

Appendix 2

Analytical Review of Shropshire Council’s Statement of Accounts for 2023/24

1. The analytical review for 2023/24 highlighted a number of areas where there were material changes (Variances over £8m or over 10%), the most significant are detailed below along with an explanation of why these changes have occurred:

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

| | 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-------------------|-----------------|-----------------|------------------|---------------|
| Gross Expenditure | 22,731 | 3,386 | +19,345 | 571 |

In 2023/24 there has been a revaluation loss of £5.256m compared to a revaluation gain of £12.051m in 2022/23 resulting in a £17.307m swing in expenditure. There have been relatively static movements in HRA dwellings valuation compared to 2023/24, but revaluation losses have been experienced on new build properties when applying the social housing discount factor to value them on EUV SH basis. There has also been an impairment charge (£0.762m) due to HRA properties no longer being in use as they are pending future demolition for a development scheme.

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

| | 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-------------------|-----------------|-----------------|------------------|---------------|
| Gross Expenditure | 455,576 | 432,380 | +23,196 | 5 |

Within Adult Social Care Operations there has been an increase in Direct Payments of £1.546m and Individual Service Funds of £7.740m. The cost of Care Contracts within Adult Social Care Operations has increased by £5.618m in 2023/24. External Placement Fees have increased by £3.910m within Childrens Social Care and Safeguarding and by £4.740m in Learning & Skills.

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

| | 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|--|-----------------|-----------------|------------------|---------------|
|--|-----------------|-----------------|------------------|---------------|

| | | | | |
|--------|-----------|-----------|----------|---|
| Income | (217,839) | (203,555) | (14,284) | 7 |
|--------|-----------|-----------|----------|---|

The main increase in income relates to Grants received within People. Grants within Learning and Skills and Schools have increased by £7.564m, the main increases being a £4.721m increase in DSG and a new grant of £2.021m for Mainstream Schools Additional Grant. The increase in these grants will offset an increase in expenditure. In 2023/24 £2.120m was received for the Market Sustainability and Improvement Fund, this was new in 2023/24.

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

| | 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|--------|-----------------|-----------------|------------------|---------------|
| Income | (70,649) | (62,955) | (7,694) | (12) |

In 2023/24 grant income has increased within Place. There has been an increase in income and expenditure relating to the warm homes fund grant scheme. Grant income increased from £1.284m to £5.536m, this offset increased costs of the programme. Grant income of £1.241m was released to revenue in relation to the UK Shared Prosperity Fund to offset costs incurred on this programme compared to £0.280m in 2022/23. Income from the Waste Services has increased by £1.024m, mainly due to an increase in the Waste PFI Excess Revenue Share due to the Council.

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

| | 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-------------------|-----------------|-----------------|------------------|---------------|
| Gross Expenditure | 4,008 | 716 | 3,292 | 460 |

Expenditure has increased in Strategic Management Board as a result of costs incurred on the Transformation Programme including the costs relating to the Council’s delivery partner.

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

| | 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|--------|-----------------|-----------------|------------------|---------------|
| Income | (38,148) | (27,410) | (10,738) | 39 |

Income has increased due to an increase in government grant funding as outlined in the local government financial settlement for 2023/24. Additional Social Care Grant has increased from £12.620m in 2022/23 to £21.547m in

2023/24 and Market Sustainability and Fair Cost Fund has increased from £0.941m in 2022/23 to £3.264m in 2023/24. The increase in these grants has contributed towards funding the increasing costs within Adult and Children Social Care.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 15,205 | 10,532 | 4,673 | 44 |

The loss on disposal of non-current assets increased from £0.806m in 2022/23 to £5.232m in 2023/24. Areas of significant change were in relation to the write out of previous components where replacement expenditure took place (£1.486m) and in 2023/24 two schools in SC ownership transferred to Academy Schools and one property transferred on a Community Asset Transfer lease. The value of assets written out was £2.767m.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 29,195 | 48,301 | (19,106) | 40 |

Pensions interest cost and expected return on pensions assets reduced from £14.486m in 2022/23 to £5.019m in 2023/24. The movement of £9.467m is the net position of interest on plan assets increasing by £18.652m and interest on pension liabilities increasing by £9.185m. The interest is calculated by using the discount rate at the start of the year, this increased from 2.8% to 4.8%.

The movement in the valuation of Investment Properties swung from a £5.476m loss in 2022/23 to a £0.464m gain in 2023/24. This relates to specific movements in the value of assets in this category and represents the net position.

Assets experiencing significant losses in 2023/24 were:

- Land at Shorncliffe Drive valuation removed (£2.775m) as land transferred as a Community Asset
- Land at Park Hall (£1.450m) due to a reduction in land values and change to the discount rate

Significant gains were:

- Land at Oxon (£4.003m) based on updated receipts projections,

- Part of the former Meole Brace Golf Course Pitch & Putt site (£1.402m) based on future development plans for the site

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (342,574) | (316,145) | (26,429) | 8 |

Income due form Council Tax increased by £11.093m in 2023/24. This was due to a 4.99% increase in the Council Tax charge. Income from Business Rates increased by £6.171m. Non-ringfenced revenue grants increased by £3.175m which is a net position which includes an increase of £6.051m of Business Rates Relief Grant, and a decrease in New Homes Bonus of £2.903m. Capital grants and contributions increased by £5.989m.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (28,387) | (41,074) | 12,687 | 31 |

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts, this can only be done where there is a balance on the revaluation reserve for the asset. The increase recorded in 2023/24 is £28,387m compared to £41.074m in 2022/23. This reflects the movement market values, change in build costs (DRC valuations) and the latest property information provided to the Valuers.

- **Comprehensive Income and Expenditure Statement – Impairment Losses on Non Current Assets Charged to the Revaluation Reserve**

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 2,928 | 197 | 2,731 | 1,386 |

Where there is a balance on the revaluation reserve for an asset, an impairment charge can be charged to the revaluation reserve, rather than to revenue. In 2022/23 the Impairment charge related to Whitchurch Swimming Centre, and council approval is in place to demolish and redevelop the site and so the existing building was impaired to zero. In 2023/24 the impairment charge relates to Whitchurch Civic Centre and Library (£2.756m) and Hazel Family Centre (£0.172m) which is a surplus demountable in deteriorating condition.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (110,518) | (449,181) | 338,663 | 75 |

The movement in the remeasurement of the net defined benefit liability is due to movements in a number of figures affecting the pension assets and liabilities. The liability element has moved from a net gain of £520.993m in 2022/23 to a net gain of £24.226m due to an increase in the discount rate. The assets element has reduced from a loss of £71.812m in 2022/23 to a gain of £86.292m due to positive returns on investments.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 1,138,504 | 1,115,889 | 22,615 | 2 |

This reflects the overall movement in property, plant and equipment. The movement consists of additions, disposals, revaluations (upwards and downwards), depreciation charges and impairments. The main reason for the increase is a £13.382m increase in Assets Under Construction due to the ongoing development of significant schemes such as Oswestry Innovation Park and Shrewsbury Town Centre Developments. There has also been a £8.095m revaluation increase in Council Dwellings including acquisitions and new build properties within the HRA.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 43,029 | 60,736 | (17,707) | 29 |

The most significant reduction was the land at Oxon (£14.249m) that has transferred from an Investment Property to a Current Held for Sale Investment Property as the disposal is programmed for 2024/25. Land at Shorncliffe Drive (£2.775) has also been removed as the land has transferred as a Community Asset based on its use and with no prospect for future development.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 2,603 | 3,907 | (1,304) | 33 |

The reduction in the balance sheet value of intangible assets in 2023/24 reflects the reduction in expenditure under the Digital Transformation Programme which had resulted in a higher level of expenditure on intangible assets in previous years. As intangible assets are subject to a relatively short asset life, the annual amortisation charge leads to a significant reduction in the net book value annually.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 18,283 | 5,906 | 12,377 | 210 |

There has been a reduction relating to the disposal of assets classified in this category for 2022/23, including Land at Emstrey (£5.336m) and Alveley Industrial Estate - Ground Leases (£0.570). This has been offset by the transfer of Land at Oxon to this category based on disposals programmed for 2024/25 (£14.250m transfer and £4.033m valuation increase).

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 3,904 | 1,627 | 2,277 | 140 |

The balance sheet value of assets in this classification reflects the position the Council are at with regards disposing of assets and whether they meet the criteria to be classified as Asset Held for Sale at the balance sheet date. From the assets in this category at 31/03/23, disposals of a number of these assets have been completed including the former Shrewsbury Ark building, Severn Valley Workshops and two Smallholdings. Transfers into this category for 2023/24 include four Smallholdings, Craven Arms Salt Store, and HRA new build properties to be disposed on shared ownership basis.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 0 | 58,000 | (58,000) | 100 |

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 37,293 | 27,584 | 9,709 | 35 |

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (35,933) | (21,640) | (14,293) | 66 |

The net decrease in short term investments, cash and cash equivalents and the bank overdraft needs to be considered together to explain the true difference in cash balance during the two years. There are two elements that detail the difference in cash balances:

- i. Movement in General Fund Balance and Earmarked Reserves (decrease in cash) - There was a £1.114m increase in the General Fund Balance in 2023/24 however there has been a reduction in earmarked reserves of £17.172m which will reduce available cash balances.
- ii. Movement in debtors/creditors (reduction in cash) - Debtors have increased by £34.645m during 2023/24 thereby increasing the amount of money owed to the authority and decreasing the potential cash balance held. Creditors have decreased by £14.520m thereby decreasing the cash balance held.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 123,805 | 89,160 | 34,645 | 39 |

The most significant movement relates to the loan that the Council has provided to Cornovii Development Limited, which stood at £33m at the end of 31st March, and based on the terms of the new loan agreement, is now treated as a short term loan, and hence is held in short term debtors.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (32,802) | (7,606) | (25,196) | 331 |

Short term borrowing of £5.5m held in 2022/23 has been repaid and a new short term PWLB loan of £30m has been taken out in March 2024.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (86,156) | (100,676) | 14,520 | 14 |

There has been a reduction of £3m between 2022/23 and 2023/24 for Central Government Bodies in relation to the creditor for Bowbrook Primary Place Planning Capital Funding which was accrued for in 2022/23. The Business Rate Retention Scheme payment and Transitional Relief payments due from Government reduced from £3.85m and £2.3m in 2022/23 to £0.7m and £0.4m in 2023/24, a reduction of £5m. Also in 2022/23 we were still due to receive £1.9m of COVID funding from for the Government, which is now not relevant for 2023/24.

- **Balance Sheet Current Liabilities – Provisions**

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (2,707) | (3,763) | 1,056 | 28 |

The Highways and Transport Provision (£0.405m) and the Leisure Provision (£0.092m) was released during the course of 2023/24 as the liability is not considered still relevant.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (25,145) | (16,938) | (8,207) | 48 |

The increase relates to £3.668m funding received for the Levelling Up Fund Round 2, an increase of £2.872m for the Local Authority Housing Fund and a further £0.862m of UK Shared Prosperity Funding which has been carried forward to 2024/25 to be committed.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (21,397) | (126,359) | 104,962 | 83 |

The deficit on the Pensions Liability has decreased by £104.962m in 2023/24. This is due to an increase in plan assets due to positive returns on investments.

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

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| (6,249) | (8,477) | 2,228 | 26 |

There has been a reduction in the level of Business Rates Provision (£2.119m) as a number of business rate appeals have now been settled during the year.

- **Balance Sheet Financing – Usable Reserves**

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 116,452 | 131,826 | (15,374) | 12 |

Usable reserves have reduced mainly due to Earmarked reserves reducing by £17.172m as detailed in the Financial Outturn report.

- **Balance Sheet Financing – Unusable Reserves**

| 2023/24 £000 | 2022/23 £000 | Movement £000 | Movement % |
|-----------------|-----------------|------------------|---------------|
| 675,593 | 572,162 | 103,431 | 18 |

The decrease in Unusable Reserves is due to changes in the Revaluation Reserve, the Capital Adjustment Account and the Pensions Reserve. The Revaluation Reserve increased by £13.701m (8.23%) in 2023/24 which reflects the movement in asset values and disposals. The area of significant movement in 2023/24 was on the revaluation of PPE assets. Reflecting the general increase in asset values and where there has been no previous revaluation loss charged to revenue, the gain is charged to the revaluation reserve. The Capital Adjustment Account reduced by £9.136m (1.70%). The movement reflects the capital charges, movement in asset values, disposals and capital expenditure financing in 2023/24. The reduction reflects that the movement in values and capital charges were greater than the contributions applied to finance capital expenditure. The deficit on the Pensions Liability has decreased by £104.962m in 2023/24. This is due to an increase in plan assets due to positive returns on investments.

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