,640)	Bank Overdraft	(35,933)	0	(35,933)
(7,606)	0	(7,606)	Short Term Borrowing	(32,802)	0	(32,802)
(100,676)	(819)	(101,495)	Short Term Creditors	(88,150)	(1,334)	(89,484)
(3,763)	0	(3,763)	Provisions	(2,707)	0	(2,707)
(8,217)	0	(8,217)	Grants Receipts in Advance – Revenue	(8,622)	0	(8,622)
(16,938)	0	(16,938)	Grants Receipts in Advance – Capital	(19,716)	0	(19,716)
(158,840)	**(819)**	**(159,659)**	**Total Current Liabilities**	**(187,930)**	**(1,334)**	**(189,264)**
1,223,895	**5,725**	**1,229,620**	**Total Assets Less Current Liabilities**	**1,198,569**	**2,657**	**1,201,226**
			Long Term Liabilities			
(614)	0	(614)	Long Term Creditors	(603)	0	(603)
(286,998)	0	(286,998)	Long Term Borrowing	(281,527)	0	(281,527)
(97,459)	0	(97,459)	Other Long Term Liabilities	(93,313)	0	(93,313)
(126,359)	(1,138)	(127,497)	Pensions Liability	(38,587)	0	(38,587)
(8,477)	0	(8,477)	Provisions	(6,249)	0	(6,249)
(519,907)	**(1,138)**	**(521,045)**	**Total Long Term Liabilities**	**(420,279)**	**0**	**(420,279)**
703,988	**4,587**	**708,575**	**Total Assets Less Liabilities**	**778,290**	**2,657**	**780,947**
			Financed by:			
131,826	6,211	138,037	Usable Reserves	119,887	3,147	123,034
572,162	(1,624)	570,538	Unusable Reserves	658,403	(490)	657,913
703,988	**4,587**	**708,575**	**Total Reserves**	**778,290**	**2,657**	**780,947**

Group Cash Flow Statement

2022/23 SC £000	2022/23 Adjustments £000	2022/23 Group £000	Revenue Activities	2023/24 SC £000	2023/24 Adjustments £000	2023/24 Group £000
71,164	1,698	72,862	Net (surplus) or deficit on the provision of services	44,485	3,071	47,556
(64,296)	1,415	(62,881)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(53,168)	24,099	(29,069)
83,193	(23)	83,170	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	75,347	113	75,460
90,061	**3,090**	**93,151**	**Net cash flows from operating activities**	**66,664**	**27,283**	**93,947**
(60,070)	(7,051)	(67,121)	Investing activities	(50,197)	(19,749)	(69,946)
(8,347)	(273)	(8,620)	Financing activities	(11,883)	(356)	(12,239)
21,644	**(4,234)**	**17,410**	**Net (increase) or decrease in cash and cash equivalents**	**4,584**	**7,178**	**11,762**
27,588	8,500	36,088	Cash and cash equivalents at the beginning of the reporting period	5,944	12,734	18,678
5,944	**12,734**	**18,678**	**Cash and cash equivalents at the end of the reporting period**	**1,360**	**5,556**	**6,916**

Notes to Group Accounts

G1. Accounting Policies

G1.1 General

The single entity accounting policies detailed on pages 26-47 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) 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 24.8%. 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 2024.

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 2024.

SSC No.1 Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated 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 (24.8%) £000
Turnover	(186,960)	(46,388)
Cost of Goods Sold and Operating Expenses	185,206	45,953
Interest and Investment Income	(574)	(142)
Net Operating Surplus	**(2,328)**	**(577)**
Distribution of Surplus to Member Authorities	1,433	356
Net Surplus for the year	**(895)**	**(221)**

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	(183)	(46)
Cost of Goods Sold and Operating Expenses	14	3
Interest and Investment Income	119	30
Net surplus for the year	**(50)**	**(13)**

G4. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£25.309m) and expenditure (£28.112m) of Shropshire Towns & Rural Housing Limited, giving a net expenditure of £2.803m 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 £24.170m).

G5. Consolidation of SSC No.1 Ltd

There was no operating expenditure or income for SSC No.1 Ltd in 2023/24.

G6. Consolidation of Cornovii Developments Ltd

The operating expenditure (£0.322m) and income (£0.283m) 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 (24.8%) £000
Assets		
Plant & Equipment	5	1
Other Long Term Assets	192	48
Short term debtors	38,220	9,483
Cash and cash equivalents	17,963	4,457
Total Assets	**56,380**	**13,989**

	WME £000	SC Share (24.8%) £000
Liabilities		
Short term creditors	(51,940)	(12,887)
Other long term liabilities	0	0
Total Liabilities	**(51,940)**	**(12,887)**
Net Investments in Associates and Joint Ventures	**4,440**	**1,102**

	WMS(P) £000	SC Share (25%) £000
Assets		
Short term debtors	1	0
Total Assets	**1**	**0**
Liabilities		
Short term creditors	(270)	(67)
Other long term liabilities	(1,887)	(472)
Total Liabilities	**(2,157)**	**(539)**
Net Investments in Associates and Joint Ventures	**(2,156)**	**(539)**

G8. Cash and Cash Equivalents

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

	31 March 2024 £000	31 March 2023 £000
Bank current accounts	42,849	39,826
Short term deposits with building societies	0	492
Total Cash and Cash Equivalents	**42,849**	**40,318**
Bank Overdraft	(35,933)	(21,640)
Cash Overdrawn	**(35,933)**	**(21,640)**

G9. Pension Liability

Amounts Recognised in the Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme	
	2023/24 £000	2022/23 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(23,059)	(46,342)
- past service gain/(cost)	0	(216)
- curtailment gain/(cost)	(2,179)	(474)
- settlement gain/(cost)	(201)	0
	(25,439)	**(47,032)**
Financing and Investment Income and Expenditure:		

	Local Government Pension Scheme	
	2023/24	2022/23
	£000	£000
- net interest expense	(5,055)	(14,719)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(30,494)**	**(61,751)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	73,292	(72,523)
- experience (gain)/loss	(10,083)	(120,075)
- actuarial gains and losses arising on changes in demographic assumptions	14,341	295
- actuarial gains and losses arising on changes in financial assumptions	17,707	650,183
- effect of asset ceiling	(694)	0
Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure	**94,563**	**457,880**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**64,069**	**396,129**

Assets and Liabilities Recognised in the Balance Sheet

	2023/24 £000	2022/23 £000
Present value of the defined benefit obligation	(1,169,238)	(1,156,491)
Fair value of plan assets	1,131,345	1,028,994
Effect of Asset Ceiling	(694)	0
Net liability arising from defined benefit obligation	**(38,587)**	**(127,497)**

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2023/24 £000	2022/23 £000
Opening fair value of scheme assets at 1 April	1,028,994	1,079,861
Interest income	49,405	30,412
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	73,292	(72,523)
Contributions from employer	24,841	24,484
Contributions from employees into the scheme	7,845	7,404
Benefits paid	(50,357)	(39,757)
Settlements	(1,685)	0
Other	(990)	(887)
Closing fair value of scheme assets at 31 March	**1,131,345**	**1,028,994**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2023/24	2022/23
	£000	£000
Opening balance at 1 April	(1,156,491)	(1,625,094)
Current Service Cost	(22,069)	(45,455)
Interest Cost	(54,460)	(45,131)
Contributions from scheme participants	(7,845)	(7,404)
Remeasurement gain/(loss):		
Experience gains/losses	(10,083)	(120,075)
Actuarial gains/losses arising from changes in demographic assumptions	14,304	295
Actuarial gains/losses arising from changes in financial assumptions	17,707	650,183
Other	0	0
Past service costs	0	(216)
Losses/(gains) on curtailment	(2,179)	(474)
Benefits paid	50,357	39,757
Liabilities extinguished on settlements	1,484	0
Lump Sum Deficit Repayment	0	(2,877)
Closing balance at 31 March	**(1,169,238)**	**(1,156,491)**

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2023/24 £000	2022/23 £000
Cash and cash equivalents	**15,839**	**4,836**
Equity investments:		
Global quoted	639,663	526,948
Sub-total equity	**639,663**	**526,948**
Bonds:		
Overseas Global Active Investment Grade	118,112	0
Overseas Global Fixed Income	0	62,666
Overseas Global Dynamic	46,951	69,148
Other class 2 - absolute return bonds	0	61,020
Sub-total bonds	**165,063**	**192,834**
Property:		
Property funds	39,824	34,163
Sub-total property	**39,824**	**34,163**
Alternatives:		
Private Equity	92,883	91,683
Infrastructure	70,596	65,958

	2023/24 £000	2022/23 £000
Hedge Funds	47,629	67,708
Property Debt	11,539	14,405
Insurance Linked Securities	18,554	15,641
Private Debt	29,755	14,818
Sub-total alternatives	**270,956**	**270,213**
Total assets	**1,131,345**	**1,028,994**

G10. Unusable Reserves

	31 March 2024 Total £000	SC Share £000	31 March 2023 Total £000	SC Share £000
Shropshire Towns & Rural Housing – Pensions Reserve	0	0	1,138	1,138
West Mercia Energy – Pensions Reserve and Capital Adjustment Account	(197)	(49)	(801)	(225)
West Mercia Supplies – Pensions Reserve	2,156	539	2,843	711
Total	**1,959**	**490**	**3,180**	**1,624**

G.11 Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority' s Share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	22,127	0	0	0	22,127	0	22,127	(22,127)	0
Total adjustments between Group Accounts and authority accounts	**22,127**	**0**	**0**	**0**	**22,127**	**0**	**22,127**	**(22,127)**	**0**

Section 7

Housing Revenue Account

Housing Revenue Account

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HRA INCOME AND EXPENDITURE STATEMENT

2022/23		2023/24	
£'		£	£
	Expenditure		
6,745,212	Repairs & Maintenance	7,301,264	
3,472,785	Supervision and Management	3,673,749	
203,648	Rents, rates taxes and other charges	189,603	
4,471,690	Depreciation – Dwellings	4,889,370	
203,130	- Other	245,300	
(12,051,130)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	6,017,538	
42,090	Debt Management Costs	79,010	
50,000	Provision for Bad or Doubtful Debts	45,000	
3,137,425	**Total Expenditure**		**22,440,834**
	Income		
(17,965,084)	Dwelling Rents	(19,253,466)	
(102,928)	Non Dwelling Rents	(97,499)	
(6,290)	Other Income	(4,706)	
(916,142)	Charges for Services and Facilities	(972,822)	
(18,990,444)	**Total Income**		**(20,328,493)**
(15,853,019)			**2,112,341**
298,796	HRA Share of Corporate & Democratic Core		268,561
(15,554,223)	**Net Cost of HRA Services**		**2,380,902**
(564,220)	(Gain) or loss on sale of HRA Assets		(467,115)
3,196,356	Interest payable and similar charges		3,371,541
(295,956)	Interest and Investment Income		(1,258,990)
(5,800)	Income & Expenditure in relation to investment properties & change in fair values		(57,500)
(3,244,152)	Capital grants and contributions receivable		(1,930,156)
(16,467,995)	**(Surplus) or deficit for the year on HRA Services**		**2,038,682**

Housing Revenue Account

MOVEMENT ON THE HRA STATEMENT

2022/23 £		2023/24 £
(11,591,766)	**Balance on the HRA at the end of the previous year**	**(12,359,313)**
(16,467,995)	**(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement**	**2,038,682**
15,668,578	Adjustments between accounting basis and funding basis under statute	(1,448,296)
(799,417)	**Net increase or (decrease) before transfers to or from reserves**	**590,386**
31,870	Transfers to or (from) Reserves	32,310
(767,547)	**(Increase) or Decrease in year on the HRA**	**622,696**
(12,359,313)	**Balance on the HRA at the end of the current year**	**(11,736,617)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2023/24	2022/23
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,147	3,129
Flats	889	871
	4,036	**4,000**
Change in Stock		
Stock at 1 April	4,000	4,014
Less: Sales – Right to Buy	(15)	(27)
Sales – Other	(1)	0
Disposal/restructuring	(23)	0
Acquisition – full ownership	67	10
Acquisition – shared ownership	8	3
	4,036	**4,000**

2. RENT ARREARS

	2023/24 £	2022/23 £
Due from Current Tenants	138,690	126,737
Due from Former Tenants	78,782	96,066
Total Rent Arrears as at 31 March	**217,472**	**222,803**
Pre-Payments	(601,690)	(607,644)
Net Arrears	**(384,218)**	**(384,841)**

As at 31 March 2024, the total provision set aside for HRA related bad debts is £0.388m.

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£	£
Cost or Valuation								
At 1 April 2023	**236,024,230**	**1,560,000**	**313,230**	**8,877,041**	**246,774,501**	**256,000**	**0**	**247,030,501**
Additions	13,597,840	10,230	2,166	1,400,449	**15,010,685**	0	0	**15,010,685**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(109,334)	(20,710)	0	0	**(130,044)**	0	0	**(130,044)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,092,348)	(64,520)	0	0	**(10,156,868)**	32,500	0	**(10,124,368)**
Derecognition – disposals	(881,700)	0	0	0	**(881,700)**	0	(480,278)	**(1,361,978)**
Derecognition – other	0	0	0	0	**0**	0	0	**0**
Assets reclassified (to)/from Held for Sale	(546,648)	0	0	(879,657)	**(1,426,305)**	0	1,426,305	**0**
Other movements in cost or valuation	6,126,660	0	0	(6,638,660)	**(512,000)**	0	0	**(512,000)**
As at 31 March 2024	**244,118,700**	**1,485,000**	**315,396**	**2,759,173**	**248,678,269**	**288,500**	**946,027**	**249,912,796**
Accumulated Depreciation and Impairment								
At 1 April 2023	**0**	**0**	**(184,300)**	**0**	**(184,300)**	**0**	**0**	**(184,300)**
Depreciation Charge	(5,067,570)	(32,790)	(34,310)	0	**(5,134,670)**	0	0	**(5,134,670)**
Depreciation written out to the Revaluation Reserve	178,200	20,830	0	0	**199,030**	0	0	**199,030**
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,889,370	11,960	0	0	**4,901,330**	0	0	**4,901,330**
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	(762,000)	0	0	0	**(762,000)**	0	0	**(762,000)**
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	762,000	0	0	0	**762,000**	0	0	**762,000**
As at 31 March 2024	**0**	**0**	**(218,610)**	**0**	**(218,610)**	**0**	**0**	**(218,610)**
Net Book Value								
As at 31 March 2024	**244,118,700**	**1,485,000**	**96,786**	**2,759,173**	**248,459,659**	**288,500**	**946,027**	**249,694,186**
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**

There is a difference of £364.416m between the tenanted valuation and the District Valuer's Vacant Possession Value of £607.359m at 31 March 2024.

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.

	2023/24 £	2022/23 £
Usable Capital Receipts	171,497	262,051
Revenue Contributions utilised in year	2,968,972	1,009,077
Major Repairs Allowance	6,526,319	4,193,547
Government Supported borrowing	4,243,242	5,353,456
Government Grants and Contributions	1,149,616	2,635,076
Total Capital Expenditure on Housing Stock	**15,059,646**	**13,453,207**

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.

	2023/24 £	2022/23 £
Sale of Council Houses under Right to Buy (RTB)	1,255,043	2,013,494
RTB Discounts Repaid	0	0
Other Land & Buildings	0	0
Mortgage Receipts	0	0
Total Capital Receipts from HRA Asset Disposals	**1,255,043**	**2,013,494**
Less Capital Receipts subject to Pooling requirement	0	0
Net Capital Receipts from HRA Asset Disposals	**1,255,043**	**2,013,494**

6. HOUSING REPAIRS ACCOUNT

	2023/24 £	2022/23 £
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.

2022/23 Council Tax £000	2022/23 NDR £000	2022/23 Total £000		2023/24 Council Tax £000	2023/24 NDR £000	2023/24 Total £000
			Income:			
(234,865)	0	(234,865)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(248,358)	0	(248,358)
			Transfers from General Fund			
0	0	0	- Transitional relief	0	0	0
(299)	0	(299)	- Discretionary relief	(470)	0	(470)
0	(79,745)	(79,745)	Income collectable from business ratepayers	0	(70,151)	(70,151)
0	2,326	2,326	Transitional Protection Payments	0	(6,697)	(6,697)
(235,164)	**(77,419)**	**(312,583)**	**TOTAL INCOME**	**(248,828)**	**(76,848)**	**(325,676)**
			Expenditure:			
			Precepts			
189,820	36,844	226,664	- Shropshire Council and Parish and Town Councils	203,733	39,425	243,158
28,832	0	28,832	- West Mercia Police & Crime Commissioner	31,239	0	31,239
12,273	729	13,002	- Shropshire & Wrekin Fire Authority	13,129	776	13,905
0	36,427	36,427	- Central Government	0	38,821	38,821
			Charges to Collection Fund			
0	454	454	- costs of collection	0	456	456
			Bad and doubtful debts			
12	5	17	- write offs	(294)	0	(294)
2,074	1,014	3,088	- allowance for impairment	2,298	(87)	2,211
			Appeals rates			
0	(3,332)	(3,332)	- write offs	0	(9,103)	(9,103)
0	9,943	9,943	- provisions	0	4,779	4,779
			Contributions			
2,915	(22,946)	(20,031)	- Towards previous year's estimated Collection Fund surplus/(deficit)	2,836	4,005	6,841
235,926	**59,138**	**295,064**	**TOTAL EXPENDITURE**	**252,941**	**79,072**	**332,013**
762	**(18,281)**	**(17,519)**	**Deficit/(Surplus) for the Year**	**4,113**	**2,224**	**6,337**
(2,973)	19,112	16,139	Balance brought forward	(2,211)	831	(1,380)
(2,211)	**831**	**(1,380)**	**Balance carried forward**	**1,902**	**3,055**	**4,957**

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 2023/24 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	26.43	5/9	14.69
A	17,949.92	6/9	11,966.61
B	30,535.71	7/9	23,750.00
C	27,164.85	8/9	24,146.53
D	19,739.82	9/9	19,739.82
E	15,912.45	11/9	19,448.54
F	8,508.98	13/9	12,290.75
G	4,436.55	15/9	7,394.25
H	283.66	18/9	567.33
			119,318.52
Adjustment for MoD Properties (586.13 Band D Equivalents) and Collection Rate (98.5%)			(1,212.44)
			118,106.08

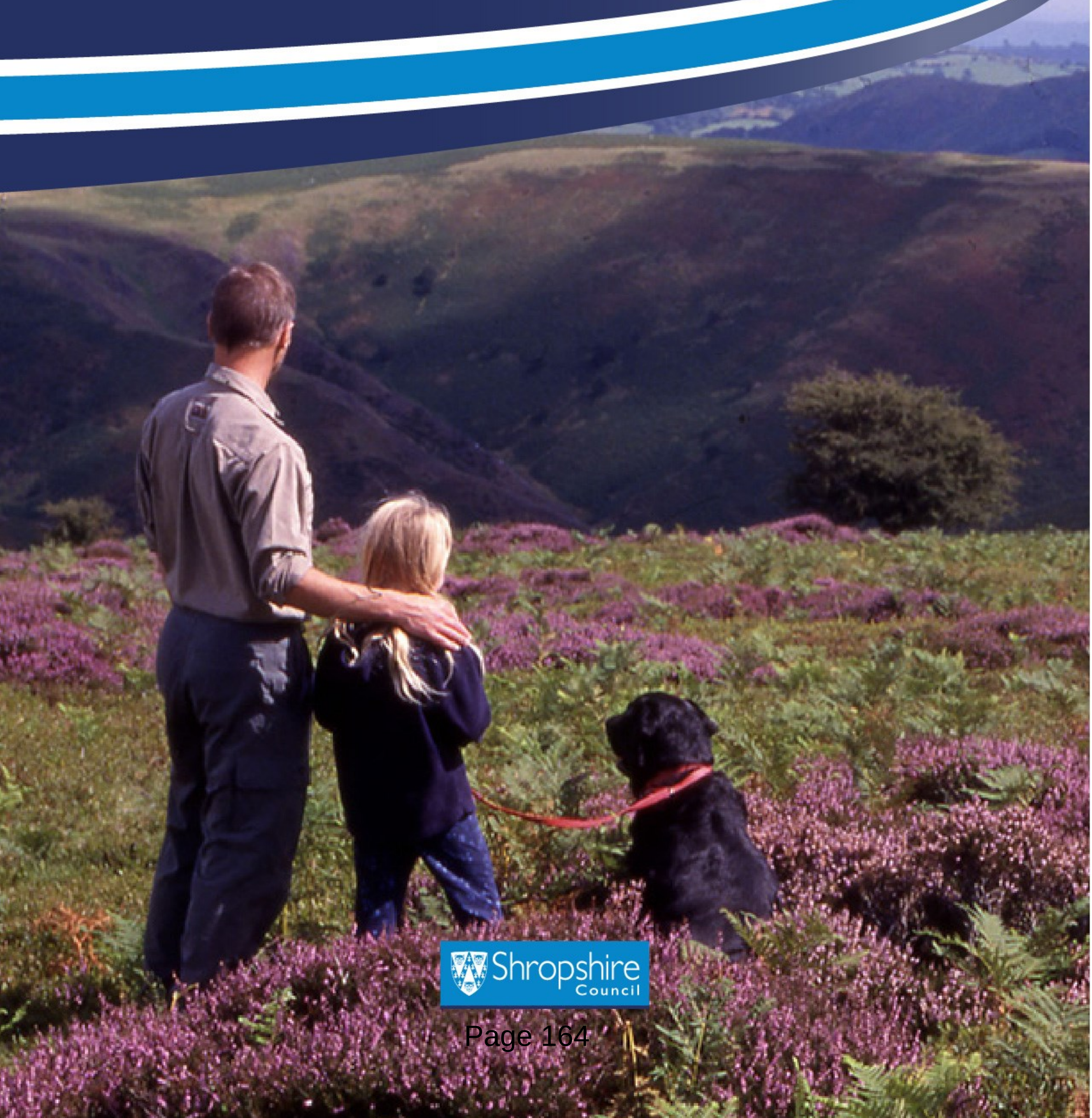
3. NON-DOMESTIC RATES (BUSINESS RATES)

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 2024, the total non-domestic rateable value for all business premises in Shropshire was £251,234,500. The multiplier set by Government to calculate rate bills in 2023/24 was 49.9p for small businesses and 51.2p for all other businesses.

Section 9

Pension Fund Accounts



Shropshire Council

Pension Fund Accounts

Introduction

The Shropshire fund increased in value by £259 million in 2023/24 to be valued at £2.503 billion at the end of the year. The fund increased in value by 12.4% over the year but slightly underperformed against its benchmark by 0.4%. The significant increase in the fund value over the year was mainly due to the bounce back in global equity markets following the difficult market conditions experienced in 2022/23. The first quarter of 2024 was the strongest performance for global stock markets in the last 5 years.

The Shropshire fund had positive investment returns in a number of asset classes. The strongest absolute returns were generated in active global equities managed by LGPS Central Limited which generated excellent returns of 22.2%. Global equities managed passively by Legal & General increased by 18.8% and global sustainable equities generated returns of 17.3%. Insurance Linked Securities and Hedge Funds also delivered positive returns of 14.6% and 8.2% respectively. Private debt increased by 8.7% and property debt by 6.9%, these are the main reasons for the big increase in the fund value during the year.

The Pensions Committee determine the strategic asset allocation for the fund. This outlines the proportion of assets that the fund invests in equities, bonds and alternative assets such as property and infrastructure. This is the most important decision that the committee makes because it has the biggest impact on the long-term returns of the fund.

The committee agreed a revised strategic asset allocation in June 2023. This included a new allocation of 10% to investment grade corporate bonds and an increased allocation to sustainable equities. Additional commitments were also made to private equity and infrastructure. These funds are still in the early capital raising stages and will take a few years for capital to be fully deployed as is the case with all private market investments. These changes were implemented during the financial year. Additional commitments of between £80/£90m will also be required to private debt once the fund is launched by LGPS Central Limited later in 2024. These new/additional allocations were funded by a reduction to absolute return strategies.

The fund undergoes an independent actuarial valuation every 3 years. The last actuarial valuation was conducted at the end of March 2022, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 100% using the fund's standard assumptions which was an increase from 94% at the previous valuation in March 2019. This was the first time for over 23 years the funding level has been 100% at the valuation date which is really positive news. Due to some of the individual employer decisions made as part of the valuation process the official funding level signed off by the Actuary as at 31 March 2022 was 99%. The next valuation will be undertaken on 31 March 2025 and planning for this is already underway.

The fund continues to make good progress addressing responsible investment issues, including climate change and achieving its net zero target by 2050 or before.

The fund applied to become a signatory to the revised Stewardship Code in May 2023 and the Financial Reporting Council (FRC) confirmed the application was successful in August 2023 which is a great achievement and really positive news. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues. Since 2020 the fund has commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the fund's exposure to financially material climate-related risks and opportunities on an annual basis. The Climate Risk Reports included both climate scenario analysis and carbon risk metrics. The fund also published its fourth Task Force on Climate-related Financial Disclosures (TCFD) aligned report in December 2023 showing a 46% reduction in the carbon footprint of the equity portfolio and the weighted average Carbon intensity has reduced by 59% compared to 31 March 2020. Further details relating to this and the significant progress which has been made during the year with regards climate risk monitoring, setting a net zero target, responsible investment, climate risk training and the fund's carbon footprint are included within the Corporate Governance section of the annual report.

The fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Limited has been established to manage investment assets on behalf of its Local Government Pension Scheme (LGPS) funds. It is a multi-asset manager, investing up to potentially £61 billion of assets (£29.7 billion invested as at March 2024), on behalf of 900,000 LGPS members and 2,500 employers.

LGPS Central Limited is jointly owned on an equal share basis by eight pension funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands.

The key objectives of LGPS Central Limited will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central Limited manage a wide range of asset classes, employing a mix of internal and external investment management. The majority of assets under management are structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. The company has been formed to act as an Alternative Investment Fund Manager (AIFM) to allow the participating LGPS administering authorities to pool their respective investments.

On the 10 July 2023, the Chancellor set out his Mansion House speech which included the proposed consultation on investment pooling across the LGPS and the consultation was published the following day. In his speech and Autumn Statement, the Chancellor noted the desire to "accelerate the consolidation of pension assets by March 2025", with proposals to increase transparency, cost savings and the scale of LGPS investment pools. Partner funds, in collaboration with LGPS Central Limited, reviewed the information contained in the consultation and submitted a collective response in their role as shareholders of the company. The fund also submitted its own response which was approved at Pensions Committee.

The Government published its response to the consultation in November 2023 and the key points to note are:

1. Funds will be required to consider an allocation of 5% to Levelling Up assets and 10% to private equity but are not mandated to invest in these areas if it does not fit within their investment strategy.
2. The Government will revise pooling guidance to set out its preferred model (including delegation of manager selection and strategy implementation), which could be different to the current model of some pools.
3. The Government announced all listed assets should be transferred to pools by the 31 March 2025 under a comply and explain framework.

The fund will await the detailed guidance in respect of point 2 but as LGPS Central Limited was originally set up in accordance with government guidelines, it is expected to meet the revised pooling guidance. In May 2024, the Minister for Local Government wrote to all administering authorities requesting further information in relation to how the fund will complete the process of pension asset pooling to deliver the benefits of scale. The letter also requested further information in relation to efficiencies in the management, governance and administration of the fund. A response was sent back on behalf of the fund in July 2024.

Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. Working with our partners to develop and implement our revised investment strategy will continue to be a major strategic focus for the fund over the next year. In October 2023, £230 million was invested into LGPS Central Limited's investment grade corporate bond fund and in February 2024 a further £30 million into their active global sustainable equity sub-fund. Additional commitments were also made in their private equity fund (£30m) and infrastructure fund (£20m). Further assets are expected to transfer during 2024/25 with an additional £80-£90m allocation to private debt to maintain our 7.5% target allocation to this asset class. This continues to show the fund's commitment to pooling assets.

The Pensions Administration Team have ensured over the past 12 months that the scheme member benefits are paid accurately, on time and in line with scheme regulations.

The monthly data provided by employers is essential to effectively administer the LGPS for members, fund officers continued to monitor the timeliness and accuracy of submission of this data and reinforce its importance in regular updates to employers. The importance of this data was highlighted at the annual employers' meeting, held 1 November 2023, especially with the fund's requirements for successful implementation of Pensions Dashboards in 2026.

The new Pension Regulator's General Code came into effect on 28 March 2024 and work has started to ensure the fund meets the new requirements. The new Code replaces the Code of Practice 14. The Scheme Advisory Board (SAB) Good Governance guidance is also anticipated to be available in the summer of 2024. The recommendations, together with the new Code of Practice will need to be considered to ensure the fund is fully compliant with these.

The fund has approved a Business Plan for 2024-26 which can be found at: https://www.shropshirecountypensionfund.co.uk/media/2073/scpf-business-plan.pdf. Progress will be reported to and regularly reviewed by both Board and Committee members.

In April 2024, we received new guidance on preparing the fund's Annual Report, which was developed by the Department for Levelling Up, Housing and Communities (DLUHC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and SAB. The guidance details new Key Performance Indicators and financial disclosures to be included.

In March and April 2023, the team hosted four webinars; 'Get to know your pension'. Active scheme members were invited to join one of the hour-long webinars to find out more about the LGPS and the benefits of being a member. These were received well by the members and registration numbers for 'My pension Online' increased following the webinars.

The information here and other developments are covered in more detail on the following pages.

Pension Fund Accounts

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

2022/23 £000		2023/24 £000
	Income	
	Contributions	
(57,110)	Employers (Note 7)	(63,025)
(19,208)	Employees (Note 7)	(20,584)
(9,525)	Transfers In from other pension funds (Notes 3, 7)	(7,573)
(85,843)	**Total Income**	**(91,182)**
	Expenditure	
	Benefits Payable	
70,888	Pensions (Note 7)	79,602
12,633	Commutation of pensions and lump sum retirement benefits (Note 7)	16,026
2,522	Lump Sum Death Benefits (Note 7)	1,966
	Payment to & on Account of Leavers	
216	Refund of contributions (Note 7)	243
8,128	Transfers to other funds (Notes 3, 7)	6,927
94,387	**Total Expenditure**	**104,764**
8,544	**Net (additions) / withdrawals from dealings with scheme members**	**13,582**
18,809	**Management Expenses (Note 8)**	**21,145**
27,353	**Net additions/(withdrawals) including fund management expenses**	**34,727**
	Returns on Investments	
(8,188)	Investment Income (Notes 3, 9)	(11,187)
(21,364)	(Gain)/loss on cash and currency hedging	(11,504)
98	Taxes on Income (Note 10)	105
97,301	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	(271,230)
67,847	**Net return on investments**	**(293,816)**
95,200	**Net (increase)/decrease in the net assets available for benefits during the year**	**(259,089)**
2,339,287	**Opening net assets of the scheme**	**2,244,087**
2,244,087	**Closing net assets of the scheme**	**2,503,176**

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2024

31-Mar-23 £000		31-Mar-24 £000	%
	Long Term Investments		
1,315	Equities (Note 11)	1,315	0.05
	Investment Assets		
10	Equities (Note 11)	16	0.00
	Pooled Investment Vehicles		
2,221,038	Other Managed Funds (Note 11)	2,478,163	99.00
	Other Investment Balances		
685	Loans (Note 11)	685	0.03
	Cash Deposits		
12,683	Deposits (Note 11)	14,957	0.60
2,600	Temporary Investments (Note 27)	1,650	0.06
2,238,331	**Total Investment Assets**	**2,496,786**	**99.74**
	Long Term Debtors		
1,551	Lifetime and Annual Tax Allowances (Note 18)	1,724	0.07
	Current Assets		
6,463	Contributions due from Employers (Note 18)	7,171	0.29
1,609	Other Current Assets (Note 18)	2,307	0.09
60	Cash Balances (Note 27)	0	0.00
	Current Liabilities		
(352)	Unpaid Benefits (Note 19)	(665)	(0.03)
(3,575)	Other Current Liabilities (Note 19)	(4,107)	(0.16)
0	Cash Balances (Note 27)	(40)	0.00
2,244,087	**Net Assets of the Scheme – Available to Fund Benefits as at 31 March**	**2,503,176**	**100.00**

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 2024

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 225 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2024	31 March 2023
Number of employers with active members	150	159
Number of employees in the scheme		
Shropshire Council	5,951	5,898
Other employers	11,076	10,927
Total	**17,027**	**16,825**
Number of pensioners in the scheme		
Shropshire Council	6,312	5,994
Other employers	7,143	6,688
Total	**13,455**	**12,682**

Shropshire County Pension Fund	31 March 2024	31 March 2023
Number of deferred pensioners in the scheme		
Shropshire Council	8,301	8,556
Other employers	10,076	9,892
Total	**18,377**	**18,448**

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 2024. 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 0% to 30.0% 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 revalued earnings scheme (CARE 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 2023/24 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2023/24.

IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

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. Where invoice has not been received by the year-end date, an estimate based upon the previous quarters is used for inclusion in the fund account. In 2023/24, £0.227m of fees is based on such estimates (2022/23 £0.009m).
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 2023/24 £0.458m (2022/23 £0.097m). 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 2023/24, £0.187m of fees is based on such estimates (2022/23 £0.497m).

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 2024 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 2024 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 five 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 £200.5 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 £10 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 £162.0 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 £8.1 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 £22.2 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 £1.1 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 £67.3 million. There is a risk that this investment may be under or overstated in the accounts.**

Item	Uncertainties	Effect if actual results differ from assumptions
		A 5% movement in the valuation would equate to a £3.4 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 £39.8 million. There is a risk that this investment may be under or overstated in the accounts.** A 5% movement in the valuation would equate to a £2 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 £103.2 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 £5.2 million adjustment to the value of these assets

6. EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2024, 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 came into force in 2023/24 and is being applied to accounts as required, this is not expected to have a significant impact on any of the figures quoted. The Fund is not aware of any cases affected by the Goodwin test cases.

There are no non-adjusting events after the reporting date for GMP and McCloud.

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).

2023/24	Administering Authority £000	Admission Bodies £000	Designation Bodies/ Scheme Employers £000	Total £000
Contributions Received				
Employees	7,550	1,826	11,208	20,584
Employers	22,559	4,815	35,651	63,025
Transfers In	3,617	43	3,913	7,573
Total Income	**33,726**	**6,684**	**50,772**	**91,182**
Payments Made				
Pensions	43,459	10,530	25,613	79,602
Lump Sums	6,778	3,065	6,183	16,026
Death Benefits	429	458	1,079	1,966
Refunds	78	7	158	243
Transfers Out	3,476	74	3,377	6,927
Total Expenditure	**54,220**	**14,134**	**36,410**	**104,764**

2022/23 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/ Scheme Employers £000	Total £000
Contributions Received				
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**
Payments Made				
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**

*2022/23 Transfers Out figure includes £3.899m bulk transfers out.

This table shows a breakdown of the employers contributions above:

	2023/24 £000	2022/23 £000
Employers normal contributions	56,555	49,983
Employers deficit contributions	2,845	6,075
Employers augmentation contributions	3,625	1,052
	63,025	**57,110**

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	2023/24 £000	2022/23 £000
Administrative costs	1,870	1,457
Investment management expenses	17,634	15,822
Oversight and governance costs	1,641	1,530
	21,145	18,809

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 £0.458m (2022/23 £0.097m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £3.632m in respect of transaction costs (2022/23 £4.305m).

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	2023/24 £000	2022/23 £000
Management Fees	8,999	8,521
Performance Fees	458	97
Other Fees	4,524	2,875
Transaction Costs	3,632	4,305
Custody Fees	21	24
	17,634	15,822

The costs incurred by the fund in administering the fund totalled £1.870m for the year ended 31 March 2024 (2022/23 £1.457m).

Administrative Costs	2023/24 £000	2022/23 £000
Employee Costs	1,095	1,074
IT	630	278
Consultants	24	13
Printing, Postage & Design	53	29
Office Accommodation	32	19
Subscriptions	7	17
Other Costs	29	27
	1,870	1,457

The costs incurred by the fund in Oversight and Governance totalled £1.641m for the year ended 31 March 2024 (2022/23 £1.530m).

Oversight & Governance costs	2023/24 £000	2022/23 £000
Investment advice	338	249
Employee costs (pensions investment)	302	251
Actuarial advice	103	262
LGPS Central Pooling costs	663	567
Responsible engagement overlay	51	40
External audit	84	43
Performance analysis	30	35
Internal audit	18	17
Legal & Committee	22	22
Other Costs	30	44
	1,641	**1,530**

8a. INVESTMENT MANAGEMENT EXPENSES

The tables below show a breakdown of investment management expenses by investment type.

2023/24	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	0	0	0	0	0
Pooled Investments Vehicles					
Global Equity	3,329	1,818	0	1,293	218
Fixed Income	4,044	1,183	0	2,234	627
Hedge Fund of Funds	1,438	731	458	0	249
Infrastructure	2,028	1,732	0	0	296
Pooled property investments	1,149	1,104	0	45	0
Private Equity	4,902	1,933	0	0	2,969
Private Debt	24	11	0	0	13
Property Debt	249	200	0	0	49
Insurance Linked Securities	451	287	0	60	104
	17,614	**8,999**	**458**	**3,632**	**4,525**
Custody Fees	20				
Total	**17,634**				

2022/23 comparative figures	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	2,493	85

2023/24	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
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	**8,521**	**97**	**4,305**	**2,875**
Custody Fees	24				
Total	**15,822**				

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund over the last 12 months.

	2023/24 £000	2022/23 £000
Dividends from equities	(1)	(555)
Income from pooled investment vehicles	(10,270)	(7,437)
Interest on cash deposits	(185)	(108)
Other	(731)	(88)
	(11,187)	**(8,188)**

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2023/24 £000	2022/23 £000
Withholding tax – equities	0	0
Withholding tax – pooled	105	98
	105	**98**

11. INVESTMENTS

This table shows investment assets by type of investment

	2023/24 £000	2022/23 £000
Investment Assets		
Equities	16	10
Pooled Funds		
Global Equity	1,444,229	1,149,555
Fixed Income	354,383	409,028

	2023/24 £000	2022/23 £000
Hedge Fund of Funds	103,226	147,259
Infrastructure	161,956	148,204
Pooled property investments	84,545	73,538
Private Equity	200,502	197,376
Property Debt	22,222	27,477
Insurance Linked Securities	39,770	34,709
Private Debt	67,330	33,891
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	14,957	12,684
Temporary Investments	1,650	2,600
Total	**2,495,471**	**2,237,016**
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	**2,496,786**	**2,238,331**

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type 2023/24	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	1,325		(111)			117	*1,331
Pooled Investment Vehicles – Other Managed Funds	2,221,038	378,745	(375,778)		(16,930)	271,088	*2,478,163
Other Investment Balances	685						685
Sub total	**2,223,048**	**378,745**	**(375,889)**	**0**	**(16,930)**	**271,205**	**2,480,179**
Cash deposits – with Managers***	12,683	2,215	(26)		60	25	14,957
Temporary Investments	2,600				(950)		1,650
Total	**2,238,331**	**380,960**	**(375,915)**	**0**	**(17,820)**	****271,230**	**2,496,786**

* Within the Pooled Investment Vehicles - other managed funds total of £2,478.163m are £595.006m of level 3 investments as at 31 March 2024. Within the Equities figure of £1.331m are £1.315m of level 3 investments as at 31 March 2024. The value of the level 3 investments was £590.231m as at 1 April 2023 which increased to £596.321m as at 31 March 2024. The increase in value is due to purchases of £74.550m, sales of £74.459m and change in market value of £5.999m.

** The total change in market value for 2023/24 as per the table above is £271.230m. This figure is made of up of profit on sales of £14.251m, market value gains offset by directly charged fees of £16.733m and also the difference between book cost and market value for the whole Fund which for 2023/24 was £240.246m.

*** Cash deposits figure includes money market fund balances and certain class action proceeds relating to legacy holdings.

Investment type 2022/23 Comparative figures	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 £2,221.038m 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).

*** Cash deposits figure includes money market fund balances and certain class action proceeds relating to legacy holdings.

12. STOCK LENDING

The Fund no longer participates in a stock lending programme with its Custodian, Northern Trust following termination of the remaining segregated equities fund in April 2022.

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 on approximately £600m initial notional value.

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 & Binding sale agreements	Enterprise Value / EBITDA multiple, Discount Rate	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at initial recognition approach	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost approach generates a figure similar to the original cost of investment when LGPS Central was created	Valuation reviewed on an annual basis to ascertain if there is any reason that this valuation may have been impaired
Insurance linked securities	Level 3	Closing single price. Investments are fair valued using earned net assets value method	NAV based pricing set on a forward pricing basis. NAV based pricing based upon either 3rd party broker marks or independent Milliman valuations using available industry loss assumptions and 3rd party reports.	Valuations could be affected by any changes to underlying values of the invested portfolio. Value appreciation/ depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Debt	Level 3	Valuations received directly from the manager of the underlying investment and comply with revised International Private Equity and Venture Capital Valuation Guidelines 2018	Inputs are unobservable and are dependent on the valuations provided by the manager of the underlying investment	Valuations could be affected by changes to the valuation of the underlying investment portfolio arising from changes to estimates and differences between unaudited and audited accounts
Property Debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available, indicative market interest rates for similar products	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this valuation may have been impaired
Private Equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Hedge Funds	Level 3	Valuations received directly from the third party hedge funds with which the fund of hedge fund manager invests	Valuations/prices of the investments held are not publicly available. NAV based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024 and 31 March 2023.

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-24 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	200,502	210,527	190,477
Hedge Funds	5%	103,226	108,387	98,065
Insurance Linked	5%	39,770	41,759	37,782
Infrastructure	5%	161,956	170,054	153,858
Private Debt	5%	67,330	70,697	63,964

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-24	Potential value on increase	Potential value on decrease
		£000	£000	£000
Property Debt	5%	22,222	23,333	21,111
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**596,321**	**626,138**	**566,506**

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-23	Potential value on increase	Potential value on decrease
		£000	£000	£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
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**590,231**	**619,743**	**560,719**

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 2023/24	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	0		0	
	HarbourVest Partners Ltd	Private Equity	195,758			195,758
	Aberdeen Property Investors	Property Unit Trusts	84,545		84,545	
	Blackrock	Hedge Fund	103,226			103,226
	Global Infrastructure Partners	Infrastructure	112,450			112,450
	Legal & General	Global Equities	789,842		789,842	
	Blackrock**	Fixed Interest	0		0	
	T Rowe Price	Global Dynamic Bonds	100,358		100,358	
	Securis	Insurance Linked Securities	39,770			39,770
	DRC	Property Debt	22,222			22,222
	LGPS Central Ltd	Global Equities	654,387	654,387		
	LGPS Central Ltd	Investment Grade Corporate Bonds	254,025	254,025		
	LGPS Central Ltd	Private Debt	67,330			67,330
	LGPS Central Ltd	Infrastructure	49,506			49,506
	LGPS Central Ltd	Private Equity	4,744			4,744
Cash Deposits & Other (including net Current Assets)			17,308	17,308		
Total			**2,496,786**	**925,720**	**974,745**	**596,321**

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		

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
	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)			15,978	15,978		
Total			**2,238,331**	**500,654**	**1,147,446**	**590,231**

* Share Capital investment in LGPS Central Ltd has been carried at cost
**Investment closed in 2023/24
***Investment closed in 2022/23

14b.RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Investment type 2023/24	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 proceeds and derivative receipts £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			0	0	0	0	0	1,315
Private Equity	197,376			20,364	(7,774)	(5,023)	(9,792)	5,351	200,502
Infrastructure	148,204			20,525	(2,899)	(2,027)	(4,058)	2,212	161,957
Hedge Fund	147,259			0	(55,000)	(1,438)	1,705	10,699	103,225
Insurance Linked Securities	34,709			0	0	(451)	5,051	461	39,770
Property Debt	27,477			0	(5,602)	(248)	347	248	22,222
Private Debt	33,891			33,661	(3,184)	(24)	2,962	24	67,330
Total	**590,231**	**0**	**0**	**74,550**	**(74,459)**	**(9,211)**	**(3,785)**	**18,995**	**596,321**

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 2024			31 March 2023		
	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	1,331			1,325		
Pooled Investment Vehicles – Other Managed Funds	2,478,163			2,221,038		
Other Investment Balances - Loans		685			685	
Cash		16,607			15,343	
Total Assets	**2,479,494**	**17,292**	**0**	**2,222,363**	**15,968**	**0**
Financial Instruments						
Debtors		2,307			1,669	
Creditors			(4,812)			(3,927)
Total	**2,479,494**	**19,599**	**(4,812)**	**2,222,363**	**17,637**	**(3,927)**

* The debtors figure for 31 March 2023 has been restated to remove £8.015m of non-financial instruments previously recorded

15b.NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2023/24 £000	2022/23 £000
Financial Assets		
Fair value through profit and loss	271,230	(97,301)
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
	271,230	**(97,301)**

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 Pensions 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 2024/25 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	20.4%
Global Equities (passive)	19.4%
Investment Grade Bonds	7.2%
Unconstrained bonds	5.9%
UK Property	12.5%
Private Equity	23.9%
Hedge Funds	5.1%
Infrastructure	19.3%
Property Debt	8.9%
Insurance Linked Securities	5.0%
Private Debt	9.6%

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 2023/24	Value as at 31 March 2024 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	24,998	0	24,998	24,998
Investment Portfolio Assets				
Global Equities (unconstrained)	654,403	133,498	787,901	520,905
Global Equities (passive)	789,842	153,229	943,071	636,613
Investment Grade Bonds	254,026	18,290	272,316	235,736
Unconstrained Bonds	100,358	5,921	106,279	94,437
Property	84,545	10,568	95,113	73,977
Private Equity	200,502	47,920	248,422	152,582
Hedge Funds	103,225	5,264	108,489	97,961
Infrastructure	161,956	31,258	193,214	130,698
Property Debt	22,221	1,978	24,199	20,243
Insurance Linked Securities	39,770	1,989	41,759	37,782
Private Debt	67,330	6,464	73,794	60,866
Total assets available to pay benefits	**2,503,176**	**416,378**	**2,919,554**	**2,086,798**

Asset type 2022/23 Comparative Figures	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
Total assets available to pay benefits	**2,244,087**	**364,008**	**2,608,095**	**1,880,079**

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 2024 and 31 March 2023 is set out below.

Asset Type	As at 31 March 2024 £000	As at 31 March 2023 £000
Cash and cash equivalents	16,607	15,284
Cash balances*	(40)	60
Bonds	354,383	409,028
Total change in assets available	**370,950**	**424,372**

* Overdrawn cash balance as at 31 March 2024

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 2024				
Cash and cash equivalents	16,607	0	16,607	16,607
Cash balances	(40)	0	(40)	(40)
Fixed Income	354,383	3,544	357,927	350,839
Total	**370,950**	**3,544**	**374,494**	**367,406**

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
Fixed Income	409,028	4,090	413,118	404,938
Total	**424,372**	**4,090**	**428,462**	**420,282**

During 2023/24 the Fund received £0.120m (2022/23 £0.061m) 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 £0.028m. In addition, the Fund earned £0.066m (2022/23 £0.047m) 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 investment 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	Asset value as at 31 March 2024 £000	Potential market movement £000 10%	Value on increase £000 10%	Value on decrease £000 10%
Overseas Equities	610,843	61,084	671,927	549,759
Overseas Private Equity	199,813	19,981	219,794	179,832
Overseas Private Debt	21,846	2.,185	24,031	19,661
Overseas Pooled Property	0	0	0	0
Overseas Infrastructure	140,711	14,071	154,782	126,640
Cash balances	7,893	789	8,682	7,104
Total change in assets available to pay benefits	**981,106**	**98,111**	**1,079,217**	**882,995**

Assets exposed to currency risk	Asset value as at 31 March 2023 £000	Potential market movement £000 10%	Value on increase £000 10%	Value on decrease £000 10%
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**

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 2024 and 31 March 2023 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 2024 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 2024 £000	As at 31 March 2023 £000
Handelsbanken Instant Access Account	AA	1,650	1,800
Barclays	A+	0	800
Total		**1,650**	**2,600**

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 2024 was £1.65m (31 March 2023 £2.6m).

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 can also access immediate cash held by Northern Trust, which as at 31 March 2024 was £12.373m (31 March 2023 £9.245m). 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 taxpayer 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 were 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 2022	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 2022	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 2024 is shown below:

Long term Debtors	2023/24 £000	2022/23 £000
Lifetime and annual tax allowances*	1,724	1,551
Total	**1,724**	**1,551**

* The HMRC annual allowance limits the tax relief on pension contributions each year and the Life time allowance (abolished after 5th April 2023) 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 2024. An analysis of debtors outstanding as at 31 March 2024 is shown below:

Debtors	2023/24 £000	2022/23 £000
Contributions due - employees	1,561	1,442
Contributions due - employers	5,610	5,021
Other entities and individuals	2,307	1,609
Total	**9,478**	**8,072**

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2024. An analysis of creditors outstanding as at 31 March 2024 is shown below:

	2023/24 £000	2022/23 £000
Central Government bodies	(1,023)	(789)
Other Local Authorities	(2,306)	(1,845)
Other entities and individuals	(1,443)	(1,293)
Total	**(4,772)**	**(3,927)**

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 588 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2023/24 contributions to schemes amounted to £1.078m (2022/23 £0.538m). The combined value of the AVC funds as at 31 March 2024 was £5.669m (31 March 2023 £5.061m).

NOTE 21: RELATED PARTY TRANSACTIONS

Shropshire Council
The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £2.299m (2022/23 £1.843m) 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 £2.798m (2022/23 £2.186m) 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 Pension Fund Accountant, the Pensions 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 2024. The Fund was owed interest of £0.065m (31 March 2023 £0.047m) on the loan to LGPSC at 31 March 2024. 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 and Global Investment Grade Corporate Bonds). The Fund incurred investment management costs totalling £3.531m in respect of investments held with LGPS Central of which £0.041m was payable to LGPSC at 31 March 2024.

The Fund incurred costs totalling £0.645m (2022/23 £0.556m) in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2023/24 of which £0.159m (31 March 2023 £0.139m) was payable to LGPSC at 31 March 2024.

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 guarantee is on a joint and several basis with the other partner Funds in LGPS Central.

As at the 31st March 2024 LGPS Central Ltd IAS 19 figure was a surplus of £47,000. As the figure is in surplus no amount would be due from the Fund based on this figure.

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 any 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 post of Head of Pensions (LGPS Senior Officer) is deemed to be key management personnel with regards to the fund. The financial value of the relationship with the fund (in accordance with IAS24) is set out below:

	2023/24 £000	2022/23 £000
Short-term benefits*	124	111
Post employment benefits**	173	68
Total	**297**	**179**

* 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 22.5% (~£560 million) strategic asset allocation to private market investments split Private Equity (7.5%), Infrastructure (7.5%) and Private Debt (7.5%). The Fund has a legacy allocation to Property Debt which will mature over the next 18 months and be subsumed by the Private Debt allocation. 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 2024 £370m has been committed to investments in private equity via a fund of funds manager, HarbourVest Partners (£310m) and a separate investment through LGPS Central (£60m). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2024 the fund’s Private Equity investments totalled £200.502m (31 March 2023 £197.376m). Commitments outstanding at the 31st March 2024 were £113.9m.

As at 31 March 2024 £223m has been committed to investment in Infrastructure via Global Infrastructure Partners (£138m) and LGPS Central Core/Opportunistic Infrastructure Partnership (£85m). The outstanding commitments at the 31st March 2024 were £55.8m (Global Infrastructure Partners £21.1m and LGPS Central Core/Opportunistic Infrastructure Partnership £34.7m). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2024 the fund's Infrastructure investments totalled £161.956m (31 March 2023 £148.204m).

As at 31 March 2024 £47m has been committed to investment in Property Debt via DRC & £120m committed to investment in Private Debt via LGPS Central. The Property Debt portfolio is a legacy asset and will mature over the next 18 months. As at the 31st March 2024 there were outstanding commitments of £58.7m, Private Debt via LGPS Central £53.4m and Property Debt via DRC £5.3m. The Fund are awaiting the release of the LGPS Central 2024 Private Debt Scheme to allow further commitments in line with the strategic asset allocation. Investments in the private debt portfolio will be made as opportunities arise over the next 2-3 years. As at 31 March 2024 the fund's Property Debt and Private Debt investments totalled £22.222m & £67.330m (31 March 2023 £27.477m & £33.891m) respectively.

NOTE 23: CONTINGENT ASSETS

26 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 2024 £1.65 million was invested (31 March 2023 £2.6m).

The cash balance in the Pension Fund account as at the same date was overdrawn by £0.040 million (31 March 2023 £0.060m in hand).

NOTE 28: FUND STRUCTURE UPDATE

In June 2023 following several investment strategy workshops the Pension Committee agreed the Fund's new strategic asset allocation which is detailed below against the previous allocations:

Asset	2021 Strategic Allocation % of Fund	2023 Strategic Allocation % of Fund	Change
Targeted return funds (e.g. absolute return bonds, hedge funds, insurance linked securities)	25%	7.5%	-17.5%
Property Debt	3.5%	0%	-3.5%
Equities	50%	55%	+5%
Private Debt	4%	7.5%	+3.5%
Indirect Property	5%	5%	-
Private Equity	6.25%	7.5%	+1.25%
Infrastructure	6.25%	7.5%	+1.25%
Investment Grade Corporate Bonds	0%	10%	+10%

Implementation of the new strategy commenced in 2023/24. Allocation changes in respect of public markets (Equity and Investment Grade Corporate Bonds) have been completed. Private Market (Private Equity, Infrastructure, Debt) changes will take longer to fully implement as this involves the timing of maturities from existing investments and the drawdown of new commitments over time. This will result in additional holdings remaining in target return funds until the capital is required to meet commitments, investments in this sector currently reside with individual managers as the proposed LGPS Central product for this area was withdrawn in 2023/24.

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. Approx 42% of total global equities are being protected at this time. The equity protection strategy was increased during 2023/24 to c.£600 million following the strong bounce back in global equity markets in the final quarter of 2023. The continued geopolitical tensions and uncertainty in economic forecasts lead to a full review of the equity protection options in 2023/24, the equity protection options were renewed with Legal and General and now expire in June 2025 and December 2025. 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 June 2023 redemption requests were submitted to PIMCO and BlackRock. The proceeds from these absolute return bond managers were transitioned into the LGPS Central Investment Grade Corporate Bond Fund and LGPS Central Global Sustainable Equity Fund in October 2023. In addition, the Fund reduced its holdings in the BlackRock Hedge Fund to complete the increased investment into LGPS Central Global Sustainable Equity Fund in February 2024 and to fund existing commitments to LGPS Central Private Debt and Infrastructure investments as agreed in the previous financial year.

The strategic allocation in June 2023 removed the allocation to property debt in favour of private debt. The property debt portfolio will mature over the next 18 months and proceeds will be used to meet existing commitments to the LGPS Central private debt fund and new proposed commitments when the LGPS Central Private debt 2024 scheme is launched. The total proportion of the fund to debt investments remains at 7.5% but this is now reflected as private debt in the Strategic asset allocation.

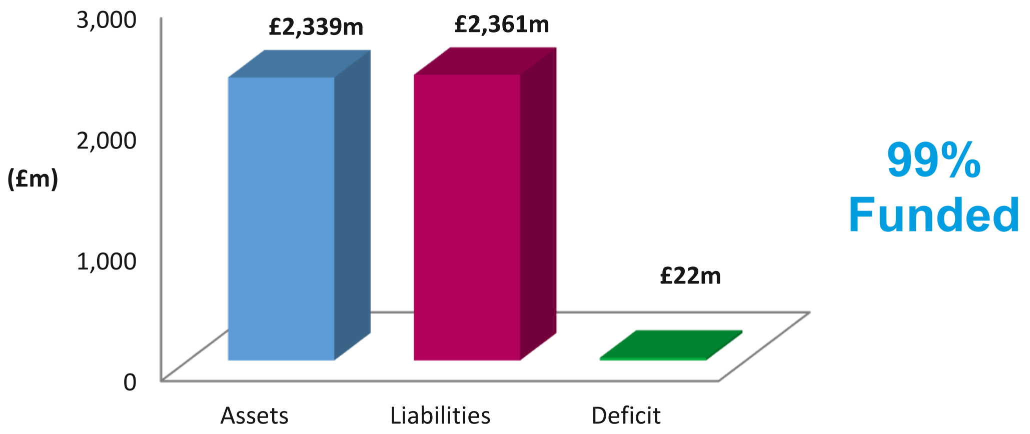
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2024
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 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.80% per annum	4.90% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.70% per annum	2.70% per annum
Rate of pay increases	3.95% per annum	3.95% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.80% per annum	2.80% per annum

The demographic assumptions are the same as those used for funding purpose for the 2022 actuarial valuation. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuations dated March 2023.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	£2,469m
Interest on liabilities	£117m
Net benefits accrued/paid over the period*	(£18m)
Actuarial losses / (gains) - see below	(£49m)
End of period liabilities	**£2,519m**

**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 from 4.8% p.a. to 4.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a small reduction in liabilities.

- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.

- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As current inflation is higher than the long-term assumption, this increases the liabilities.

Michelle Doman
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
May 2024

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 / Gaza conflict: 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 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.

High inflation over last two years: The period-end figures above 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.

WILL BE UPDATED ONCE AUDIT OPINION PROVIDED BY AUDITORS

Section 10
Glossary

Shropshire Council

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.

Glossary

Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.
Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision- making powers are set out in the Council's Constitution.
Capital Adjustment Account	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.

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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.

Glossary

Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The Housing Revenue Account reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. This account includes the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
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 Narrative Report 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.

Glossary

Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Unquoted Equity Investment	Investments in unquoted securities such as shares, debentures or unit trusts which are not quoted or traded on a stock market.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of non-current assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Statement of Accounts
2023-2024

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Shropshire Council

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