Statement of Accounts

2019-2020

Annual Statement of Accounts 2019/20

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:

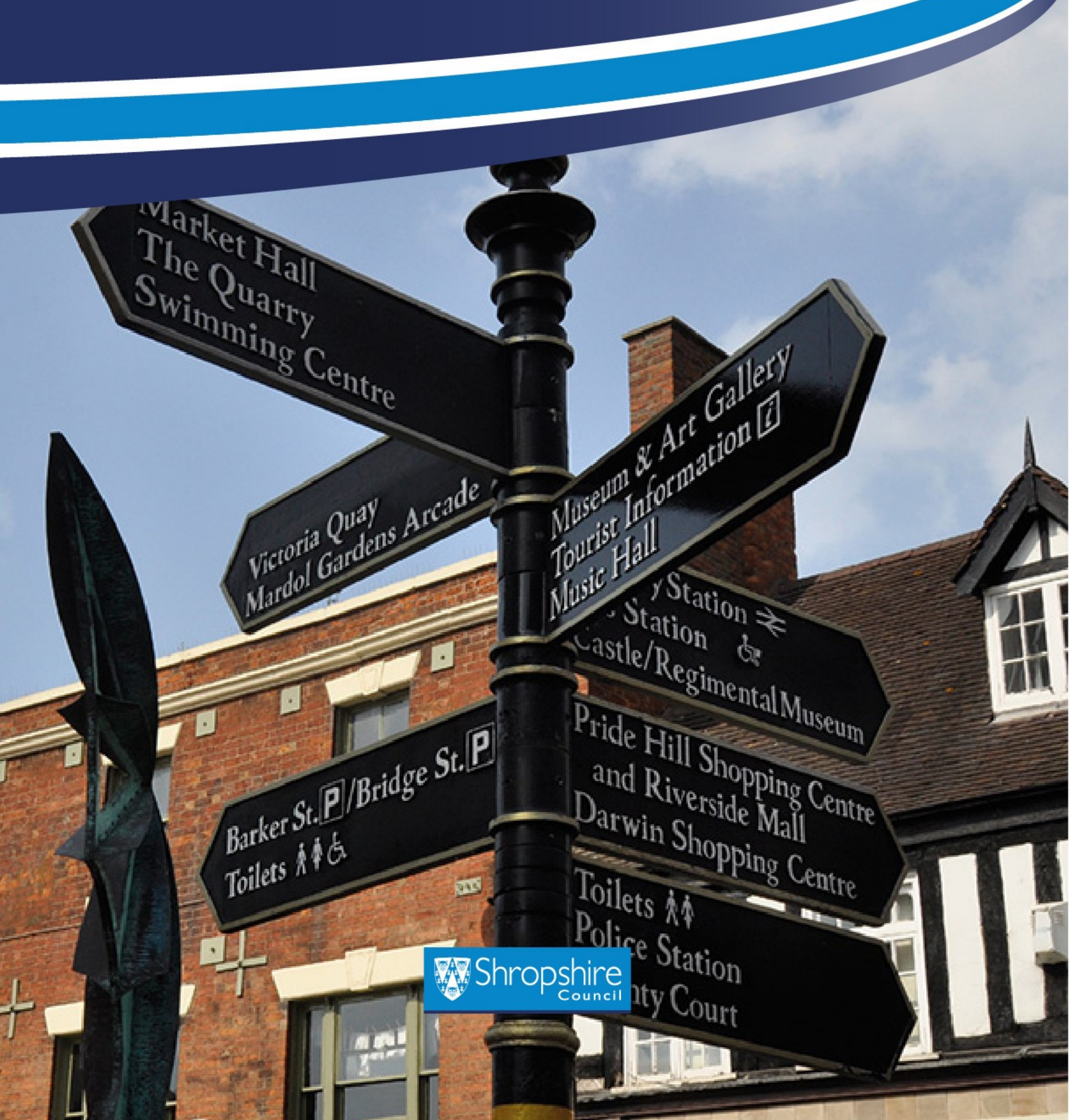
Further information about the Council's Accounts can be obtained from the Finance Department at the Shirehall.

For details please contact James Walton on (01743) 258915, or Cheryl Sedgley on (01743) 258937.

James Walton
Director of Finance, Governance & Assurance

Section 1

Narrative Report



Shropshire Council

Narrative Report

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 2020. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.

- **The Cash Flow Statement** – this consolidated statement summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.

- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements and include the Council's accounting policies.

- **Group Accounts** – group financial statements are required in order to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the Council is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.

- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.

- **The Collection Fund –** This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

- **The Pension Fund Accounts and Disclosure Notes** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council's own finances. The accounts summarise the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2019/20 and assets and liabilities as at 31 March 2020.

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.

Financial Report

Revenue Outturn for 2019/20

The revenue budget for 2019/20 was agreed by Council in February 2019. During the course of the year, budgets can move between service areas in line with the Council's approval process, however the Net Budget remains the same, to reflect the funding that the Council receives. Revenue budgets are monitored and reported regularly to Cabinet in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising.

Narrative Report

The final outturn position for each Service Area is shown in the table below which compares actual net expenditure with the approved budget. Further details of the outturn position for each directorate is shown in the Revenue Outturn report which is presented to Cabinet and Council in July.

	Final Budget £000	Actual Outturn £000	Controllable Over/ (Under) £000
Service Expenditure			
Adult Services	107,823	108,708	885
Children's Services	49,863	56,531	6,668
Finance, Governance & Assurance	2,828	2,280	(548)
Legal & Democratic Services	506	381	(125)
Place	57,655	63,911	6,256
Strategic Management Board	(14)	(106)	(92)
Workforce & Transformation	414	414	0
Corporate	(5,236)	(16,588)	(11,352)
Net Budget	**213,839**	**215,531**	**1,692**
Funded By:			
Revenue Support Grant	(6,119)	(6,119)	
Top Up grant	(9,870)	(9,870)	
Business Rates	(40,055)	(40,055)	
Collection Fund Surplus	(3,368)	(3,368)	
Council Tax	(154,427)	(154,427)	
Total Funding	**(213,839)**	**(213,839)**	

Budget monitoring reports during the course of the year have shown the following position:

Year End Projected Over/(Under)spend	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Adult Services	928	4,066	979	885
Children's Services	4,407	4,977	5,262	6,668
Finance, Governance & Assurance	(2)	(84)	(137)	(548)
Legal & Democratic Services	53	219	41	(125)
Place	2,779	2,766	3,575	6,256
Strategic Management Board	(79)	(66)	(212)	(92)
Workforce & Transformation	1,230	1,133	449	0
Corporate	(1,361)	(7,024)	(8,425)	(11,352)
TOTAL	**7,955**	**5,987**	**1,532**	**1,692**

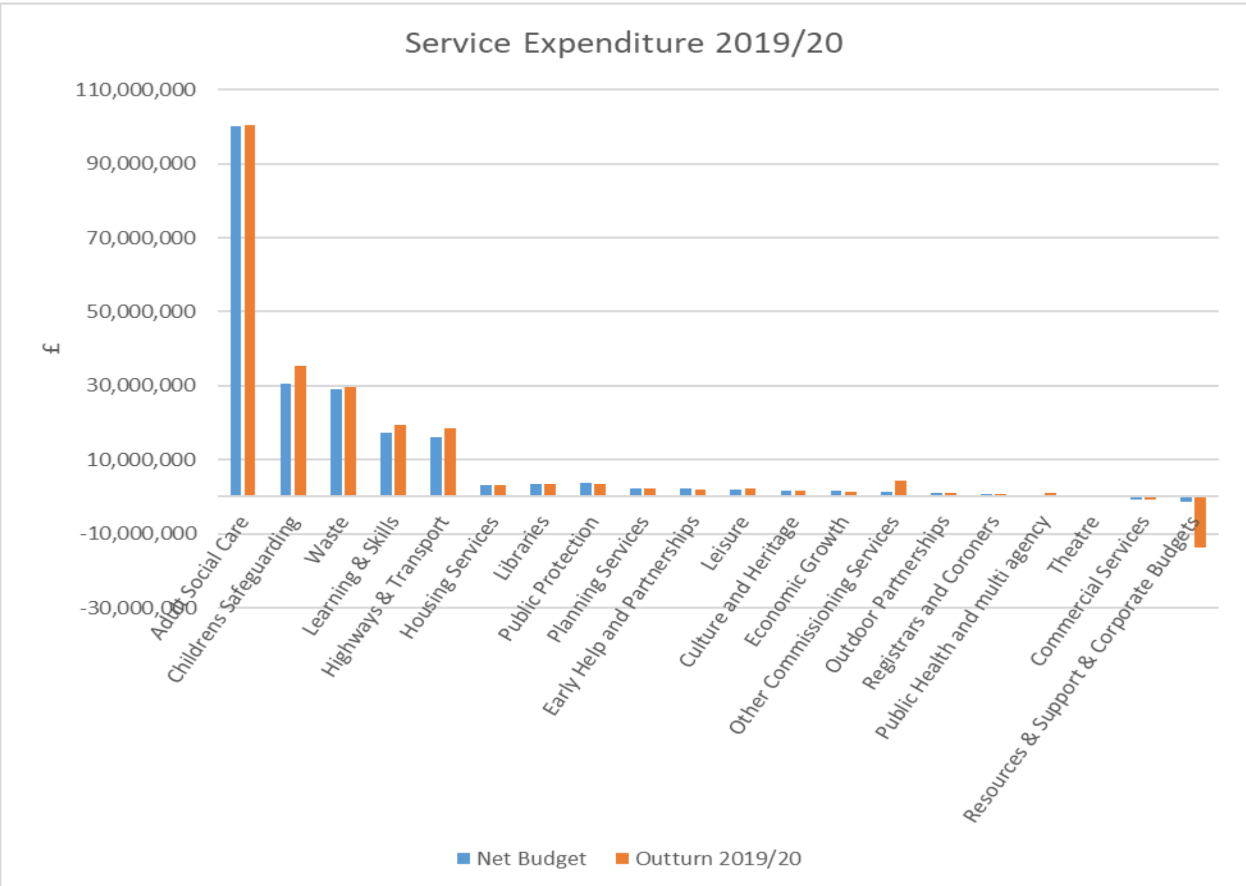
The Council was a projecting a significant overspend at quarter 1 and then again at quarter 2. As a result a number of management actions were instigated including a spending freeze implemented at quarter 2 and specific targets being provided to each service area to reduce the projected outturn down to a reasonable level. This was achieved in the main by all service areas, although further overspends did occur within Children's Services from cost pressures on Home to School Transport as well as significant pressures on residential and foster care placements, and within Place where unachieved savings targets and additional spend was incurred on highways and transport to address potholes and road defects. The overall pressure in both Children's Services and Place has been partially offset by underspends in other service areas through implementing the identified management action at Quarter 2. The Council also applied £0.460m of the General Fund Balance to the revenue account to offset the costs arising from Storm Dennis in February, and has applied £0.387m of COVID-19 funding provided by the Government to offset costs and pressures arising from the pandemic in March 2020.

The overall overspend of £1.692m against service area's budgets represents 0.3% of the gross budget of £568.489m.

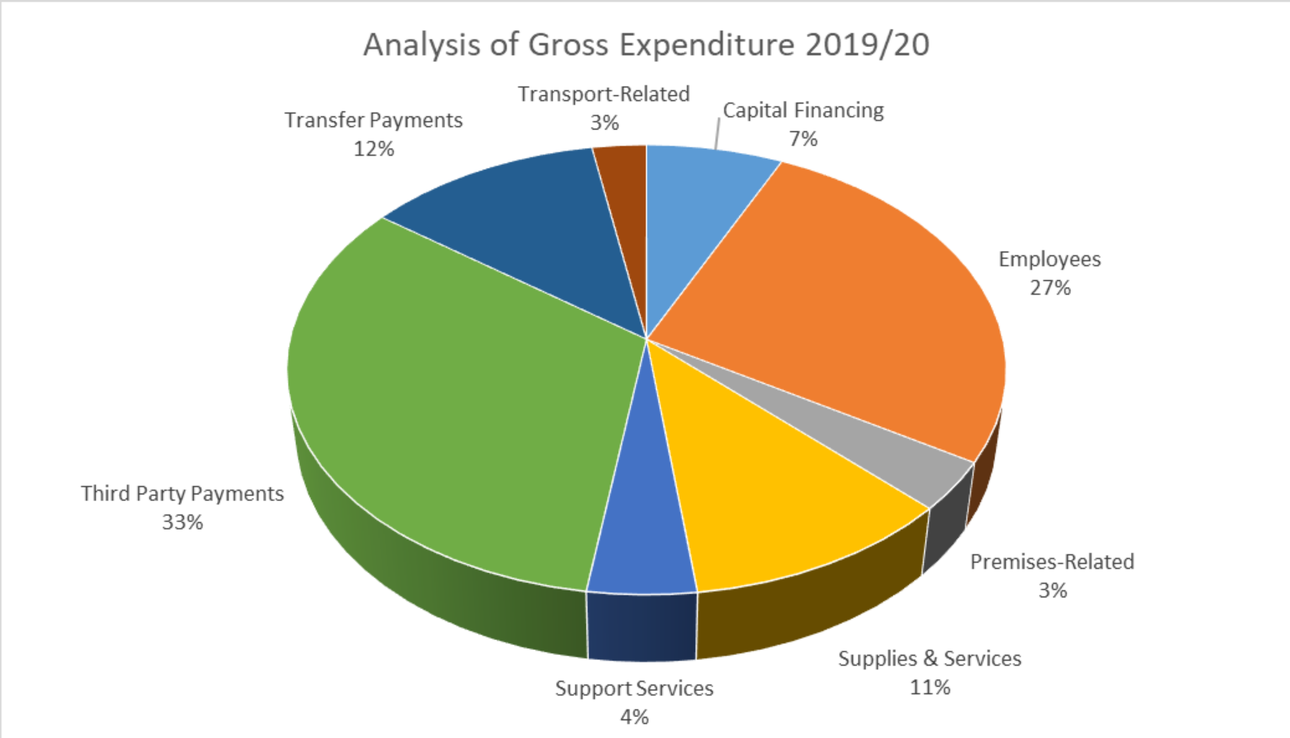
In addition, School balances held under a scheme of delegation, including invested sums, have decreased by £2.289m from the previous year. Schools' balances have to be ring-fenced for use by schools, and schools have the right to spend those balances at their discretion. Four schools converted to academies during the year.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 6 and 7 to the Accounts.

The chart below demonstrates which services the Council has spent its net budget on. It should be noted that this excludes any expenditure on schools which is funded separately through the Dedicated Schools Grant.



The gross expenditure for the Council, including expenditure for schools was £755.6m and this was spent on the following types of expenditure:



Capital Outturn for 2019/20

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 2019/20 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Capital Outturn report presented to Cabinet and Full Council.

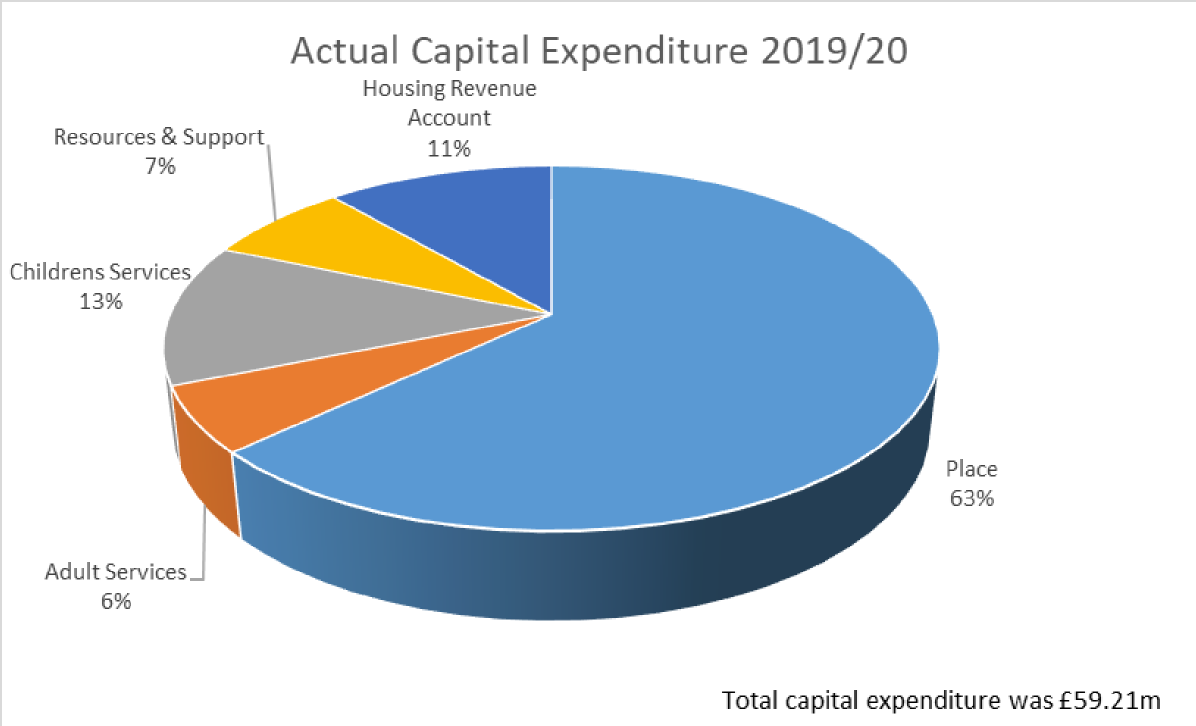
Service Area	Revised Budget 2019/20 £000	Actual Spend 2019/20 £000	Variance 2019/20 £000
General Fund			
Place	44,726	39,043	(5,683)
Adult Services	4,129	3,171	(958)
Children's Services	8,955	6,869	(2,086)
Resources & Support	5,152	4,157	(995)
Total General Fund	**62,962**	**53,240**	**(9,722)**
Housing Revenue Account	8,020	5,969	(2,051)
Total Capital Programme	**70,982**	**59,209**	**(11,773)**

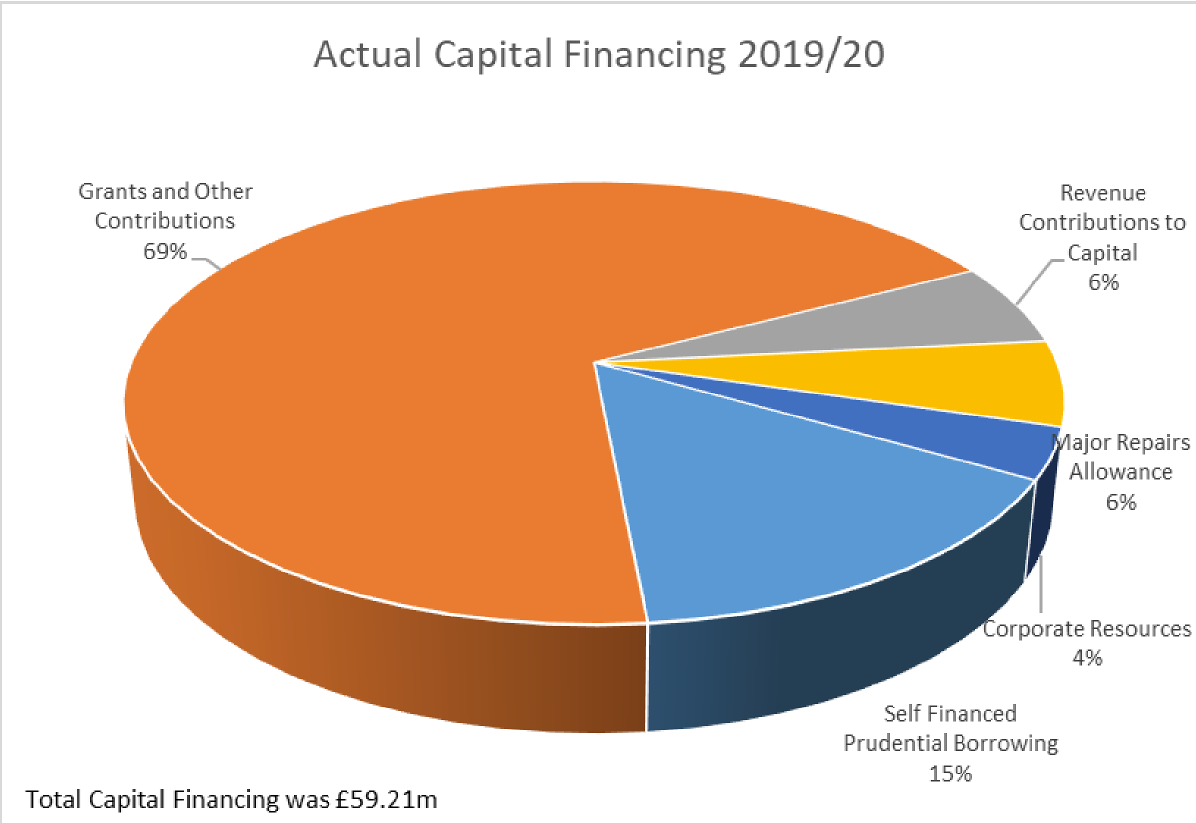
The table below provides a summary of the capital financing for the actual capital expenditure for 2019/20.

Financing	2019/20 £000
Capital Grants & Contributions	40,756
Revenue Contributions	3,584
Major Repairs Allowance	3,700
Self Financing Prudential Borrowing	8,971
Corporate Resources (Prudential Borrowing/Capital Receipts)	2,198
	59,209

The areas of most significant expenditure for schemes undertaken in 2019/20 are as follows:

	Expenditure 2019/20 £000
Place	
Highways and Transport	20,447
North West Relief Road	2,798
Broadband	4,217
Corporate Landlord	10,231
Adult Services	
Disabled Facilities Grants	1,928
Supported Living	1,036
Resources & Support	
Digital Transformation Project	4,157
Children's Services	
Schools Condition Schemes	1,790
Devolved Formula Capital	766
Children's Homes	1,382
Housing Revenue Account	
Housing Major Repairs Programme	4,297
New Build Programme - Phase 4-5	1,404





Reserves

The general fund balance has reduced by £2.027m in 2019/20 to a total of £13.510m. This is mainly due to the overspend within the revenue account during 2019/20 and the need to use the fund for emergency Storm Dennis expenditure which occurred in February. This balance lies below the risk assessed level of balances calculated for 2019/20.

Earmarked reserves have decreased by £3.733m during 2019/20, which includes a decrease in schools delegated balances of £2.228m. Total earmarked reserves are held at £67.993m including school balances of £4.194m.

The most significant earmarked reserve held is the Financial Strategy Reserve at £20.802m which is held in accordance with the financial strategy where the Council will be using one off funding to close the funding gap. It is intended that this balance would be used to fund the funding gap arising in the 2021/22 financial year, however since the COVID-19 pandemic has delivered significant budgetary pressures on the 2020/21 budget, the Council is now considering whether this balance may need to be used to balance the books in 2020/21 and the need to find alternative solutions for the 2021/22 financial year.

Assets

During 2019/20, facilities at three schools were written out of the Council balance sheet because of the schools transferring to Academy School status or the transfer of the buildings and hardstanding areas to the Diocese was completed, prior to the school transferring to Academy School status. In accordance with the Council's accounting policies, these are now valued at nil value in the Council's balance sheet and as a result of the transfers assets of £16.4m were written out of the balance sheet, accounted for as a loss on disposal.

Borrowing

The Council undertakes long-term borrowing, for periods in excess of one year, in order to finance capital spending. The Council satisfies its borrowing requirement for this purpose by securing external loans. However, the Council is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Council has available for investment.

Due to the slippage within the capital programme, there has been no additional borrowing required for current schemes.

Cashflow

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. We are satisfied that cashflow levels are sustainable in the short to medium term based on the information we currently have. This is the case despite the increase in costs and reduction in income levels taken over the period of the pandemic from March to July in 2020.

Local Government Pension Scheme

The Council accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This means that:

- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

As at 1 April 2019, the Council's net pensions liability amounted to £491m. In comparison, the deficit amounts to £496m at 31 March 2020 due to minor changes in financial assumptions impacting on the asset and liability figures. Statutory requirements for funding the deficit means the financial position of the Council remains healthy, as the deficit will be met by increased contributions over the remaining working life of employees.

2019/20 represented the last year of the 3 year actuarial valuation of the pension fund and a new actuarial valuation has been undertaken for the period 2020 – 2024. The Council has again decided to make an early payment of the Local Government Pension Scheme deficit lump sum for a period of 3 years in 2020/21 in order to deliver a revenue saving as a result of lower interest costs from repaying the deficit.

Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 24, and the change to the pension liability in 2019/20 is analysed in note 42 to the accounts.

Shropshire County Pension Fund continued to work with eight other Funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £45 billion of assets from 2018 onwards (£18.5 billion as at March 2020), on behalf of 900,000 LGPS members and 2,500 employers. LGPS Central Ltd is jointly owned on an equal share basis by eight Pension Funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central will manage a wide range of asset classes, employing a mix of internal and external investment management. The company is a private company limited by shares and was incorporated on 13 October 2016.

Performance in 2019/20

The Council adopted its new Corporate Plan in December 2018 for the period 2019/20 to 2021/22. The Plan sets out high-level outcomes and a range of medium term outcomes and objectives for the coming 12 to 24 months. The medium term outcomes and objectives are the basis for the Council's Strategic Action Plans which are thematic and cross cutting.

The Council's corporate performance management framework is structured around the high-level outcomes listed below and incorporates the measures and project delivery milestones from the strategic action plans.

- **A Healthy Environment**
- **A Good Place to do Business**
- **Sustainable Place and Communities**
- **More People with a Suitable Home**
- **Embrace our Rurality**
- **Care for those in Need at any Age**
- **Your Council**

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 the 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 goes 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.

It should be noted that this year's performance has been affected in the last quarter, firstly by the flooding affecting large swathes of the county in February, and then with the impact of the COVID-19 pandemic, which has impacted on some "business as usual" provision, and a redirection of resources to emergency response and provision of essential services only.

A Healthy Environment

After continual increases in the number of visitors to Theatre Severn and the Old Market Hall Cinema in the first 3 quarters of the year, the end of 2019/20 showed a reduction in visitor numbers. Both services were affected by the February floods in Shrewsbury and have also had to close due to the COVID-19 lockdown following government advice.

Libraries remained open during the February floods, but visitor numbers reduced during this period, particularly in the largest branch of Shrewsbury. Libraries were then closed from the 20th March due to the pandemic although a range of online services have remained available.

Recycling rates within Shropshire continue to improve gradually and performance exceeds the national target for recycling household waste. Whilst the floods did not impact on this service, the closure of the Household Recycling Centres during the lockdown will have had an impact on waste tonnages in the early part of 2020/21.

A Good Place to do Business

Employment rates and the number of self-employed was higher than the national and regional averages, although it is unknown at this stage what impact the COVID-19 pandemic will have on these figures. The number of people claiming Universal Credit had been lower than regional and national levels, however it is anticipated that this will increase in 2020/21 as the full effect of the pandemic is felt on the local economy of Shropshire.

Council services such as Planning have been able to maintain a near normal service provision during the pandemic with staff working remotely to process electronic transactions and planning applications and Planning and Building Control staff have delivered statutory functions whilst adhering to social distancing guidelines. However, it has been noted that there has been a decline in the volume of work for Land Charges as house sales have been temporarily halted over the period.

Businesses within Shropshire have been affected by two major events in the county this year which will have impacted on their ability to remain in business, firstly the flooding in February and then the COVID-19 pandemic. Government grants have been made available for both events to help support these businesses and the Council has distributed these as required and within the eligibility criteria of both grant schemes. The long term impact on the business economy in Shropshire remains to be seen to establish what effect these two events will have had and the Council is doing all it can to support businesses back to recovery in line with Government guidance.

Sustainable Places and Communities

The rate of permanent admissions of adults for those aged 65+ into residential or nursing homes is lower than the profile. Admissions for those aged 18 – 64 is higher than in previous years and above target. The actual number of admissions of those aged 18 – 64 remains relatively low and therefore a small increase in numbers shows a higher percentage variance. The service remains committed to enabling people to remain in their homes and maintain a decent quality of life for as long as possible. The service also confirms that it assesses the needs of each person to ensure that the right service is provided at the right time ensuring that residential and nursing care is provided at the most appropriate time.

More People with a Suitable Home

The Council’s new housing development company called Cornovii Developments Limited has been formed to address unmet housing needs within the county. The Business plan for the company has been published during the last quarter of 2019/20 and the company is now progressing with plans to submit planning applications on the first two development sites identified in Oswestry and Shrewsbury. The intention of the company is to develop at least 250 houses a year by the end of the 5 year business plan.

Embrace our Rurality

The Council is working to develop a Community and Rural Strategy to help develop local economies and help communities support one another. Details of this has been shared with town and parish councils and the voluntary sector. It will also be important to reflect and build on the community support that has been evident during the COVID-19 pandemic in developing the strategy.

There is also plans to develop the next Local Transport Plan for Shropshire. This will include enhancing links to economic growth and the local plan review for each area but also incorporate Shropshire Council’s aspirations to tackle carbon emissions and climate change.

Care for those in Need at any Age

During January 2020, Ofsted and the Care Quality Commission conducted a week long joint inspection of the Special Educational Needs and/or Disabilities (SEND) services provided in Shropshire. Whilst the report identified some positive outcomes for young people it also identified significant areas of weakness. The inspectors determined that a Written Statement of Action is required because of significant areas of weakness in the area's practice. It was determined that the local authority and the area's clinical commissioning groups (CCGs) are jointly responsible for submitting the written statement to Ofsted. This is now being prepared with the CCG and will include initial actions such as reviewing the governance structure to ensure greater accountability across all partners and increased scrutiny of work undertaken to secure improvement.

The Council has again seen an increase in the number of Looked After Children in the county. The rate of increase in the year has slowed during 2019/20 however the rate of children looked after is higher than the national average.

Performance levels on delayed transfers of care from hospital have been maintained with teams pro-actively working with different hospital trusts on a day-to-day basis. Performance for the year to date shows that the Council remains on target for this and is within the top quartile of performers.

Your Council

The number of staff employed by the Council has increased by 40 over the course of the year and is due to the recruitment drive to attract new and additional social worker posts into the Council to help reduce the reliance on agency staff. Also there has been a restructure within the Highways team which has had a net effect of increasing the number of posts within the structure, and also a number of casual staff in leisure services have now been contracted.

All staff have seen a change in the way that that services are delivered since the start of the pandemic with over 2,000 staff working from home on the Council's IT systems. It has also been necessary to redeploy some staff to support the delivery of essential services during the pandemic, particularly for staff where their service areas have not been able to be provided over the period. It has also been necessary to furlough some staff, particularly in services that have stopped and were funded purely by income generation from fees and charges.

It should be noted that whilst the COVID-19 pandemic has had a significant impact on service provision, the ability to continue to deliver essential services in a different and more efficient way has provided the Council with the opportunity to consider how services will be delivered by the Council in the future.

Current and Future Prospects

The Council produced a Medium Term Financial Strategy for the period 2020/21 – 2024/45, and whilst the plan had managed to identify a balanced budget for 2020/21 through the use of one off grant balances and reserves, the future financial plan does not yet deliver a balanced and sustainable budget for the long-term future. Obviously the COVID-19 pandemic has impacted the delivery of the 2020/21 budget significantly with an anticipated cost pressure of £11.56m arising from addressing the need to support communities and deliver social distancing measures during 2020/21, and reduced income of £15.37m as a result of having to close facilities and reduced council tax and business rate income of £5.18m. There has also been an impact on planned savings delivery for 2020/21 with delays anticipated in delivering savings, due to the Council needing to focus instead on delivering emergency support to the communities of Shropshire. Overall it is anticipated that the Council will have a budgetary pressure of just under £36m arising from COVID-19. The Government has provided two tranches of funding to help support local authorities and this totals £17.918m leaving a shortfall of £17.8m still to be funded. The Government are now planning to provide a further increase to the grant provided, although by comparison this is anticipated to be significantly lower than the amount provided so far, but they also propose to provide income guarantees to help address the funding pressure that authorities face. The full details are still to be received although any assistance would reduce the need to use the Financial Strategy Reserve which had been earmarked for 2021/22 and so will allow time for the Council to reconsider its future financial strategy more fully in 2020/21 when the full impact of Covid-19 can be determined.

The impact of the COVID-19 pandemic has also meant that the introduction of 75% business rates retention alongside the fair funding review has been further delayed back to the 2022/23 financial year. The uncertainty over the detail of these proposals makes it extremely difficult for the Council to formulate any long term plans to deliver a sustainable budget and future for the Council.

Next year we will be investing over £127 million of capital funding into local projects. The capital programme remains priority led, reflecting the need for growth in the Shropshire economy, investment in infrastructure and roads, and significant funding to deliver superfast broadband across much of Shropshire in the coming years.

The bottom line is, of course, that we have a statutory duty to set a legal budget. This is becoming increasingly difficult as each year progresses. The two emergency events of flooding and COVID-19 have demonstrated the need to hold sufficient balances in reserve to assist with balancing the books should these be required, however the delivery of continual savings on the budget is becoming more and more difficult. The authority needs to understand the longer term financial funding position from the Government as soon as possible so that it can make sustainable decisions that will deliver a long term financial plan for the authority.

Brexit

The UK formally left the EU on 31 January 2020 but then entered a period of transition which is due to end on 31 December 2020. The Council has received £0.315m in Government funding over 2018/19 and 2019/20 in order to prepare for Brexit. So far, the Council has spent £0.044m in preparations for Brexit, and further spend is anticipated in 2020/21 as the country moves towards the end of the transition period at the end of the 2020 calendar year. The Council is actively planning for any service changes that may be required in the event of Brexit and will be monitoring any potential impact that Brexit has on inflation or interest rates and hence on the financial position of the Council.

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 Director of Finance, Governance & Assurance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approved by Council

The Council's Statement of Accounts for 2019/20 was formally approved at a meeting of the Audit Committee on 29 October 2020.

Brian Williams
Vice Chair of the Audit Committee
18 November 2020

Responsibilities of Director of Finance, Governance & Assurance

The Director of Finance, Governance & Assurance 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 Director of Finance, Governance & Assurance 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 Director of Finance, Governance & Assurance 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 Director of Finance, Governance & Assurance

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 2020.

James Walton
Director of Finance, Governance & Assurance
18 November 2020

Audit Opinion and Certificate

Shropshire Council

Audit Opinion and Certificate

Independent auditor's report to the members of Shropshire Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shropshire Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include Notes to the Core Statements, Notes to the Housing Revenue Account, Notes to the Collection Fund and Notes to Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

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 2020 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 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance, Governance and Assurance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance, Governance and Assurance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance, Governance and Assurance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Finance, Governance and Assurance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 4 to the financial statements, the outbreak of Covid-19, has seen many sectors of real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value. A material valuation uncertainty was therefore disclosed in both the Authority's land and buildings and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance, Governance and Assurance is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance, Governance and Assurance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Governance and Assurance. The Director of Finance, Governance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Governance and Assurance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Governance and Assurance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Percival

Richard Percival, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

19 November 2020

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.

2018/19 Restated				2019/20		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 6, 7, 8 and 9)			
163,329	(61,452)	101,877	Adult Social Care	177,619	(64,931)	112,688
9,741	(18,150)	(8,409)	Local Authority Housing	10,380	(18,366)	(7,986)
198,979	(143,422)	55,557	Children's Services	196,766	(127,946)	68,820
64,305	(61,691)	2,614	Finance, Governance and Assurance	56,965	(54,188)	2,777
604	(491)	113	Legal and Democratic Services	1,703	(1,027)	676
135,016	(44,889)	90,127	Place	156,708	(45,499)	111,209
0	0	0	Strategic Management Board	0	0	0
5,740	(60)	5,680	Workforce and Transformation	5,743	(61)	5,682
133	(7,133)	(7,000)	Corporate	14,654	(10,121)	4,533
577,847	**(337,288)**	**240,559**	**Net Cost of Services**	**620,538**	**(322,139)**	**298,399**
		81,827	Other Operating Expenditure (Note 12)			27,542
		30,986	Financing and Investment Income and Expenditure (Note 13)			39,556
		(284,993)	Taxation and Non Specific Grant Income (Note 14)			(292,441)
		68,379	**(Surplus) or Deficit on Provision of Services**			**73,056**
		(39,431)	(Surplus) or Deficit on Revaluation of Non-Current Assets			(92,765)
		119	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			0
		56,992	Remeasurement of the Net Defined Benefit Liability			(28,057)
		17,680	**Other Comprehensive Income and Expenditure**			**(120,822)**
		86,059	**Total Comprehensive Income and Expenditure**			**(47,766)**

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.

2019/20	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 2019	**15,536**	**71,726**	**87,262**	**9,814**	**4,240**	**34,398**	**135,714**	**217,756**	**353,470**
Movement in reserves during 2019/20									
Surplus or (deficit) on the provision of services	(78,772)	0	**(78,772)**	5,716	0	0	**(73,056)**	0	**(73,056)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	120,822	**120,822**
Total Comprehensive Income and Expenditure	**(78,772)**	**0**	**(78,772)**	**5,716**	**0**	**0**	**(73,056)**	**120,822**	**47,766**
Adjustments between accounting basis & funding basis under regulations (Note 10)	73,083	0	**73,083**	(5,459)	252	7,587	**75,463**	(75,463)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(5,689)**	**0**	**(5,689)**	**257**	**252**	**7,587**	**2,407**	**45,359**	**47,766**
Transfers to/(from) Earmarked Reserves (Note 11)	3,663	(3,733)	**(70)**	70	0	0	**0**	0	**0**
Increase/(Decrease) in 2019/20	**(2,026)**	**(3,733)**	**(5,759)**	**327**	**252**	**7,587**	**2,407**	**45,359**	**47,766**
Balance at 31 March 2020	**13,510**	**67,993**	**81,503**	**10,141**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**

Movement In Reserves Statement

2018/19	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 2018	**15,311**	**69,839**	**85,150**	**8,225**	**4,514**	**21,426**	**119,315**	**320,214**	**439,529**
<u>Movement in reserves during 2018/19</u>									
Surplus or (deficit) on the provision of services	(74,082)	0	**(74,082)**	5,703	0	0	**(68,379)**	0	**(68,379)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	(17,680)	**(17,680)**
Total Comprehensive Income and Expenditure	**(74,082)**	**0**	**(74,082)**	**5,703**	**0**	**0**	**(68,379)**	**(17,680)**	**(86,059)**
Adjustments between accounting basis & funding basis under regulations (Note 10)	76,194	0	**76,194**	(4,114)	(274)	12,972	**84,778**	(84,778)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,112**	**0**	**2,112**	**1,589**	**(274)**	**12,972**	**16,399**	**(102,458)**	**(86,059)**
Transfers to/(from) Earmarked Reserves (Note 11)	(1,887)	1,887	**0**	0	0	0	**0**	0	**0**
Increase/(Decrease) in 2018/19	**225**	**1,887**	**2,112**	**1,589**	**(274)**	**12,972**	**16,399**	**(102,458)**	**(86,059)**
Balance at 31 March 2019	**15,536**	**71,726**	**87,262**	**9,814**	**4,240**	**34,398**	**135,714**	**217,756**	**353,470**

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'.

2018/19		2019/20	
£000		£000	£000
1,069,254	Property, Plant & Equipment (Note 15)	1,138,479	
2,335	Heritage Assets	2,260	
50,884	Investment Property (Note 16)	47,652	
4,051	Intangible Assets	7,376	
599	Assets Held for Sale	585	
1,127,123	**Total Non Current Assets**		**1,196,352**
40,920	Long Term Investment (Note 21)	20,206	
19,564	Long Term Debtors (Note 21)	19,857	
1,187,607	**Total Long Term Assets**		**1,236,415**
	Current Assets		
3,822	Current Held for Sale Investment Properties (Note 16)	740	
1,432	Assets Held for Sale	3,102	
64,910	Short Term Investments (Note 21)	64,500	
702	Inventories	572	
55,943	Short Term Debtors (Notes 21, 23 & 24)	67,373	
64,060	Cash & Cash Equivalents (Notes 21 & 25)	93,007	
190,869	**Total Current Assets**		**229,294**
1,378,476	**Total Assets**		**1,465,709**
	Current Liabilities		
(7,005)	Bank Overdraft (Notes 21 & 25)	(14,644)	
(1,101)	Deferred Income	0	
(10,873)	Short Term Borrowing (Note 21)	(6,013)	
(76,401)	Short Term Creditors (Notes 21 & 26)	(106,991)	
(2,167)	Provisions (Note 27)	(3,576)	
(3,180)	Grants Receipts in Advance - Revenue (Note 39)	(10,446)	
(2,779)	Grants Receipts in Advance - Capital (Note 39)	(4,893)	
(103,506)	**Total Current Liabilities**		**(146,563)**
1,274,970	**Total Assets Less Current Liabilities**		**1,319,146**
	Long Term Liabilities		
(661)	Long Term Creditors (Note 21)	(649)	
(307,568)	Long Term Borrowing (Note 21)	(303,568)	
(112,406)	Other Long Term Liabilities (Note 20)	(106,914)	
(490,621)	Pensions Liability (Note 42)	(495,700)	
(10,244)	Provisions (Note 27)	(11,079)	
(921,500)	**Total Long Term Liabilities**		**(917,910)**
353,470	**Net Assets**		**401,236**
	Financed by:		
135,714	Usable Reserves (Note 28)	138,121	
217,756	Unusable Reserves (Note 29)	263,115	
353,470	**Total Reserves**		**401,236**

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.

2018/19 £000	Revenue Activities	2019/20 £000	2019/20 £000
68,379	Net (surplus) or deficit on the provision of services	73,056	
(139,956)	Adjust net surplus or deficit on the provision of services for non cash movements	(152,807)	
74,081	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	55,113	
2,504	**Net cash flows from Operating Activities (Note 30)**		**(24,638)**
(26,272)	Investing Activities (Note 31)	(5,390)	
(870)	Financing Activities (Note 32)	8,720	
(24,638)	**Net (increase) or decrease in cash and cash equivalents**		**(21,308)**
32,417	Cash and cash equivalents at the beginning of the reporting period		57,055
57,055	**Cash and cash equivalents at the end of the reporting period (Note 25)**		**78,363**

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 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on the assumption that the Council will continue to operate for the foreseeable future. This assumption is made because the Council carries out functions essential to the local community and are themselves revenue-raising bodies. If the Council were in financial difficulty alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

1.2 Accruals of Expenditure and Income

Revenue transactions are recorded on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

Cash is defined for the purpose of this statement, as cash in hand and deposits with financial institutions repayable on demand without penalty on notice. Cash equivalents are short term, highly liquid investments, normally with a maturity of 90 days or less, that are readily convertible to known amounts of cash.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.5. Non-Current Assets - Intangible

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

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

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

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

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

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

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than 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 (Fair 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)
Infrastructure	Historic Cost (HC)
Community Assets	Historic Cost (HC)
Non-operational	
Surplus Assets	Market Value (MV) fair value measurement estimated at highest and best use from a market participant's perspective.
Assets Under Construction	Historic Cost (HC)

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

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 1.9), 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 capital value of £2.5m or over, where depreciation is £100,000 per annum or over, or any component that represents 25% of the total capital value.

Derecognition

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

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

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

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

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance in the Movement in Reserves Statement.

Where a component of an asset is replaced or restored, the carrying amount of the old component is derecognised, based on the cost of the new component indexed back to the last valuation date. 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 reduced further based on an assessment of the level of enhancement.

1.7. 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.

1.8. 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.

1.9. 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.

1.10. 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.

1.11. 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 1.15 (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 1.10 (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.

1.12. 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.

1.13. Heritage Assets

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

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

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

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

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

- **Museum and Archives artefacts**

<u>Museum Service</u>

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

Principal collections held by the Museum Service include:

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

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

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

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

Complete holdings are not valued, as items are generally unique and full valuation would be extremely expensive; however, some significant items have a market valuation at purchase or insurance valuation. As a consequence only those items for which the Museum Service holds an existing valuation (above a de-minimus threshold of £5,000) are recognised in the balance sheet. These principally consist of fine art paintings and items of decorative art. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Any new acquisitions will be recognised at purchase price valuation. Assets are not subject to a revaluation cycle, with revaluations only undertaken where required by the Museum Service.

Archives

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

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

Heritage Assets – Impairment

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

1.14. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure, used to finance expenditure under the new flexibilities around the use of Capital Receipts for transformational revenue purposes over the 4 year period 2018/19 to 2021/22 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.

1.15. 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.

1.16. 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.

1.17. Government Grants and Contributions

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. If there are outstanding conditions on the grant income the income is held on the Balance Sheet as a Government debtor/creditor. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and New Homes Bonus) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

Capital Grants

Grants and contributions relating to capital expenditure shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Council has not satisfied.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

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.

1.18. 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 Fair Value through Profit of Loss

The Council holds financial assets in the form of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, adjusted for accrued interest receivable at the year end. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

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

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

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

1.19. 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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.

1.20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

1.21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by the transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefits is not required, the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but any material liabilities will be disclosed in a separate note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if it is probable that there will be an inflow of economic benefits or service potential and the sum is material to the accounts.

1.22. Inventories

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

1.23. 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 2019/20. 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.

1.24. 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 and joint ventures have been consolidated within the Council's accounts on a cost basis or market value for property, plant and equipment. Accounting policies have been aligned between the Council and the companies consolidated in the Group.

1.25. Value Added Tax (VAT)

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

1.26. Employee Benefits

The Council accounts for employee benefits in accordance with the requirements of IAS 19 – Employee Benefits. This covers short-term employee benefits such as salaries, annual leave and flexi leave, termination benefits and post-employment benefits such as pension costs.

In accounting for annual leave the Council has categorised the staff into teachers and other staff. Teaching staff have been accounted for on the basis that working during term time entitles them to paid leave during the holidays e.g. working the Spring Term entitles them to paid Easter holidays. An accrual has been calculated based on the untaken holiday entitlement relating to the Spring Term. An accrual has been calculated for other staff based on the amount of untaken leave as at 31 March.

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. The cost of these are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure statement.

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pensions Scheme, administered by NHS Pensions;
- The Local Government Pensions Scheme, administered by Shropshire Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the Teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the two schemes in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)
- The assets of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.28. Foreign Currency Transactions

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transaction, by applying the spot exchange rate at the date of the transaction.

1.29. Private Finance Initiative (PFI) Schemes

PFI contracts are agreements to receive services, where the PFI contractor has responsibility for making available the assets needed to provide the services. The Council pays the contractor a payment, which is called a unitary charge, for the services delivered under the contract.

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. Further details of these PFI projects are set out later in the document. The Council is deemed to control the services provided under these two PFI schemes, and as ownership of property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the QICS scheme, the liability was written down by an initial capital contribution of £2.5m. At the commencement of the Waste contract the Council made various existing waste infrastructure assets available to the contractor. Under the Waste scheme, not all property, plant and equipment scheduled to be provided in the initial years of the contract has been provided and as a result part of the payments made to the scheme operator have been accounted for as a prepayment, with a corresponding entry also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge as a percentage (based on the Internal Rate of Return of the scheme) of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** – proportion of amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. On recognising the prepayment for lifecycle replacement costs a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account. Where works are carried out earlier than planned they are recognised as additions to Property, Plant and Equipment balanced by a temporary increase in the finance lease liability. When the programmed payment takes place the liability is written down.

1.30. Accounting for Council Tax and Non Domestic Rates

The Council Tax income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Shropshire Council as the billing authority and to the preceptors. This gives rises to a debtor or creditor position for the difference between cash collected from taxpayers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts and prepayments.

In relation to Non-Domestic Rates, Shropshire Council collects income due as an agency arrangement. As with council tax, the cash collected belongs proportionately to Shropshire Council as the billing authority, and to Central Government and Shropshire & Wrekin Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts, appeals and prepayments.

1.31. Accounting for Local Authority Maintained Schools

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

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

Community schools are owned by the Council and therefore recognised on the balance sheet.

The majority of Voluntary Aided and Voluntary Controlled schools in the Council area are owned by the respective Diocese. There is currently no legal arrangement in place for the School/Council to use the Diocese owned schools. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998. On this basis the school assets are used under "mere" licences and the assets are not recognised on the Council's balance sheet. The only exception to this is there are a small number of schools/part of schools that should have transferred to Diocese under Education Legislation; but the legal transfer has not been completed. These are still recognised in the Council balance sheet with an additional note disclosing that they are due to transfer.

Foundation schools owned by the Diocese are not recognised on the Council balance sheet as the position is the same as Voluntary Aided and Voluntary Controlled. Where ownership lies with the school or the school's Governing Body the School is recognised on the Council's Balance Sheet. There are a small number of schools who have recently changed their status to Foundation as part of local area Education Trusts. As yet no legal transfers have taken place of school land and buildings. On the assumption that these trusts will constitute the Governing

Bodies of these schools, the schools are to remain on-balance sheet. This will be reviewed when the legal transfers are agreed in case the position is different.

Academy schools are not maintained schools controlled by the Council and as such are not accounted for in the Council's Accounts. Schools in Council ownership (Community Schools) which become Academies are provided to the Academy on a 125 year peppercorn lease. When schools transfer to Academy status the assets are written out of the balance sheet as at the date that the asset transfers. Additional notes are included in the accounts disclosing details of any schools where approval by the Department for Education to transfer the School to Academy has been granted, but the school has not transferred by the balance sheet date.

1.32. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

1.33. Unquoted Equity Investments

The Council holds a majority share of the units in a Jersey Property Unit Trust. The minority share is held by wholly owned subsidiary of the Council - SSC NO.1 LTD a company registered in England and Wales. The asset has been held on the Balance Sheet at fair value through profit and loss and is valued annually. The Council and SSC NO.1 LTD are the beneficial owners of the property, through the trust, the nature of the trust is such that the Council has overall control of the trust through reserved matters. The trustees, who have to be resident in Jersey, make all day to day decisions affecting the trust in the best interests of the unit holders. The trust deeds set out that income and expenditure accrues to the unitholders as it arises and it is presented as such within these financial statements.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020/21 Code:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- IFRS 16 Leases

IFRS 16 Leases will change the way leases are accounted for in the financial statements with the majority of leases being accounted for on the Balance Sheet as a Right of Use asset with a corresponding liability. The code requires implementation from 1 April 2021. The impact will be assessed for the 2020/21 Statement of Accounts. The other changes are not expected to have a material impact on the Council’s accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty regarding future levels of funding for local government. The Council has undertaken the rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.
- The Council takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. One such judgement has been taken around Local Authority Maintained schools and particularly Voluntary Aided, Voluntary Controlled and Foundation schools that are not owned by the Council. The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states

that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the school's land and buildings on its Balance Sheet where it legally owns the assets or the school Governing Body own the school. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then 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 has taken a judgement on the control of the Jersey Property Unit Trusts and has determined that through the Council's power as a unit holder the Council has the rights to variable returns and has the ability to affect those returns. The Council has therefore accounted for the Council's share in the Jersey Property Unit Trust as an investment.

- The Council is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. The Council acts as accountable body for the LEP and therefore receives grant income on behalf of the LEP and processes expenditure in line with the grant schemes. The Council has concluded that the role of accountable body is to be deemed as an agent, and therefore the net grant held should not be accounted within the Council's accounts. Further details are provided at Note 45.

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

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

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2020:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation is carried out a minimum of every 5 years. A desktop valuation review is carried out to update all valuations annually to the Balance Sheet date.	There is a risk of material adjustment in the year when the property is revalued. A 1% increase in property valuations would result in a £2.000m increase in the valuation of Council dwellings and a £5.550m increase in the value of other land and buildings.
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	The outbreak of COVID-19, has seen many sectors of real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – can be attached to the valuations than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.	The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of COVID-19 on many sectors of the real estate market and the difficulty in differentiating between short term impacts and longer term structural market changes, valuations will be kept under frequent review.
Investment Properties	As they are are valued on a Market Value basis and can be more susceptible to valuation swings, linked to underlying market conditions and other asset specific changes; Investment Properties are subject to an annual valuation review and update to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.	A 1% movement in Investment Property valuations would result in a £0.484m movement in the valuation of Investment Properties.
	The outbreak of COVID-19, has seen many sectors of real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – can be attached to the valuations than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.	The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of COVID-19 on many sectors of the real estate market and the difficulty in differentiating between short term impacts and longer term structural market changes, valuations will be kept under frequent review.
Long Term Investments –	These are valued annually on a Market Value basis. As a result of the outbreak of COVID-19, market activity is being impacted in many	The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
unquoted equity investment	sectors affecting the use of previous market evidence for comparison purposes. Valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – can be attached to the valuations than would normally be the case.	COVID-19 valuations will be kept under frequent review. A 1% movement in the unquoted equity investment valuations would result in a £0.175m movement in the valuation of the Long Term Investments.
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 the percentage rateable value change of successful appeals is applied. An estimate is then calculated for unlodged appeals on the new rating list.	There is a risk that successful appeals will be significantly more than the estimate leading to an increased demand on the NDR collection fund in the year.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. In March 2020 there have been substantial falls in equity markets around the world in relation to the COVID-19 pandemic. This will have consequences for asset values, and these falls in equity markets will be reflected in the accounting figures as at March 2020.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.244m.
	The Shropshire County Pension Fund has reported a material valuation uncertainty due to the Covid-19 pandemic relating to property fund investments as at 31 March 2020.	The value of property fund assets is £36.371m. A 10% reduction in the value of these assets would have a £3.637m impact on the Council's net pension liability.
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	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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes to below.	
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 23% • Creditors 9%	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 £0.176m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.121m.
Debt Impairment	The balance of outsanding debtors, including Council Tax and Business Rates debtors, is assessed annually and a bad debt provision calculated to estimate the potential liability from non collection of the outstanding debts. The ongoing impact of COVID-19 has created uncertainly around future collection rates. The estimated impact of this has been included in the calculation however the long-term impact of this is currently unknown.	There is a risk that if collection rates were to deteriorate then the allowance for the impairment of bad debts would need to increase.

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance, Governance & Assurance on 18 November 2020. Events taking place after this date are not reflected in the financial statement or notes.

At balance sheet date, Department of Education approval had been granted to two schools to convert to Academy status. One school has converted to Academy School status in early 2020/21 financial year, this School was in part Council Ownership and the transfer to Diocese ownership was completed prior to the School converting to Academy. The value of the school and associated facilities in the 2019/20 accounts is £3.850m. The remaining school is in Council freehold ownership. The value of the school and associated facilities in the 2019/20 accounts is £5.169m and a conversion date is yet to be confirmed. These are considered as non-adjusting events after the reporting date.

6. EXPENDITURE AND FUNDING ANALYSIS

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

2018/19 Restated						2019/20				
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
104,494	(4,711)	99,783	2,094	101,877	Adult Services	109,080	333	109,413	3,275	112,688
0	(4,465)	(4,465)	(3,944)	(8,409)	Local Authority Housing	0	(3,098)	(3,098)	(4,888)	(7,986)
53,725	(2,967)	50,758	4,799	55,557	Children's Services	57,167	(2,312)	54,855	13,965	68,820
1,856	628	2,484	130	2,614	Finance, Governance & Assurance	2,326	241	2,567	210	2,777
552	(459)	93	20	113	Legal and Democratic Services	392	29	421	255	676
105,631	(58,826)	46,805	43,322	90,127	Place	64,481	(7,605)	56,876	54,333	111,209
(224)	224	0	0	0	Strategic Management Board	(107)	107	(0)	0	(0)
356	4,782	5,138	542	5,680	Workforce and Transformation	607	4,625	5,232	450	5,682
(57,742)	62,392	4,650	(11,650)	(7,000)	Corporate	(18,456)	20,620	2,164	2,369	4,533
208,648	**(3,402)**	**205,246**	**35,313**	**240,559**	**Net Cost of Services**	**215,490**	**12,940**	**228,430**	**69,969**	**298,399**
0	(208,947)	(208,947)	36,767	(172,180)	Other Income and Expenditure	0	(222,998)	(222,998)	(2,345)	(225,343)

2018/19 Restated						2019/20				
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
208,648	**(212,349)**	**(3,701)**	**72,080**	**68,379**	**Surplus or Deficit**	**215,490**	**(210,058)**	**5,432**	**67,624**	**73,056**
		93,375			Opening General Fund and HRA Balance			97,076		
		3,701			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(5,432)		
		97,076			**Closing General Fund and HRA Balance at 31 March***			**91,644**		

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

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2019/20												
Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Capital items reported at Directorate level (note 1) £000**	**Pension items reported at Directorate level (note 1) £000**	**Reserves reported at Directorate level (note 1) £000**	**Interest Payable and Receivable reported at Directorate level (note 2) £000**	**Reallocation of traded services and internal recharges (note 2) £000**	**Investment properties/Levies/revenue impairment reported at Directorate level (note 2) £000**	**Other Adjustments (note 3) £000**	**Total to arrive at amount charged to the general fund & HRA £000**	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustments £000**	**Other Differences £000**	**Total Adjustment between funding and accounting basis £000**
Adult Services	0	(1,803)	2,731	0	(502)	(142)	49	333	1,456	1,803	16	3,275
Local Authority Housing	0	0	0	0	0	0	(3,098)	(3,098)	(4,888)	0	0	(4,888)
Children's Services	0	(2,728)	266	(152)	458	(373)	217	(2,312)	10,836	2,728	401	13,965
Finance, Governance & Assurance	0	(209)	0	0	279	171	0	241	0	210	0	210
Legal & Democratic Services	0	(26)	121	0	(66)	0	0	29	229	26	0	255
Place	0	(1,596)	6,607	(11,941)	(1,660)	715	270	(7,605)	52,727	1,596	10	54,333
Strategic Management Board	0	0	0	0	107	0	0	107	0	0	0	0
Workforce & Transformation	0	(197)	3,115	0	1,707	0	0	4,625	253	197	0	450
Corporate	0	7,271	(9,374)	(8,882)	224	34	31,347	20,620	(4,298)	6,986	(319)	2,369
Net Cost of Services	**0**	**712**	**3,466**	**(20,975)**	**547**	**405**	**28,785**	**12,940**	**56,315**	**13,546**	**108**	**69,969**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(712)	744	20,975	(547)	(405)	(243,053)	(222,998)	(14,225)	12,277	(397)	(2,345)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**4,210**	**0**	**0**	**0**	**(214,268)**	**(210,058)**	**42,090**	**25,823**	**(289)**	**67,624**

2018/19 Restated

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
Adult Services	(1,123)	(880)	(1,787)	1	(477)	(445)	0	(4,711)	1,099	995	0	2,094
Local Authority Housing	0	0	0	0	0	0	(4,465)	(4,465)	(3,944)	0	0	(3,944)
Children's Services	(4,416)	(1,441)	2,651	(152)	374	(211)	228	(2,967)	4,244	555	0	4,799
Finance, Governance & Assurance	0	(130)	0	0	758	0	0	628	0	130	0	130
Legal & Democratic Services	(8)	(12)	(88)	0	(351)	0	0	(459)	8	12	0	20
Place	(46,654)	(793)	457	(11,516)	(1,068)	724	24	(58,826)	42,474	848	0	43,322
Strategic Management Board	0	0	0	0	224	0	0	224	0	0	0	0
Workforce & Transformation	(477)	(65)	4,188	0	1,136	0	0	4,782	477	65	0	542
Corporate	54,858	3,676	(7,190)	(9,553)	0	213	20,388	62,392	(4,061)	(7,267)	(322)	(11,650)
Net Cost of Services	**2,180**	**355**	**(1,769)**	**(21,220)**	**596**	**281**	**16,175**	**(3,402)**	**40,297**	**(4,662)**	**(322)**	**35,313**
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,180)	(355)	548	21,220	(596)	(406)	(227,178)	(208,947)	29,587	10,559	(3,379)	36,767
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**(1,221)**	**0**	**0**	**(125)**	**(211,003)**	**(212,349)**	**69,884**	**5,897**	**(3,701)**	**72,080**

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 charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2019/20 £000	2018/19 £000
Expenditure		
Employee benefits expenses	196,150	176,644
Other service expenses	395,127	364,199
Support service recharges	32,314	35,719
Depreciation, amortisation, impairment	68,574	62,859
Interest payments	25,916	26,003
Precepts and levies	8,339	7,880
Payments to Housing Capital Receipts Pool	584	585
(Gain)/Loss on the disposal of assets	18,532	73,362
Total Expenditure	**745,536**	**747,251**
Income		
Fees, charges and other service income	(165,491)	(160,127)
Interest and investment income	(2,129)	(1,920)
Income from council tax, non-domestic rates	(216,514)	(207,373)
Government grants and contributions	(288,346)	(309,452)
Total Income	**(672,480)**	**(678,872)**
Surplus or Deficit on the Provision of Services	**73,056**	**68,379**

9. REVENUE CONTRACTS WITH CUSTOMERS

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

Fees, charges and other service income	2019/20 £000	2018/19 £000
Adult Services	(42,698)	(38,780)
Local Authority Housing	(18,389)	(18,174)
Children's Services	(12,722)	(12,156)
Finance, Governance and Assurance	(8,669)	(8,983)
Legal and Democratic Services	(4,960)	(4,561)
Place	(59,116)	(59,915)
Strategic Management Board	(1,034)	(984)
Workforce and Transformation	(17,337)	(16,075)
Corporate	(566)	(499)
Total Income	**(165,491)**	**(160,127)**

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2019/20	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	25,822	0	0	0	0	(25,822)
Financial instruments	(319)	0	0	0	0	319
Council tax and NDR	(412)	0	0	0	0	412
Holiday pay	441	0	0	0	0	(441)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	59,610	(1,139)	3,953	0	14,227	(76,651)
Total Adjustments to Revenue Resources	**85,142**	**(1,139)**	**3,953**	**0**	**14,227**	**(102,183)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(2,465)	(2,633)	0	5,765	0	(667)
Administrative costs of non-current asset disposals	36	51	0	(87)	0	0
Payments to the government housing receipts pool	584	0	0	(584)	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	(6,990)	0	0	0	0	6,990
Capital expenditure financed from revenue balances	(3,224)	(1,738)	0	0	0	4,962
Total Adjustments between Revenue and Capital Resources	**(12,059)**	**(4,320)**	**0**	**5,094**	**0**	**11,285**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(5,135)	0	5,135
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,701)	0	0	3,701

2019/20	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Application of capital grants to finance capital expenditure	0	0	0	0	(6,640)	6,640
Cash payments in relation to deferred capital receipts	0	0	0	41	0	(41)
Total Adjustments to Capital Resources	**0**	**0**	**(3,701)**	**(5,094)**	**(6,640)**	**15,435**
Total Adjustments	**73,083**	**(5,459)**	**252**	**0**	**7,587**	**(75,463)**

2018/19 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	6,619	0	0	0	0	(6,619)
Financial instruments	(322)	0	0	0	0	322
Council tax and NDR	(3,379)	0	0	0	0	3,379
Holiday pay	(722)	0	0	0	0	722
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	82,678	(1,497)	3,979	0	15,063	(100,223)
Total Adjustments to Revenue Resources	**84,874**	**(1,497)**	**3,979**	**0**	**15,063**	**(102,419)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(827)	(2,221)	0	3,691	0	(643)
Administrative costs of non-current asset disposals	0	38	0	(38)	0	0
Payments to the government housing receipts pool	585	0	0	(585)	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	(6,150)	0	0	0	0	6,150
Capital expenditure financed from revenue balances	(2,288)	(434)	0	0	0	2,722
Total Adjustments between Revenue and Capital Resources	**(8,680)**	**(2,617)**	**0**	**3,068**	**0**	**8,229**

2018/19 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 Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(3,094)	0	3,094
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(4,253)	0	0	4,253
Application of capital grants to finance capital expenditure	0	0	0	0	(2,091)	2,091
Cash payments in relation to deferred capital receipts	0	0	0	26	0	(26)
Total Adjustments to Capital Resources	**0**	**0**	**(4,253)**	**(3,068)**	**(2,091)**	**9,412**
Total Adjustments	**76,194**	**(4,114)**	**(274)**	**0**	**12,972**	**(84,778)**

11. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	12,644	(8,152)	12,916	17,408	(4,363)	3,081	16,126
Insurance Reserves	4,165	(430)	207	3,942	(278)	100	3,764
Reserves of trading and business units	701	(223)	0	478	(536)	58	0
Reserves retained for service departmental use	44,957	(20,648)	19,162	43,471	(22,080)	22,518	43,909
School Balances	7,372	(5,377)	4,432	6,427	(6,078)	3,845	4,194
Total	**69,839**	**(34,830)**	**36,717**	**71,726**	**(33,335)**	**29,602**	**67,993**

RESERVES

Sums set aside for major schemes, such as capital developments, or to fund major reorganisations – includes redundancy reserve, and specific reserves to fund capital and major projects including service transformation within the Council.

Insurance Reserves – includes fire liability and motor insurance reserves to fund the Council's future self insurance liabilities.

Reserves of trading and business units – includes any balance carried forward in relation to Shire Services to help smooth trading profits and losses over future years.

Reserves retained for service departmental use – includes a number of specific earmarked reserves for known service expenditure in future years. Significant balances include the Financial Strategy 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 2019/20 Revenue Outturn report.

12. OTHER OPERATING EXPENDITURE

	2019/20 £000	2018/19 £000
Parish Council Precepts	8,211	7,754
Levies	128	125
Payments to the Government Housing Capital Receipts Pool	584	585
(Gains)/losses on the disposal of non-current assets*	18,279	73,346
(Gains)/losses on change in valuation of non-current assets	340	17
	27,542	**81,827**

* Losses on disposal in 2018/19 and 2019/20 include the transfer of schools to Academy which resulted in a significant asset value being written out of the balance sheet in 2018/19. Reduced number of schools have converted to Academy in 2019/20. Further details are provided at Note 15.

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20 £000	2018/19 £000
Interest payable and similar charges	25,916	26,003
Pensions interest cost and expected return on pensions assets	11,565	10,210
Interest receivable and similar income	(2,128)	(1,920)
Income and expenditure in relation to investment properties and changes in their fair value	2,625	(3,834)
Revenue Impairment Losses	461	517
Other Investment Income	0	(14)
(Surpluses)/deficits on Trading Activities	1,117	24
	39,556	**30,986**

14. TAXATION AND NON SPECIFIC GRANT INCOMES

	2019/20 £000	2018/19 £000
Council tax income	(165,000)	(156,469)
Non domestic rates	(51,514)	(50,904)
Non ringfenced government grants	(38,002)	(33,942)
Capital grants and contributions	(37,925)	(43,678)
	(292,441)	**(284,993)**

15. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2019/20.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2019	**196,767**	**526,312**	**19,883**	**525,492**	**3,578**	**2,115**	**7,525**	**1,281,672**	**137,179**
Additions	5,808	4,913	3,940	17,425	0	0	8,354	**40,440**	2,303
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10	48,862	0	0	0	(186)	0	**48,686**	4,801
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(630)	(4,015)	0	0	0	177	0	**(4,468)**	433
Derecognition – disposals	(2,020)	(17,805)	(61)	0	0	0	0	**(19,886)**	0
Derecognition – other	(142)	(1,951)	(1,463)	0	(617)	(80)	0	**(4,253)**	(1,111)
Assets reclassified (to)/from Held for Sale	(500)	(947)	0	0	0	(595)	0	**(2,042)**	0
Other movements in cost or valuation	732	(329)	0	353	0	1,294	(3,016)	**(966)**	0
At 31 March 2020	200,025	555,040	22,299	543,270	2,961	2,725	12,863	**1,339,183**	143,605
Depreciation and Impairments									
At 1 April 2019	**(136)**	**(30,243)**	**(6,803)**	**(172,770)**	**(1,448)**	**(1,018)**	**0**	**(212,418)**	**(9,650)**
Deprecation charge for 2019/20	(3,908)	(16,303)	(3,164)	(16,923)	(174)	(51)	0	**(40,523)**	(6,416)
Depreciation written out to the Revaluation Reserve	252	43,808	0	0	0	18	0	**44,078**	8,617

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,780	1,122	0	0	0	45	0	**4,947**	228
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	0
Derecognition – disposals	0	1,446	24	0	0	0	0	**1,470**	0
Derecognition – other	12	90	944	0	616	80	0	**1,742**	535
Other movements in depreciation and impairment	0	80	0	0	0	(80)	0	**0**	0
At 31 March 2020	**0**	**0**	**(8,999)**	**(189,693)**	**(1,006)**	**(1,006)**	**0**	**(200,704)**	**(6,686)**
NBV at 31 March 2020	**200,025**	**555,040**	**13,300**	**353,577**	**1,955**	**1,719**	**12,863**	**1,138,479**	**136,919**
NBV at 31 March 2019	**196,631**	**496,069**	**13,080**	**352,722**	**2,130**	**1,097**	**7,525**	**1,069,254**	**127,529**

The comparative movements in 2018/19 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2018	**193,735**	**578,293**	**18,120**	**507,329**	**3,573**	**2,311**	**5,334**	**1,308,695**	**135,823**
Additions	4,683	4,672	3,368	17,843	5	0	5,153	**35,724**	2,087
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(46)	22,076	0	0	0	159	0	**22,189**	2,765
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(297)	(4,227)	0	0	0	0	0	**(4,524)**	0
Derecognition – disposals	(1,483)	(76,337)	(393)	0	0	0	0	**(78,213)**	0

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Derecognition – other	0	(1,326)	(1,212)	0	0	(3)	0	**(2,541)**	(467)
Assets reclassified (to)/from Held for Sale	13	598	0	0	0	(162)	0	**449**	0
Other movements in cost or valuation	162	2,563	0	320	0	(190)	(2,962)	**(107)**	(3,029)
At 31 March 2019	**196,767**	**526,312**	**19,883**	**525,492**	**3,578**	**2,115**	**7,525**	**1,281,672**	**137,179**
Depreciation and Impairments									
At 1 April 2018	**0**	**(38,946)**	**(5,348)**	**(157,495)**	**(1,273)**	**(1,018)**	**0**	**(204,080)**	**(17,159)**
Depreciation charge for 2018/19	(3,943)	(15,922)	(2,861)	(15,275)	(175)	(6)	0	**(38,182)**	(6,207)
Depreciation written out to the Revaluation Reserve	0	17,241	0	0	0	0	0	**17,241**	10,229
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,807	35	0	0	0	0	0	**3,842**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(119)	0	0	0	0	0	**(119)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,373	0	0	0	0	0	**1,373**	0
Derecognition – disposals	0	4,176	204	0	0	0	0	**4,380**	0
Derecognition – other	0	49	1,202	0	0	3	0	**1,254**	458
Other movements in depreciation and impairment	0	1,870	0	0	0	3	0	**1,873**	3,029
At 31 March 2019	**(136)**	**(30,243)**	**(6,803)**	**(172,770)**	**(1,448)**	**(1,018)**	**0**	**(212,418)**	**(9,650)**
NBV at 31 March 2019	**196,631**	**496,069**	**13,080**	**352,722**	**2,130**	**1,097**	**7,525**	**1,069,254**	**127,529**
NBV at 31 March 2018	**193,735**	**539,347**	**12,772**	**349,834**	**2,300**	**1,293**	**5,334**	**1,104,615**	**118,664**

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of 6 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 £18.85m.

In addition there are a number of primary schools where a small part of the site is required to transfer from the Council to the Diocese, these are mainly as a result of extensions to schools which have been built across land still in Shropshire Council ownership (e.g. former playing field land). Work is ongoing to legally transfer these further sections and they are not included in the Council's balance sheet.

Academy Schools

In 2019/20 four further schools became Academies, of which three were in the ownership or part ownership of the Council. 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. Where they relate to Schools that should have transferred to the Diocese, this transfer is completed prior to Academy conversion. On this basis the schools is now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2019/20 for schools transferring was £16.40m.

At balance sheet date, Department of Education approval had been granted to two schools to convert to Academy status. One of which has converted to Academy School status in early 2020/21 financial year, this school was in part Council freehold ownership, included in the 6 Schools above to transfer to Diocese ownership and this transfer was completed prior to the School converting to Academy. The value of the school and associated facilities in the 2019/20 accounts is £3.85m. 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 (10-0 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 – average 5 years.
- Infrastructure – 5 to 40 years.

Capital Commitments

At 31 March 2020, 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 2020/21 and future years budgeted to cost £20.817m. Similar commitments at 31 March 2019 were £30.316m. The major commitments were:

- Rural Broadband - £3.938m.
- Highways & Transport schemes - £14.350m.

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 but are subject to an annual desktop review. All valuations are undertaken by the authority's internal Estates department for General Fund assest and Valuation Office Agency 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 fair values are:

- That the property is free from any undisclosed onerous burdens, outgoings or restrictions and that good title can be shown.
- That the land and property is not contaminated (including Radon Gas).
- The property and its values are unaffected by any matters which could be revealed by local search or inspection of any register and that the use and occupation of the asset are lawful.
- In valuing the property, plant and machinery have been excluded unless forming part of the structure and normally valued with the building.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional, e.g. Capital Gains Tax, or transaction costs, e.g. Stamp Duty.
- Details concerning "title" have been taken from the Council's Terrier.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- In providing Fair Value (Market Value) valuation assumptions have been made as to what is the "highest and best" use of the asset.
- The property has not been discussed with the Planning Authorities and therefore certain assumptions in respect of planning issues have been made in determining values. The assumptions made are based on information on file available to the Valuer when undertaking the Valuation.
- The remaining useful life of each asset has been estimated, these estimates are subject to ongoing planned maintenance programme.

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 carried out by the Council's internal valuation unit or 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	13,300	0	13,300
Valued at Fair Value as at:					
31-Mar-20	200,025	555,040	0	1,719	756,784
Total Cost or Valuation	**200,025**	**555,040**	**13,300**	**1,719**	**770,084**

All assets were subject to a Full or Desktop Valuations as at 31/03/20 to ensure the carrying amount reflected Fair 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:

	2019/20 £000	2018/19 £000
Schools, Children's Services and other Education Facilities	124,392	120,588
Culture & Heritage Buildings	80,495	69,728
Leisure & Recreation	63,509	60,492
Highways & Car Parks	69,233	48,316
Social Services	43,236	36,816
Administrative Offices	21,994	18,255
Waste Management Site	112,102	104,839
Business / Commercial Sites (including Markets)	17,565	15,072
Housing Services (including Gypsy Sites)	11,563	10,657
Smallholdings	9,125	8,924
Other	1,826	2,382
Total	**555,040**	**496,069**

16. INVESTMENT PROPERTIES

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

	2019/20 £000	2018/19 £000
Rental income & service charges from investment property	(1,316)	(1,393)
Direct operating expenses arising from investment property	350	419
Net (gain)/loss	**(966)**	**(974)**

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 2019/20 £000	Long term 2018/19 £000	Current 2019/20 £000	Current 2018/19 £000
Balance at start of the year	50,884	54,845	3,822	0
Additions:				
- Purchases	1,975	0	0	0
- Subsequent expenditure	24	48	0	0
Disposals	(25)	(48)	(3,822)	0
Net gains/(losses) from fair value adjustments	(2,456)	2,861	(1,135)	0
Transfers:				
- To/(from) Property, Plant and Equipment	(875)	(3,000)	0	0
- To/(from) Current/Long term	(1,875)	(3,822)	1,875	3,822
Balance at end of the year	**47,652**	**50,884**	**740**	**3,822**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

2019/20 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 2020 £000
Residential (market rental) properties	0	5,621	0	5,621
Land	0	33,502	0	33,502
Commercial units	0	9,269	0	9,269
Total	**0**	**48,392**	**0**	**48,392**

2018/19 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 2019 £000
Residential (market rental) properties	0	7,397	0	7,397
Land	0	38,426	0	38,426
Commercial units	4,662	4,221	0	8,883
Total	**4,662**	**50,044**	**0**	**54,706**

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, undertaken by the authority's internal Estates Department for General Fund assets and Valuation Office Agency for HRA assets. As Investment Properties are valued on a market value basis and hence more volatile to changes in valuation, they are also subject to annual desktop review, to ensure the valuation reflects current value at the balance sheet date.

17. LONG TERM UNQUOTED EQUITY INVESTMENT

The Council held the following unquoted equity investments:

	2019/20 £000	2018/19 £000
Balance at start of the year	40,520	52,205
Purchases		
Shrewsbury Retail Unit Trusts	2,856	181
Disposals		
Shrewsbury Retail Unit Trusts	(64)	(390)
Revaluation		
Shrewsbury Retail Unit Trusts	(23,506)	(11,476)
Balance at 31 March	**19,806**	**40,520**

All of the units in the trusts were previously owned by Standard Life Aberdeen and were sold to the Council on the 24th January 2018. The trust is a registered trust in Jersey and is regulated by the Jersey financial services authority and is also approved by the UK Government as a "Baker trust" for tax purposes.

In order to comply with the rules of the trust a percentage of the units are held by the Council directly and the remaining units are held by SSC NO.1 LTD, a wholly owned subsidiary of the Council.

The trusts are independently controlled by professional trustees who are based in Jersey. They appoint managing agents, collect rents, pay costs and run the trust in the best interests of the unit holders. The trust deed confirms the ability of the Council to remove the trustees and also has the power to remove the majority or all of the investee's board and therefore has power over the trustee. For this reason the trust will be consolidated into the Council's financial statements.

In accordance with the trust deeds income and expenditure accrues to the unitholders as it arises and this is recognised in the Council's financial statements. The investment was revalued as at 31st March 2020 and the resulting revaluation loss has been recognised in the Council's financial statements.

The wholly owned subsidiary SSC NO.1 LTD is a company incorporated in England and Wales and was incorporated on the 19th January 2018. It has been consolidated in the group accounts. Its issued share capital at the 31st March 2020 was £1, it holds £0.019m in cash and owes the Council £0.574m being the initial value of their share of the total trust assets and additional subscriptions.

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.

	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	**474,213**	**476,516**
Capital investment		
Property, Plant and Equipment	40,440	35,772
Investment Properties	1,999	0
Long Term Investment	2,792	(208)
Intangible Assets	2,841	3,494
Revenue Expenditure Funded from Capital under Statute	18,561	15,958
Capital Loans	750	0
Sources of finance		
Capital receipts	(5,135)	(3,094)
Capital grants and other contributions	(40,756)	(41,100)
Direct Revenue Financing (Including MRA)	(8,662)	(6,975)
Minimum Revenue Provision	(6,990)	(6,150)

	2019/20 £000	2018/19 £000
Closing Capital Financing Requirement (including PFI & Finance Lease)	**480,053**	**474,213**
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	293,721	286,214
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	84,805	84,805
Closing Capital Financing Requirement – PFI & Finance Lease	101,527	103,194
	480,053	**474,213**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(2,441)	(2,491)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	9,947	2,129
Assets acquired under finance leases	0	0
Assets acquired under PFI contracts	(1,666)	(1,942)
Increase/(decrease) in Capital Financing Requirement	**5,840**	**(2,304)**

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 at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below:

	QICS PFI		Waste PFI	
	Year Ended 31/03/20 £000	Year Ended 31/03/19 £000	Year Ended 31/03/20 £000	Year Ended 31/03/19 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	16,581	16,934	101,549	92,464
- Depreciation in Period	(353)	(353)	(3,909)	(3,909)
- Additions	0	0	57	0
- Revaluation/Impairment	3,069	0	11,011	12,994
- Derecognition	0	0	(57)	0
Balance Carried Forward	19,297	16,581	108,651	101,549
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	9,398	9,266
- Depreciation in Period	0	0	(2,154)	(1,945)
- Additions	0	0	2,246	2,087
- Derecognition	0	0	(519)	(10)
Balance Carried Forward	0	0	8,971	9,398
Prepayments				
Balance Brought Forward	0	0	9,212	9,385
- Planned Capital Expenditure	0	0	532	(173)
Balance Carried Forward	0	0	9,744	9,212
Finance Lease Liability				
Balance Brought Forward	(12,046)	(12,329)	(100,360)	(102,192)
- Additions	0	0	0	0
- Early Lifecycle	0	0	(199)	0
- Repayment of Principal	309	283	1,026	1,832
Balance Carried Forward	(11,737)	(12,046)	(99,533)	(100,360)

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	19,811	4,356	12,108	36,275
Amounts Falling Due Within 2 – 5 Years	99,393	18,793	42,137	160,323
Amounts Falling Due Within 6 – 10 Years	134,278	23,763	51,168	209,209
Amounts Falling Due Within 11 – 15 Years	164,684	31,958	38,361	235,003
Amounts Falling Due Within 16 – 20 Years	132,443	38,174	26,783	197,400
Amounts Falling Due Within 21 – 25 Years	0	0	0	0

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

20. LEASES

Authority as a Lessee

Finance Leases

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

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

	31 March 2020 £000	31 March 2019 £000
Buildings	127,947	118,130
Vehicles, Plant and Equipment (PFI)	8,972	9,398
Total	**136,919**	**127,528**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2020 £000	31 March 2019 £000
Finance lease liabilities (NPV of minimum lease payments)	117,045	118,179
Finance costs payable in future years	170,557	182,042
Minimum lease payments	**287,602**	**300,221**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Not later than one year	16,465	16,326	4,356	4,551
Later than one year and not later than five years	60,930	59,190	18,793	16,523
Later than five years	210,207	224,705	93,896	97,105
Total	**287,602**	**300,221**	**117,045**	**118,179**

The finance lease liabilities recognised on the balance sheet as “Deferred Liabilities” totals £111.271m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 19 Private Finance Initiative Schemes.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	339	4,017	4,356
Lease liability (due after 1 year)	11,398	95,516	106,914
Total	**11,737**	**99,533**	**111,270**

Operating Leases

The Council has acquired vehicles and equipment by entering into operating leases, with typical lease lengths of three 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 2020 £000	31 March 2019 £000
Expiring not later than one year	329	282
Expiring later than one year and not later than five years	115	425
Expiring later than five years	445	366
Total	**889**	**1,073**

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

	31 March 2020 £000	31 March 2019 £000
Lease payments	1,149	1,221
Sub Lease receivable	0	0
Total	**1,149**	**1,221**

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 2020 £000	31 March 2019 £000
Expiring not later than one year	1,034	1,268
Expiring later than one year and not later than five years	501	445
Expiring later than five years	941	1,021
Total	**2,476**	**2,734**

As a result of the impact of Covid-19 a number of tenants applied to defer their payments for a 3 month period covering April, May and June. The sum deferred is due to be collected over a 12 month period commencing July 2020 alongside the usual payments due for that period.

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-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000
Fair value through profit or loss										
Long Term Equity Instruments	19,806	40,520	0	0	0	0	0	0	19,806	40,520
Amortised cost										
Investment	400	400	19,857	19,564	64,500	64,910	44,958	29,330	129,715	114,204
Cash and Cash Equivalents	0	0	0	0	92,560	63,710	0	0	92,560	63,710
Total financial assets	**20,206**	**40,920**	**19,857**	**19,564**	**157,060**	**128,620**	**44,958**	**29,330**	**242,081**	**218,434**
Non-financial assets	0	0	0	0	0	0	22,415	26,613	22,415	26,613
Total	**20,206**	**40,920**	**19,857**	**19,564**	**157,060**	**128,620**	**67,373**	**55,943**	**264,496**	**245,047**

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Principal	(303,568)	(307,568)	(649)	(661)	(4,026)	(8,866)	(81,583)	(57,297)	(389,826)	(374,392)
Loans accrued interest	0	0	0	0	(1,987)	(2,007)	0	0	(1,987)	(2,007)
Bank Overdraft	0	0	0	0	0	0	(14,644)	(7,005)	(14,644)	(7,005)
PFI and Finance lease liabilities	(106,914)	(112,406)	*0*	0	*0*	0	(4,356)	0	(111,270)	(112,406)
Total Financial Liabilities	**(410,482)**	**(419,974)**	**(649)**	**(661)**	**(6,013)**	**(10,873)**	**(100,583)**	**(64,302)**	**(517,727)**	**(495,810)**
Non financial liabilities	0	0	0	0	0	0	(21,052)	(19,104)	(21,052)	(19,104)
Total	**(410,482)**	**(419,974)**	**(649)**	**(661)**	**(6,013)**	**(10,873)**	**(121,635)**	**(83,406)**	**(538,779)**	**(514,914)**

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-20	31-Mar-19
	£000	£000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	44,958	29,330
Debtors that are not financial instruments	22,415	26,613
Total Debtors as per Balance Sheet	**67,373**	**55,943**
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(85,939)	(57,297)
Creditors that are not financial instruments	(21,052)	(19,104)
Total Creditors as per Balance Sheet	**(106,991)**	**(76,401)**

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 £1.961m 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 £0.299m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

Income, Expense, Gains and Losses

	2019/20		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	(23,506)	0	(11,476)	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	**(23,506)**	**0**	**(11,476)**	**0**
Interest revenue:				
Financial assets measured at amortised cost	(2,129)	0	(1,920)	0
Other financial assets measured at fair value through other comprehensive income	0	0	0	0
Total interest revenue	**(2,129)**	**0**	**(1,920)**	**0**

	2019/20		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest expense				
Interest Expense	25,916	0	26,003	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 2020 Carrying amount £000	Fair value £000	31 March 2019 Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	307,568	405,490	311,568	424,658
- PFI and finance lease liabilities	111,271	224,610	112,406	218,834

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

Financial Assets	31 March 2020 Carrying amount £000	Fair value £000	31 March 2019 Carrying amount £000	Fair value £000
Financial assets held at amortised cost				
Loans and receivables:				
Cash	35,500	35,514	35,500	35,500
Fixed Term Deposits	104,500	104,979	83,000	83,376
Money Market Funds	17,060	17,071	8,210	8,210
Short term investments	0	0	1,910	1,910
Long term debtors	19,857	19,857	19,564	19,564
Long term investments	20,206	20,206	43,820	43,820

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2020) attributable to the commitment to receive interest above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

Recurring fair value measurements using:	31-Mar-20 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	405,490	0	405,490
PFI and finance lease liabilities	0	224,610	0	224,610
Total	**0**	**630,100**	**0**	**630,100**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	157,564	0	157,564
Total	**0**	**157,564**	**750**	**158,314**

Recurring fair value measurements using:	31-Mar-19 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:				
Long term creditors	0	424,658	0	424,658
PFI and finance lease liabilities	0	218,834	0	218,834
Total	**0**	**643,492**	**0**	**643,492**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	127,086	0	127,086
Total	**0**	**127,086**	**750**	**127,836**

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets	Financial Liabilities
No early repayment or impairment is recognised	No early repayment is recognised
Estimated ranges of interest rates at 31 March 2020 of 0.08% to 0.52% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2020 of 1.9% to 2.65% 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	

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 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default and uncollectability at 31 March 2020	Estimated maximum exposure at 31 March 2020
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AAA	17,060	0.00	0.00	0.00	0.00
AA	40,000	0.02	0.00	0.00	0.00
A	47,500	0.05	0.09	0.00	0.00
BBB	0	0.16	0.00	0.00	0.00
Other Local Authorities	52,500	0.00	0.00	0.00	0.00
Debtors (Customers)	24,321	Local Experience	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 30 days credit. Of the £24.321m outstanding from customers £17.101m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2019/20 £000	2018/19 £000
Less than 3 months overdue	4,584	2,675
3 to 6 months overdue	2,262	1,563
6 months to 1 year overdue	2,679	2,353
More than 1 year overdue	7,576	5,155
	17,101	**11,746**

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	2019/20 £000	2018/19 £000
Less than 1 year	4,000	4,000
Between 1 and 2 years	12,000	16,000
Between 2 and 5 years	6,600	6,100
Between 5 and 10 years	28,487	13,500
More than ten years	256,481	271,968
	307,568	**311,568**

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council minimises this risk by seeking expert advice on forecasts on interest rates from its Treasury Management consultants, and agreeing with them the strategy for the forthcoming year for the investment and debt portfolios. Movement of actual interest rates against these expectations is monitored continuously with advice from our treasury advisor.

The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. Interest rate exposure limits and other prudential limits are set through this Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure.

As at 31 March 2020 the Council's total outstanding debt (excluding accrued interest) amounted to £307.594m of which none of these loans were at stepped interest rates. Out of this balance £258.368m relates to fixed rate Public Works Loan Board (PWLB) loans, £32.200m relates to Lenders Option Borrower Option (LOBO) market loans, £17.000m relates to Market Loans and £0.026m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. 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.

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 2020, £37.060m 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 2020.

	2019/20 £000	2018/19 £000
Debtors:		
Central Government Bodies	12,001	7,627
Other Local Authorities	4,455	1,702
NHS Bodies	5,060	5,461
Public Corporations and Trading Funds	0	2
Other Entities and Individuals	29,745	26,462
Prepayments	16,112	14,689
	67,373	**55,943**

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:

	2019/20 £000	2018/19 £000
Less than 1 year	4,584	4,176
1 – 2 years	2,204	1,740
2 – 3 years	1,333	1,255
More than 3 years	5,406	4,753
	13,527	**11,924**

25. CASH AND CASH EQUIVALENTS

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

	31 March 2020 £000	31 March 2019 £000
Bank current accounts	37,585	28,730
Short term deposits with building societies	55,422	35,330
Total Cash and Cash Equivalents	**93,007**	**64,060**
Bank Overdraft	(14,644)	(7,005)
Cash Overdrawn	**(14,644)**	**(7,005)**

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 2020.

	2019/20 £000	2018/19 £000
Creditors:		
Central Government Bodies	(12,551)	(9,558)
Other Local Authorities	(1,348)	(1,166)
NHS Bodies	(358)	(149)
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(83,727)	(56,482)
Receipts In Advance	(9,007)	(9,046)
	(106,991)	**(76,401)**

27. PROVISIONS

The value of provisions held as at 31 March 2020 are as follows:

	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Short Term Provisions							
Accumulated Absences Account	2,608	(2,608)	1,887	1,887	(1,887)	2,328	2,328
Environmental Maintenance Provision	578	(468)	7	117	(117)	0	0
Rent Top Up Provision	267	(265)	161	163	(166)	38	35
Highways & Transport Provision	0	0	0	0	0	834	834
Cultural Provision	0	0	0	0	0	191	191
Termination Benefits	0	0	0	0	0	188	188
Total Short Term Provisions	**3,453**	**(3,341)**	**2,055**	**2,167**	**(2,170)**	**3,579**	**3,576**
Long Term Provisions							
AWM	224	0	0	224	0	0	224
S106	73	0	0	73	0	0	73
Rent Top Up Provision	168	(166)	0	2	(2)	0	0
Liability Insurance	3,824	(8)	186	4,002	(23)	234	4,213
NDR Appeals	3,536	(3,616)	5,857	5,777	(981)	1,594	6,390
Tenancy Deposit Clawbacks	145	(8)	29	166	(13)	26	179
Total Long Term Provisions	**7,970**	**(3,798)**	**6,072**	**10,244**	**(1,019)**	**1,854**	**11,079**
Total Provisions	**11,423**	**(7,139)**	**8,127**	**12,411**	**(3,189)**	**5,433**	**14,655**

28. USABLE RESERVES

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

	31 March 2020 £000	31 March 2019 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	4,492	4,240
Earmarked Reserves	67,993	71,726
Capital Grants Unapplied Account	41,985	34,398
HRA Balance	10,141	9,814
General Fund Balance	13,510	15,536
Total Usable Reserves	**138,121**	**135,714**

29. UNUSABLE RESERVES

	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	245,600	164,812
Capital Adjustment Account	513,890	553,330
Financial Instruments Adjustment Account	(3,998)	(4,317)
Deferred Capital Receipts Reserve	2,149	661
Pensions Reserve	(495,700)	(497,935)
Collection Fund Adjustment Account	3,503	3,091
Accumulated Absences Account	(2,328)	(1,887)
Total Unusable Reserves	**263,116**	**217,756**

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	**164,812**	**155,077**
Upward revaluation of assets	97,077	40,416
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,312)	(1,104)

	2019/20 £000	2018/19 £000
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**92,765**	**39,312**
Difference between fair value depreciation and historical depreciation	(7,004)	(6,404)
Accumulated gains on assets sold or scrapped	(4,973)	(23,173)
Other transfers to the Capital Adjustment Account	0	0
Amount written off to the Capital Adjustment Account	**(11,977)**	**(29,577)**
Balance at 31 March	**245,600**	**164,812**

Capital Adjustment Account

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

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

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

Note 10 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2019/20 £000	2018/19 £000
Balance at 1 April	**553,330**	**606,309**
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	(40,593)	(36,886)
- Revaluation losses on Property, Plant and Equipment	138	(700)
- Revaluation loss on Long Term Investment	(23,506)	(11,476)
- Amortisation of intangible assets	(1,362)	(717)
- Revenue expenditure funded from capital under statute	(18,561)	(15,958)
- 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	(25,485)	(76,998)
	(109,369)	**(142,735)**
Adjusting amounts written out of the Revaluation Reserve	**11,977**	**29,577**

	2019/20 £000	2018/19 £000
Net written out amount of the cost of non current assets consumed in the year	**(97,392)**	**(113,158)**
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	5,135	3,094
- Use of the Major Repairs Reserve to finance new capital expenditure	3,700	4,253
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,115	39,009
- Application of grants to capital financing from the Capital Grants Unapplied Account	6,641	2,091
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,990	6,150
- Capital expenditure charged against the General Fund and HRA balances	4,962	2,722
	61,543	**57,319**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(3,591)**	**2,860**
Balance at 31 March	**513,890**	**553,330**

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	**(4,317)**	**(4,638)**
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	4	6
Balance at 31 March	**(3,998)**	**(4,317)**

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	**661**	**687**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,529	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(41)	(26)
Balance at 31 March	**2,149**	**661**

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	**(497,935)**	**(434,324)**
Remeasurements of the net defined benefit liability/(asset)	28,057	(56,992)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(49,202)	(29,523)
Employer's pension contributions and direct payments to pensioners payable in the year	23,380	22,904
Balance at 31 March	**(495,700)**	**(497,935)**

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	**3,091**	**(288)**
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	412	3,379
Balance at 31 March	**3,503**	**3,091**

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	**(1,887)**	**(2,609)**
Settlement or cancellation of accrual made at the end of the preceding year	1,887	2,609
Amounts accrued at the end of the current year	(2,328)	(1,887)
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	**(441)**	**722**
Balance at 31 March	**(2,328)**	**(1,887)**

30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2019/20 £000	2018/19 £000
Interest received	(2,249)	(1,641)
Interest paid	25,940	25,998
Dividends received	0	(14)

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

	2019/20 £000	2018/19 £000
Depreciation	40,593	36,886
Impairment and downward valuations	(138)	700
Amortisation	1,362	717
Impairment losses on Investments debited to surplus or deficit on the provision of services in year	23,506	11,476
Increase/Decrease in Interest Creditors	(24)	5
Increase/Decrease in Creditors	34,353	(4,253)
Increase/Decrease in Interest and Dividend Debtors	121	(279)
Increase/Decrease in Debtors	(10,886)	6,447
Increase/Decrease in Inventories	130	(220)
Pension Liability	33,136	13,993
Contributions to/(from) Provisions	2,244	988
Carrying amount of non-current assets sold	24,819	76,356
Movement in Investment Property Values	3,591	(2,860)
	152,807	**139,956**

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

	2019/20 £000	2018/19 £000
Carrying amount of short and long term investment sold	523	(16,319)
Capital Grants credited to surplus or deficit on the provision of services	(48,343)	(54,072)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,293)	(3,690)
Non cash adjustments	**(55,113)**	**(74,081)**

31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2019/20 £000	2018/19 £000
Purchase of property, plant and equipment, investment property and intangible assets	48,698	32,117
Purchase of short term and long term investments	2,856	182
Other payments for investing activities	1,542	563
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(50)	(2,334)
Other receipts from investing activities*	(58,436)	(56,800)
Net cash flows from investing activities	**(5,390)**	**(26,272)**

* This includes capital grants received in year.

32. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2019/20 £000	2018/19 £000
Cash receipts of short and long-term borrowing	0	(4,840)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	1,334	1,601
Repayments of short and long term borrowing	8,852	6,411
Other payments for financing activities*	(1,466)	(4,042)
Net cash flows from financing activities	**8,720**	**(870)**

* Represents change in value of NNDR debtor/creditor

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2019/20 1 April £000	Financing cash flows £000	Non-cash changes Acquisition £000	Other non-cash changes £000	2019/20 31 March £000
Long-term borrowings	307,568	0	0	(4,000)	303,568
Short-term borrowings					
- Lease liabilities	10,873	(8,860)	0	4,000	6,013
- On balance sheet PFI liabilities	112,406	(1,335)	0	199	111,270
Total liabilities from financing activities	**430,847**	**(10,195)**	**0**	**199**	**420,851**

	2018/19 1 April £000	Financing cash flows £000	Non-cash changes Acquisition £000	Other non-cash changes £000	2018/19 31 March £000
Long-term borrowings	311,568	0	0	(4,000)	307,568
Short-term borrowings					
- Lease liabilities	8,457	(1,584)	0	4,000	10,873
- On balance sheet PFI liabilities	114,521	(1,601)	0	(514)	112,406
Total liabilities from financing activities	**434,546**	**(3,185)**	**0**	**(514)**	**430,847**

34. TRADING OPERATIONS

The Council has a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of these units with a turnover of greater than £5m in 2019/20 are as follows:

		2019/20 £000	2019/20 £000	2018/19 £000	2018/19 £000
Shire Services operates as a trading organisation within the Council, delivering catering and cleaning services. Shire Services provides catering services to schools in Shropshire, Worcestershire, Herefordshire, Telford and North Wales, as well as to a range of non-school sites in Shropshire. Cleaning services are provided to schools and other Council premises in Shropshire, including the Area Headquarters.	Turnover	(16,171)		(15,239)	
	Expenditure	17,018		15,799	
	(Surplus)/ Deficit		**847**		**560**
The consolidated results of the other Council's trading units are:	Turnover	(38,284)		(38,024)	
	Expenditure	38,554		37,488	
	(Surplus)/ Deficit		**270**		**(536)**
Net Surplus on Trading Activities			**1,117**		**24**

35. MEMBERS' ALLOWANCES

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

	2019/20 £000	2018/19 £000
Basic Allowances	848	850
Special Responsibility Allowances	278	285
Expenses	43	59
Total	**1,169**	**1,194**

36. OFFICERS' REMUNERATION

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

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Chief Executive – Clive Wright	2019/20	£153,000	£0	£153,000	£22,644	£175,644
	2018/19	£140,278	£0	£140,278	£20,761	£161,039
Acting Interim Chief Executive (started 25th February 2020)	2019/20	£1,993	£0	£1,993	£295	£2,288
Acting Interim Chief Executive (started 25th February 2020)	2019/20	£1,993	£0	£1,993	£295	£2,288
Executive Director of Adult Services ^	2019/20	£132,600	£0	£132,600	£19,625	£152,225
	2018/19	£116,474	£0	£116,474	£17,238	£133,712
Executive Director of Children's Services	2019/20	£131,706	£0	£131,706	£19,492	£151,198
	2018/19	£116,474	£0	£116,474	£17,238	£133,712
Director of Place & Enterprise (left post 29th April 2018)	2019/20	£0	£0	£0	£0	£0
	2018/19	£8,130	£0	£8,130	£1,203	£9,333
Executive Director of Place (started post 1st October 2018)	2019/20	£132,600	£0	£132,600	£0	£132,600
	2018/19	£65,000	£0	£65,000	£0	£65,000
Director of Public Health (left post 31st March 2019)	2019/20	£0	£0	£0	£0	£0
	2018/19	£104,489	£0	£104,489	£15,026	£119,515
Director of Legal and Democratic Services, Monitoring Officer	2019/20	£112,200	£0	£112,200	£16,606	£128,806
	2018/19	£105,597	£0	£105,597	£15,628	£121,225
Director of Finance, Governance & Assurance, S151 Officer°	2019/20	£112,200	£0	£112,200	£16,606	£128,806
	2018/19	£105,597	£0	£105,597	£15,628	£121,225
Director of Workforce & Transformation	2019/20	£112,200	£0	£112,200	£16,606	£128,806
	2018/19	£105,044	£0	£105,044	£15,547	£120,591

^ An element of the total remuneration paid to the Executive Director of Adult Services was recharged to Cornovii Ltd (£849) to reflect the role of Director in the company.

° An element of the total remuneration paid to the Director of Finance, Governance & Assurance is recharged to Shropshire County Pension Fund (£16,090), Shropshire & Wrekin Fire Authority (£16,010), West Mercia Energy (£9,980), and Marches LEP (£10,407) 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 remuneration disclosed below includes salary costs and expense allowances:

Salaried Remuneration Band £	2019/20 No. of Employees	2018/19^ No. of Employees
50,000 – 54,999	66	55
55,000 – 59,999	35	36
60,000 – 64,999	16	35
65,000 – 69,999	30	14
70,000 – 74,999	9	7
75,000 – 79,999	2	8
80,000 – 84,999	13	2
85,000 – 89,999	3	0
90,000 – 94,999	1	6
95,000 – 99,999	3	1
100,000 – 104,999	0	0
105,000 and above	1	1

^The 2018/19 figures include claims for reimbursement of expenses.

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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	35	22	60	41	95	63	492	455
£20,001 - £40,000	5	2	12	17	17	19	520	518
£40,001 - £60,000	3	2	3	4	6	6	299	286
£60,001 - £80,000	3	0	6	4	9	4	624	268
£80,001 +	3	2	5	8	8	10	1,009	1,197
	49	28	86	74	135	102	2,944	2,724

37. EXTERNAL AUDIT COSTS

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

	2019/20 £000	2018/19 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	127	112
Fees payable to external audit for the certification of grant claims and returns	13	13
Fees payable in respect of other services provided by the external audit during the year	8	8
Total	**148**	**133**

38. DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG for 2019/20 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2019/20 before Academy recoupment	41,333	163,254	204,587
Central provision with Schools and De-delegated Budgets	3,578	(3,578)	0
Early Years Maintained Settings included in ISB on S251	(1,022)	1,022	0
Re-Allocation of High Needs to ISB	397	(397)	0
High Needs Commissioned Places	(7,347)	7,347	0
High Needs Recoupment	0	(4,841)	(4,841)
Academy figure recouped for 2019/20	0	(101,555)	(101,555)
Total DSG after Academy recoupment for 2019/20	**36,939**	**61,252**	**98,191**
In year adjustments	0	244	244
Final budgeted distribution in 2019/20	**36,939**	**61,496**	**98,435**
Less: Actual central expenditure	(39,781)	0	(39,781)
Less: Actual ISB deployed to schools	0	(59,879)	(59,879)
Early Years Maintained Settings included in ISB on S251	0	(1,022)	(1,022)
Final expenditure in 2019/20	**(39,781)**	**(60,901)**	**(100,682)**
Carry forward to 2020/21	**(2,842)**	**595**	**(2,247)**

The deficit arising on the DSG has been agreed as a carried forward against school balances (earmarked reserves) and will be applied against the 20/21 grant next year.

39. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(6,119)	(13,301)
Local Services Support Grant	(243)	(252)
New Homes Bonus	(7,754)	(7,122)
Business Rates Relief Grant	(8,090)	(6,652)

	2019/20 £000	2018/19 £000
Rural Service Support Grant	(6,614)	(6,614)
Brexit Grant	(210)	0
Covid-19 LA Support Grant	(8,972)	0
Capital Grants & contributions	(37,925)	(43,678)
Total	**(75,927)**	**(77,619)**
Credited to Services		
DWP Housing Benefit	(51,473)	(58,897)
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	(646)	(717)
MHCLG Waste PFI	(3,186)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(98,435)	(115,314)
DFE/DE Sixth Forms funding	(799)	(1,420)
DFE Pupil Premium Grant	(3,758)	(4,784)
DFE UFSM	(1,847)	(2,425)
DFE PE & Sports	(1,456)	(1,567)
Teachers Pay Grant	(768)	(446)
Teachers Pension employer contribution grant	(1,545)	0
DfT Bus Services Operators Grant	(512)	(655)
Winter Pressure	(1,394)	(1,394)
Strengthening Families	(1,566)	(924)
Resettlement	(422)	(508)
HO Asylum Seekers	(574)	(228)
Landscape Partnership Scheme	0	(1)
DoH Public Health Grant	(11,683)	(12,000)
MHCLG/DoH Adult Social Care New Burdens	(2,381)	(871)
Independent Living Fund Grant	(1,512)	(1,559)
Improved Better Care Fund	(10,121)	(8,288)
DWP Discretionary Housing Payment Grant	(468)	0
School monitoring and brokering grant	(582)	(117)
Flexible Homelessness grant	(456)	(337)
Other Grants	(4,895)	(4,278)
Capital Grants & contributions	(10,417)	(10,393)
Total	**(212,419)**	**(231,831)**

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-20 £000	31-Mar-19 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(720)	(908)

	31-Mar-20 £000	31-Mar-19 £000
Department for Education	(29)	(1,312)
Environment Agency	(413)	(259)
Homes England	(90)	(187)
Department for Digital, Culture, Media and Sport	(172)	0
Other Grants & Contributions	(3,469)	0
Total	**(4,893)**	**(2,666)**
Grants Receipts in Advance (Revenue Grants)		
EFA Designated Schools Grant	0	0
MHCLG Tackling Troubled Families	(12)	(1,043)
Standards Fund	(416)	(297)
SEN Reform	0	(163)
Arts Council	0	(238)
MHCLG Social Services PFI	(210)	(210)
MHCLG Business Rates Retention	(8,589)	0
Asylum Seekers	(394)	(242)
Adoption Support Fund	(241)	(122)
Other Grants	(584)	(865)
Total	**(10,446)**	**(3,180)**
TOTAL	**(15,339)**	**(5,846)**

40. COMMUNITIES INFRASTRUCTURE LEVY

The Communities Infrastructure Levy (CIL) is a planning charge that is applied to most types of new development within the county. A balance of CIL is being held within Grants Receipts in Advance – Capital and Creditors.

	2019/20		2018/19	
	£000	£000	£000	£000
Opening Balance April		**(23,100)**		**(17,251)**
Receipts received	(8,590)		(8,112)	
Expenditure incurred	3,264		2,263	
Closing Balance		**(28,426)**		**(23,100)**
Closing Balance allocated to:				
Neighbourhood Fund		1,571		1,602
Strategic Fund		2,920		2,222
Local Area Fund		23,935		19,276
Total		**28,426**		**23,100**

41. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

In 2019/20, the Council paid £6.435m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for April 2019 to August 2019 was 16.48% and 23.68% for September 2019 to March 2020. The figures for 2018/19 were £6.417m and 16.48%. 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 2019/20, the Council paid £0.046m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2018/19 were £0.105m and 14.4%.

42. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered by Shropshire Council is a funded defined benefit scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund/HRA Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme 2019/20 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(30,763)	(26,694)
- past service gain/(cost)	(9,184)	(5,855)
- curtailment gain/(cost)	2,310	13,236
	(37,637)	**(19,313)**
Financing and Investment Income and Expenditure:		
- net interest expense	(11,565)	(10,210)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(49,202)**	**(29,523)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	(52,865)	20,709
- experience (gain)/loss	(7,377)	(14,365)
- actuarial gains and losses arising on changes in demographic assumptions	62,900	0
- actuarial gains and losses arising on changes in financial assumptions	25,399	(63,336)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(21,145)**	**(86,515)**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	49,202	29,523
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(23,380)	(22,904)

Assets and Liabilities Recognised in the Balance Sheet

	2019/20 £000	2018/19 £000
Present value of the defined benefit obligation	(1,341,540)	(1,381,812)
Fair value of plan assets	845,840	891,191
Net liability arising from defined benefit obligation	**(495,700)**	**(490,621)**

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

	Local Government Pension Scheme 2019/20 £000	2018/19 £000
Opening fair value of scheme assets at 1 April	891,191	859,311
Interest income	21,343	22,755
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	(52,865)	20,709

	Local Government Pension Scheme 2019/20 £000	Local Government Pension Scheme 2018/19 £000
Contributions from employer	23,380	22,904
Contributions from employees into the scheme	5,602	5,238
Benefits paid	(39,382)	(38,313)
Other	(3,429)	(1,413)
Closing fair value of scheme assets at 31 March	**845,840**	**891,191**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme 2019/20 £000	Local Government Pension Scheme 2018/19 £000
Opening balance at 1 April	(1,381,812)	(1,278,947)
Current Service Cost	(30,229)	(26,187)
Interest Cost	(32,908)	(32,965)
Contributions from scheme participants	(5,602)	(5,238)
Remeasurement gain/(loss):		
Experience gains/losses	(7,377)	(14,365)
Actuarial gains/losses arising from changes in demographic assumptions	62,900	0
Actuarial gains/losses arising from changes in financial assumptions	25,399	(63,336)
Other	0	0
Past service costs	(9,184)	(5,855)
Losses/(gains) on curtailment	(1,406)	(1,842)
Benefits paid	39,382	38,313
Liabilities extinguished on settlements	6,611	15,984
Lump Sum Deficit Repayment	(7,314)	(7,374)
Closing balance at 31 March	**(1,341,540)**	**(1,381,812)**

Local Government Pension Scheme Assets

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

	2019/20 £000	2018/19 £000
Cash and cash equivalents	**10,996**	**56,858**
Equity investments:		
UK quoted	40,600	60,066
Global quoted	382,320	391,055
Sub-total equity	**422,920**	**451,121**
Bonds:		
Overseas Global Fixed Income	121,801	66,394
PIMCO (Global Absolute return bond fund)	66,821	76,642
Sub-total bonds	**188,622**	**143,036**

	2019/20 £000	2018/19 £000
Property:		
Property funds	36,371	47,500
Sub-total property	**36,371**	**47,500**
Alternatives:		
Private Equity	47,367	45,985
Infrastructure	30,450	33,776
Hedge Funds	54,134	59,710
BMO – LDI Manager	28,759	32,618
Property Debt	12,688	5,704
Insurance Linked Securities	13,533	14,883
Sub-total alternatives	**186,931**	**192,676**
Total assets	**845,840**	**891,191**

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 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019/20	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9yrs	23.2yrs
Women	25.0yrs	26.4yrs
Longevity at 65 for future pensioners:		
Men	24.2yrs	25.4yrs
Women	26.6yrs	28.7yrs
Rate of inflation	2.10%	2.20%
Rate of increase in salaries	3.35%	3.70%
Rate of increase in pensions	2.20%	2.30%
Rate for discounting scheme liabilities	2.40%	2.40%

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)	1,378,249	1,361,612
Rate of inflation (increase or decrease by 0.1%)	1,362,095	1,366,236
Rate of increase in salaries (increase or decrease by 0.1%)	1,343,600	1,386,969
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,321,296	1,411,645

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Further details of the market, credit and liquidity risk management are detailed in Note 16 of the Shropshire County Pension Fund Annual Report.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2019 with the next one due to be completed as at 31 March 2022. Revised contribution rates from the 2019 actuarial valuation will take effect on 1st April 2020.

The Government announced in 2019 that the "McCloud judgment" needs to be remedied for all schemes including the LGPS. The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. As part of the 2019 actuarial valuation, the actuary estimated that the cost of the judgment could be an increase in past service liabilities of broadly £12m (at a Fund level) and an increase in Primary Contribution rate of 0.8% of Pensionable pay per annum. Shropshire Council has chosen to pay this additional 0.8% and this will be included within the revised contribution rates.

The Council anticipated to pay £20.337m expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 15 years for 2019/20 (16 years 2018/19).

43. RELATED PARTIES

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

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

Members and Officers
Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been contacted, advising them of their obligations and asking 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 2019/20 was £27.971m compared with £22.605m for 2018/19.

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 £6.592m to organisations where members and senior officers are employed and £1.282m to organisations where members and senior officers occupy positions in their own capacity.

Entities Controlled or Significantly Influenced by the Council
As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £1.324m from the pension fund for the costs of administration it provided in 2019/20 compared with £1.543m for 2018/19.

The Council also has group relationships with West Mercia Energy, Shropshire Towns & Rural Housing and IP&E 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 106.

During 2019/20 expenditure of £15.522m and income of £1.101m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £1.130m and a debtor balance of £0.491m as at 31st March 2020.

There was no income or expenditure incurred between Shropshire Council and IP&E Ltd during 2019/20. There were no creditor or debtor balances as at 31st March 2020.

During 2019/20 Shropshire Council paid West Mercia Energy £4.351m and received a distribution of £0.172m.

Shropshire Council have accounted for expenditure of £3.697m and income of £4.102m in relation to the Jersey Property Unit Trusts.

44. SCHOOLS

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

Expenditure and income relating to these schools is detailed below:

	Expenditure £000	Income £000	Total £000
Primary	62,178	(61,901)	277
Secondary	9,524	(10,007)	(482)
Special	3,110	(2,921)	189
Total	**74,812**	**(74,829)**	**(16)**

The number of Shropshire Council maintained schools in 2019/20 was:

	31st March 2020	31st March 2019
Primary	85	88
Secondary	1	2
Special	2	2
Total	**88**	**92**

45. MARCHES LOCAL ENTERPRISE PARTNERSHIP

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

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

Detailed below are the total funding received and expenditure paid out (cash) by Shropshire Council by 31st March in relation to the Marches LEP including the net creditor within Shropshire Council's balance sheet.

	2019/20		2018/19	
	£000	£000	£000	£000
Opening Creditor 1 April		**(14,727)**		**(11,118)**
Funding Received:				
Growth Deal	(29,468)		(8,188)	
Growth Hub	(240)		(208)	
Core Funding	(856)		(500)	
Capacity and Other Project Funding	0		(204)	
Careers & Enterprise	(141)		(98)	
Match Funding – Partner Contributions	(60)		(191)	
Marches Investment Fund	(229)		(449)	
Interest Received	0		(145)	
		(30,994)		(9,983)
Expenditure:				
Growth Deal Projects	6,017		5,300	
Growth Hub	215		212	
Capacity Funding Projects	212		209	
Careers & Enterprise	124		86	
Marches Investment Fund Expenditure	0		25	
LEP Review Project	280		0	
LEP Management Costs	456		542	
		7,304		6,374
Marches LEP Creditor		**(38,417)**		**(14,727)**

46. BETTER CARE FUND

Shropshire Council and Shropshire CCG are partners in the provision of a range of services including support to hospital admission avoidance, hospital discharge planning, carers support and housing. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering in to 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 revenue expenditure on the Services;

Financing	2019/20 £000	2018/19 £000
Lead Commissioning Arrangement		
Funding provided to the Better Care Fund:		
Shropshire Council	0	0
Shropshire CCG	(7,779)	(7,779)

Financing	2019/20 £000	2018/19 £000
	(7,779)	**(7,779)**
Expenditure met from the Better Care Fund:		
Shropshire Council	7,779	7,779
Shropshire CCG	0	0
	7,779	**7,779**
Aligned Budget Arrangement		
Funding provided to the Better Care Fund:		
Shropshire Council	(19,356)	(13,745)
Shropshire CCG	(13,839)	(12,242)
	(33,195)	**(25,987)**
Expenditure met from the Better Care Fund:		
Shropshire Council	18,438	12,738
Shropshire CCG	13,839	12,242
	32,277	**24,980**
Total Better Care Fund		
Total funding provided to the Better Care Fund	(40,974)	(33,766)
Total expenditure met from the Better Care Fund	40,056	32,759
Net underspend arising on the Better Care Fund during the year	**918**	**(1,007)**

47. TRUST ACCOUNTS

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

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(9,114)	21,332	237,236	(1,400)
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(3,814)	20,189	137,140	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(6,997)	37,953	302,023	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,045)	5,979	50,668	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(82,327)	76,830	622,739	(14,092)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(36,183)	121,846	525,927	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.

48. CONTINGENT LIABILITIES

At 31 March 2020 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 claim
- Planning Inquiries
- Judicial Reviews for planning matters
- Potential action relating to a concessionary travel scheme.
- Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs.

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.

<u>Bodies that have additional pension liability guarantee</u>

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2019 Valuation
Age UK Telford & Wrekin	4	12	22	0	(£0.132m)
Association of Local Councils	2	0	1	0	(£0.037m)
Coverage Care from 1/3/1997	8	33	124	10	£1.111m
Coverage Care from 13/1/2013	14	19	10	1	£0.448m
Livability	1	1	0	0	£0.000m
Perthyn	6	8	5	0	£0.007m
Shropshire Towns & Rural Housing	127	43	12	1	(£0.007m)

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2019 Valuation
Connexus Housing One Ltd	3	2	16	2	£0.727m

Bodies that have additional pension liability guarantee and are Grouped with the Council

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members
Bethphage from 8/12/2016	17	3	0	0
Bethphage from1/7/2017	9	1	1	0
Energize Shropshire Telford & Wrekin	1	0	0	0
Enterprise South West Shropshire	1	1	0	0
South Shropshire Leisure Ltd *	14	27	4	0
The Strettons Mayfair Trust	2	0	0	0

* South Shropshire Leisure Ltd Employer contribution rate is capped by the Council to 5%.

The Council has entered into six “Funding and Development Agreements” with a Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £2.696m for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

Nationally a number of legal challenges have been brought by workers who are challenging that their employers have not paid the National Living Wage where ‘sleep in’ services have been provided. Whilst Shropshire Council has mitigated the risk of future claims by adding a top-up payment for sleep in services, there remains a risk in relation to any back pay claims. As the matter is complex it is considered impossible to quantify.

49. CONTINGENT ASSETS

The Council currently has a number of appeals lodged with HMRC with regard to VAT treatment, which may result in a reimbursement to the Council of VAT paid over to the Government. The specific cases include claims for postal services and waste sent for landfill.

These claims for reimbursement are subject to legal cases being pursued nationally and if successful will provide legal precedent to be applied. Therefore the values involved with each claim cannot be reliably estimated. Timescales on these cases are uncertain but should be progressed in the next 12-24 months.

Section 6

Group Accounts

Shropshire Council

Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2019 to 31 March 2020. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 2020, with comparative figures for the previous financial year.

IP&E LIMITED

ip&e Ltd is a trading company wholly owned by Shropshire Council. It was established to provide public services on the council's behalf and also to trade with other organisations. The company was incorporated on 30 May 2012. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e Ltd to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e Ltd with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Ltd should cease trading as soon as possible and take necessary actions to remove the company from the companies register. In 2019/20 the final financial transactions were undertaken enabling the company to be dissolved and removed from the companies register in 2020/21.

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 2019/20 Shropshire Towns and Rural Housing Limited had total income of £15.617m, total expenditure of £15.188m, assets of £6.885m and liabilities of £8.810m.

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 2019/20 West Mercia Energy had total income of £70.963m, total expenditure of £70.787m, assets of £19.179m and liabilities of £24.349m.

JERSEY PROPERTY UNIT TRUST

On 24th January 2018 Shropshire Council purchased units in a Jersey Property Unit Trust. The Trust is responsible for appointing managing agents for the Shrewsbury Shopping Centres and any other day to day decisions affecting the trust.

For 2019/20 the Jersey Property Unit Trust had total income of £4.144m, total operating expenditure of £3.734m, assets of £23.169m and liabilities of £2.555m.

SSC No.1 LIMITED

SSC No.1 Limited is a limited company wholly owned by Shropshire Council. The Company's principal activity is to hold an investment in a Jersey Property Unit Trust.

For 2019/20 the amounts incorporated into the group accounts for SSC No. Limited are income of £0.011m, total expenditure of £0.019m, assets of £0.019m and liabilities of £0.016m.

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 2019/20 the amounts incorporated into the group accounts for SSC No. Limited are total expenditure of £0.228m, assets of £1.143m and liabilities of £1.371m.

The Group Comprehensive Income & Expenditure Statement

2018/19										2019/20								
SC Expenditure	Adjustments	Group Expenditure	SC Income	Adjustments	Group Income	SC Net Expenditure	Adjustments	Group Net Expenditure		SC Expenditure	Adjustments	Group Expenditure	SC Income	Adjustments	Group Income	SC Net Expenditure	Adjustments	Group Net Expenditure
£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000
									Expenditure on Continuing Services									
163,328	0	163,328	(61,452)	0	(61,452)	101,876	0	101,876	Adult Services	177,619	0	177,619	(64,931)	0	(64,931)	112,688	0	112,688
9,741	3,300	13,041	(18,150)	(2,792)	(20,942)	(8,409)	508	(7,901)	Local Authority Housing	10,380	635	11,015	(18,366)	(1,196)	(19,562)	(7,986)	(561)	(8,547)
198,979	0	198,979	(143,422)	0	(143,422)	55,557	0	55,557	Children's Services	196,766	0	196,766	(127,946)	0	(127,946)	68,820	0	68,820
64,305	0	64,305	(61,691)	0	(61,691)	2,614	0	2,614	Finance, Governance and Assurance	56,965	0	56,965	(54,188)	0	(54,188)	2,777	0	2,777
604	0	604	(491)	0	(491)	113	0	113	Legal and Democratic Services	1,703	0	1,703	(1,027)	0	(1,027)	676	0	676
135,016	220	135,236	(44,890)	(95)	(44,984)	90,127	126	90,252	Place	156,708	161	156,869	(45,499)	311	(45,188)	111,209	472	111,681
0	0	0	0	0	0	0	0	0	Strategic Management Board	0	0	0	0		0	0	0	0
5,740	0	5,740	(60)	0	(60)	5,680	0	5,680	Workforce and Transformation	5,743	0	5,743	(61)	0	(61)	5,682	0	5,682
133	209	342	(7,133)	0	(7,133)	(7,000)	209	(6,791)	Corporate	14,654	172	14,826	(10,121)	0	(10,121)	4,533	172	4,705
577,847	**3,729**	**581,576**	**(337,288)**	**(2,887)**	**(340,175)**	**240,559**	**842**	**241,401**	**Net Cost of Services**	**620,538**	**968**	**621,506**	**(322,139)**	**(885)**	**(323,024)**	**298,399**	**83**	**298,482**
						81,827	0	81,827	Other Operating Expenditure							27,542	0	27,542
						30,986	112	31,098	Financing and Investment Income and Expenditure							39,556	129	39,685
						(284,993)	0	(284,993)	Taxation and Non Specific Grant Income							(292,441)	0	(292,441)

Group Accounts

2018/19										2019/20								
SC Expenditure	Adjustments	Group Expenditure	SC Income	Adjustments	Group Income	SC Net Expenditure	Adjustments	Group Net Expenditure		SC Expenditure	Adjustments	Group Expenditure	SC Income	Adjustments	Group Income	SC Net Expenditure	Adjustments	Group Net Expenditure
£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000
						68,379	**954**	**69,333**	**(Surplus)/Deficit on the provision of services**							**73,056**	**212**	**73,268**
						0	(212)	(212)	Associates & Joint Ventures Accounted for on an equity basis							0	(245)	(245)
						0	0	0	Tax expenses of subsidiaries							0	0	0
						68,379	**742**	**69,121**	**Group (Surplus)/Deficit**							**73,056**	**(33)**	**73,023**
						(39,431)	0	(39,431)	(Surplus) or deficit on revaluation of non-current assets							(92,765)	0	(92,765)
						119	0	119	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve									0
						56,992	830	57,822	Remeasurement of pension assets and liabilities							(28,057)	1,217	(26,840)
						0	0	0	Other Pension Net Liability Adjustment							0	0	0
						17,680	**830**	**18,510**	**Other Comprehensive Income and Expenditure**							**(120,822)**	**1,217**	**(119,605)**
						86,059	**1,572**	**87,631**	**Total Comprehensive Income and Expenditure**							**(47,766)**	**1,184**	**(46,582)**

Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2019	**15,536**	**71,726**	**87,262**	**9,814**	**4,240**	**34,398**	**135,714**	**217,756**	**353,470**	**(2,651)**	**350,819**
Movement in reserves during 2019/20											
Surplus or (deficit) on the provision of services	(64,765)	0	(64,765)	5,716	0	0	(59,049)	0	(59,049)	(13,974)	(73,023)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	120,822	120,822	(1,217)	119,605
Total Comprehensive Income and Expenditure	**(64,765)**	**0**	**(64,765)**	**5,716**	**0**	**0**	**(59,049)**	**120,822**	**61,773**	**(15,191)**	**46,582**
Adjustments between Group Accounts and authority accounts	(14,007)	0	(14,007)	0	0	0	(14,007)	0	(14,007)	14,007	0
Net Increase/Decrease before Transfers	**(78,772)**	**0**	**(78,772)**	**5,716**	**0**	**0**	**(73,056)**	**120,822**	**47,766**	**(1,184)**	**46,582**
Adjustments between accounting basis and funding basis under regulations	73,083	0	73,083	(5,459)	252	7,587	75,463	(75,463)	0	17	17
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5,689)**	**0**	**(5,689)**	**257**	**252**	**7,587**	**2,407**	**45,359**	**47,766**	**(1,167)**	**46,599**
Transfers to/from Earmarked Reserves	3,663	(3,733)	(70)	70	0	0	0	0	0	0	0
Increase/Decrease in 2019/20	**(2,026)**	**(3,733)**	**(5,759)**	**327**	**252**	**7,587**	**2,407**	**45,359**	**47,766**	**(1,167)**	**46,599**
Balance at 31 March 2020	**13,510**	**67,993**	**81,503**	**10,141**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**	**(3,818)**	**397,418**

2018/19 Comparative figures	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2018	**15,311**	**69,839**	**85,150**	**8,225**	**4,514**	**21,426**	**119,315**	**320,214**	**439,529**	**(1,064)**	**438,465**
Movement in reserves during 2018/19											
Surplus or (deficit) on the provision of services	(63,611)	0	(63,611)	5,703	0	0	(57,908)	0	(57,908)	(11,213)	(69,121)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(17,680)	(17,680)	(830)	(18,510)
Total Comprehensive Income and Expenditure	**(63,611)**	**0**	**(63,611)**	**5,703**	**0**	**0**	**(57,908)**	**(17,680)**	**(75,588)**	**(12,043)**	**(87,631)**
Adjustments between Group Accounts and authority accounts	(10,471)	0	(10,471)	0	0	0	(10,471)	0	(10,471)	10,471	0
Net Increase/Decrease before Transfers	**(74,082)**	**0**	(74,082)	**5,703**	**0**	**0**	**(68,379)**	**(17,680)**	**(86,059)**	**(1,572)**	**(87,631)**
Adjustments between accounting basis and funding basis under regulations	76,194	0	76,194	(4,114)	(274)	12,972	84,778	(84,778)	0	(15)	(15)
Net Increase/Decrease before Transfers to Earmarked Reserves	**2,112**	**0**	**2,112**	**1,589**	**(274)**	**12,972**	**16,399**	**(102,458)**	**(86,059)**	**(1,587)**	**(87,646)**
Transfers to/from Earmarked Reserves	(1,887)	1,887	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2018/19	**225**	**1,887**	**2,112**	**1,589**	**(274)**	**12,972**	**16,399**	**(102,458)**	**(86,059)**	**(1,587)**	**(87,646)**
Balance at 31 March 2019	**15,536**	**71,726**	**87,262**	**9,814**	**4,240**	**34,398**	**135,714**	**217,756**	**353,470**	**(2,651)**	**350,819**

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	14,007	0	0	0	14,007	0	14,007	(14,007)	0
Total adjustments between Group Accounts and authority accounts	**14,007**	**0**	**0**	**0**	**14,007**	**0**	**14,007**	**(14,007)**	**0**

Group Accounts

Group Balance Sheet at 31 March 2020

31 March 2019 SC £000	Adjustments £000	Group £000		31 March 2020 SC £000	Adjustments £000	Group £000
1,069,254	40,776	1,110,030	Property, Plant & Equipment	1,138,479	18,066	1,156,545
2,335	0	2,335	Heritage Assets	2,260	0	2,260
50,884	0	50,884	Investment Property	47,652	0	47,652
4,051	0	4,051	Intangible Assets	7,376	0	7,376
599	0	599	Assets Held for Sale	585	0	585
1,127,123	**40,776**	**1,167,899**	**Total Non-Current Assets**	**1,196,352**	**18,066**	**1,214,418**
40,920	(40,520)	400	Long Term Investment	20,206	(19,806)	400
0	(1,374)	(1,374)	Investments in Associates and Joint Ventures	0	(1,264)	(1,264)
19,564	0	19,564	Long Term Debtors	19,857	(1,000)	18,857
1,187,607	**(1,118)**	**1,186,489**	**Total Long Term Assets**	**1,236,415**	**(4,004)**	**1,232,411**
			Current Assets			
3,822	0	3,822	Current Held for Sale Investment Properties	740	0	740
1,432	0	1,432	Assets Held for Sale	3,102	0	3,102
64,910	(527)	64,383	Short Term Investments	64,500	0	64,500
702	24	726	Inventories	572	180	752
55,943	449	56,392	Short Term Debtors	67,373	220	67,593
64,060	5,335	69,395	Cash & Cash Equivalents	93,007	8,879	101,886
190,869	**5,281**	**196,150**	**Total Current Assets**	**229,294**	**9,279**	**238,573**
1,378,476	**4,163**	**1,382,639**	**Total Assets**	**1,465,709**	**5,275**	**1,470,984**
			Current Liabilities			
(7,005)	0	(7,005)	Bank Overdraft	(14,644)	0	(14,644)
(1,101)	0	(1,101)	Deferred Income	0	0	0
(10,873)	0	(10,873)	Short Term Borrowing	(6,013)	0	(6,013)
(76,401)	(1,773)	(78,174)	Short Term Creditors	(106,991)	(2,290)	(109,281)
(2,167)	0	(2,167)	Provisions	(3,576)	0	(3,576)
(3,180)	0	(3,180)	Grants Receipts in Advance – Revenue	(10,446)	0	(10,446)
(2,779)	0	(2,779)	Grants Receipts in Advance – Capital	(4,893)	0	(4,893)
(103,506)	**(1,773)**	**(105,279)**	**Total Current Liabilities**	**146,563**	**(2,290)**	**(148,853)**
1,274,970	**2,390**	**1,277,360**	**Total Assets Less Current Liabilities**	**1,319,146**	**2,985**	**1,322,131**
			Long Term Liabilities			
(661)	0	(661)	Long Term Creditors	(649)	0	(649)
(307,568)	0	(307,568)	Long Term Borrowing	(303,568)	0	(303,568)
(112,406)	0	(112,406)	Other Long Term Liabilities	(106,914)	0	(106,914)
(490,621)	(5,041)	(495,662)	Pensions Liability	(495,700)	(6,803)	(502,503)
(10,244)	0	(10,244)	Provisions	(11,079)	0	(11,079)
(921,500)	**(5,041)**	**(926,541)**	**Total Long Term Liabilities**	**(917,910)**	**(6,803)**	**(924,713)**
353,470	**(2,651)**	**350,819**	**Total Assets Less Liabilities**	**401,236**	**(3,818)**	**397,418**
			Financed by:			
135,714	4,221	139,935	Usable Reserves	138,121	5,030	143,151
217,756	(6,872)	210,884	Unusable Reserves	263,115	(8,848)	254,267
353,470	**(2,651)**	**350,819**	**Total Reserves**	**401,236**	**(3,818)**	**397,418**

Group Cash Flow Statement

2018/19 SC £000	2018/19 Adjustments £000	2018/19 Group £000	Revenue Activities	2019/20 SC £000	2019/20 Adjustments £000	2019/20 Group £000
68,379	742	69,121	Net (surplus) or deficit on the provision of services	73,056	(33)	73,023
(139,956)	87	(139,869)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(152,807)	(526)	(153,333)
74,081	(31)	74,050	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	55,113	(30)	55,083
2,504	**798**	**3,302**	**Net cash flows from operating activities**	**(24,638)**	**(589)**	**(25,227)**
(26,272)	(104)	(26,376)	Investing activities	(5,390)	(2,783)	(8,173)
(870)	(195)	(1,065)	Financing activities	8,720	(172)	8,548
(24,638)	**499**	**(24,139)**	**Net (increase) or decrease in cash and cash equivalents**	**(21,308)**	**(3,544)**	**(24,852)**
32,417	5,834	38,251	Cash and cash equivalents at the beginning of the reporting period	57,055	5,335	62,390
57,055	**5,335**	**62,390**	**Cash and cash equivalents at the end of the reporting period**	**78,363**	**8,879**	**87,242**

Notes to Group Accounts

G1. Accounting Policies

G1.1 General

The single entity accounting policies detailed on pages 24-45 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.

ip&e Ltd, 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 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.

The Council has control over the Jersey Property Unit Trusts as it is exposed to risk and variable returns and has the ability to affect those returns through approval of key strategic decisions. The Jersey Property Unit Trusts have therefore been included within Group Accounts as a subsidiary.

G1.3 Basis for Consolidation

ip&e Ltd 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.

Shropshire Towns and Rural Housing Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

WME has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Energy' balances is 24.5%. 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 2020.

The Jersey Property Unit Trust 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. The accounts have been consolidated as a Business Combination under IFRS 3.

SSC No.1 Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. The accounts have been consolidated as a Business Combination under IFRS 3 with the accounts for the Jersey Property Unit Trust.

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.

The Shopping Centre has been consolidated into property, plant and equipment in the Balance Sheet based on the market value.

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 (Fair Value definition)
Operational	
Land & Buildings	Existing Use Value (EUV) – determined as the amount that would be paid for the asset in its existing use

Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation 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 (24.5%) £000
Turnover	(70,963)	(17,355)
Cost of Goods Sold and Operating Expenses	69,960	17,110
Interest and Investment Income	123	30
Net Operating Surplus	**(880)**	**(215)**
Distribution of Surplus to Member Authorities	704	172
Net deficit for the year	**(176)**	**(43)**

G3. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£15.617m) and expenditure (£15.103m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.514m 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 £14.421m).

G4. Consolidation of ip&e Ltd

There was no operating expenditure or income for ip&e Ltd in 2019/20.

G5. Consolidation of Jersey Property Unit Trust

The operating income (£4.144m) and expenditure (£3.734m) of the Jersey Property Unit Trust, giving a net income of £0.409m has been included within Place in the Net Cost of Services. The revaluation loss has been charged to expenditure within Place in Net Cost of Services.

G6. Consolidation of SSC No.1 Ltd

The operating income (£0.011m) and expenditure (£0.019m) of SSC No1. Ltd, giving a net expenditure of £0.008m has been included within Place in the Net Cost of Services. 100% of the income and expenditure of the Jersey Property Unit Trust has been consolidated into the Income and Expenditure account as detailed above therefore this has been excluded when consolidating SSC No1. Ltd.

G7. Consolidation of Cornovii Developments Ltd

The operating expenditure (£0.220m) of Cornovii Developments Ltd has been included within Place in the Net Cost of Services.

G8. Investment included in Group Balance Sheet

	WME £000	SC Share (24.5%) £000
Assets		
Plant & Equipment	14	3
Short term debtors	11,794	2,885
Cash and cash equivalents	7,371	1,803
Total Assets	**19,179**	**4,691**
Liabilities		
Short term creditors	(17,421)	(4,261)
Other long term liabilities	(6,928)	(1,694)
Total Liabilities	**(24,349)**	**(5,955)**
Net Investments in Associates and Joint Ventures	**(5,170)**	**(1,264)**

G9. Property, Plant & Equipment in Group Balance Sheet

The figures below provide information on the movement of non-current assets during 2019/20.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2019	**196,767**	**567,078**	**19,898**	**525,492**	**3,578**	**2,115**	**7,525**	**1,322,453**	**137,179**
Additions	5,808	5,823	3,940	17,425	0	0	8,354	**41,350**	2,303

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10	48,862	0	0	0	(186)	0	**48,686**	4,801
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(630)	(27,630)	0	0	0	177	0	**(28,083)**	433
Derecognition – disposals	(2,020)	(17,805)	(61)	0	0	0	0	**(19,886)**	0
Derecognition – other	(142)	(1,951)	(1,463)	0	(617)	(80)	0	**(4,253)**	(1,111)
Assets reclassified (to)/from Held for Sale	(500)	(947)	0	0	0	(595)	0	**(2,042)**	0
Other movements in cost or valuation	732	(329)	0	353	0	1,294	(3,016)	**(966)**	0
At 31 March 2020	**200,025**	**573,101**	**22,314**	**543,270**	**2,961**	**2,725**	**12,863**	**1,357,259**	**143,605**
Depreciation and Impairments At 1 April 2019	**(136)**	**(30,243)**	**(6,808)**	**(172,770)**	**(1,448)**	**(1,018)**	**0**	**(212,423)**	**(9,650)**
Depreciation charge for 2019/20	(3,908)	(16,303)	(3,169)	(16,923)	(174)	(51)	0	**(40,528)**	(6,416)
Depreciation written out to the Revaluation Reserve	252	43,808	0	0	0	18	0	**44,078**	8,617
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,780	1,122	0	0	0	45	0	**4,947**	228
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	0
Derecognition – disposals	0	1,446	24	0	0	0	0	**1,470**	0
Derecognition – other	12	90	944	0	616	80	0	**1,742**	535
Other movements in depreciation and impairment	0	80	0	0	0	(80)	0	**0**	0
At 31 March 2020	**0**	**0**	**(9,009)**	**(189,693)**	**(1,006)**	**(1,006)**	**0**	**(200,714)**	**(6,686)**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
NBV at 31 March 2020	**200,025**	**573,101**	**13,305**	**353,577**	**1,955**	**1,719**	**12,863**	**1,156,545**	**136,919**
NBV at 31 March 2019	**196,631**	**536,835**	**13,090**	**352,722**	**2,130**	**1,097**	**7,525**	**1,110,030**	**127,529**

The comparative movements in 2018/19 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2018	**193,735**	**627,793**	**18,120**	**507,329**	**3,573**	**2,311**	**5,334**	**1,358,195**	**135,823**
Additions	4,683	4,672	3,383	17,843	5	0	5,153	**35,739**	2,087
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(46)	22,076	0	0	0	159	0	**22,189**	2,765
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(297)	(12,961)	0	0	0	0	0	**(13,258)**	0
Derecognition – disposals	(1,483)	(76,337)	(393)	0	0	0	0	**(78,213)**	0
Derecognition – other	0	(1,326)	(1,212)	0	0	(3)	0	**(2,541)**	(467)
Assets reclassified (to)/from Held for Sale	13	598	0	0	0	(162)	0	**449**	0
Other movements in cost or valuation	162	2,563	0	320	0	(190)	(2,962)	**(107)**	(3,029)
At 31 March 2019	**196,767**	**567,078**	**19,898**	**525,492**	**3,578**	**2,115**	**7,525**	**1,322,453**	**137,179**
Depreciation and Impairments									
At 1 April 2018	**0**	**(38,946)**	**(5,348)**	**(157,495)**	**(1,273)**	**(1,018)**	**0**	**(204,080)**	**(17,159)**
Depreciation charge for 2018/19	(3,943)	(15,922)	(2,866)	(15,275)	(175)	(6)	0	**(38,187)**	(6,207)
Depreciation written out to the Revaluation Reserve	0	17,241	0	0	0	0	0	**17,241**	10,229

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,807	35	0	0	0	0	0	**3,842**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(119)	0	0	0	0	0	**(119)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,373	0	0	0	0	0	**1,373**	0
Derecognition – disposals	0	4,176	204	0	0	0	0	**4,380**	0
Derecognition – other	0	49	1,202	0	0	3	0	**1,254**	458
Other movements in depreciation and impairment	0	1,870	0	0	0	3	0	**1,873**	3,029
At 31 March 2019	**(136)**	**(30,243)**	**(6,808)**	**(172,770)**	**(1,448)**	**(1,018)**	**0**	**(212,423)**	**(9,650)**
NBV at 31 March 2019	**196,631**	**545,569**	**13,090**	**352,722**	**2,130**	**1,097**	**7,525**	**1,110,030**	**127,529**
NBV at 31 March 2018	**193,735**	**588,847**	**12,772**	**349,834**	**2,300**	**1,293**	**5,334**	**1,154,115**	**118,664**

G10. Goodwill

The figures below provide information on the movement of goodwill included within the Group Accounts.

	2019/20 £000	2018/19 £000
Opening Balance	0	2,775
Recognised in year	0	0
Impairment	0	(2,775)
Closing Balance	**0**	**0**

G11. Contingent Assets and Liabilities

On the acquisition of the Jersey Property Unit Trusts a rental guarantees Escrow account was set up. This account is distributed to Shropshire Council and SSC No.1 Ltd or the previous owners Standard Life Aberdeen based on the level of occupancy of units within the Shrewsbury Shopping Centres. The funds held within the escrow as at 31st March 2019 were all distributed in 2019/20.

	2019/20 £000	2018/19 £000
Opening Balance	1,383	2,394
Release of funding	(1,383)	(1,011)
Closing Balance	**0**	**1,383**

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

2018/19		2019/20	
£		£	£
	Expenditure		
5,377,717	Repairs & Maintenance	5,408,335	
3,600,302	Supervision and Management	3,869,719	
127,178	Rents, rates taxes and other charges	91,501	
3,806,540	Depreciation – Dwellings	3,780,100	
172,020	- Other	172,990	
(3,509,194)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(3,150,792)	
27,480	Debt Management Costs	34,080	
50,000	Provision for Bad or Doubtful Debts	50,000	
9,652,043	**Total Expenditure**		**10,255,933**
	Income		
(17,267,828)	Dwelling Rents	(17,360,717)	
(131,583)	Non Dwelling Rents	(123,492)	
(87,931)	Other Income	(291,179)	
(662,764)	Charges for Services and Facilities	(590,633)	
(30,000)	Contributions towards expenditure	0	
(18,180,106)	**Total Income**		**(18,366,021)**
(8,528,063)			**(8,110,088)**
139,043	HRA Share of Corporate & Democratic Core		173,630
(8,389,020)	**Net Cost of HRA Services**		**(7,936,458)**
(135,339)	(Gain) or loss on sale of HRA Assets		(431,635)
2,990,646	Interest payable and similar charges		2,989,757
(141,117)	Interest and Investment Income		(176,490)
(28,141)	Income & Expenditure in relation to investment properties & change in fair values		(21,690)
0	Capital grants and contributions receivable		(139,574)
(5,702,971)	**(Surplus) or deficit for the year on HRA Services**		**(5,716,090)**

MOVEMENT ON THE HRA STATEMENT

2018/19 £		2019/20 £
(8,224,821)	**Balance on the HRA at the end of the previous year**	**(9,813,486)**
(5,702,971)	**(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement**	**(5,716,090)**
4,114,306	Adjustments between accounting basis and funding basis under statute	5,459,263
(1,588,665)	**Net increase or (decrease) before transfers to or from reserves**	**(256,827)**
0	Transfers to or (from) Reserves	(70,000)
(1,588,665)	**(Increase) or Decrease in year on the HRA**	**(326,827)**
(9,813,486)	**Balance on the HRA at the end of the current year**	**(10,140,313)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2019/20	2018/19
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,174	3,202
Flats	875	869
	4,049	**4,071**
Change in Stock		
Stock at 1 April	4,071	4,093
Less: Sales – Right to Buy	(39)	(29)
Sales – Other	(2)	0
Disposal/restructuring	0	0
Acquisition – full ownership	15	7
Acquisition – shared ownership	4	0
	4,049	**4,071**

2. RENT ARREARS

	2019/20 £	2018/19 £
Due from Current Tenants	117,327	142,162
Due from Former Tenants	132,647	125,951
Total Rent Arrears as at 31 March	**249,974**	**268,113**
Pre-Payments	(593,023)	(419,017)
Net Arrears	**(343,049)**	**(150,904)**

As at 31 March 2020, the total provision set aside for HRA related bad debts is £0.391m.

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 2019	**196,767,700**	**1,030,000**	**207,184**	**731,649**	**198,736,533**	**264,550**	**0**	**199,001,083**
Additions	5,808,612	0	85,554	27,904	**5,922,070**	0	0	**5,922,070**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,768	(5,000)	0	0	**4,768**	0	0	**4,768**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(629,308)	0	0	0	**(629,308)**	(800)	0	**(630,108)**
Derecognition – disposals	(2,020,200)	0	0	0	**(2,020,200)**	0	0	**(2,020,200)**
Derecognition – other	(142,240)	0	0	0	**(142,240)**	0	0	**(142,240)**
Assets reclassified (to)/from Held for Sale	(500,481)	0	0	0	**(500,481)**	0	500,481	**0**
Other movements in cost or valuation	731,649	0	0	(731,649)	**0**	0	0	**0**
As at 31 March 2020	**200,025,500**	**1,025,000**	**292,738**	**27,904**	**201,371,142**	**263,750**	**500,481**	**202,135,373**
Accumulated Depreciation and Impairment								
At 1 April 2019	**(135,820)**	**(15,480)**	**(54,910)**	**0**	**(206,210)**	**0**	**0**	**(206,210)**
Depreciation Charge	(3,908,340)	(15,480)	(29,270)	0	**(3,953,090)**	0	0	**(3,953,090)**
Depreciation written out to the Revaluation Reserve	252,210	30,960	0	0	**283,170**	0	0	**283,170**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,780,100	0	0	0	**3,780,100**	0	0	**3,780,100**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0	0	**0**
Derecognition – disposals	0	0	0	0	**0**	0	0	**0**
Derecognition – other	11,850	0	0	0	**11,850**	0	0	**11,850**
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0
As at 31 March 2020	0	0	(84,180)	0	**(84,180)**	**0**	**0**	**(84,180)**
Net Book Value								
As at 31 March 2020	**200,025,500**	**1,025,000**	**208,558**	**27,904**	**201,286,962**	**263,750**	**500,481**	**202,051,193**
As at 31 March 2019	**196,631,880**	**1,014,520**	**152,274**	**731,649**	**198,530,323**	**264,550**	**0**	**198,794,873**

There is a difference of £297.735m between the tenanted valuation and the District Valuer's Vacant Possession Value of £496.224m at 1 April 2019.

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.

	2019/20 £	2018/19 £
Usable Capital Receipts	390,919	720,722
Revenue Contributions utilised in year	1,668,063	434,473
Major Repairs Allowance	3,700,356	4,252,825
Government Supported borrowing	0	0
Government Grants and Contributions	209,574	96,841
Total Capital Expenditure on Housing Stock	**5,968,912**	**5,504,861**

5. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. 75% of Capital Receipts arising from Right to Buy disposals are subject to National Pooling arrangements payable to CLG.

	2019/20 £	2018/19 £
Sale of Council Houses under Right to Buy (RTB)	2,402,760	1,602,250
RTB Discounts Repaid	0	0
Other Land & Buildings	157,965	0
Total Capital Receipts from HRA Asset Disposals	**2,560,725**	**1,602,250**
Less Capital Receipts subject to Pooling requirement	(583,690)	(584,513)
Net Capital Receipts from HRA Asset Disposals	**1,977,035**	**1,017,737**

6. HOUSING REPAIRS ACCOUNT

	2019/20 £	2018/19 £
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.

2018/19 Council Tax £000	2018/19 NDR £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 NDR £000	2019/20 Total £000
			Income:			
(189,801)	0	(189,801)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(201,825)	0	(201,825)
(42)	0	(42)	Income from Specific Grants	0	0	0
			Transfers from General Fund			
2	0	2	- Transitional relief	2	0	2
(68)	0	(68)	- Discretionary relief	(43)	0	(43)
0	(82,476)	(82,476)	Income collectable from business ratepayers	0	(83,137)	(83,137)
0	(4,037)	(4,037)	Transitional Protection Payments	0	(2,639)	(2,639)
(189,909)	**(86,513)**	**(276,422)**	**TOTAL INCOME**	**(201,866)**	**(85,776)**	**(287,642)**
			Expenditure:			
			Precepts			
153,393	40,310	193,703	- Shropshire Council and Parish and Town Councils	162,638	40,055	202,693
21,499	0	21,499	- West Mercia Police & Crime Commissioner	24,101	0	24,101
10,619	823	11,442	- Shropshire & Wrekin Fire Authority	11,152	817	11,969
0	41,132	41,132	- Central Government	0	40,872	40,872
			Charges to Collection Fund			
0	461	461	- costs of collection	0	457	457
			Bad and doubtful debts			
(100)	(411)	(511)	- write offs	(128)	(205)	(333)
779	502	1,281	- provisions	1,228	583	1,811
			Appeals rates			
0	(1,284)	(1,284)	- write offs	0	(2,002)	(2,002)
0	5,857	5,857	- provisions	0	3,255	3,255
			Contributions			
2,784	(5,496)	(2,712)	- Towards previous year's estimated Collection Fund surplus/(deficit)	3,666	(560)	3,106
188,974	**81,894**	**270,868**	**TOTAL EXPENDITURE**	**202,657**	**83,272**	**285,929**
(935)	**(4,619)**	**(5,554)**	**Deficit/(Surplus) for the Year**	**791**	**(2,504)**	**(1,713)**
(2,666)	5,633	2,967	Balance brought forward	(3,601)	1,014	(2,587)
(3,601)	**1,014**	**(2,587)**	**Balance carried forward**	**(2,810)**	**(1,490)**	**(4,300)**

NOTES TO THE COLLECTION FUND

1. 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 2019/20 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	25.13	5/9	13.96
A	17,438.14	6/9	11,625.43
B	29,104.45	7/9	22,636.80
C	25,686.17	8/9	22,832.15
D	18,797.41	9/9	18,797.41
E	14,744.06	11/9	18,020.52
F	7,841.32	13/9	11,326.35
G	4,253.58	15/9	7,089.29
H	269.67	18/9	539.34
			112,881.25
Adjustment for MoD Properties (629.06 Band D Equivalents) and Collection Rate (98.0%)			(1,641.15)
			111,240.10

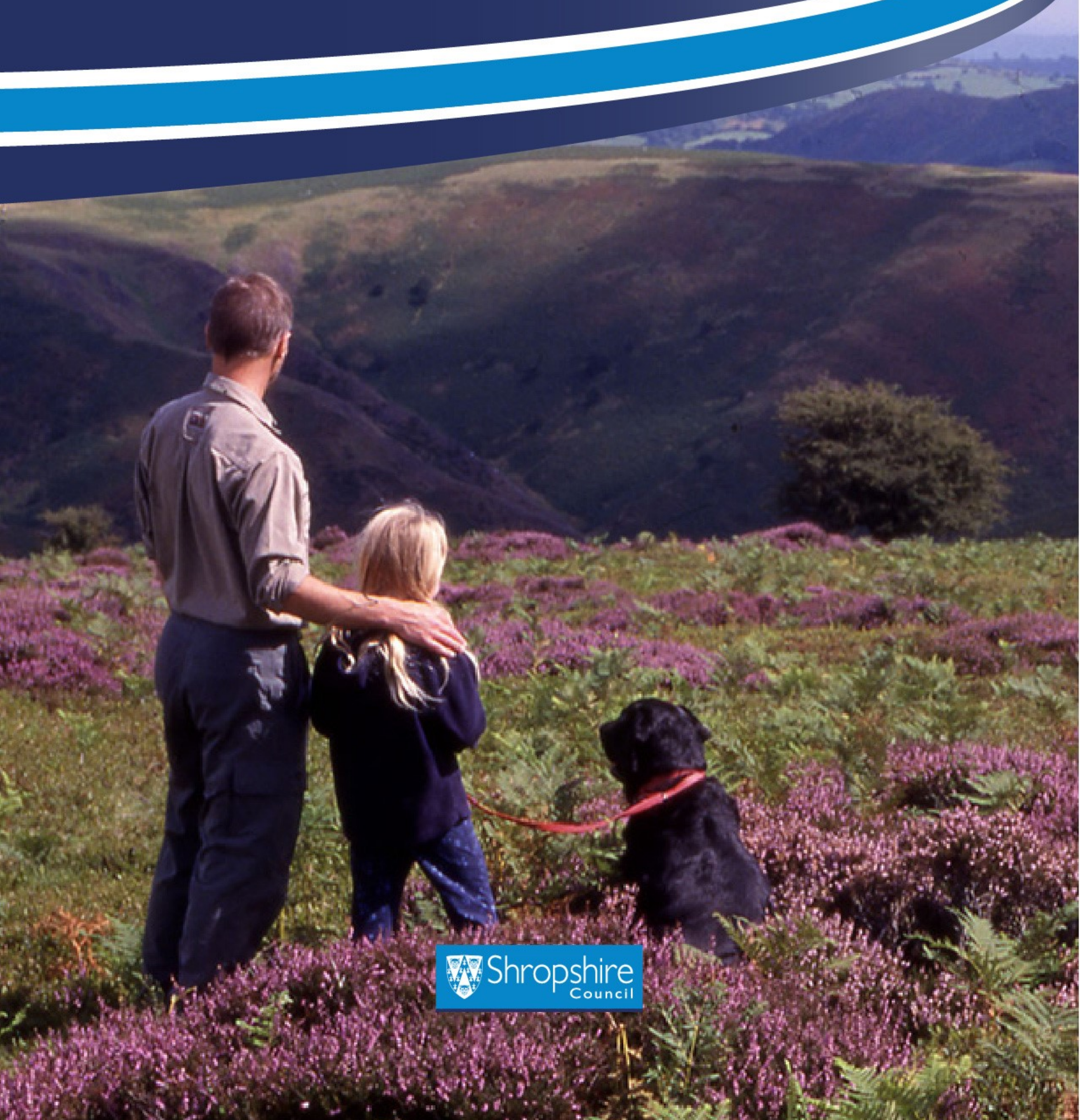
2. NON-DOMESTIC RATES (BUSINESS RATES)

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 2020, the total non-domestic rateable value for all business premises in Shropshire was £235,336,751. The multiplier set by Government to calculate rate bills in 2019/20 was 49.1p for small businesses and 50.4p for all other businesses.

Section 9

Pension Fund Accounts



Shropshire Council

Introduction

For the first time since 2015/16 the Shropshire Fund decreased in value by £84 million in 2019/20 to be valued at £1.831 billion at the end of the year. The Fund decreased in value by 3.8% over the year and underperformed against its benchmark by 1.0%. Up until December 2019 the Fund had been performing very strongly and was valued at over £2 billion for the first time. The global pandemic, in the last quarter of the financial year, had a major impact on financial markets across the world and this resulted in the fund value falling by £185 million in a single quarter. In the new financial year the fund has increased to £1.960 billion, mainly due to a recovery in stock markets since the end of March.

Over the last three years the fund returned 1.5% per annum which was 1.2% below benchmark. The reason fund performance was below benchmark for this year was largely due to market volatility, specifically in March driven by Covid-19 implications which had a major impact on financial markets and saw equity markets decline globally. The below benchmark returns generated from the Fund’s active UK and global equity managers during the last financial year was the main reason for the underperformance. The combined fixed income portfolios also delivered below benchmark returns during the year again because of the impact of the global pandemic during the last quarter.

The Shropshire Fund had positive investment returns in a number of other asset classes which helped offset some of the underperformance of equities. The strongest returns were generated in private equity increasing in value by 19.5%. The fund’s Infrastructure manager produced returns of 11.2% which was 3.4% above benchmark and BMO (our LDI manager) produced positive returns of 2.8% which was 2.4% above target. The property debt portfolio also increased in value by 4.7%. The combined fixed income portfolios delivered a negative return of 1.1% which was 2.4% below benchmark. The fund’s UK equity manager produced negative returns of 21.4% and the active global equity portfolio produced negative returns of 9.6%. It was these equity returns that are the main reason for the decrease in value of £84 million 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. 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 Pensions Committee undertakes thorough monitoring of the fund’s investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities.

The fund undergoes an independent actuarial valuation every 3 years. The last actuarial valuation was conducted at the end of March 2019, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 94% which was an increase from 84% at the previous valuation in March 2016. As a local government pension scheme the fund is able to take a long-term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way, the latest results were very positive for the fund where the funding level increased by 10% over the valuation period.

During 2019/20, Aon Hewitt undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee.

Due to a strong rally in equity markets over the previous three financial years, this resulted in a significant increase in the asset value of the fund. In view of this, as a large proportion of the fund is invested in equities and this represents the biggest risk within the fund, a decision was made to increase the level of equity protection currently in place from £280 million to £580 million of the fund during the year. This decision was of significant importance especially at the end of the financial year when equity markets saw big falls due to Covid-19. Despite the fall in markets, this decision resulted in saving the fund over £70 million in the last quarter of the financial year.

The fund became a Tier 1 signatory to the Stewardship Code during the year, the highest rating given by the Financial Reporting Council, which is very positive news. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues.

The Shropshire Fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £45 billion of assets from 2018 onwards (£18.5 billion invested as at March 2020), on behalf of 900,000 LGPS members and 2,500 employers.

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

The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central will manage a wide range of asset classes, employing a mix of internal and external investment management. The company is a private company limited by shares and was incorporated on 13 October 2016. The majority of assets under management will be structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. The company has been formed to act as an Alternative Investment Fund Manager (AIFM) to allow the participating LGPS administering authorities to pool their respective investments.

The governance structure for LGPS Central has been agreed by all partner funds. The LGPS Central Board and Executive Committee are in place. There are currently 62 permanent staff with further recruitment to come over the course of 2020. Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. The Practitioners Advisory Forum, which is made up of s151 Officers and Pension Managers from each fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders Forum, which is made up of one elected member from each fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each fund, has also met twice during the year to discuss any client related investors issues.

LGPS Central Ltd opened for business on the 3 April 2018 with the launch of 3 new pooled funds. In addition to these funds, LGPS Central is responsible for a number of advisory and discretionary mandates on behalf of its partner funds. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the fund over the next year. The first assets transferred from Shropshire County Pension Fund in March 2019 when £237 million was transitioned into their active global equity sub-fund.

Over the last 12 months The Pensions Administration Team have kept busy ensuring the benefits it looks after for scheme members are paid accurately and on time. To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential. As well as monthly and year-end data quality verification, additional checks were put in place by the team during the year using mortality screening and address verification to continue to improve the data held. The guaranteed minimum pension reconciliation/rectification exercise continued throughout the year and the upgrade to the member self-service platform 'My Pension Online' was completed. Training of employers continued with an employer's meeting held in November 2019 to communicate the actuarial valuation results. Online webinars were used for the first time to provide information to staff working at scheme employers. The year ended with the pandemic lockdown on 23 March 2020. Pension team members were able to work from their own homes instantly and carry on delivering pension services with very little disruption to fund members. New practices were put in place to ensure business as usual could continue. In line with advice from the Regulator, priority was given to ensuring benefits for retirements and deaths were processed on time and fund members were supported to make good decisions about their benefits.

Pension Fund Accounts

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

2018/19 £000		2019/20 £000
	Income	
	Contributions	
(44,402)	Employers (Note 7)	(46,626)
(14,728)	Employees (Note 7)	(15,706)
(6,350)	Transfers In from other pension funds (Notes 3, 7)	(6,460)
(65,480)	**Total Income**	**(68,792)**
	Expenditure	
	Benefits Payable	
59,051	Pensions (Note 7)	62,251
9,366	Commutation of pensions and lump sum retirement benefits (Note 7)	10,620
1,661	Lump Sum Death Benefits (Note 7)	1,425
	Payment to & Account of Leavers	
191	Refund of contributions (Note 7)	224
8,060	Transfers to other funds (Notes 3, 7)	4,896
78,329	**Total Expenditure**	**79,416**
12,849	**Net (additions) / withdrawals from dealings with scheme members**	**10,624**
13,975	**Management Expenses (Note 8)**	**17,712**
	Returns on Investments	
(25,788)	Investment Income (Notes 3, 9)	(28,402)
(12,614)	(Gain)/loss on cash and currency hedging	(13,203)
412	Taxes on Income (Note 10)	124
(70,319)	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	97,123
(108,309)	**Net (increase) / decrease in the net assets available for benefits during the year**	**55,642**
(81,485)	**(Surplus) / deficit on the pension fund for the year**	**83,978**
1,833,816	**Opening net assets of the scheme**	**1,915,301**
1,915,301	**Closing net assets of the scheme**	**1,831,323**

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2020

31-Mar-19 £000		31-Mar-20 £000	%
	Long Term Investments		
1,315	Equities (Note 11b)	1,315	0.07
	Investment Assets		
125,939	Equities (Note 11b)	77,746	4.25
	Pooled Investment Vehicles		
1,667,601	Other Managed Funds (Note 11b)	1,726,527	94.28
	Other Investment Balances		
685	Loans (Note 11b)	685	0.04
	Cash Deposits		
115,796	Deposits (Note 11a)	18,650	1.02
2,000	Temporary Investments (Note 27)	2,000	0.11
1,913,336	**Total Investment Assets**	**1,826,923**	**99.77**
	Current Assets		
2,407	Contributions due from Employers (Note 18)	5,205	0.28
1,583	Other Current Assets (Note 18)	1,708	0.09
987	Cash Balances (Note 27)	397	0.02
	Current Liabilities		
(243)	Unpaid Benefits (Note 19)	(172)	(0.01)
(2,769)	Other Current Liabilities (Note 19)	(2,738)	(0.15)
0	Cash Balances (Note 27)	0	0
1,915,301	**Net Assets of the Scheme – Available to Fund Benefits as at 31 March**	**1,831,323**	**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 Actuary Statement.

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

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

Shropshire County Pension Fund	31 March 2020	31 March 2019
Number of employers with active members	148	151
Number of employees in the scheme		
Shropshire Council	5,916	6,066
Other employers	10,718	10,274
Total	**16,634**	**16,340**
Number of pensioners in the scheme		
Shropshire Council	5,431	5,220
Other employers	5,664	5,507

Shropshire County Pension Fund	31 March 2020	31 March 2019
Total	11,095	10,727
Number of deferred pensioners in the scheme		
Shropshire Council	8,644	8,667
Other employers	9,447	9,246
Total	**18,091**	**17,913**

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 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2019. Currently, employer contribution rates range from 6.9% to 28.0% 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 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 2019/20 financial year and its position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

There were no significant changes to the CIFPA Code of Practice on Local Authority accounting, the key change in International Financial Reporting Standards was the adoption of IFRS9 Accounting Standard for the 2018/19 accounts but additional changes were required for 2019/20 accounts. IFRS9 requires the investment assets to be accounted for at fair value within the accounts. The adoption of IFRS9 had little impact on the accounts for pension funds as the investment assets were already held at fair value through profit and loss as directed by the code. As a consequence, there was no requirement to change the measurement or classification of these assets.

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 2019/20.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which 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.

The accounts have been prepared on a going concern basis.

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 which 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.

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 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 of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment management expenses 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 quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with Majedie Asset Management, Pimco Europe Ltd and BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2019/20 £0.225m (2018/19 £0.185m). 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 2019/20, £0.122m of fees is based on such estimates (2018/19 £0.100m).

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 and consequently there are only limited trading results available. The Pension Fund's view is that the market value of this investment at 31 March 2020 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. From this date any gains or losses 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 amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

Financial liabilities.
A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, 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 at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

Additional voluntary contributions
Shropshire County Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. Please see note 20 for further information.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability
The net pension fund liability is recalculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in note 17.

The McCloud Judgment
The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this

needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

Investment in LGPS Central

The Share Capital investment has been valued at cost on the basis that fair value as at 31 March 2020 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 one year, 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 (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The impact of Covid-19 has created additional uncertainty due to the ability to reliably measure the impact of the pandemic on valuations.	The total private equity investments in the financial statements are £119.9 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 £6.0m adjustment to the value of these assets.
Hedge Funds	Hedge funds are valued at the sum of the fair values of the underlying sub-funds plus any adjustment that the custodian or fund manager considers necessary. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The impact of Covid-19 has created additional uncertainty due to the ability to reliably measure the impact of the pandemic on valuations.	The total hedge fund value in the financial statements is £118.0 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 £5.9m adjustment to the value of these assets.
Pooled Property	Due to the disruption in markets caused by the Covid-19 pandemic, the Pooled property fund manager has stated in their valuation report as at 31 March 2020 that there is a material uncertainty about the valuations of the	The total Pooled property investments in the financial statements are £85.3m, but these estimates are subject to greater uncertainty than in previous years

Item	Uncertainties	Effect if actual results differ from assumptions
	majority if not all the valuations provided by individual fund managers. The Pension Fund has decided to use the Fund Manager's estimates as the best available estimates of the values of the Fund's assets as at 31 March 2020.	

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 2020, and when these accounts were authorised, that require any adjustments to be made.

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).

2019/20	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	5,607	2,057	8,042	15,706
Employers	13,885	6,812	25,929	46,626
Transfers In	2,472	1,019	2,969	6,460
Total Income	**21,964**	**9,888**	**36,940**	**68,792**
Payments Made				
Pensions	35,938	7,675	18,638	62,251
Lump Sums	4,449	1,984	4,187	10,620
Death Benefits	533	445	447	1,425
Refunds	59	23	142	224
Transfers Out	2,196	586	2,114	4,896
Total Expenditure	**43,175**	**10,713**	**25,528**	**79,416**

2018/19 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	5,626	1,995	7,107	14,728
Employers	14,691	6,452	23,259	44,402
Transfers In	2,791	303	3,256	6,350
Total Income	**23,108**	**8,750**	**33,622**	**65,480**

2018/19 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Payments Made				
Pensions	34,439	7,470	17,142	59,051
Lump Sums	4,124	1,859	3,383	9,366
Death Benefits	990	211	460	1,661
Refunds	62	12	117	191
Transfers Out	2,457	1,072	4,531	8,060
Total Expenditure	**42,072**	**10,624**	**25,633**	**78,329**

This table shows a breakdown of the employers contributions above:

	2019/20 £000	2018/19 £000
Employers normal contributions	36,630	34,404
Employers deficit contributions	8,177	7,642
Employers augmentation contributions	1,819	2,356
	46,626	**44,402**

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	2019/20 £000	2018/19 £000
Administrative costs	1,050	1,327
Investment management expenses	15,283	11,537
Oversight and governance costs	1,379	1,111
	17,712	**13,975**

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Funds behalf. Active managers are required to produce a specific target return in excess of their benchmark return and are paid a performance related fee (over and above a basic fee) for reaching required levels of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

The investment management expenses shown below includes £0.225m (2018/19 £0.185m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £2.561m in respect of transaction costs (2018/19 £0.612m).

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	2019/20 £000	2018/19 £000
Management Fees	9,052	8,423
Performance Fees	225	185
Other Fees	3,414	2,257
Transaction Costs	2,561	612
Custody Fees	31	60
	15,283	**11,537**

The costs incurred by the Council in administering the Fund totalled £1.050m for the year ended 31 March 2020 (2018/19 £1.327m).

Administrative Costs	2019/20 £000	2018/19 £000
Employee Costs	682	742
IT	210	323
Consultants	32	137
Printing, Postage & Design	61	45
Office Accommodation	20	26
Subscriptions	16	15
Other Costs	29	39
	1,050	**1,327**

The costs incurred by the Council in Oversight and Governance totalled £1.379m for the year ended 31 March 2020 (2018/19 £1.111m)

Oversight & Governance costs	2019/20 £000	2018/19 £000
Investment advice	386	362
Employee costs (pensions investment)	190	167
Actuarial advice	154	9
LGPS Central Pooling costs	475	432
Responsible engagement overlay	65	51
External audit	20	20
Performance analysis	29	25
Internal audit	19	17
Legal & Committee	16	16
Other Costs	25	12
	1,379	**1,111**

9. INVESTMENT INCOME

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

	2019/20 £000	2018/19 £000
Dividends from equities	(5,493)	(7,983)
Income from pooled investment vehicles	(8,621)	(6,714)
Interest on cash deposits	(53)	(59)
Other	(14,235)	(11,032)
	(28,402)	**(25,788)**

10. TAXES ON INCOME

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

	2019/20 £000	2018/19 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax – equities	26	326
Withholding tax – pooled	98	86
	124	**412**

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type 2019/20	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	127,254	48,977	(70,459)			(26,711)	*79,061
Pooled Investment Vehicles – Other Managed Funds	1,667,601	207,214	(69,239)		(8,595)	(70,454)	*1,726,527
Other Investment Balances	685						685
Sub total	**1,795,540**	**256,191**	**(139,698)**	**0**	**(8,595)**	**(97,165)**	**1,806,273**
Cash deposits – with Managers	115,796		(44)		(97,145)	43	18,650
Temporary Investments	2,000						2,000
Total	**1,913,336**	**256,191**	**(139,742)**	**0**	**(105,740)**	****(97,122)**	**1,826,923**

* Within the Pooled Investment Vehicles - other managed funds total of £1726.527m are £306.361m of level 3 investments as at 31 March 2020. Within the Equities figure of £79.061m are £1.315m of level 3 investments as at 31 March 2020. The value of the level 3 investments was £274.472m as at 1st April 2019 which increased to £307.676m as at 31 March 2020. The increase in value is due to purchases of £47.266m, sales of £14.796m and change in market value of £0.734m.

** The total change in market value for 2019/20 as per the table above is -£97.122m. This figure is made of up of profit on sales of £7.988m and also the difference between book cost and market value for the whole Fund which for 2019/20 was -£105.110m.

Investment type 2018/19 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	264,509	66,532	(127,185)	(74,227)		(2,375)	*127,254
Pooled Investment Vehicles – Other Managed Funds	1,532,234	345,061	(361,052)	74,227	4,446	72,685	*1,667,601
Other Investment Balances	685						685
Sub total	**1,797,428**	**411,593**	**(488,237)**	**0**	**4,446**	**70,310**	**1,795,540**
Cash deposits – with Managers	33,081		(21)		82,728	8	115,796
Temporary Investments	2,000						2,000
Total	**1,832,509**	**411,593**	**(488,258)**	**0**	**87,174**	****70,318**	**1,913,336**

* Within the Pooled Investment Vehicles - other managed funds total of £1667.601m are £273.157m of level 3 investments as at 31 March 2019. Within the Equities figure of £127.254m are £1.315m of level 3 investments as at 31 March 2019. The value of the level 3 investments was £203.217m as at 1st April 2018 which increased to £274.472m as at 31 March 2019. The increase in value is due to purchases of £77.216m, sales of £14.297m and change in market value of £8.336m.

** The total change in market value for 2018/19 as per the table above is £70.318m. This figure is made of up of profit on sales of £209.405m and also the difference between book cost and market value for the whole Fund which for 2018/19 was -£139.087m.

11b. ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

	2019/20 £000	2018/19 £000
Equities		
UK		
Unquoted	1,315	1,315
Quoted	68,684	110,599
Overseas		
Quoted	9,062	15,340
Total Equities	**79,061**	**127,254**
Pooled Funds – additional analysis		
UK		
Unit Trusts	5,338	9,621
Property Debt	36,928	18,729
Overseas		
Unit Trusts	1,252,577	1,217,538
Hedge Funds	117,950	126,304
Pooled property investments	85,290	94,784
Private Equity	119,887	96,989
Infrastructure Linked Securities	31,596	31,135
Infrastructure	76,961	72,501
Total Pooled Funds	**1,726,527**	**1,667,601**
Other Investment Balances		

	2019/20 £000	2018/19 £000
Loans	685	685
Total	**1,806,273**	**1,795,540**

12. STOCK LENDING

The Fund participates in a stock lending programme with its Custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (the highest rated collateral available).

Collateralised lending generated income of £0.016m in 2019/20 and this is included within investment income in the Pension Fund Account. At 31 March 2020 £2.913m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £3.132m worth of collateral representing 108% of stock on loan.

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

13. ANALYSIS OF DERIVATIVES

The Fund previously passively hedged 50% of all currency exposure to eliminate some of the risks over the longer term involved in holding an increased proportion of overseas investments. Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

14. FAIR VALUE – BASIS OF VALUATION

Unquoted equities in LGPS Central are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2020 because the main trading vehicle LGPS Central Limited only became licensed to trade on 3 April 2018 and the reliability of any observable or unobservable inputs used to calculate fair value cannot as yet be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and 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
Infrastructure	Level 2	Valued at the net asset value or a single price advised by the fund manager	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts
Private Equity, Property Debt, Insurance Linked & Unquoted Equity	Level 3	Valued based on the Fund's share of the net assets in the fund or limited partnership using the latest financial statements in accordance with the International Private Equity and Venture Capital guidelines 2012 or other appropriate guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts
Hedge Funds	Level 3	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	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3

The table below sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequential potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held as at 31 March 2020.

Asset	Assessed valuation range (=/-)	Value as at 31-Mar-20 £000	Value on increase £000	Value on decrease £000
Private Equity	5%	119,887	125,881	113,893
	5%	117,950	123,848	112,052
	5%	31,596	33,176	30,016
	5%	36,928	38,774	35,082
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**307,676**	**323,060**	**292,292**

14a. FAIR VALUE HIERARCHY

Asset 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, however, lag a quarter behind so the valuation in the accounts is as at 30th September 2019. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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 2019/20	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	77,742	77,742		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	5,338	5,338		
	Pimco Europe Ltd	Global Aggregate Bonds	137,126	137,126		
	HarbourVest Partners Ltd	Private Equity	119,887			119,887
	Aberdeen Property Investors	Property Unit Trusts	85,290		85,290	
	Blackrock	Hedge Fund	117,950			117,950
	Global Infrastructure Partners	Infrastructure	76,961		76,961	
	Legal & General	Global Equities	559,961	559,961		
	Blackrock	Fixed Interest	135,629	135,629		
	T Rowe Price	Global Dynamic Bonds	138,121	138,121		
	BMO	LDI	66,806	66,806		
	Securis	Insurance Linked Securities	31,596			31,596
	DRC	Property Debt	36,928			36,928
	LGPS Central Ltd	Global Equities	214,934	214,934		
Net Current Assets (incl cash & other)			25,739	25,739		
Total			**1,831,323**	**1,361,396**	**162,251**	**307,676**

Asset type 2018/19	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	125,932	125,932		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	9,621	9,621		
	Pimco Europe Ltd	Global Aggregate Bonds	145,309	145,309		
	HarbourVest Partners Ltd	Private Equity	96,989			96,989

Asset type 2018/19	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
	Aberdeen Property Investors	Property Unit Trusts	94,784		94,784	
	Blackrock	Hedge Fund	126,304			126,304
	Global Infrastructure Partners	Infrastructure	72,501		72,501	
	Legal & General	Global Equities	601,716	601,716		
	Blackrock	Fixed Interest	140,558	140,558		
	GAM	Absolute Return Bonds	15,571		15,571	
	BMO	LDI	76,646	76,646		
	Securis	Insurance Linked Securities	31,135			31,135
	DRC	Property Debt	18,729			18,729
	LGPS Central Ltd	Global Equities	237,737	237,737		
Net Current Assets (incl cash)			120,454	120,454		
Total			**1,915,301**	**1,457,973**	**182,856**	**274,472**

* Share Capital investment in LGPS Central Ltd has been carried at cost

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	31 March 2020			31 March 2019		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Investment Assets						
Equities	1,315			1,315		
Financial Assets						
Equities	77,746			125,939		
Pooled Investment Vehicles – Other Managed Funds	1,726,527			1,667,601		
Other Investment Balances - Loans		685			685	
Cash		21,047			118,783	
Debtors		6,913			3,990	
Total Assets	**1,805,588**	**28,645**	**0**	**1,794,855**	**123,458**	**0**
Financial Liabilities						
Creditors			(2,910)			(3,012)

	31 March 2020 Fair value through profit & loss £000	31 March 2020 Loans & receivables £000	31 March 2020 Financial liabilities at amortised cost £000	31 March 2019 Fair value through profit & loss £000	31 March 2019 Loans & receivables £000	31 March 2019 Financial liabilities at amortised cost £000
Total Liabilities	0	0	(2,910)	0	0	(3,012)
Total	**1,805,588**	**28,645**	**(2,910)**	**1,794,855**	**123,458**	**(3,012)**

15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2019/20 £000	2018/19 £000
Financial Assets		
Fair value through profit and loss	(97,123)	70,319
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	(97,123)	**70,319**

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). 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. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund’s risk management strategy rests with the Pension Fund committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund’s operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund’s risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the 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 its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. 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 2020/21 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same.

Asset Type	Potential market movements (+/-)
UK Equities	19.0%
Global Unconstrained Equities	21.2%
Global Equities (passive)	20.0%
Unconstrained bonds	5.5%
Property	17.0%
Private Equity	28.5%
Hedge Funds	9.5%
Infrastructure	19.5%
Property Debt	8.5%
Insurance Linked Securities	4.5%
LDI	30.8%

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset type 2019/20	Value as at 31 March 2020 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	27,050	0	27,050	27,050

Asset type 2019/20	Value as at 31 March 2020 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Investment Portfolio Assets				
UK Equities	74,022	14,064	88,086	59,958
Global Equities (unconstrained)	223,996	47,487	271,483	176,509
Global Equities (passive)	559,961	111,992	671,953	447,969
Unconstrained Bonds	410,876	22,598	433,474	388,278
Property	85,290	14,499	99,789	70,791
Private Equity	119,887	34,168	154,055	85,719
Hedge Funds	117,950	11,205	129,155	106,745
Infrastructure	76,961	15,007	91,968	61,954
Property Debt	36,928	3,139	40,067	33,789
Insurance Linked Securities	31,596	1,422	33,018	30,174
LDI	66,806	20,576	87,382	46,230
Total assets available to pay benefits	**1,831,323**	**296,157**	**2,127,480**	**1,535,166**

Asset type 2018/19	Value as at 31 March 2019 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	121,761	0	121,761	121,761
Investment Portfolio Assets				
UK Equities	120,220	22,842	143,062	97,378
Global Equities (unconstrained)	253,077	52,134	305,211	200,943
Global Equities (passive)	601,716	120,343	722,059	481,373
Unconstrained Bonds	301,439	18,086	319,525	283,353
Property	94,784	16,113	110,897	78,671
Private Equity	96,989	26,672	123,661	70,317
Hedge Funds	126,304	11,999	138,303	114,305
Infrastructure	72,501	13,775	86,276	58,726
Property Debt	18,729	1,498	20,227	17,231
Insurance Linked Securities	31,135	1,090	32,225	30,045
LDI	76,646	24,067	100,713	52,579
Total assets available to pay benefits	**1,915,301**	**308,619**	**2,223,920**	**1,606,682**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	As at 31 March 2020 £000	As at 31 March 2019 £000
Cash and cash equivalents	9,692	115,432
Cash balances	397	987

Asset Type	As at 31 March 2020 £000	As at 31 March 2019 £000
Bonds	410,876	301,439
Total change in assets available	**420,965**	**417,858**

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 following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates assuming all variables, in particular exchange rates, remain constant.

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2020				
Cash and cash equivalents	9,692	0	9,692	9,692
Cash balances	397	0	397	397
Bonds	410,876	4,109	414,985	406,767
Total	**420,965**	**4,109**	**425,074**	**416,856**

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 2019				
Cash and cash equivalents	115,432	0	115,432	115,432
Cash balances	987	0	987	987
Bonds	301,439	3,014	304,453	298,425
Total	**417,858**	**3,014**	**420,872**	**414,844**

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/cash equivalent balances but they will affect the interest income received on those balances.

During 2019/20 the Fund received £0.017m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.031m. The impact of a 1% fall in interest rates would therefore imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments. In addition, the Fund earned £0.036m in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investments assets not denominated in UK sterling.

Currency exposure – asset type	As at 31 March 2020 £000	As at 31 March 2019 £000
Overseas Equities	209,188	229,635
Overseas Pooled Fixed Interest	0	0
Overseas Private Equity	119,887	96,989
Overseas Pooled Property	2,257	9,184
Overseas Infrastructure	76,961	72,501
Total change in assets available	**408,293**	**408,309**

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. An 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 10%	Value on decrease £000 10%
As at 31 March 2020				
Overseas Equities	209,188	20,919	230,107	188,269
Overseas Fixed Interest	0	0	0	0
Overseas Private Equity	119,887	11,989	131,876	107,898
Overseas Pooled Property	2,257	226	2,483	2,031
Overseas Infrastructure	76,961	7,696	84,657	69,265
Total change in assets available	**408,293**	**40,830**	**449,123**	**367,463**

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 11%	Value on decrease £000 11%
As at 31 March 2019				
Overseas Equities	229,635	25,260	254,895	204,375
Overseas Fixed Interest	0	0	0	0
Overseas Private Equity	96,989	10,669	107,658	86,320
Overseas Pooled Property	9,184	1,010	10,194	8,174
Overseas Infrastructure	72,501	7,975	80,476	64,526
Total	**408,309**	**44,914**	**453,223**	**363,395**

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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities.

The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle a transaction in a timely manner. The Fund has also set limits as to 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 reduction of 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 2020 £000	As at 31 March 2019 £000
Handelsbanken Instant Access Account	AA	2,000	2,000
Total		**2,000**	**2,000**

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 2020 and 31 March 2019 were received in the first two months of the financial year.

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 2020 was £2.0m (31 March 2019 £2.0m).

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2020 was £4.446m. The Fund does not have access to an overdraft facility.

Officers prepare a daily cash flow forecast to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where it considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (84% at the March 2016 valuation). This corresponded to a deficit of £132 million (2016 valuation was £278 million) at that time. Revised contributions set by the 2019 valuation will be introduced in 2020/21 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 16.6% of pensionable pay (14.9% at the March 2016 valuation).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions	31 March 2019	31 March 2016
Discount rate	4.25% p.a.	4.55% p.a.
Assumed long term CPI inflation	2.4% p.a.	2.2% p.a.
Salary increases – long term	3.65% p.a.	3.7% p.a.
Salary increases – short term	No allowance	1% p.a. for 4 years

Pension increases in payment	2.4% p.a	2.2% p.a

The assumed life expectancy from age 65 is as follows:

Demographic assumptions		31 March 2019	31 March 2016
Current pensioners (at age 65)	Males	22.8	22.9
	Females	24.9	26.1
Future pensioners (assumed current age 45)	Males	24.1	25.1
	Females	26.6	28.4

It is assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement.

18. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2020. An analysis of debtors outstanding as at 31 March 2020 is shown below:

	2019/20 £000	2018/19 £000
Contributions due - employees	1,186	613
Contributions due - employers	4,019	1,794
Other entities and individuals	1,708	1,583
Total	**6,913**	**3,990**

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2020. An analysis of creditors outstanding as at 31 March 2020 is shown below:

	2019/20 £000	2018/19 £000
Central Government bodies	(615)	(604)
Other Local Authorities	(1,309)	(1,541)
Other entities and individuals	(986)	(867)
Total	**(2,910)**	**(3,012)**

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVC's) 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 501 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2019/20 contributions to the schemes amounted to £0.611m. The combined value of the AVC funds as at 31 March 2020 was estimated at £4.983m.

21. RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.339m (2018/19 £1.559m) in relation to the administration of the Fund and all these costs were recharged to the Pension Fund.

Shropshire Council is also the single largest employer of members of the Pension Fund. At the year end, a balance of £1.704m was due to the Fund from the Council relating to early retirement costs and also contributions which became due in March but were paid in April. The Scheme Administrator of the Shropshire County Pension Fund is also the Director of Finance, Governance & Assurance for Shropshire Council.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Director of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

Under the Local Government Pension Scheme 1997 Regulations, Councillors were entitled to join the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors was removed and those councillor members who were in the Scheme on the 31 March 2014 could only remain in the Scheme until the end of their current term of office. The remaining active councillor members were removed from the Scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pension Fund Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the Fund.

LGPS Central

LGPS Central (LGPSC) has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool.

The Fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2020. The Fund was owed interest of £0.036m on the loan to LGPSC at 31 March 2020.

In addition, in March 2019, the Fund invested in the LGPSC Global Equity sub-fund. The Fund incurred direct costs totalling £1.808m in respect of this investment of which £0.002m was payable to LGPSC at 31 March 2020.

The Fund incurred costs totalling £0.475m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2019/20 of which £0.098m was payable to LGPSC at 31 March 2020.

21.a KEY MANAGEMENT PERSONNEL

The posts of Director of Finance, Governance and Assurance (s151 Officer and Scheme Administrator) and Head of Treasury and Pensions are deemed to be key management personnel with regards to the fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2019/20 £000	2018/19 £000
Short-term benefits*	108	86
Post employment benefits**	63	70
Total	**171**	**156**

* 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 5% (£92 million) strategic asset allocation to Private Equity. It is necessary to over commit the strategic asset allocation because some private equity investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2020 £295m has been committed to investment in private equity via a fund of funds manager (HarbourVest Partners). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2020 the funds Private Equity investments totalled £119.887m.

23. CONTINGENT ASSETS

14 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

24. VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

25. CUSTODY OF INVESTMENTS

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodian's own assets.

26. FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

27. PENSION FUND BANK ACCOUNT

Since April 2010 all income received for the Pension Fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2020 £2.0 million was invested. The cash balance in the Pension Fund account as at the same date was £0.397m.

28. FUND STRUCTURE UPDATE

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments with £280 million of equities being protected at this time. The equity protection strategy was increased during 2018/19 to £580 million for a further period of 12-18 months expiring in 2020. This was funded by reducing the Fund's active global equity allocation. During March 2020, due to the fall in equity markets due to the global pandemic, a further £70 million of equity protection was implemented with Legal and General which expires in June 2021.

In March 2019, the first assets transferred from the Shropshire Fund to LGPS Central, the mandates with MFS, Harris & Investec were terminated and funds of £237 million transitioned into the active global equity sub-fund with LGPS Central.

In April 2019 funds transferred to a new absolute return bond manager, T.Rowe Price from the proceeds received from GAM which was terminated the previous year.
In October 2019, the Fund paid across its first capital call to the new Global Infrastructure Partners IV fund. The total Fund commitment over the life of GIP IV is $75 million.

During the financial year, the Fund committed to two further HarbourVest funds (Dover Street X AIF and Co-Investment V Feeder AIF), with a combined total commitment of $50 million.

In May 2020, following agreement with the Chair and Scheme Administrator a redemption request was submitted to PIMCO. Funds are due to be repaid in full in August 2020 as this is currently being reviewed as part of the wider investment strategy review with Pension Committee during 2020/21.

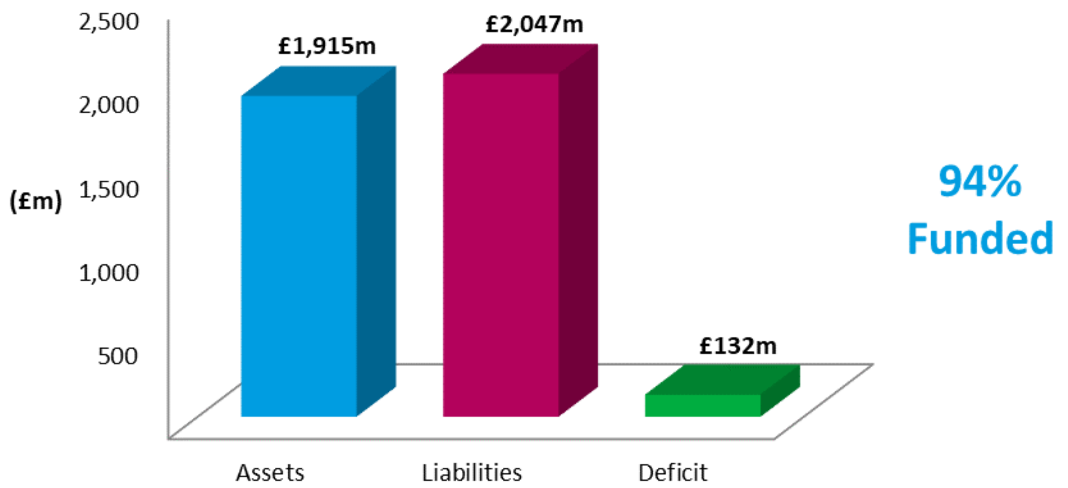
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2020
Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,915 million represented 94% of the Fund's past service liabilities of £2,047 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 16.6% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the "Secondary rate" for 2020-2021) is an addition of approximately £9m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.25% per annum	4.65% per annum
Rate of pay increases (long term)	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022, following which the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment (other than where the employer has elected to include a provision in their contributions, in which case this is included within the secondary rate). At the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £12 million and an increase in the Primary Contribution rate of 0.8% of Pensionable Pay per annum.

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases	3.7% per annum*	3.45% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the 2016 formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £2,906 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£70 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£43 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation – see comments elsewhere in this statement). There was also a decrease in liabilities of £97 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £2,922 million.

GMP Equalisation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £14 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

John Livesey
Mark Wilson
Fellow of the Institute and Faculty **Fellow of the Institute and Faculty**
of Actuaries
of Actuaries

Mercer Limited

July 2020

Independent auditor's report to the members of Shropshire Council on the pension fund financial statements of Shropshire Pension Fund

Opinion

We have audited the financial statements of Shropshire County Pension Fund (the 'pension fund') administered by Shropshire Council (the 'Authority') for the year ended 31 March 2020 which comprise the Pension Fund Account, the Pension Fund Net Assets Statement and Notes to the Shropshire County Pension Fund Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund's financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance, Governance and Assurance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance Governance and Assurance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or

- the Director of Finance, Governance and Assurance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Director of Finance Governance and Assurance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund's financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to note 5 of the pension fund's financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's pooled property investments as at 31 March 2020. As, disclosed in note 5 due to the disruption in markets caused by the Covid-19 pandemic, the pooled property fund manager has stated in their valuation report as at 31 March 2020 that there is a material uncertainty about the valuations of the majority if not all the valuations provided by individual fund managers. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance, Governance and Assurance is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension fund's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report, and the Annual

Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance, Governance and Assurance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Governance and Assurance. The Director of Finance, Governance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Governance and Assurance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance Governance and Assurance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Pensions Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the pension fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Percival

Richard Percival, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

19 November 2020

Section 10

Glossary

Glossary

Accountable Body	An accountable body receives external funding and is responsible for the financial management of these funds, therefore the accountable body must ensure that robust accounting and performance management arrangements are in place with regard to the distribution and spending of these funds.
Accounting Concepts	The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
Accumulated Absences Account	The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
Accruals	The accruals accounting concept requires the non-cash effect of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gain	This may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Loss	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

Glossary

Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council's Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council's revenue budget. Once calculated the figure is fixed.
Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.). The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non-current assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

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.

Glossary

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.

Glossary

Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.
Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.

Glossary

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.
Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.
Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Council, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.
Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.

General Fund Balance	The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.
Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The Housing Revenue Account reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. This account includes the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
JPUT	A Jersey Property Unit Trust is a specific type of Jersey Trust which is commonly used to acquire and hold interest in UK real estate. The assets of the JPUT are held by its trustees on trust for the unitholders of the JPUT.
LDI	Liability driven investment (LDI) strategies aim to enable pension funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.

Glossary

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.

Glossary

Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.
Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.
Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.
Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.
Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.

Glossary

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
2019-2020

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Have your say –
We want to know what you think of this statement of accounts.
Tell us your views by telephone (01743) 258948 or email
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If you can read this but know someone who can't, please contact us on (01743) 258948 so we can provide this information in a more suitable format such as large print, Braille and audio, or translated into another language.