Statement of Accounts

2021-2022

Shropshire Council

Annual Statement of Accounts 2021/22

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

The statement includes:

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

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

James Walton
Executive Director of Resources

Section 1

Narrative Report

Narrative Report

Introduction

About Shropshire Council

Shropshire Council is a unitary authority which was formed on 1 April 2009. The area covered by the Council is rural with an area of 3,197 square kilometres and a population of just 323,600. The Council represents 91.7% of the county of Shropshire with the remainder of the county being covered by Telford and Wrekin Council.

The Council has recently adopted a new Shropshire Plan which outlines a new vision and priorities for the Council over the next 3 years, in addition to a new performance approach. However for 2021/22 the Council was still working to the previously agreed Corporate Plan and so delivery against this was the focus for the year, and hence this document.

Our Services

In 2021/22 the Council was organised around four directorates:

- **Health and Wellbeing** (including public health, regulatory services and community safety).
- **People** (including the support of and assistance to people with learning or physical disabilities or sensory impairment and older people, and the homeless or mental health services; children's social care and safeguarding; mainstream schools and education; early years and pre-school; special schools and special educational needs provision; education improvement and home to school transport).
- **Place** (including economic growth, broadband, planning services and policy, property services and facilities management, Shire Catering and Cleaning, waste management, highways, public transport, parking, street cleansing, arts, AONB, outdoor partnerships, climate change leisure, libraries, museums, archives, theatre services, bereavement services, registrars and coroners, housing development and housing stock).
- **Resources** (including technology, information intelligence and insight, human resources and organisational development, finance, audit, emergency planning, risk management and insurance, revenues and benefits, pensions, treasury, legal services, democratic services to support elected members, communications and engagement).

Vision for Shropshire

The Corporate Plan 2019/20 to 2021/22 was agreed by Full Council on 13th December 2018. This outlined the vision for the Council which was to "Innovate to thrive".

The Council identified that that economic growth was unlikely to be achieved without support for our communities, including the right homes and schools and healthcare. Our communities equally are unlikely to survive and thrive in the long-term without the right transport and digital infrastructure being put in place at local, regional and national level to support economic growth, and the education and employment opportunities being created that they need, to skill them for life and through life. People also need and deserve a quality of life whereby they have access to fresh air and green spaces, benefit from a clean environment, and can contribute to preserving the natural and historic environment in which we live and work here in the beautiful rural county of Shropshire.

Therefore the Council's interlinked priorities are as follows: More people with a suitable home Care for those in need at any age A good place to do business A healthy environment Sustainable places and communities Embrace our rurality and the priorities set out to deliver this was:

<u>Performance</u>

The delivery of the outcomes for Shropshire is monitored on a quarterly basis. It is presented using a performance portal, which enables a drill down into each performance measure. The information is reported to Cabinet with the report identifying specific measures by exception. The full information for each measure is published on the performance portal when the report is presented to Cabinet and this provides Overview and Scrutiny the opportunity to identify any measures which stand out that they would like to understand in greater detail. They can request additional information and receive it to inform whether they would want to add it to their work programme. A summary of the performance for each priority in 2021/22 is detailed below:

A Healthy Environment
After a year of social restrictions and lockdowns due to the pandemic, leisure and cultural services have started to re-open their services and welcome back visitors.

A Good Place to do Business
The number of people claiming out of work benefits have seen a welcome reduction towards the end of 2021/22.

Sustainable Places and Communities
The pandemic had a significant impact on the level of voluntary support for council provided services, although the amount of volunteer hours has steadily increased during the course of 2021/22, although further work is required to attain the levels experienced pre-pandemic.

More People with a Suitable Home
The number of properties on the council tax valuation list has increased by 1,593 during the course of the year. However there have been delays in the adoption of a homelessness strategy, despite this the service is committed to supporting the homeless and the needs of households at risk of homelessness.

Embrace our Rurality
The level of access to broadband has continued to increase across the county and work has been ongoing on the Council's fourth Local Transport Plan.

Care for those in Need at any Age
The number of referrals to children's services over the course of the year decreased marginally. However, the number and rate of Children who are Looked After by the authority continues to increase. The rate of permanent admissions to nursing or residential homes is well below target semonstrating that adults are receiving appropriate and timely care when they need it.

Revenue Spending Plans for 2021/22

The Council's budget for the provision of services in 2021/22 and the Medium Term Financial Plan to 2025/26 was agreed by Council in February 2021. Our budget for the provision of services in 2020/21. The budget was set against a backdrop of increasing demand pressures for statutory services, such as Children's Social Care and Adult's Services.

The Council has continued to respond to the COVID-19 pandemic in 2021/22, which has resulted in increased costs and reduced income. This cost pressure has been offset by Government funding in full for the year, although it is anticipated that lgacy costs resulting from the pandemic will continue as a pressure for the authority.

In total, the Council planned to spend £554.3m (gross) on council services in 2021/22 and planned to deliver new savings of £3.850m in addition to undelivered savings of £5.954m from 2020/21.

The gross budget was financed through Government Grants (£228.4m), Service Income (£117.2m), Council Tax (£170.7m), Business Rates (£43.1m) Top Up Grant (£10.0m), Revenue Support Grant (£6.3m) and a Collection Fund Deficit (-£21.4m).

Revenue Outturn Position for 2021/22

As set out in the table below the 2021/22 outturn was a £2.505m overspend, representing a 0.45% variance on the gross budget. Further details of the outturn position for each directorate is shown in the Revenue Outturn report which is presented to Cabinet and Council in July.

Narrative Report

	Final Budget £000	Actual Outturn £000	Controllable Over/ (Under) £000
Service Expenditure			
Corporate	(51,562)	(53,552)	(1,990)
Health and Wellbeing	2,177	1,755	(422)
People	186,868	190,592	3,724
Place	69,765	70,030	265
Resources	1,398	2,374	976
Strategic Management Board	1	(47)	(48)
Net Budget	**208,647**	**211,152**	**2,505**

The outturn position is an improvement from the projected outurn reported during the course of the year which demonstrates the management action undertaken to bring the outurn overspend within an acceptable tolerance level:

Year End Projected Over/(Under)spend	Quarter 1* £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Corporate	(92)	(1,933)	(2,105)	(1,990)
Health and Wellbeing	0	(327)	(465)	(422)
People	1,964	3,024	4,433	3,724
Place	3,025	1,929	625	265
Resources	2,457	1,690	1,874	976
Strategic Management Board	(23)	(20)	(16)	(48)
TOTAL	**7,331**	**4,363**	**4,346**	**2,505**

Throughout the year the Council experienced significant increases in the cost of Looked After Children as more and more children required support. Increases in the costs of homelessness resulted in a shortfall in Housing Subsidy also created pressure on Council budgets during the year.

A total of £8.4m of direct adverse cost relating to Covid-19 within Council budgets and was funded as shown below.

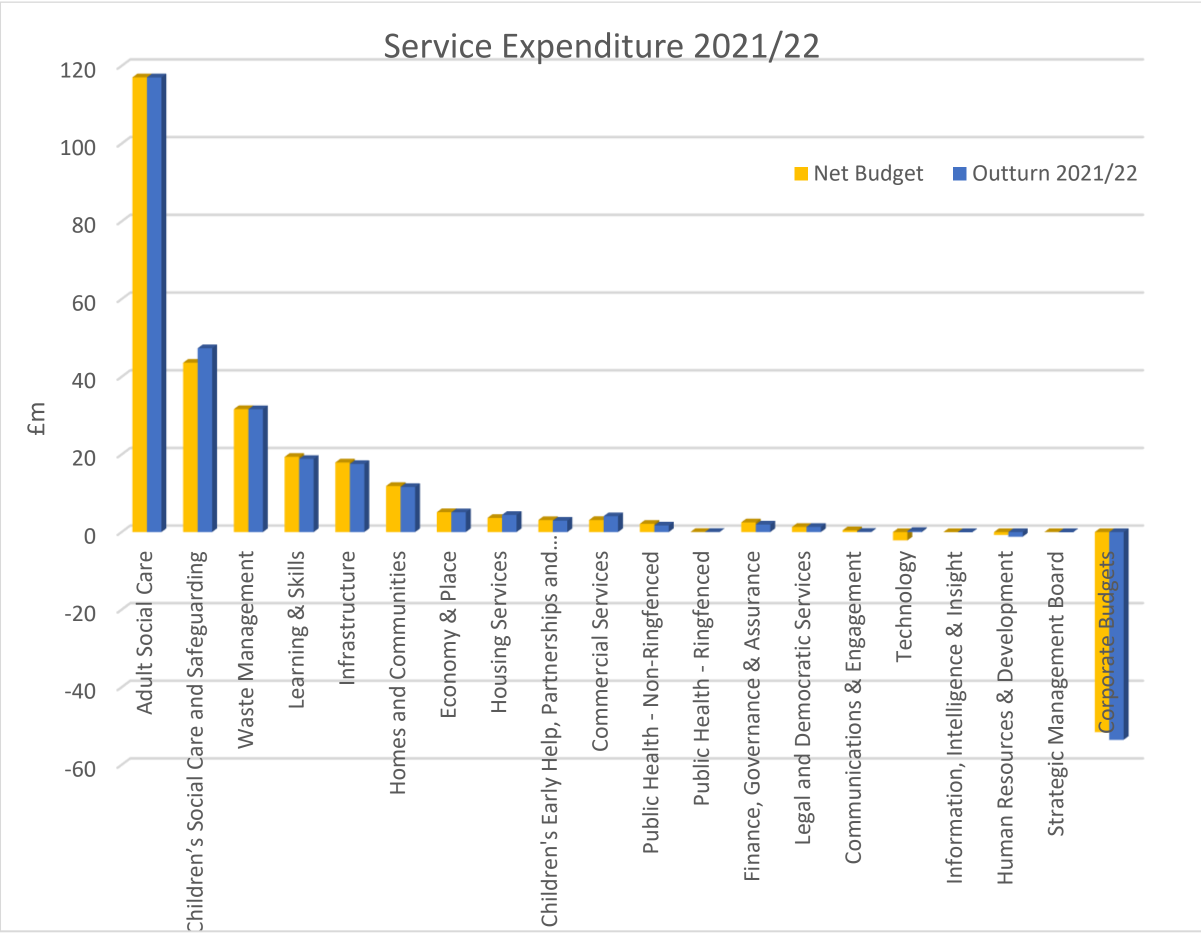
Covid-19 Cost impact on Council Budgets 2021/22	£000	£000
Adult Social Care	1,067	
Children's Social Care	2,469	
Learning and Skills	119	
Economic Growth	169	
Highway, Environment and Transport	175	
Leisure	36	
Finance	29	
ICT	2	
Legal Services (Child Care)	388	
Democratic Services	8	
Lockdown Compliance and Reopening Costs	106	
Employee Homeworking Allowances	176	
Additional Expenditure Incurred		4,744
Loss of Income		3,451
Unachieved savings		213
Total Cost impact of Covid-19 2021/22		**8,408**

Funded by	
Unringfenced MHCLG Grant	7,632
Compensation for Loss of Sales, Fees & Charges Income	243
Cultural Recovery Fund	533
Total Funding applied 2021/22	**8,408**

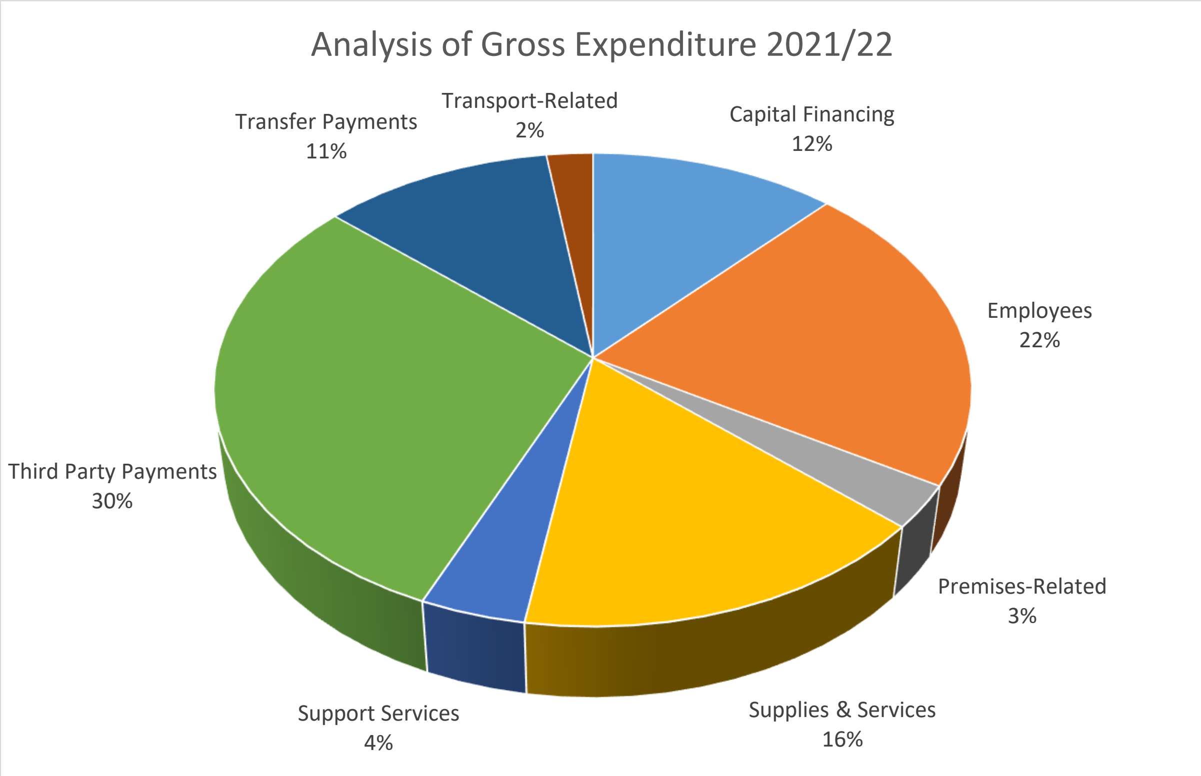
A total of £54.881m in other specific funding streams was deployed against specific activity or passported directly to third parties. Where the Council was required to distribute the grants according to specific criteria, and was therefore acting as an agent, the transactions have been excluded from the income and expenditure in the Comprehensive Income and Expenditure statement and a debtor or creditor included on the Balance Sheet for any outstanding balances. Details of these grants are shown in note 39.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 7 and 8 to the Accounts.

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



The gross expenditure for the Council, including expenditure for schools was £890.819m and this was spent on the following types of expenditure:



Reserves

The Council holds a number of revenue reserves in order to provide some resilience for the Council to cope with unforeseen financial pressures, implementation costs of long term projects or long term contractual commitments.

In 2021/22 the general fund balance reduced by £2.545m to a total of £11.522m. This is due to the overspend within the revenue account during 2021/22 . This balance lies below the risk assessed level of balances calculated for 2021/22.

Earmarked reserves have decreased by £4.020m during 2021/22, which includes an increase in schools delegated balances of £2.196m. Total earmarked reserves are held at £89.638m including school balances of £8.191m.

The most significant earmarked reserves held are the Development Reserve (£18.389m)and the COVID Government Funding Reserve (£14.415m). The Development Reserve holds a number of balances held for project development, and a review of this reserve had identified that a significant balance of this could be released to assist with balancing the 2022/23 budget. The remainder of the reserve will be used for development projects within the Council including the implementation of the new Target Operating Model for the Council planned over the next 2-3 years. The Covid Government Funding Reserve holds funds related to Covid-19 and in particular the S.31 Business Rates Additional Reliefs funding of £13.061m. The Financial Strategy Reserve of £7.043m has been held in accordance with the financial strategy where the Council will be using one off funding to close the funding gap. It is intended that this balance will be used to fund the funding gap arising in 2022/23 after which this fund will be exhausted.

Capital Outturn Position for 2021/22

The Capital Budget is monitored throughout the year to identify any pressures and re-profile budgets based on revised expenditure projections. The budget changes as a result of slippage from the previous financial years capital programme, new capital allocations received or reductions in existing allocations and re-profiling of capital allocations between financial years.

The table below provides a summary of the revised capital budget and expenditure for 2021/22 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Capital Outturn report presented to Cabinet and Full Council.

Service Area	Revised Budget 2021/22 £000	Actual Spend 2021/22 £000	Variance 2021/22 £000
General Fund			
People	20,990	16,738	(4,252)
Place	52,249	56,712	4,463
Resources	913	778	(135)
Total General Fund	**74,152**	**74,228**	**76**
Housing Revenue Account	9,420	8,100	(1,320)
Total Capital Programme	**83,572**	**82,328**	**(1,244)**

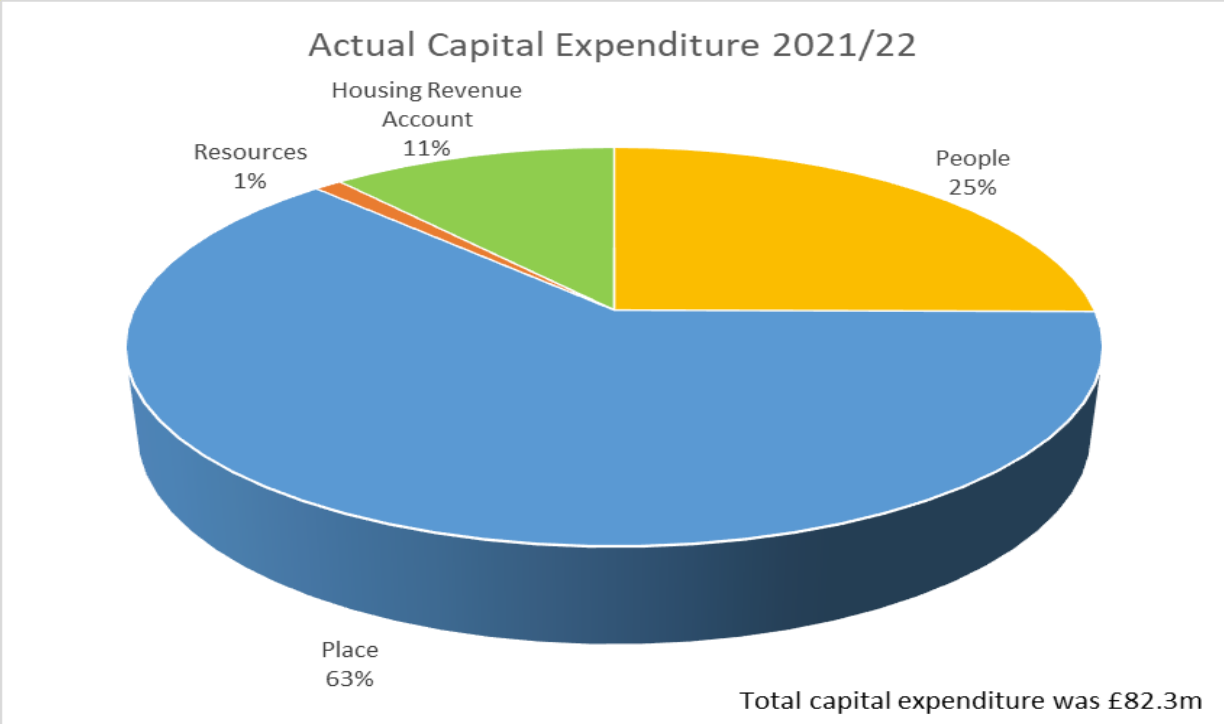
The table below provides a summary of the capital financing for the actual capital expenditure for 2021/22.

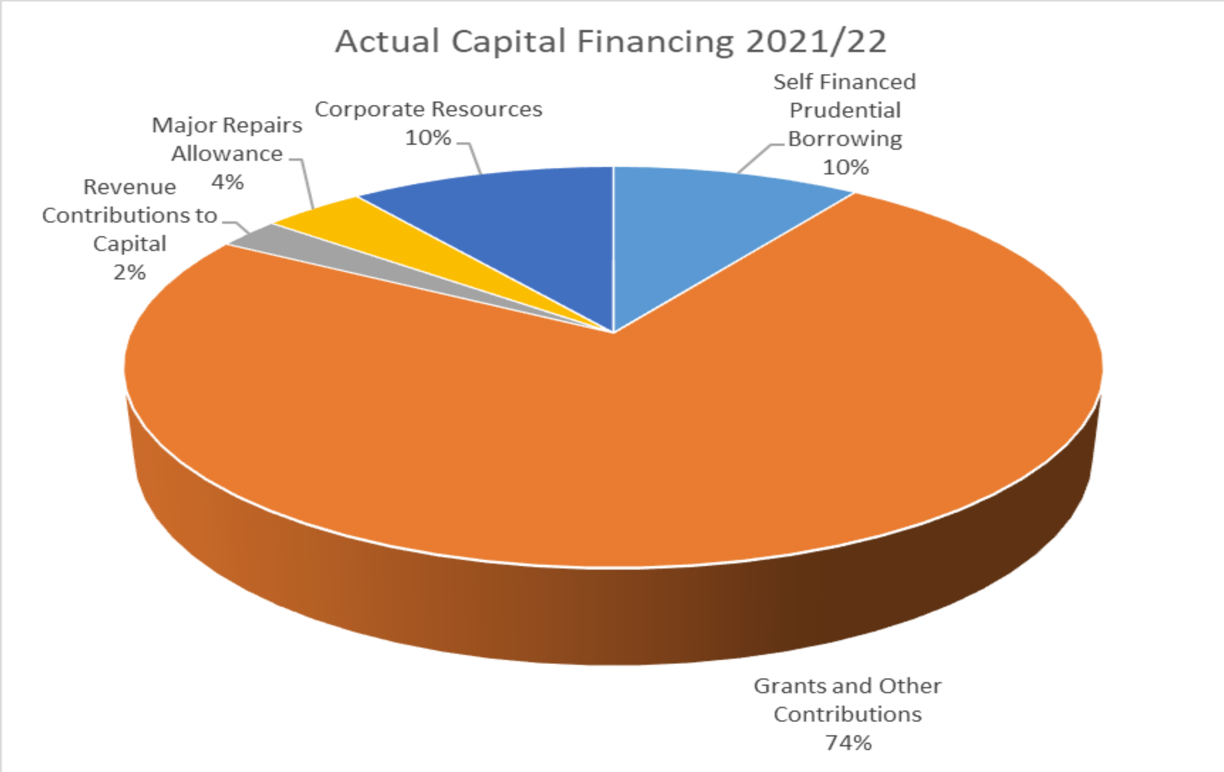
Financing	2021/22 £000
Capital Grants & Contributions	60,588
Revenue Contributions	2,024
Major Repairs Allowance	3,276
Self Financing Prudential Borrowing	7,939
Corporate Resources (Prudential Borrowing/Capital Receipts)	8,500
	82,327

The areas of most significant expenditure for schemes undertaken in 2021/22 are as follows:

	Expenditure 2021/22 £000
People	
Disabled Facilities Grants	2,094
Occupational Therapy Equipment	700
Carbon Reduction – Warm Homes	1,347
Children's Residential Care	652
Schools Condition Schemes	2,479
Devolved Formula Capital	2,052
School Future Place Planning	9,343

Place	
Highways and Transport	22,886
North West Relief Road	5,021
Flood Defences and Water Management	811
Broadband	844
Economic Development	14,455
Commercial Investments	1,349
Corporate Landlord	2,959
Resources	
IT upgrades	600
Housing Revenue Account	
Housing Major Repairs Programme	4,378
House Repurchases	1,114
New Build Programme - Phase 4-6	3,928





Cash Flow Management

Cashflow forecasts are prepared for the current and future financial years and are monitored on a daily basis. The cashflow forecast is regularly updated to take account of future changes so the cash position of the Council can be managed appropriately.

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

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

The Council held substantial cash balances during 2021/22, largely because of receiving multi-year government funding for COVID-19 during 2021/22. These funds were mainly invested for periods of less than 1 year with the UK Government, money market funds, bodies with high credit ratings and other local authorities. Further details are provided in the Statement of Accounts.

We are satisfied that cashflow levels are sustainable in the short to medium term based on the information we currently have.

The Statement of Accounts

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

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

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

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

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

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

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

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

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

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

- **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2022. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.

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

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

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

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

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

- **The Pension Fund Accounts and Disclosure Notes** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council's own finances. The accounts summarise the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2021/22 and assets and liabilities as at 31 March 2022.

A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

Outlook for the Council

The Council produced a Medium Term Financial Strategy (MTFS) for the period 2022/23 – 2026/27, and whilst the plan had managed to identify a balanced budget for 2022/23 through the use of one off grant balances and reserves, the future financial plan does not yet deliver a balanced and sustainable budget for the long-term future.

Following the approval of the 2022/23 MTFS, the UK economy was impacted by the invasion of Ukraine which has pushed inflation levels to their highest level since the early 1980s. The impact of this on the Council is that contract prices, fuel, energy and pay inflation is anticpated to be greater than the level originally budgeted for the 2022/23 and potentially future years of the MTFS. Therefore the Council initiated a number of key pieces of work to help address cost pressures in 2022/23 and also start early on plans that would feed into the 2023/24 year and beyond. These included:

- The development and approval of the Shropshire Plan which would outline the vision and key priorities for the Council for the period 2022 – 2025.
- Commissioned a LGA Finance Peer Review to examine the financial strategy, budget process and wider financial management at the Council
- Launched a tactical budget exercise to look at new potential savings that could be delivered in the current year and within the MTFS period.
- Developing a target operating model (TOM) that would shape how the Council operates in the future, closely aligned to the Shropshire Plan.

In terms of the funding position for the Council, the impact of the COVID-19 pandemic has meant that the introduction of 75% business rates retention alongside the fair funding review has been further delayed. However the Council is reviewing its assumptions around potential government funding to assist with financial planning into the medium and long term.

Next year we will be investing over £125 million of capital funding into local projects. The capital programme remains priority led, reflecting the need for growth in the Shropshire economy, significant investment in infrastructure and roads, investment in the current housing stock and developing a new build programme for housing, and funding to deliver superfast broadband across much of Shropshire in the coming years.

The bottom line is, of course, that we have a statutory duty to set a legal budget. This is becoming increasingly difficult as each year progresses. The emergency event of COVID-19 and further flooding affecting Shrewsbury has demonstrated the need to hold sufficient balances in reserve to assist with balancing the books should these be required, however the delivery of continual savings on the budget is becoming more and more difficult.

Section 2

Statement of Responsibilities

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 2021/22 was formally approved at a meeting of the Audit Committee on 23 November 2023

Brian Williams
Chair of the Audit Committee
23 November 2023

Responsibilities of Executive Director of Resources

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

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

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

The Executive Director of Resources has also:

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

Certificate of the Executive Director of Resources

I hereby certify that the Statement of Accounts present a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2022.

James Walton
Executive Director of Resources
11 December 2023

Section 3

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 on financial statements

We have audited the financial statements of Shropshire Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, notes to the financial statements, including a summary of significant accounting policies, the Group Comprehensive Income & Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund. The notes to the financial statements include Notes to the Core Financial 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 2021/22.

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 2022 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 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, Executive Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the 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 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 the 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 in April 2020 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 '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 matters 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, 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 Executive Director of Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, 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 Executive Director of Resources. The Executive Director of Resources 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resource 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 Executive Director of Resources is responsible for assessing the Authority's and the group'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 and the group 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, Local Government Act 1972, Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012
- We enquired of senior officers and the Audit Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, Internal Audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
  - large and unusual manual journals and those manual journals with a direct impact on the financial performance of the Council; and

  - potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Council's land and buildings (including council dwellings) and net pensions liability

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual manual items and significant journals at the end of the financial year which impacted on the Council's financial performance;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings (including council dwellings) valuations and expenditure accruals, and;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.

- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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 for Shropshire Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report, and
- our work on an objection received from a local elector.

We are satisfied that this work does not have a material effect on the financial statements.

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.

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham
13 December 2023

Section 4

Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/21				2021/22		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 7, 8, 9 and 10)			
14,953	(15,934)	(981)	Health and Wellbeing	18,155	(23,768)	(5,613)
8,521	(18,419)	(9,898)	Local Authority Housing	(5,001)	(18,395)	(23,396)
363,452	(175,737)	187,715	People	390,343	(196,221)	194,122
160,455	(41,674)	118,781	Place	144,830	(48,362)	96,468
59,565	(52,017)	7,548	Resources	56,728	(49,605)	7,123
0	0	0	Strategic Management Board	922	0	922
38,197	(37,412)	785	Corporate	26,088	(33,015)	(6,927)
645,143	**(341,193)**	**303,950**	**Net Cost of Services**	**632,065**	**(369,366)**	**262,699**
		15,624	Other Operating Expenditure (Note 13)			15,556
		43,628	Financing and Investment Income and Expenditure (Note 14)			31,848
		(319,838)	Taxation and Non Specific Grant Income (Note 15)			(326,122)
		43,365	**(Surplus) or Deficit on Provision of Services**			**(16,019)**
		124,069	(Surplus) or Deficit on Revaluation of Non-Current Assets			(32,260)
		281	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			(2)
		22,416	Remeasurement of the Net Defined Benefit Liability			(25,708)
		146,766	**Other Comprehensive Income and Expenditure**			**(57,970)**
		190,131	**Total Comprehensive Income and Expenditure**			**(73,989)**

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2021/22	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**40,978**	**211,105**
Movement in reserves during 2021/22									
Surplus or (deficit) on the provision of services	(7,057)	0	**(7,057)**	23,076	0	0	**16,019**	0	**16,019**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	57,970	**57,970**
Total Comprehensive Income and Expenditure	(7,057)	0	**(7,057)**	23,076	0	0	**16,019**	**57,970**	**73,989**
Adjustments between accounting basis & funding basis under regulations (Note 11)	430	0	**430**	(22,787)	968	1,995	**(19,394)**	19,394	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(6,627)**	**0**	**(6,627)**	**289**	**968**	**1,995**	**(3,375)**	**77,364**	**73,989**
Transfers to/(from) Earmarked Reserves (Note 12)	4,059	(4,021)	**38**	(38)	0	0	**0**	0	**0**
Increase/(Decrease) in 2021/22	**(2,568)**	**(4,021)**	**(6,589)**	**251**	**968**	**1,995**	**(3,375)**	**77,364**	**73,989**
Balance at 31 March 2022	**11,522**	**89,638**	**101,160**	**11,592**	**6,918**	**47,082**	**166,752**	**118,342**	**285,094**

Movement In Reserves Statement

2020/21	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020	**13,510**	**67,993**	**81,503**	**10,140**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**
Transfer of Dedicated Schools grant deficit	0	2,247	2,247	0	0	0	2,247	(2,247)	0
Revised Opening Balance	**13,510**	**70,241**	**83,751**	**10,140**	**4,492**	**41,985**	**140,368**	**260,868**	**401,236**
<u>Movement in reserves during 2020/21</u>									
Surplus or (deficit) on the provision of services	(50,746)	0	**(50,746)**	7,381	0	0	**(43,365)**	0	**(43,365)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	(146,766)	**(146,766)**
Total Comprehensive Income and Expenditure	**(50,746)**	**0**	**(50,746)**	**7,381**	**0**	**0**	**(43,365)**	**(146,766)**	**(190,131)**
Adjustments between accounting basis & funding basis under regulations (Note 11)	74,674	0	**74,674**	(6,110)	1,458	3,102	**73,124**	(73,124)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**23,928**	**0**	**23,928**	**1,271**	**1,458**	**3,102**	**29,759**	**(219,890)**	**(190,131)**
Transfers to/(from) Earmarked Reserves (Note 12)	(23,348)	23,418	**70**	(70)	0	0	**0**	0	**0**
Increase/(Decrease) in 2020/21	**580**	**23,418**	**23,998**	**1,201**	**1,458**	**3,102**	**29,759**	**(219,890)**	**(190,131)**
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**40,978**	**211,105**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2020/21		2021/22	
£000		£000	£000
992,164	Property, Plant & Equipment (Note 16)	1,054,190	
2,193	Heritage Assets	2,137	
59,261	Investment Property (Note 17)	61,879	
6,393	Intangible Assets	5,381	
599	Assets Held for Sale	599	
1,060,610	**Total Non Current Assets**		**1,124,186**
400	Long Term Investment (Note 22)	970	
22,628	Long Term Debtors (Note 22)	17,166	
1,083,638	**Total Long Term Assets**		**1,142,322**
	Current Assets		
250	Current Held for Sale Investment Properties (Note 17)	570	
767	Assets Held for Sale	3,866	
70,000	Short Term Investments (Note 22)	119,000	
697	Inventories	808	
99,834	Short Term Debtors (Notes 22, 24 & 25)	82,430	
78,438	Cash & Cash Equivalents (Notes 22 & 26)	45,302	
249,986	**Total Current Assets**		**251,976**
1,333, 624	**Total Assets**		**1,394,298**
	Current Liabilities		
(14,902)	Bank Overdraft (Notes 22 & 26)	(17,714)	
(13,893)	Short Term Borrowing (Note 22)	(1,858)	
(126,217)	Short Term Creditors (Notes 22 & 27)	(126,848)	
(3,912)	Provisions (Note 28)	(3,660)	
(15,443)	Grants Receipts in Advance - Revenue (Note 39)	(6,030)	
(11,773)	Grants Receipts in Advance - Capital (Note 39)	(18,645)	
(186,140)	**Total Current Liabilities**		**(174,755)**
1,147,484	**Total Assets Less Current Liabilities**		**1,219,543**
	Long Term Liabilities		
(637)	Long Term Creditors (Note 22)	(625)	
(291,568)	Long Term Borrowing (Note 22)	(291,568)	
(103,618)	Other Long Term Liabilities (Note 21)	(100,838)	
(531,883)	Pensions Liability (Note 42)	(536,529)	
(8,673)	Provisions (Note 28)	(4,889)	
(936,379)	**Total Long Term Liabilities**		**(934,449)**
211,105	**Net Assets**		**285,094**
	Financed by:		
170,127	Usable Reserves (Note 29)	166,752	
40,978	Unusable Reserves (Note 30)	118,342	
211,105	**Total Reserves**		**285,094**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2020/21 £000	Revenue Activities	2021/22 £000	2021/22 £000
43,365	Net (surplus) or deficit on the provision of services	(16,019)	
(120,052)	Adjust net surplus or deficit on the provision of services for non cash movements	(56,995)	
64,552	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	72,403	
(12,135)	**Net cash flows from Operating Activities (Note 31)**		**(611)**
(3,272)	Investing Activities (Note 32)	31,184	
30,234	Financing Activities (Note 33)	5,374	
14,827	**Net (increase) or decrease in cash and cash equivalents**		**35,947**
78,362	Cash and cash equivalents at the beginning of the reporting period		63,535
63,535	**Cash and cash equivalents at the end of the reporting period (Note 26)**		**27,588**

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 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS).

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

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

1.2 Accruals of Expenditure and Income

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

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

1.3. Cash and Cash Equivalents

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.5. Non-Current Assets - Intangible

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

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

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

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

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

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

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

Initial Measurement

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

Measurement after recognition

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

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

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

Assets included in the Balance Sheet at current value are subject to a full revaluation with sufficient regularity to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In the intervening years the valuations are subject to an annual desktop review to update the valuation to the balance sheet date. Where the valuation is calculated to be below £10,000 the valuation is recorded as de-minimus in the balance sheet.

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

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

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

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

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

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

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

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

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

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

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

1.8. Investment Properties

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

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

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

1.9. Non-Current Assets Held for Sale

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

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

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

1.10. Impairment

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

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

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

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

1.11. Depreciation

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

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

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

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

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

1.12. Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

1.13. Revenue Expenditure Funded from Capital under Statute

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

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

1.14. Heritage Assets

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

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

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

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

The Council's Historical Environment Team, including the Shropshire Archaeology Service manage the Council's historic environment and archaeological sites. The

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

- **Museum and Archives artefacts**

Museum Service

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

Principal collections held by the Museum Service include:

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

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

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

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

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

Archives

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

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

Heritage Assets – Impairment

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

1.15. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure, used to finance expenditure under the new flexibilities around the use of Capital Receipts for transformational revenue purposes over the 4 year period 2019/20 to 2022/23 or are used to repay debt. At the balance sheet date, the Council may opt to set aside capital receipts in-hand within the Capital Adjustment Account to reduce the Capital Financing Requirement and the Minimum Revenue Provision (MRP) charge for the following financial year.

1.16. The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the statutory "Minimum Revenue Provision" (MRP) requirements. For supported borrowing MRP is calculated based on a 45 year annuity basis and utilises Adjustment A (the variance between the credit ceiling and the Capital Financing Requirement

(CFR) as at 1st April 2004) to reduce the supported borrowing CFR for MRP purposes. For unsupported borrowing MRP is calculated based on an annuity basis over the expected life of the asset for which the borrowing was undertaken. These amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

For HRA debt there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

For assets under on-balance sheet PFI contracts and finance leases, the annual principal payment amount in the PFI or finance lease model is used as the MRP payment amount, with no additional charges above those within the contract.

Where the Council has made capital loans to third parties financed from the Council's balances, the annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge.

1.17. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) the lease transfers ownership of the asset to the lessee by the end of the lease term;

2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;

3) the lease term is for the major part of the economic life of the asset;

4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Should a yes response be given to two or more of the above questions, then consideration is given to treating the lease as a finance lease.

<u>The Council as Lessee</u>

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

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

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

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

The Council as Lessor

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

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

1.18. Government Grants and Contributions

Revenue Grants

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

Capital Grants

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

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

<u>Community Infrastructure Levy</u>

The Council has elected to charge Community Infrastructure Levy (CIL) with effect from 1 January 2012. The levy applies to planning applications for the following types of development:

- The formation of one or more new dwellings, (including holiday lets), either through conversion or new build, regardless of size (unless it is 'affordable housing'); or

- The establishment of new residential floor space (including extensions and replacements) of 100sqm or above.

The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects. This will largely be capital expenditure and includes roads and other transport schemes, flood defences, schools and other education facilities, medical facilities, sporting and recreation facilities and open spaces. Five percent of CIL charges will be used to meet the administrative costs of operating the levy.

CIL is received without outstanding conditions; it is therefore recognised in the Comprehensive Income and Expenditure Statement in accordance with the Council CIL instalment policy, following commencement date of the chargeable development in accordance with the accounting policy for government grants and contributions set out above.

The only exception for this is CIL monies received on developments where the CIL Liability Notice has been issued after 25th April 2013. On these receipts 15% of gross receipt or 25% in areas with a statutory Neighbourhood Plan in place; is treated as the Neighbourhood Fund element. The Neighbourhood Fund is the portion of CIL provided directly to Town and Parish Councils to be used for the provision, improvement, replacement, operation or maintenance of infrastructure or anything else which is concerned with addressing the demands that development places on an area.

1.19. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at amortised cost

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

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial Statements, instead Note 22 to the Core Financial Statements provides details about these soft loans.

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3 inputs – unobservable inputs for the asset.

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

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

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

1.20. Financial Liabilities

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

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

1.21. Reserves

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

1.22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.23. Inventories

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

1.24. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2021/22. The total absorption costing principle is used -

the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

1.25. Group Accounts

The Council has financial relationships with a number of entities and partnerships and, therefore, is required to prepare Group Accounts, in addition to its main financial statements. All of the financial relationships within the scope of Group Accounts have been assessed.

The Council has accounted for Group Accounts in accordance with IFRS 3 - Business Combination, IFRS10 – Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS12 – Disclosure of Interest in Other Entities, IAS 27 - Separate Financial Statements, IAS28 - Investments in Associates and Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting. Subsidiaries have been consolidated within the Council's accounts on a line by line by line basis and joint ventures have been consolidated using the equity method. Accounting policies have been aligned between the Council and the companies consolidated in the Group.

1.26. Value Added Tax (VAT)

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

1.27. Employee Benefits

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

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

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

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);

- The NHS Pensions Scheme, administered by NHS Pensions;
- The Local Government Pensions Scheme, administered by Shropshire Council.

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

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

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

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

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

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

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

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

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

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

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

1.28. Foreign Currency Transactions

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

1.29. Private Finance Initiative (PFI) Schemes

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

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

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

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

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

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

1.30. Accounting for Council Tax and Non Domestic Rates

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

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

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

1.31. Accounting for Local Authority Maintained Schools

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

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

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

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

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

1.32. Fair Value Measurement

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

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

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

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

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

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

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

1.33. Unquoted Equity Investments

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

2. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made to the Council's 2020/21 finanical statements as a result of a change to the Council's reporting structure and a review of the categorisation of investment income.

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

Directorates per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Directorates	As restated 2020/21	Revised Directorates
Gross Expenditure	**£000**	**£000**	**£000**	
Adult Services	191,718	(191,718)	0	No longer in use
Housing Revenue Account	8,521	0	8,521	Housing Revenue Account
Children's Services	191,506	(191,506)	0	No longer in use
Finance, Governance & Assurance	55,490	(55,490)	0	No longer in use
Legal & Democratic Services	660	(660)	0	No longer in use
Place	155,637	4,819	160,456	Place
Strategic Management Board	0	0	0	Strategic Management Board
Workforce & Transformation	3,414	(3,414)	0	No longer in use
Corporate	38,197	0	38,197	Corporate
Not in use	0	14,953	14,953	Health & Wellbeing
Not in use	0	363,452	363,452	People
Not in use	0	59,564	59,564	Resources
Cost of services	**645,143**	**0**	**645,143**	

Directorates per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Directorates	As restated 2020/21	Revised Directorates
Gross Income	**£000**	**£000**	**£000**	
Adult Services	(72,664)	72,664	0	No longer in use
Housing Revenue Account	(18,419)	0	(18,419)	Housing Revenue Account
Children's Services	(121,393_	121,393	0	No longer in use
Finance, Governance & Assurance	(51,412)	51,412	0	No longer in use
Legal & Democratic Services	(119)	119	0	No longer in use
Place	(39,288)	(2,386)	(41,674)	Place
Strategic Management Board	0	0	0	Strategic Management Board
Workforce & Transformation	(486)	(486)	0	No longer in use
Corporate	(37,412)	0	(37,412)	Corporate
Not in use	0	(15,934)	(15,934)	Health & Wellbeing
Not in use	0	(175,737)	(175,737)	People
Not in use	0	(52,017_	(52,017)	Resources
Cost of services	**(341,193)**	**0**	**(341,193)**	

Directorates per 2020/21 statement of accounts	As reported in the CI&ES 2020/21	Movement between Directorates	As restated 2020/21	Revised Directorates
Net Expenditure	**£000**	**£000**	**£000**	
Adult Services	119,054	(119,054)	0	No longer in use
Housing Revenue Account	(9,898)	0	(9,898)	Housing Revenue Account
Children's Services	70,113	(70,113)	0	No longer in use
Finance, Governance & Assurance	4,078	(4,078)	0	No longer in use
Legal & Democratic Services	541	(541)	0	No longer in use
Place	116,349	2,433	118,782	Place
Strategic Management Board	0	0	0	Strategic Management Board
Workforce & Transformation	2,928	(2,928)	0	No longer in use
Corporate	785	0	785	Corporate
Not in use	0	(981)	(981)	Health & Wellbeing
Not in use	0	187,715	187,715	People
Not in use	0	7,547	7,547	Resources
Cost of services	303,951	0	303,951	

The impact of the change to the categorisation of investment income on the Cash Flow Statement is detailed below:

Revenue Activities	As reported in the Cash Flow Statement 2020/21	Reclassification	As restated 2020/21
	£000	**£000**	**£000**
Net (surplus) or deficit on the provision of services	43,365	0	43,365
Adjust net surplus or deficit on the provision of services for non cash movements	(120,052)	0	(120,052)
Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	70,353	(5,801)	64,552
Net cash flows from Operating Activities (Note 31)	**(6,334)**	**(5,801)**	**(12,135)**
Investing Activities (Note 32)	(9,073)	5,801	(3,272)
Financing Activities (Note 33)	30,234	0	30,234
Net (increase) or decrease in cash and cash equivalents	**14,827**	**0**	**14,827**
Cash and cash equivalents at the beginning of the reporting period	78,362	0	78,362
Cash and cash equivalents at the end of the reporting period	63,535	0	63,535

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.

These changes are not expected to have a material impact on the Council's accounts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the Statement of Accounts are:

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

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

  The Council makes an assessment on whether it is probable that economic benefits or service potential associated with the asset will flow to the authority. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body and provided to the school under "mere licences" which pass no interest to the school and are always revokable they are not recognised as assets of the school. Therefore they are not included on the Council's Balance Sheet.

The Council has completed an assessment of the different types of schools it controls within the Shropshire Council area to determine how these should be accounted for. The accounting treatment is detailed in the accounting policies (see 1.31).

- During 2021/22 the Council received a number of grants relating to the covid-19 pandemic. The Council has made a judgement as to whether it is acting as an agent for the Government in relation to the distribution of these grants or as the principal based on the criteria of each grant. Where the Council are deemed to be acting as an agent transactions are not reflected in the Council's accounts with the exception of a debtor, creditor and net cash position on the Balance Sheet. Details of the covid-19 grants where the Council has deemed it is acting as an agent are included in Note 39.
- The Council is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. The Council acts as accountable body for the LEP and therefore receives grant income on behalf of the LEP and processes expenditure in line with the grant schemes. The Council has concluded that the role of accountable body is to be deemed as an agent as the decisions in relation to the allocation of the funding is made by the LEP, and therefore only the net grant held and corresponding creditor is included within the Council's accounts. Further details are provided at Note 45.

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

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

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2021:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation is carried out a minimum of every 5 years. Where a full valuation is not carried out in year, a desktop valuation review is carried out to update all valuations annually to the Balance Sheet date.	There is a risk of material adjustment in the year when the property is revalued. A 1% increase in property valuations would result in a £2.241m increase in the valuation of Council dwellings and a £4.047m increase in the value of other land and buildings.
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.
Property, Plant & Equipment - Infrastructure	Infrastructure assets are measured at historic cost and depreciated over the useful lives of the various types of works on the highways network as assessed by the Senior Quantity Surveyor in Highways using industry standards. Highways	If the useful life of assets is different to the life applied, depreciation is over or under charged in year and the carrying amounts of the assets are misstated.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	assets are assumed to have been fully consumed once the useful life applied has expired. The carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is considered to be nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.	If previous expenditure has not been fully depreciated (carrying amount not nil) at the point replacement expenditure is incurred, the carrying amounts for assets will be overstated.
Investment Properties	Valued on a fair value basis reflecting market conditions at the balance sheet date and thus annual valuation reviews are required. This ensures the carrying amount reflects fair value at the Balance Sheet date.	A 1% movement in Investment Property valuations would result in a £0.624m movement in the valuation of Investment Properties.
NDR Appeals Provision	The provision set aside for Non Domestic Rate appeals is estimated based on the number of outstanding appeals as per the Valuation Office and then these are assessed to establish the likelihood fo the appeal being successful and the potential reduction in rateable value.	There is a risk that successful appeals will be significantly more than the estimate leading to an increased demand on the NDR collection fund in the year.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Further information on the assumptions and sensitivity is detailed in note 42.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £132.923m.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured or based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer). Information about the valuation techniques and inputs used in	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
	determining the fair value of the Council's assets and liabilities is disclosed in notes 17 and 22.	
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 40% • Creditors 15%	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 £0.267m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.240m.
Debt Impairment	The balance of outstanding debtors, including Council Tax and Business Rates debtors, is assessed annually and a bad debt provision calculated to estimate the potential liability from non collection of the outstanding debts. The ongoing impact of COVID-19 and cost of living increases has created uncertainly around future collection rates. The estimated impact of this has been included in the calculation however the long-term impact of this is currently unknown.	There is a risk that if collection rates were to deteriorate then the allowance for the impairment of bad debts would need to increase.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 11 December 2023. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. This includes adjustments that have been made to the Defined Benefit Pension figures as disclosed in Note 42.

7. EXPENDITURE AND FUNDING ANALYSIS

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

2020/21						2021/22				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,449	(2,777)	(1,328)	347	(981)	Health and Wellbeing	2,144	(8,416)	(6,272)	659	(5,613)
0	(4,180)	(4,180)	(5,718)	(9,898)	Local Authority Housing	0	(3,243)	(3,243)	(20,153)	(23,396)
171,269	(2,241)	169,028	18,687	187,715	People	196,375	(14,258)	182,117	12,005	194,122
65,408	(4,592)	60,816	57,966	118,782	Place	73,214	(10,270)	62,944	33,524	96,468
3,552	2,851	6,403	1,145	7,548	Resources	2,878	2,808	5,686	1,437	7,123
373	(373)	0	0	0	Strategic Management Board	(33)	942	909	13	922
(17,293)	22,108	4,815	(4,030)	785	Corporate	(63,386)	61,610	(1,776)	(5,151)	(6,927)
224,758	**10,796**	**235,554**	**68,397**	**303,950**	**Net Cost of Services**	**211,192**	**29,173**	**240,365**	**22,334**	**262,699**
0	(260,753)	(260,753)	168	(260,585)	Other Income and Expenditure	0	(234,027)	(234,027)	(44,691)	(278,718)

2020/21						2021/22				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
224,758	**(249,957)**	**(25,199)**	**68,565**	**43,365**	**Surplus or Deficit**	**211,192**	**(204,854)**	**6,338**	**(22,357)**	**(16,019)**
		91,644			Opening General Fund and HRA Balance			119,090		
		2,247			Transfer of Dedicated Schools Grant Deficit			0		
		93,891			Revised Opening General Fund and HRA Balance			119,090		
		25,199			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			(6,338)		
		119,090			**Closing General Fund and HRA Balance at 31 March***			**112,752**		

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

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2021/22

Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Capital items reported at Directorate level (note 1) £000	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies/revenue impairment reported at Directorate level (note 2) £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Health and Wellbeing	0	(534)	(6,071)	0	(1,805)	(6)	0	**(8,416)**	64	527	68	**659**
Local Authority Housing	0	0	0	0	0	0	(3,243)	**(3,243)**	(20,153)	0	0	**(20,153)**
People	0	(9,978)	(5,426)	(197)	1,868	(1,234)	709	**(14,258)**	2,922	9,849	(766)	**12,005**
Place	0	(4,106)	1,911	(11,565)	(2,145)	4,039	1,596	**(10,270)**	29,439	4,053	32	**33,524**
Resources	0	(659)	53	4	2,246	164	1,000	**2,808**	711	651	75	**1,437**
Strategic Management Board	0	(14)	909	0	47	0	0	**942**	0	13	0	**13**
Corporate	0	17,099	11,921	(9,404)	(15)	(9)	42,018	**61,610**	(4,592)	(246)	(313)	**(5,151)**
Net Cost of Services	**0**	**1,808**	**3,297**	**(21,162)**	**196**	**2,954**	**42,080**	**29,173**	**8,391**	**14,847**	**(904)**	**22,334**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(1,808)	762	21,162	(196)	(2,954)	(250,993)	**(234,027)**	(44,052)	12,620	(13,259)	**(44,691)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**4,059**	**0**	**0**	**0**	**(208,913)**	**(204,854)**	**(35,661)**	**27,467**	**(14,163)**	**(22,357)**

2020/21 Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Capital items reported at Directorate level (note 1) £000	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies reported at Directorate level (note 2) £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Health and Wellbeing	0	(283)	(811)	0	(1,856)	(3)	176	(2,777)	64	283	0	347
Local Authority Housing	0	0	0	0	0	0	(4,180)	(4,180)	(5,718)	0	0	(5,718)
People	0	(4,240)	(2,705)	(194)	2,017	(400)	3,282	(2,240)	15,709	4,240	(1,263)	18,687
Place	0	(1,899)	5,335	(12,675)	(2,299)	485	6,461	(4,591)	55,940	1,899	127	57,966
Resources	0	(444)	810	(7)	982	210	1,300	2,851	701	444	0	1,145
Strategic Management Board	0	0	0	0	(379)	0	6	(373)	0	0	0	0
Corporate	0	7,618	(25,541)	(8,946)	(132)	(7)	49,116	22,108	(4,359)	646	(317)	(4,030)
Net Cost of Services	**0**	**753**	**(22,912)**	**(21,822)**	**(1,667)**	**285**	**56,159**	**10,796**	**62,337**	**7,511**	**(1,452)**	**68,397**
Other Income and Expenditure from the Expenditure and Funding Analysis	0	(753)	(252)	21,822	1,667	(285)	(282,952)	(260,753)	(35,828)	12,020	23,976	168
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**(0)**	**(23,164)**	**0**	**0**	**0**	**(226,793)**	**(249,957)**	**26,509**	**19,531**	**22,524**	**68,565**

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

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

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

Adjustments for Capital Purposes

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

Net Change for the Pensions Adjustments

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

Other Differences

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

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

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2021/22 £000	2020/21 £000
Expenditure		
Employee benefits expenses	208,928	187,329
Other service expenses	439,988	421,957
Support service recharges	35,375	32,906
Depreciation, amortisation, impairment	20,230	78,028
Interest payments	25,223	26,179
Precepts and levies	9,261	9,072
Payments to Housing Capital Receipts Pool	607	560
(Gain)/Loss on the disposal of assets	5,688	5,992
Total Expenditure	**745,300**	**762,023**
Income		
Fees, charges and other service income	(183,086)	(156,368)
Interest and investment income	(1,117)	(1,450)
Income from council tax, non-domestic rates	(224,679)	(204,513)
Government grants and contributions	(352,437)	(356,327)
Total Income	**(761,319)**	**(718,658)**
Surplus or Deficit on the Provision of Services	**(16,019)**	**43,365**

10. REVENUE CONTRACTS WITH CUSTOMERS

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

Fees, charges and other service income	2021/22 £000	2020/21 £000
Health and Wellbeing	(1,083)	(1,262)
Local Authority Housing	(18,425)	(18,442)
People	(64,327)	(53,738)
Resources	(37,351)	(32,905)
Place	(59,422)	(46,490)
Strategic Management Board	(912)	(913)
Corporate	(1,566)	(2,618)
Total Income	**(183,086)**	**(156,368)**

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2021/22	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs	27,465	0	0	0	0	(27,465)
Financial instruments	(315)	0	0	0	0	315
Council tax and NDR	(13,176)	0	0	0	0	13,176
Holiday pay	(12)	0	0	0	0	12
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(1,427)	(18,595)	4,245	0	7,434	8,343
Dedicated Schools grant	(659)	0	0	0	0	659
Total Adjustments to Revenue Resources	**11,876**	**(18,595)**	**4,245**	**0**	**7,434**	**(4,960)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(603)	(3,627)	0	7,733	0	(3,503)
Administrative costs of non-current asset disposals	48	61	0	(109)	0	0
Payments to the government housing receipts pool	607	0	0	(607)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(9,340)	0	0	0	0	9,340
Capital expenditure financed from revenue balances	(2,158)	(626)	0	0	0	2,784
Total Adjustments between Revenue and Capital Resources	**(11,446)**	**(4,192)**	**0**	**7,017**	**0**	**8,621**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(7,057)	0	7,057
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,276)	0		3,276

2021/22	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Application of capital grants to finance capital expenditure	0	0	0	0	(5,440)	5,440
Cash payments in relation to deferred capital receipts	0	0	0	40	0	(40)
Total Adjustments to Capital Resources	**0**	**0**	**(3,276)**	**(7,017)**	**(5,440)**	**15,733**
Total Adjustments	**430**	**(22,787)**	**969**	**0**	**1,994**	**19,394**

2020/21 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
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	19,531	0	0	0	0	(19,531)
Financial instruments	(317)	0	0	0	0	317
Council tax and NDR	23,730	0	0	0	0	(23,730)
Holiday pay	698	0	0	0	0	(698)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	42,782	(4,001)	4,096	0	8,679	(51,556)
Dedicated Schools grant	(1,588)	0	0	0	0	1,588
Total Adjustments to Revenue Resources	**84,836**	**(4,001)**	**4,096**	**0**	**8,679**	**(93,610)**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(2,340)	(1,782)	0	4,907	0	(785)
Administrative costs of non-current asset disposals	12	34	0	(46)	0	0
Payments to the government housing receipts pool	560	0	0	(560)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(8,312)	0	0	0	0	8,312
Capital expenditure financed from revenue balances	(82)	(361)	0	0	0	443

2020/21 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Total Adjustments between Revenue and Capital Resources	**(10,162)**	**(2,109)**	**0**	**4,301**	**0**	**7,970**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(5,869)	0	5,869
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(2,638)	0	0	2,638
Application of capital grants to finance capital expenditure	0	0	0	0	(5,577)	5,577
Cash payments in relation to deferred capital receipts	0	0	0	1,568	0	(1,568)
Total Adjustments to Capital Resources	**0**	**0**	**(2,638)**	**(4,301)**	**(5,577)**	**12,516**
Total Adjustments	**74,674**	**(6,110)**	**1,458**	**0**	**3,102**	**(73,124)**

12. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

	Balance at 31 March 2020 £000	Transfers Out 2020/2021 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 22 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	16,126	(3,152)	4,531	17,505	(4,418)	12,344	25,431
Insurance Reserves	3,764	(377)	352	3,739	(342)	357	3,754
Reserves of trading and business units	0	(197)	197	0	(150)	150	0
Reserves retained for service departmental use	43,909	(23,838)	44,299	64,370	(48,367)	33,998	50,001
School Balances	6,442	(5,418)	7,021	8,045	(6,553)	8,960	10,452
Total	**70,241**	**(32,982)**	**56,400**	**93,659**	**(59,830)**	**55,809**	**89,638**

RESERVES

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

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

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

Reserves retained for service departmental use – includes a number of specific earmarked reserves for known service expenditure in future years. Significant balances include the Covid Government Funding Reserve, Financial Strategy reserve, a savings management for highways reserve, a severe weather reserve and a reserve including unringfenced revenue grants that have not been spent.

School Balances – includes unspent balances of budgets delegated to individual schools.

A breakdown of all specific earmarked reserve balances is shown in the 2021/22 Revenue Outturn report.

13. OTHER OPERATING EXPENDITURE

	2021/22 £000	2020/21 £000
Parish Council Precepts	9,110	8,940
Levies	151	132
Payments to the Government Housing Capital Receipts Pool	607	560
(Gains)/losses on the disposal of non-current assets*	5,590	5,454
(Gains)/losses on change in valuation of non-current assets	98	538
	15,556	**15,624**

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021/22 £000	2020/21 £000
Interest payable and similar charges	25,223	26,179
Pensions interest cost and expected return on pensions assets	10,835	11,267
Interest receivable and similar income	(1,117)	(1,450)
Income and expenditure in relation to investment properties and changes in their fair value	(6,890)	(1,328)
Revenue Impairment Losses	605	1,099
(Surpluses)/deficits on Trading Activities	3,192	7,862
	31,848	**43,629**

15. TAXATION AND NON SPECIFIC GRANT INCOMES

	2021/22 £000	2020/21 £000
Council tax income	(182,336)	(172,667)
Non domestic rates	(42,343)	(31,846)
Non ringfenced government grants	(51,552)	(66,559)
Capital grants and contributions	(49,891)	(48,766)
	(326,122)	(319,838)

16. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2021/22.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2021	**204,772**	**393,044**	**21,703**	**7,843**	**2,480**	**2,252**	**14,734**	**646,828**	**123,986**
Additions	6,878	2,915	1,293	15	0	0	21,363	**32,464**	760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(113)	17,109	0	0	0	729	0	**17,725**	(1,035)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487	1,043	0	0	0	2	0	**16,532**	(277)
Derecognition – disposals	(2,682)	(3,928)	(13)	0	0	0	0	**(6,623)**	0
Derecognition – other	0	(2,840)	(1,172)	(61)	(122)	0	0	**(4,195)**	(169)
Assets reclassified (to)/from Held for Sale	(213)	(3,394)	0	0	0	0	0	**(3,607)**	0
Other movements in cost or valuation	3	711	0	0	0	305	(77)	**942**	0
At 31 March 2022	**224,132**	**404,660**	**21,811**	**7,797**	**2,358**	**3,288**	**36,020**	**700,066**	**123,265**
At 1 April 2021	**0**	**0**	**(10,563)**	**(3,178)**	**(638)**	**(1,006)**	**0**	**(15,385)**	**(7,579)**
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,960)	(315)	(65)	(54)	0	**(23,576)**	(7,069)
Depreciation written out to the Revaluation Reserve	147	14,367	2	0	0	20	0	**14,536**	4,816

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

The comparative movements in 2020/21 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2020	**200,025**	**555,040**	**22,299**	**7,806**	**2,961**	**2,725**	**12,863**	**803,719**	**143,605**
Additions	4,496	1,373	1,131	37	0	0	7,345	**14,382**	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(138,953)	0	0	0	(120)	0	**(139,129)**	(19,096)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,447	(32,747)	0	0	0	(353)	0	**(31,653)**	9

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	**(5,898)**	0
Derecognition – other	(132)	(967)	(1,727)	0	(481)	0	0	**(3,307)**	(1,448)
Assets reclassified (to)/from Held for Sale	13	0	0	0	0	0	0	**13**	0
Other movements in cost or valuation	(99)	14,274	0	0	0	0	(5,474)	**8,701**	0
At 31 March 2021	**204,772**	**393,044**	**21,703**	**7,843**	**2,480**	**2,252**	**14,734**	**646,828**	**123,986**
Depreciation and Impairments At 1 April 2020	**0**	**0**	**(8,999)**	**(2,867)**	**(1,006)**	**(1,006)**	**0**	**(13,878)**	**(6,686)**
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,073)	(311)	(113)	(54)	0	**(24,914)**	(6,877)
Depreciation written out to the Revaluation Reserve	137	14,917	0	0	0	7	0	**15,061**	4,663
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,911	2,387	0	0	0	47	0	**6,345**	90
Impairment losses/(reversals) recognised in the Revaluation Reserve	(127)	(154)	0	0	0	0	0	**(281)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,426	0	0	0	0	0	**1,426**	0
Derecognition – disposals	0	0	0	0	0	0	0	**0**	0
Derecognition – other	0	11	1,509	0	481	0	0	**2,001**	1,231
Other movements in depreciation and impairment	127	(1,272)	0	0	0	0	0	**(1,145)**	0
At 31 March 2021	**0**	**0**	**(10,563)**	**(3,178)**	**(638)**	**(1,006)**	**0**	**(15,385)**	**(7,579)**
NBV at 31 March 2021	**204,772**	**393,044**	**11,140**	**4,665**	**1,842**	**1,246**	**14,734**	**631,443**	**116,407**
NBV at 31 March 2020	**200,025**	**555,040**	**13,300**	**4,939**	**1,955**	**1,719**	**12,863**	**789,841**	**136,919**

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of 5 primary schools for which plans are being finalised with the Diocese or for which instructions have been issued, but full ownership has not yet transferred to the Diocese. This detailed work is necessary because in many circumstances the schools are now physically different and it is necessary to ensure that the transfers relate purely to the school function and no other uses which may now be on site. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the Council's balance sheet on completion of the legal transfer. The total net book value for these schools still included as at the balance sheet date is £8.15m.

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

Academy Schools

In 2021/22 one further school in the freehold ownership of the Council transferred to Academy status. Where the School land and premises are in the freehold ownership of the Council, these are now leased by the Council to the Academy school on a 125 year peppercorn rent. On this basis the schools are now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2021/22 for the school transferring was £3.48m.

At balance sheet date, no Schools had Department of Education approval granted to convert to Academy status.

Depreciation

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

- Council Dwelling – componentised depreciation basis, using the Planned Programme Approach. The components are depreciated on a straightline basis over their useful life (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.
- Other Land and Buildings – average 5 to 60 years range.
- Vehicles, Plant, Furniture & Equipment – 5 to 25 years.
- Infrastructure – 5 to 100 years.

Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment or to provide grant funding to other bodies for a capital purpose in 2021/22 and future years budgeted to cost £33.501m. Similar commitments at 31 March 2021 were £38.091m. The major commitments were:

- Highways & Transport schemes - £22.723m
- Whitchurch Medical Practice - 4.737m
- Rural Broadband - £2.122m
- Business Park Regeneration - £1.971m
- School Future Place Planning Programme - £0.780m

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years and are subject to an annual desktop review, in year where a full valuation is not undertaken. All valuations are undertaken by External Valuers for the General Fund and HRA assets. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are held on historic cost basis.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

The significant assumptions applied in estimating the current values are:

- For all assets valued on a DRC or EUV basis an apportionment of each valuation has been made between land and buildings. The apportionment is provided only for the financial purposes, but this does not necessarily reflect how each asset would be treated in the open market.
- Valuation is based on the continuation of the existing uses for all of those properties that are owner occupied by Shropshire Council. Assumed that the properties are all occupied and/or operated in accordance with a valid planning permission. Valuers have not carried out any enquiries into highways or other statutory matters and have assumed there is nothing that would affect value.
- In accordance with instructions from Shropshire Council, Valuers have not undertaken any Building Surveys, test of services or site investigations and have prepared valuations on the basis that all properties (sites and buildings) are:
    - Free of any matters (including deleterious materials or contamination) that could otherwise affect value;
    - None of the properties are prone to flooding or other infrequent or regularly occurring natural events that could affect value;
    - All necessary mains services are connected to the properties.
- All valuations undertaken are reported on a gross basis before deduction of purchaser's costs, including stamp duty at prevailing rates. No

allowance has been made for any expenses of realisation, nor taxation (including VAT) which might arise in the event of a disposal, and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.

- All of the assets are held on an unencumbered freehold basis with the Title being good and marketable, based on the Report on Title provided.
- Where relevant, Valuers have carried out informal enquiries only of statutory undertakers. This information has been obtained from verbal discussions or the internet, and is provided without liability on behalf of the statutory bodies.
- Opinion of the remaining lives of property assets has been provided. This may not necessarily be the useful life of the asset to Shropshire Council. Estimates of the properties remaining lives are based upon information provided together with Valuers understanding of any recent capital expenditure which has been incurred in replacing or refurbishing individual buildings and the use of the buildings (if any) at the date of valuation. All buildings are assumed to have a maximum life expectancy from new of 60 years.

Valuations of Non-Current Assets carried at Current Value

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	0	9,422	0	9,422
Valued at Fair Value as at: 31-Mar-22	224,132	404,660	0	2,282	631,074
Total Cost or Valuation	**224,132**	**404,660**	**9,422**	**2,282**	**640,496**

All assets were subject to a Full or Desktop Valuations as at 31/03/22 to ensure the carrying amount reflected Current Value as at the balance sheet date.

In order to perform this exercise the other land and building category was split into the sub-categories with the relevant values detailed in the table below:

	2021/22 £000	2020/21 £000
Schools, Children's Services and other Education Facilities	73,235	71,369
Culture & Heritage Buildings	59,560	51,649
Leisure & Recreation	52,187	46,163
Highways & Car Parks	25,520	25,784
Social Care	36,813	35,071
Administrative Offices	17,368	16,977

	2021/22 £000	2020/21 £000
Waste Management Site	97,673	98,737
Business / Commercial Sites (including Markets)	27,182	28,328
Housing Services (including Gypsy Sites)	7,545	9,678
Smallholdings	6,774	8,234
Other	803	1,054
Total	**404,660**	**393,044**

Highway Infrastructure Assets

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

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

	2021/22 £000	2020/21 £000
Net book value (modified historical cost):		
At 1 April	360,721	348,638
Additions	32,024	29,954
Derecognition	0	0
Depreciation	(21,654)	(18,980)
Impairment	0	0
Other Movement in cost	441	1,109
At 31 March	**371,531**	**360,721**

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

	2021/22 £000	2020/21 £000
Highway Infrastructure Assets	371,531	360,721
Other PPE Items	682,658	631,443
Total PPE Assets	**1,054,189**	**992,164**

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

17. INVESTMENT PROPERTIES

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

	2021/22 £000	2020/21 £000
Rental income & service charges from investment property	(4,010)	(1,815)
Direct operating expenses arising from investment property	304	315
Net (gain)/loss	**(3,706)**	**(1,500)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	Long term		Current	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Balance at start of the year	59,261	47,652	250	740
Additions:				
- Purchases	4	6,698	0	0
- Construction	17	1,308	0	0
- Subsequent expenditure	100	116	0	0
Disposals	(116)	(116)	(250)	0
Net gains/(losses) from fair value adjustments	3,340	318	(157)	(490)
Transfers:				
- (To)/from Property, Plant and Equipment	0	3,285	0	0
- (To)/from Current/Long term	(727)	0	727	0
Balance at end of the year	**61,879**	**59,261**	**570**	**250**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2022 are as follows:

2021/22 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 2021 £000
Residential (market rental) properties	0	3,677	0	3,677
Land	0	42,366	0	42,366
Commercial units	0	16,143	0	16,143

2021/22 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 2021 £000
Total	0	62,186	0	62,186

2020/21 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 2020 £000
Residential (market rental) properties	0	3,883	0	3,883
Land	0	37,977	0	37,977
Commercial units	0	17,651	0	17,651
Total	0	59,511		59,511

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The market approach and the income approach have been used as the valuation techniques to measure the fair value of Investment Properties.

The fair value of properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The Income approach has been used mainly in relation to Investment Properties leased on a commercial basis. The income approach is calculated by means of the discounted cash flow method, where the expected cash flows from the properties are discounted to establish the present value of the net income stream. This approach is based on the authorities lease data and data on the local rental market.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority’s Investment Properties, the valuations have been on the basis of the highest and best use of the asset. In a small number of instances this differs to their current use, mainly where sites would have a higher value if use for residential development, and it is expected planning permission for these sites would be granted based on existing planning policy. The authority is actively working to bring these sites forward for development, but this process can take a number of years.

Valuation Process for Investment Properties

The fair value of the authority's investment properties are subject to revaluations in accordance with the authority's policy on revaluing non-current assets, commissioned to External Valuers. As the fair value must reflect market conditions at the balance sheet date, annual revaluations are necessary unless the authority can demonstrate that the carrying value is not materially different from the fair value at that date.

18. LONG TERM UNQUOTED EQUITY INVESTMENT

The Council held the following unquoted equity investments:

	2021/22 £000	2020/21 £000
Balance at start of the year	0	19,806
Purchases		
Shrewsbury Retail Unit Trusts	0	3,482
Disposals		
Shrewsbury Retail Unit Trusts	0	0
Revaluation		
Shrewsbury Retail Unit Trusts	(191)	(8,577)
Transfer of investment 31/01/2021	191	(14,711)
Balance at 31 March	**0**	**0**

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

In order to comply with the rules of the trust a percentage of the units were held by the Council directly and the remaining units were held by SSC NO.1 LTD, a wholly owned subsidiary of the Council. The units previously held by SSC No.1 LTD were surrendered to the Council on 30th January 2021.

On 31st January 2021 the shopping centres were transferred to be held directly by the Council. As a result of this the value that was previously accounted for as an unquoted equity investment is now accounted for within the Council's Balance Sheet under the specific headings i.e. debtors, creditors and property, plant and equipment.

The wholly owned subsidiary SSC NO.1 LTD is a company incorporated in England and Wales and was incorporated on the 19th January 2018. It has been consolidated in the group accounts. Its issued share capital at the 31st March 2022 was £1 and holds £0.001m in cash.

19. CAPITAL EXPENDITURE AND FINANCING

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

	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	**477,554**	**480,053**
Capital investment		
Property, Plant and Equipment	64,503	44,340
Investment Properties	120	8,122
Long Term Investment	191	721
Intangible Assets	524	449
Revenue Expenditure Funded from Capital under Statute	18,854	14,424
Capital Loans	3,000	3,250
Sources of finance		
Capital receipts	(7,057)	(5,869)
Capital grants and other contributions	(62,675)	(56,543)
Direct Revenue Financing (Including MRA)	(6,061)	(3,081)
Minimum Revenue Provision	(9,339)	(8,312)
Closing Capital Financing Requirement (including PFI & Finance Lease)	**479,614**	**477,554**
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	298,326	293,638
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	86,894	85,130
Closing Capital Financing Requirement – PFI & Finance Lease	94,394	98,786
	479,614	**477,554**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	2,602	(4,925)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	3,850	5,167
Assets acquired under finance leases		
Assets acquired under PFI contracts	(4,392)	(2,741)
Increase/(decrease) in Capital Financing Requirement	**2,060**	**(2,499)**

20. PRIVATE FINANCE INITIATIVE SCHEMES

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

a. The Quality in Community Services PFI Project

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

- Three Resource Centres
- A Nursing Home

- A Joint Service Centre
- An Intermediate Care Hub

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

b. The Waste Services PFI Project

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

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

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

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

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

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

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

	QICS PFI		Waste PFI	
	Year Ended 31/03/22 £000	Year Ended 31/03/21 £000	Year Ended 31/03/22 £000	Year Ended 31/03/21 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	16,172	19,297	92,671	108,650
- Depreciation in Period	0	0	(16)	(16)
- Additions	0	0	0	0
- Revaluation/Impairment	(82)	(3,125)	(1,231)	(15,963)
- Derecognition	0	0	0	0
Balance Carried Forward	16,090	16,172	91,424	92,671

	QICS PFI		Waste PFI	
	Year Ended 31/03/22 £000	Year Ended 31/03/21 £000	Year Ended 31/03/22 £000	Year Ended 31/03/21 £000
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	7,563	8,971
- Depreciation in Period	0	0	(1,963)	(2,108)
- Additions	0	0	760	916
- Derecognition	0	0	(45)	(217)
Balance Carried Forward	0	0	6,316	7,563
Prepayments				
Balance Brought Forward	0	0	10,113	9,744
- Planned Capital Expenditure	0	0	720	369
Balance Carried Forward	0	0	10,833	10,113
Finance Lease Liability				
Balance Brought Forward	(11,398)	(11,737)	(97,501)	(99,534)
- Additions	0	0	0	0
- Early Lifecycle	0	0	0	(916)
- Repayment of Principal	371	339	3,301	2,949
Balance Carried Forward	(11,027)	(11,398)	(94,200)	(97,501)

Details of Payments due to be made under PFI contracts

Year	Service Charges * £000	Principal £000	Interest # £000	Total Unitary Charge Payment £000
Amounts Falling Due Within One Year	23,202	4,389	11,652	39,243
Amounts Falling Due Within 2 – 5 Years	105,827	19,678	39,874	165,379
Amounts Falling Due Within 6 – 10 Years	143,689	27,135	46,350	217,174
Amounts Falling Due Within 11 – 15 Years	164,497	40,140	37,093	241,730
Amounts Falling Due Within 16 – 20 Years	65,001	19,659	12,142	96,802
Amounts Falling Due Within 21 – 25 Years	0	0	0	0

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

21. 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 2022 £000	31 March 2021 £000
Buildings	107,514	106,679
Vehicles, Plant and Equipment (PFI)	6,316	7,563
Total	**113,830**	**114,242**

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

	31 March 2022 £000	31 March 2021 £000
Finance lease liabilities (NPV of minimum lease payments)	111,001	114,673
Finance costs payable in future years	147,110	158,737
Minimum lease payments	**258,111**	**273,410**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Not later than one year	16,041	16,116	4,389	5,281
Later than one year and not later than five years	59,552	59,906	19,678	18,581
Later than five years	182,518	197,388	86,934	90,811
Total	**258,111**	**273,410**	**111,001**	**114,673**

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £105.227. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 20 Private Finance Initiative Schemes.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	389	4,000	4,389
Lease liability (due after 1 year)	10,638	90,200	100,838
Total	**11,027**	**94,200**	**105,227**

Operating Leases

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

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

	31 March 2022 £000	31 March 2021 £000
Expiring not later than one year	53	80
Expiring later than one year and not later than five years	317	325
Expiring later than five years	420	402
Total	**790**	**807**

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

	31 March 2022 £000	31 March 2021 £000
Lease payments	911	874
Sub Lease receivable	0	0
Total	**911**	**874**

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for a variety of purposes, including:

- For the provision of community services.
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- For income generation as Investment Properties.

The minimum lease payments due under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2022 £000	31 March 2021 £000
Expiring not later than one year	823	743
Expiring later than one year and not later than five years	1,314	962
Expiring later than five years	1,439	1,565
Total	**3,576**	**3,270**

22. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000
Fair value through profit or loss										
Long Term Equity Instruments	570	0	0	0	0	0	0	0	570	0
Amortised cost										
Investment	400	400	17,166	22,628	119,000	70,000	43,811	49,441	180,377	142,469
Cash and Cash Equivalents	0	0	0	0	45,190	78,289	0	0	45,190	78,289
Total financial assets	**970**	**400**	**17,166**	**22,628**	**164,190**	**148,289**	**43,811**	**49,441**	**226,137**	**220,758**
Non-financial assets	0	0	0	0	0	0	38,619	50,393	38,619	50,393
Total	**970**	**400**	**17,166**	**22,628**	**164,190**	**148,289**	**82,430**	**99,834**	**264,756**	**271,151**

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000
Amortised cost										
Principal	(291,568)	(291,568)	(626)	(637)	(26)	(12,026)	(104,252)	(108,147)	(396,472)	(412,378)
Loans accrued interest	0	0	0	0	(1,832)	(1,867)	0	0	(1,832)	(1,867)
Bank Overdraft	0	0	0	0	0	0	(17,714)	(14,902)	(17,714)	(14,902)
PFI and Finance lease liabilities	(100,838)	(103,618)	0	0	0	0	(4,389)	(5,281)	(105,227)	(108,899)
Total Financial Liabilities	**(392,406)**	**(395,186)**	**(626)**	**(637)**	**(1,858)**	**(13,893)**	**(126,355)**	**(128,330)**	**(521,245)**	**(538,046)**
Non financial liabilities	0	0	0	0	0	0	(18,207)	(12,789)	(18,207)	(12,789)
Total	**(392,406)**	**(395,186)**	**(626)**	**(637)**	**(1,858)**	**(13,893)**	**(144,562)**	**(141,119)**	**(539,452)**	**(550,835)**

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

	31-Mar-22 £000	31-Mar-21 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	43,811	49,441
Debtors that are not financial instruments	38,619	50,393
Total Debtors as per Balance Sheet	**82,430**	**99,834**
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(108,641)	(113,428)
Creditors that are not financial instruments	(18,207)	(12,789)
Total Creditors as per Balance Sheet	**(126,848)**	**(126,217)**

Soft Loans

Small Business Loans

Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT Ltd to be used to provide small business loans. As at the balance sheet date a total of £0.750m has been loaned to MRRT Ltd.

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is based on the PWLB rate at point at which the loan payment is made to MRRT Ltd plus 0.5% for the Council’s transactional costs.

Other Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £2.041m are advanced to clients receiving residential/nursing care, who following assessment, are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £0.297m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

Income, Expense, Gains and Losses

	2021/22 Surplus or Deficit on the Provision of Services £000	2021/22 Other Comprehensive Income and Expenditure £000	2020/21 Surplus or Deficit on the Provision of Services £000	2020/21 Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	(191)	0	(8,577)	0
Financial assets measured at amortised cost	0	0	0	0
Investments in equity instruments designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through profit or loss	0	0	0	0
Financial liabilities measured at fair value through profit or loss	0	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0
Total net gains/losses	**(191)**	**0**	**(8,577)**	**0**
Interest revenue:				
Financial assets measured at amortised cost	(1,117)	0	(1,450)	0
Other financial assets measured at fair value through other comprehensive income				
Total interest revenue	**(1,117)**	**0**	**(1,450)**	**0**
Interest expense				
Interest Expense	25,223	0	26,179	0

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets held by the Council are carried in the Balance Sheets at amortised cost. The fair values calculated are as follows.

Financial Liabilities	31 March 2022 Carrying amount £000	31 March 2022 Fair value £000	31 March 2021 Carrying amount £000	31 March 2021 Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	291,568	378,336	303,568	421,941
- PFI and finance lease liabilities	105,227	165,806	108,899	187,132

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 2022 Carrying amount £000	Fair value £000	31 March 2021 Carrying amount £000	Fair value £000
Financial assets held at amortised cost				
Loans and receivables:				
Cash	40,200	40,200	32,800	32,800
Fixed Term Deposits	123,300	123,088	115,000	115,173
Short term investments	0	0	0	0
Long term debtors	17,166	17,166	22,628	22,628
Long term investments	970	970	400	400

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) attributable to the commitment to receive interest below current market rates.

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

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

Recurring fair value measurements using:	31-Mar-22 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	378,336	0	378,336
PFI and finance lease liabilities	0	165,806	0	165,806
Total	**0**	**554,142**	**0**	**554,142**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	163,288	0	163,288
Total	**0**	**163,288**	**750**	**164,038**

Recurring fair value measurements using:	31-Mar-21 Comparative Year Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	421,941	0	421,941
PFI and finance lease liabilities	0	187,132	0	187,132
Total	**0**	**609,073**	**0**	**609,073**
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	750	750
Other loans and receivables	0	147,973	0	147,973
Total	**0**	**147,973**	**750**	**148,723**

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

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

Financial Assets	Financial Liabilities
No early repayment or impairment is recognised	No early repayment is recognised
Estimated ranges of interest rates at 31 March 2022 of 0.5% to 1.57% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2022 of 1.91% to 2.63% for loans payable, based on new lending rates for equivalent loans at that date
The fair value of trade and other receivables is taken to be the invoiced or billed amount	The fair value of PFI and finance lease liabilities is calculated using an estimated range of interest rates at 31 March 2022 of 2.33% to 2.39% based on new lending rates

23. 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 2022 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2022 %	Estimated maximum exposure to default and uncollectability at 31 March 2022 £000
	A	B	C	(AxC)
Loans and receivables held with counterparties having a default rating of:				
AAA	22,600	0.00	0.00	0
AA	21,900	0.02	0.02	0
A	91,000	0.05	0.05	14
BBB	0	0.14	0.14	0
Other Local Authorities	28,000	0.00	0.00	0
Debtors (Customers)	26,729	Local Experience	Local Experience	Local Experience

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

The Council generally allows its customers 20 days credit. Of the £26.729m outstanding from customers £18.348m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2021/22 £000	2020/21 £000
Less than 3 months overdue	5,252	4,997
3 to 6 months overdue	1,828	4,278
6 months to 1 year overdue	2,018	2,084
More than 1 year overdue	9,250	8,488
	18,348	19,847

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

2021/22	Adult Services		Place		Other		Total	
	Value of Debt £000	Allowance for impairment losses £000	Value of Debt £000	Allowance for impairment losses £000	Value of Debt £000	Allowance for impairment losses £000	Value of Debt £000	Allowance for impairment losses * £000
Less than 3 months overdue	2,244	0	2,288	4	720	0	5,253	4
3 to 6 months overdue	1,360	0	320	43	148	2	1,828	45
6 months to 1 year overdue	1,448	143	458	86	112	17	2,018	246
More than 1 year overdue	7,381	3,970	1,161	503	708	211	9,250	4,684
	12,433	4,113	4,227	636	1,688	230	18,348	4,979

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

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

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

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for access to longer term funds, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. The Council's strategy therefore is to ensure that no more than 15% of loans mature in any one financial year.

In addition, all of the Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities.

The maturity analysis of financial liabilities is as follows:

Age of Debt	2021/22 £000	2020/21 £000
Less than 1 year	0	12,000
Between 1 and 2 years	5,500	0
Between 2 and 5 years	1,100	6,600
Between 5 and 10 years	38,887	28,487
More than ten years	246,081	256,481
	291,568	**303,568**

Interest Rate Risk

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

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

As at 31 March 2022 the Council's total outstanding debt (excluding accrued interest) amounted to £291.594m of which none of these loans were at stepped interest rates. Out of this balance £242.368m relates to fixed rate Public Works Loan Board (PWLB) loans, £32.200m relates to Lenders Option Borrower Option (LOBO) market loans, £17.000m relates to Market Loans and £0.026m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. The interest rates range between 3.83% and 4.27%. Of the total amount, £16.500m has an annual call date, £5.700m has a 2 yearly call date and £10.000m has a 5 yearly call date. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable. To date the call option has not been exercised.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2022, £25.200m was held in a Call Account.

Price Risk
The Council, excluding the pension fund, does not invest in equity shares or bonds, therefore is not exposed to losses arising from movements in share/bond prices.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is zero.

24. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2022.

	2021/22 £000	2020/21 £000
Debtors:		
Central Government Bodies	23,425	35,214
Other Local Authorities	2,516	3,426
NHS Bodies	3,713	11,818
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	35,336	28,929
Prepayments	17,440	20,447
	82,430	**99,834**

25. DEBTORS FOR LOCAL TAXATION

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

	2021/22 £000	2020/21 £000
Less than 1 year	5,172	5,365
1 – 2 years	3,106	2,996
2 – 3 years	2,414	1,880
More than 3 years	7,066	5,901
	17,758	**16,142**

26. CASH AND CASH EQUIVALENTS

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

	31 March 2022 £000	31 March 2021 £000
Bank current accounts	25,905	18,294
Short term deposits with building societies	19,397	60,144
Total Cash and Cash Equivalents	**45,302**	**78,438**
Bank Overdraft	(17,714)	(14,902)
Cash Overdrawn	**(17,714)**	**(14,902)**

27. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2022.

	2021/22 £000	2020/21 £000
Creditors:		
Central Government Bodies	(44,832)	(37,260)
Other Local Authorities	(2,815)	(1,753)
NHS Bodies	(620)	(125)
Public Corporations and Trading Funds	(14)	0
Other Entities and Individuals	(65,642)	(76,892)
Receipts In Advance	(12,925)	(10,187)
	(126,848)	**(126,217)**

28. PROVISIONS

The value of provisions held as at 31 March 2022 are as follows:

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Short Term Provisions							
Accumulated Absences Account	2,328	(2,328)	3,026	3,026	(3,026)	3,013	3,013
Environmental Maintenance Provision	0	0	60	60	(60)	0	0
Rent Top Up Provision	35	(35)	0	0	0	0	0
Highways & Transport Provision	834	(429)	0	405	0	0	405
Cultural Provision	191	0	0	191	(191)	0	0
Highways Retention	0	0	0	0	0	110	110
Termination Benefits	188	(188)	230	230	(240)	132	122
Total Short Term Provisions	**3,576**	**(2,980)**	**3,316**	**3,912**	**(3,517)**	**3,255**	**3,650**
Long Term Provisions							

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
AWM	224	(224)	0	0	0	0	0
S106	73	0	0	73	0	0	73
Liability Insurance	4,213	(1,040)	604	3,777	(802)	731	3,706
NDR Appeals	6,390	(3,173)	1,402	4,619	(4,428)	644	835
Tenancy Deposit Clawbacks	179	(23)	48	204	(25)	38	217
Total Long Term Provisions	**11,079**	**(4,460)**	**2,054**	**8,673**	**(5,255)**	**1,413**	**4,831**
Total Provisions	**14,655**	**(7,440)**	**5,370**	**12,585**	**(8,772)**	**4,668**	**8,481**

29. USABLE RESERVES

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

	31 March 2022 £000	31 March 2021 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	6,919	5,950
Earmarked Reserves	89,638	93,659
Capital Grants Unapplied Account	47,082	45,087
HRA Balance	11,591	11,341
General Fund Balance	11,522	14,090
Total Usable Reserves	**166,752**	**170,127**

30. UNUSABLE RESERVES

	31 March 2022 £000	31 March 2021 £000
Revaluation Reserve	136,176	110,801
Capital Adjustment Account	534,463	494,837
Financial Instruments Adjustment Account	(3,367)	(3,682)
Deferred Capital Receipts Reserve	540	581
Pensions Reserve	(539,406)	(537,647)
Collection Fund Adjustment Account	(7,051)	(20,227)
Accumulated Absences Account	(3,013)	(3,026)
Dedicated Schools Grant Adjustment Account	0	(659)
Total Unusable Reserves	**118,342**	**40,978**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or

- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2021/22 £000	2020/21 £000
Balance at 1 April	**110,801**	**245,600**
Upward revaluation of assets	42,114	14,596
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9,851)	(138,946)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**32,263**	**(124,350)**
Difference between fair value depreciation and historical depreciation	(4,815)	(8,067)
Accumulated gains on assets sold or scrapped	(2,073)	(2,382)
Other transfers to the Capital Adjustment Account	0	0
Amount written off to the Capital Adjustment Account	**(6,888)**	**(10,449)**
Balance at 31 March	**136,176**	**110,801**

Capital Adjustment Account

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

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

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

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

	2021/22 £000	2020/21 £000
Balance at 1 April	**494,837**	**513,890**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(43,915)	(42,534)

	2021/22 £000	2020/21 £000
- Revaluation losses on Property, Plant and Equipment	22,137	(25,847)
- Revaluation loss on Long Term Investment	(191)	(8,577)
- Amortisation of intangible assets	(1,542)	(1,437)
- Revenue expenditure funded from capital under statute	(18,854)	(14,424)
- Amounts of non current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(13,213)	(10,316)
	(55,578)	**(103,135)**
Adjusting amounts written out of the Revaluation Reserve	**6,888**	**10,449**
Net written out amount of the cost of non current assets consumed in the year	**(48,690)**	**(92,686)**
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	7,057	5,869
- Use of the Major Repairs Reserve to finance new capital expenditure	3,276	2,638
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	57,236	50,966
- Application of grants to capital financing from the Capital Grants Unapplied Account	5,440	5,577
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,340	8,312
- Capital expenditure charged against the General Fund and HRA balances	2,784	443
	85,133	**73,805**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**3,183**	**(172)**
Balance at 31 March	**534,463**	**494,837**

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(3,682)**	**(3,998)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	315
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	1
Balance at 31 March	**(3,367)**	**(3,682)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2021/22 £000	2020/21 £000
Balance at 1 April	**581**	**2,149**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(41)	(1,568)
Balance at 31 March	**540**	**581**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(537,647)**	**(495,700)**
Remeasurements of the net defined benefit liability/(asset)	25,708	(22,416)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(49,596)	(40,957)
Employer's pension contributions and direct payments to pensioners payable in the year	22,129	21,426
Balance at 31 March	**(539,406)**	**(537,647)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(20,227)**	**3,503**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	13,176	(23,730)
Balance at 31 March	**(7,051)**	**(20,227)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(3,026)**	**(2,328)**
Settlement or cancellation of accrual made at the end of the preceding year	3,026	2,328
Amounts accrued at the end of the current year	(3,013)	(3,026)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**13**	**(698)**
Balance at 31 March	**(3,013)**	**(3,026)**

Dedicated Schools Grant Adjustment Account

On the 6 November 2020, the secretary of State for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument to amend the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(659)**	**0**
Dedicated Schools Grant Adjustment Account Transfer of Opening Balance	0	(2,247)
Restated Opening Balance	**(659)**	**(2,247)**
In year Dedicated Schools Grant (over)/underspend	**659**	**1,588**
Balance at 31 March	**0**	**(659)**

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2021/22 £000	2020/21 £000
Interest received	(922)	(1,641)
Interest paid	25,258	26,299

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

	2021/22 £000	2020/21 £000
Depreciation	43,915	42,534
Impairment and downward valuations	(22,137)	25,847
Amortisation	1,542	1,437
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	0	443
Impairment losses on Investments debited to surplus or deficit on the provision of services in year	191	8,577
Increase/Decrease in Interest Creditors	(34)	(120)
Increase/Decrease in Creditors	(8,676)	30,820
Increase/Decrease in Interest and Dividend Debtors	(195)	191
Increase/Decrease in Debtors	9,656	(10,508)
Increase/Decrease in Inventories	(111)	(125)
Pension Liability	30,353	13,767
Contributions to/(from) Provisions	(4,035)	(2,071)
Carrying amount of non-current assets sold	9,710	9,088
Movement in Investment Property Values	(3,184)	172
	56,995	**120,052**

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

	2021/22 £000	2020/21 Restated £000
Carrying amount of short and long term investment sold	0	0
Capital Grants credited to surplus or deficit on the provision of services	(64,670)	(59,644)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,733)	(4,908)
Non cash adjustments	**(72,403)**	**(64,552)**

This previously reported carrying amount of short term and long term investment sold of (£5.801m). This now reports as:

- Carrying amount of short and long term investment sold £0

32. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2021/22 £000	2020/21 Restated £000
Purchase of property, plant and equipment, investment property and intangible assets	64,806	53,124
Purchase of short term and long term investments	104,000	58,482
Other payments for investing activities	3,501	3,884
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,183)	(1,525)
Proceeds from the sale of short term and long term investments	(54,963)	(49,199)
Other receipts from investing activities*	(81,977)	(68,038)
Net cash flows from investing activities	**31,184**	**(3,272)**

* This includes capital grants received in year.

This previously reported purchase of short term investments of £3.482m. This now reports as:

- Purchase of short term and long term investments £58.482m
- Proceeds from the sale of short term and long term investments (£49.199m).

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2021/22 £000	2020/21 £000
Cash receipts of short and long-term borrowing	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,672	3,288
Repayments of short and long term borrowing	12,012	4,012
Other payments for financing activities*	(10,310)	22,934
Net cash flows from financing activities	**5,374**	**30,234**

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

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021/22 1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2021/22 31 March
	£000	£000	£000	£000	£000
Long-term borrowings	291,568	0	0	0	291,568
Short-term borrowings	13,892	(12,034)	0	0	1,858
On balance sheet PFI liabilities	108,899	(3,672)	0	0	105,227
Total liabilities from financing activities	**414,359**	**(15,706)**	**0**	**0**	**398,653**

	2020/21 1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2020/21 31 March
	£000	£000	£000	£000	£000
Long-term borrowings	303,568	0	0	(12,000)	291,568
Short-term borrowings	6,013	(4,120)	0	12,000	13,893
On balance sheet PFI liabilities	111,271	(3,289)	0	916	108,898
Total liabilities from financing activities	**420,852**	**(7,409)**	**0**	**916**	**414,359**

35. MEMBERS' ALLOWANCES

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

	2021/22 £000	2020/21 £000
Basic Allowances	881	849
Special Responsibility Allowances	249	271
Expenses	9	4
Total	**1,139**	**1,124**

36. OFFICERS' REMUNERATION

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

Post Holder Information (Post Title & Name)		Salary *	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Chief Executive – Clive Wright (left post on 15th April 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£6,375	£0	£124,036	£130,411	£1,109	£131,520
Acting Interim Chief Executive (25th February 2020 to 30th September 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£10,305	£0	£0	£10,305	£1,845	£12,150

Post Holder Information (Post Title & Name)		Salary *	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Acting Interim Chief Executive (25th February 2020 to 30th September 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£10,305	£0	£0	£10,305	£1,845	£12,150
Chief Executive - Andy Begley (started in post on 1st October 2020)	2021/22	£157,208	£0	£0	£157,208	£27,354	£184,562
	2020/21	£78,604	£0	£0	£78,604	£13,677	£92,281
Executive Director of Adult Services (left post on 30th September 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£68,123	£0	£0	£68,123	£11,853	£79,976
Executive Director of Adult Services (in post 1st October 2020 to 30th September 2021)	2021/22	£65,503	£0	£0	£65,503	£11,398	£76,901
	2020/21	£62,883	£0	£0	£62,883	£10,942	£73,825
Executive Director of People (started in post on 1st October 2021)	2021/22	£68,123	£0	£0	£68,123	£11,853	£79,976
	2020/21	£0	£0	£0	£0	£0	£0
Director of Public Health (direct report to the Chief Executive from 1st October 2021)	2021/22	£55,023	£0	£0	£55,023	£9,574	£64,597
	2020/21	£0	£0	£0	£0	£0	£0
Executive Director of Children's Services (left post on 30th September 2021)	2021/22	£68,671	£0	£117,589	£186,260	£11,853	£198,113
	2020/21	£136,247	£0	£0	£136,247	£23,707	£159,954
Executive Director of Place	2021/22	£136,247	£0	£0	£136,247	£0	£136,247
	2020/21	£136,247	£0	£0	£136,247	£0	£136,247
Executive Director of Resources (Interim Executive Director from 1st December 2020 to 26th May 2021)°	2021/22	£126,639	£0	£0	£126,639	£22,035	£148,674
	2020/21	£41,922	£0	£0	£41,922	£6,699	£48,621
Director of Legal and Democratic Services, Monitoring Officer (left post 30th September 2021)	2021/22	£59,958	£0	£97,840	£157,798	£8,748	£166,546
	2020/21	£115,286	£0	£0	£115,286	£20,060	£135,346
Director of Finance, Governance & Assurance, S151 Officer (left post on	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£76,857	£0	£0	£76,857	£13,361	£90,218

Post Holder Information (Post Title & Name)		Salary *	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
30th November 2020)							
Director of Workforce & Transformation (left post on 31st October 2020)	2021/22	£0	£0	£0	£0	£0	£0
	2020/21	£72,557	£0	£121,687	£194,244	£11,701	£205,945

° An element of the total remuneration paid to the Executive Director of Resources is recharged to Shropshire County Pension Fund (£16,820), Shropshire & Wrekin Fire Authority (£16,660), the Marches LEP (£22,598), West Mercia Energy (£10,182) and West Mercia Supplies (£765) to reflect the various treasurer roles undertaken within those organisations.

* Excludes 2021/22 pay award received in 2022/23

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The senior officers included in Note 36 above are not included within this analysis. The remuneration disclosed below includes salary costs and expense allowances:

Salaried Remuneration Band £	2021/22 No. of Employees	2020/21 No. of Employees
50,000 – 54,999	89	75
55,000 – 59,999	37	39
60,000 – 64,999	32	27
65,000 – 69,999	13	18
70,000 – 74,999	14	23
75,000 – 79,999	18	8
80,000 – 84,999	4	2
85,000 – 89,999	10	16
90,000 – 94,999	5	3
95,000 – 99,999	4	1
100,000 – 104,999	1	1
105,000 and above	2	1

The numbers of exit packages with total cost per band and total cost of the exit packages, including redundancy payments, pension strain and unpaid leave are set out in the table below. The figures disclosed include exit packages for schools and the Council.

	No. of compulsory redundancies		No. of other departures agreed		Total no of exit packages by cost band		Total cost of exit packages in each band £000	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0 - £40,000	17	27	32	18	49	45	358	367
£40,001 - £150,000	4	2	2	2	6	4	517	407
£150,001 +	0	0	2	2	2	2	417	980
	21	**29**	**36**	**22**	**57**	**51**	**1,292**	**1,754**

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:

	2021/22 £000	2020/21 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	167	167
Fees payable in respect of other services provided by the external audit during the year	40	22
Total	**207**	**189**

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 2021/22 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2021/22 before academy recoupment	48,389	185,982	234,371
Academy and high needs figure recouped for 2021/22	(6,096)	(124,530)	(130,626)
Central provision with schools and de-delegated budgets	2,906	(2,906)	0
Early years maintained settings included in ISB on S251	(975)	975	0
Re-allocation of high needs to ISB	876	(876)	0
Total DSG after academy recoupment for 2021/22	**45,100**	**58,645**	**103,745**
Brought forward from 2020/21	(659)	0	(659)
Agreed initial budget distribution in 2021/22	**44,441**	**58,645**	**103,086**
In year adjustments	(211)	0	(211)
Final budget distribution in 2021/22	**44,230**	**58,645**	**102,875**
Actual central expenditure	(44,088)	0	(44,088)
Actual ISB deployed to schools	0	(57,230)	(57,230)
Early years maintained settings included in ISB on S251	0	(975)	(975)
Final expenditure in 2021/22	**(44,088)**	**(58,205)**	**(102,293)**
Carry forward to 2022/23	**142**	**440**	**582**

39. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22 £000	2020/21 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(6,253)	(6,219)
Local Services Support Grant	(318)	(266)
New Homes Bonus	(5,943)	(8,367)
Business Rates Relief Grant	(21,590)	(30,694)
Rural Service Support Grant	(6,941)	(6,614)
Covid-19 LA Support Grant	(7,632)	(13,438)
Local Council Tax Support Grant	(1,878)	0
Other Grants	(997)	(961)
Capital Grants & contributions	(49,891)	(48,766)
Total	**(101,443)**	**(115,325)**
Credited to Services		
DWP Housing Benefit	(45,743)	(48,931)
DWP Housing Benefit Admin Subsidy	(640)	(680)
MHCLG Waste PFI	(3,186)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(103,535)	(97,693)
DFE Pupil Premium Grant	(3,576)	(3,588)
DFE UFSM	(1,647)	(1,797)
DFE PE & Sports	(1,471)	(1,054)
Teachers Pay Grant	(28)	(779)
Teachers Pension employer contribution grant	(79)	(2,437)
DfT Bus Services Operators Grant	(512)	(512)
Strengthening Families	(753)	(821)
Resettlement	(116)	(137)
HO Asylum Seekers	(765)	(785)
DoH Public Health Grant	(12,426)	(12,314)
MHCLG/DoH Adult Social Care New Burdens	(9,112)	(7,883)
Independent Living Fund Grant	(1,512)	(1,512)
Improved Better Care Fund	(11,515)	(11,515)
DWP Discretionary Housing Payment Grant	(435)	(545)
School monitoring and brokering grant	(310)	(337)
Flexible Homelessness grant	(701)	(359)
Apprenticeship Levy	(814)	(563)
DWP Household Support Fund	(2,089)	0
DfE Holiday Activites and Food Programme	(648)	(39)
MHCLG Rough Sleepers Initiative	(538)	(198)
MHCLG Domestic Abuse Duty Capacity Building Fund	(579)	(50)

	2021/22 £000	2020/21 £000
DfT CBSSG Restart	(406)	0
Dft Better Deal for Bus Users	(319)	0
Covid-19 Loss of Sales, Fees and Charges Income Compensation Grant	(243)	(3,635)
Covid-19 Job Retention Scheme	(52)	(1,282)
Covid-19 Business Support Grants	0	(4,555)
Covid-19 LRSG/ARG	(6,983)	(7,829)
Covid-19 Adult Social Care Infection Control Fund	(1,154)	(1,702)
Covid-19 Winter Grant Scheme	(258)	(783)
Covid-19 Workforce Capacity Fund	(2,672)	(697)
Covid-19 Contain Outbreak Management Fund	(8,813)	(611)
Covid-19 Track & Trace Service	(361)	(766)
Covid-19 Cultural Recovery Fund	(533)	0
Covid-19 Hardship Fund	0	(1,540)
Covid-19 Other Grants	(5,816)	(3,317)
Other Grants	(4,353)	(4,169)
Capital Grants & contributions	(14,779)	(10,878)
Total	**(250,995)**	**(241,002)**

The Council received a number of grants from government in relation to the covid-19 pandemic where the Council was required to distribute the grants based on criteria determined by Government. As the Council is acting as an agent in relation to these grants the transactions have been excluded from the income and expenditure in the CIES and a debtor or creditor included on the balance sheet for any outstanding balances. Details of these grants are included in the below table:

	Grant Balance b/f £000	Grant Income £000	Grant Expenditure £000	Grant Repaid £000	Grant Balance c/f £000
BEIS Business Support and Restart Grants	(166)	(26,053)	24,072	0	(2,147)
Covid-19 LRSG/CSP/CBL Grant	(11,586)	(6)	106	11,486	0
Covid-19 Rapid Testing Fund	0	(1,842)	1,699	106	(37)
Covid-19 Adult Social Care Infection Control Fund	0	(3,149)	2,621	403	(125)
Covid-19 Test and Trace Support Payments	(425)	(264)	835	0	146
Total	**(12,177)**	**(31,314)**	**29,333**	**11,995**	**(2,163)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31-Mar-22 £000	31-Mar-21 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(2,938)	(5,598)
Department for Education	(2,307)	(1,374)
Environment Agency	(450)	(349)
Homes England	0	(90)
Highways England	0	(15)
Homes & Communities Agency	(523)	0
Department for Business, Energy & Industrial Strategy	(4,578)	0
Historic England	(64)	0
Other Grants & Contributions	(7,785)	(4,347)
Total	**(18,645)**	**(11,773)**
Grants Receipts in Advance (Revenue Grants)		
MHCLG Tackling Troubled Families	0	(12)
Standards Fund	(812)	(844)
CBSSG Restart	(1,126)	(992)
Covid-19 Track & Trace Service	0	(361)
Covid-19 Contain Outbreak Management Fund	0	(6,844)
Covid-19 LRSG/ARG	0	(3,814)
Covid-19 National Leisure Recovery Fund	0	(465)
Rough Sleepers Initiative	(86)	(170)
Better Deal for Bus Users	0	(319)
MHCLG Social Services PFI	(210)	(210)
Asylum Seekers	0	(193)
Adoption Support Fund	(341)	(381)
Council Tax Rebate	(585)	0
DfT – Bus Capacity	(182)	0
DfT – Local Transport Authority Bus Recovery Funding	(229)	0
DWP – Covid-19 Winter Grant Scheme	(566)	0
Other Grants	(1,893)	(838)
Total	**(6,030)**	**(15,443)**
TOTAL	**(24,675)**	**(27,216)**

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. The balance held at the end of the finanncial year is detailed in the below table. The Neighbourhood Fund due to Parish and Town Councils is held on the Balance Sheet within Creditors, the remaining balance is held within Capital Grants Unapplied.

	2021/22		2020/21	
	£000	£000	£000	£000
Opening Balance April		**(31,188)**		**(28,426)**
Receipts received	(8,228)		(7,898)	
Expenditure incurred	5,111		5,136	
Closing Balance		**(34,305)**		**(31,188)**
Closing Balance allocated to:				
Neighbourhood Fund	1,586		1,515	
Strategic Fund	4,203		3,546	
Local Area Fund	28,516		26,127	
Total		**34,305**		**31,188**

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 2021/22, the Council paid £6.625m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for April 2021 to March 2022 was 23.68%. The amount paid for 2020/21 were £6.605m and the contribution rate was 23.68% . There were no contributions remaining payable at the year end.

Public Health employees previously employed by the NHS are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme.

In 2021/22, the Council paid £0.021m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2020/21 were £0.026m and 14.4%.

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	
	2021/22	2020/21
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(39,303)	(29,197)
- past service gain/(cost)	(53)	(1,194)
- curtailment gain/(cost)	595	701
	(38,761)	**(29,690)**
Financing and Investment Income and Expenditure:		
- net interest expense	(10,835)	(11,267)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(49,596)**	**(40,957)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	55,528	147,895
- experience (gain)/loss	(93,083)	29,988
- actuarial gains and losses arising on changes in demographic assumptions	40,758	0
- actuarial gains and losses arising on changes in financial assumptions	22,505	(200,299)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(23,888)**	**(63,373)**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	49,596	40,957
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(22,129)	(21,426)

Assets and Liabilities Recognised in the Balance Sheet

	2021/22 £000	2020/21 £000
Present value of the defined benefit obligation	(1,600,739)	(1,531,034)
Fair value of plan assets	1,064,210	999,151
Net liability arising from defined benefit obligation	**(536,529)**	**(531,883)**

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

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening fair value of scheme assets at 1 April	999,151	845,840
Interest income	21,054	20,482
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	55,528	147,895
Contributions from employer	22,129	21,426
Contributions from employees into the scheme	6,319	5,850
Benefits paid	(38,504)	(41,247)
Other	(1,467)	(1,095)
Closing fair value of scheme assets at 31 March	**1,064,210**	**999,151**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening balance at 1 April	(1,531,034)	(1,341,540)
Current Service Cost	(38,717)	(28,644)
Interest Cost	(31,889)	(31,749)
Contributions from scheme participants	(6,319)	(5,850)
Remeasurement gain/(loss):		
Experience gains/(losses)	(93,083)	29,988
Actuarial gains/(losses) arising from changes in demographic assumptions	40,758	0
Actuarial gains/(losses) arising from changes in financial assumptions	22,505	(200,299)
Other	0	0
Past service costs	(53)	(1,194)
Losses/(gains) on curtailment	(779)	(364)
Benefits paid	38,504	41,247
Liabilities extinguished on settlements	2,255	1,607
Lump Sum Deficit Repayment	(2,887)	5,764
Closing balance at 31 March	**(1,600,739)**	**(1,531,034)**

Local Government Pension Scheme Assets

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

	2021/22 £000	2020/21 £000
Cash and cash equivalents	**17,879**	**2,936**
Equity investments:		
UK quoted	51,508	45,018
Global quoted	486,982	448,225
Sub-total equity	**538,490**	**493,243**
Bonds:		
Overseas Global Fixed Income	69,706	71,442
Overseas Global Dynamic	67,364	68,506
Other class 2 - absolute return bonds	64,491	66,549
Sub-total bonds	**201,561**	**206,497**
Property:		
Property funds	39,695	38,168
Sub-total property	**39,695**	**38,168**
Alternatives:		
Private Equity	88,862	87,042
Infrastructure	36,396	31,317
Hedge Funds	65,662	62,634
BMO – LDI Manager	36,822	34,253
Property Debt	22,242	27,402
Insurance Linked Securities	15,218	15,659
Private Debt	1,383	0
Sub-total alternatives	**266,585**	**258,307**
Total assets	**1,064,210**	**999,151**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables.

The Council element of the Fund liabilities has been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1yrs	23.0yrs
Women	24.4yrs	25.1yrs
Longevity at 65 for future pensioners:		
Men	23.4yrs	24.3yrs
Women	26.2yrs	26.7yrs
Rate of inflation	3.30%	2.70%
Rate of increase in salaries	4.55%	3.95%
Rate of increase in pensions	3.40%	2.80%
Rate for discounting scheme liabilities	2.80%	2.10%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,652,889	1,554,343
Rate of inflation (increase or decrease by 0.25%)	1,675,739	1,531,494
Rate of increase in salaries (increase or decrease by 0.25%)	1,610,625	1,596,607
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	1,470,693	1,736,539

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 completed as at 31 March 2022. Revised contribution rates from the 2019 actuarial valuation took effect on 1st April 2020.
The Government announced in 2019 that the "McCloud judgment" needs to be remedied for all schemes including the LGPS. The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. As part of the 2019 actuarial valuation, the actuary estimated that the cost of the judgment could be an increase in past service liabilities of broadly £12m (at a Fund level) and an increase in Primary Contribution rate of 0.8% of Pensionable pay per annum. Shropshire Council chose to pay this additional 0.8% and it is included within the revised contribution rates.

The Council anticipated to pay £22.115m expected contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2021/22 (15 years 2020/21).

Early Payment of 3 years LGPS deficit lump sum in April 2020
Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due now each employer (e.g. Shropshire Council) pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has foregone. At the time of calculating the deficit lump sum amounts (as part of the 2019 valuation) the Council had a total deficit repayment value of £52m, with an agreed 19 year deficit recovery period. Paying in advance of this schedule enables a gross saving to be taken due to the avoidance of these "interest" payments. This saving has been used to assist with the Council's corporate savings targets within the budget. As a result of the early payment there is a difference between the value of the Pensions Reserve and the Pensions Liability held on the Balance Sheet as per the below table.

	31st March 2022 £000
Balance on Pensions Reserve	(539,406)
2022/23 Lump Sum Deficit Repayment	2,877
Balance on Pensions Liability	**(536,529)**

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 2021/22 was £19.698m compared with £21.426m for 2020/21.

Councillors are often members of other public or charitable organisations in their own capacity, or are employed by organisations that we process transactions with. These relationships are declared within the Members' register. The Council has made payments of £18.309m to organisations where members and senior officers are employed and £0.505m to organisations where members and senior officers occupy positions in their own capacity.

Entities Controlled or Significantly Influenced by the Council
As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £1.465m from the pension fund for the costs of administration it provided in 2021/22 compared with £1.476m for 2020/21.

The Council also has group relationships with West Mercia Energy, West Mercia Supplies Pension, Shropshire Towns & Rural Housing and Cornovii Developments Ltd. Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 114.

During 2021/22 expenditure of £14.381m and income of £0.690m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £1.101m and a debtor balance of £0.271m as at 31st March 2022.

During 2021/22 income of £0.869m was incurred between Shropshire Council and Cornovii Developments Ltd.

During 2021/22 Shropshire Council paid West Mercia Energy £4.220m.

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	59,057	(65,347)	(6,290)
Secondary	3,707	(3,271)	436
Special	2,184	(2,542)	(358)
Total	**64,948**	**(71,160)**	**(6,212)**

The number of Shropshire Council maintained schools in 2021/22 was:

	31st March 2022	31st March 2021
Primary	83	84
Secondary	1	1
Special	1	1
Total	**85**	**86**

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

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

	2021/22		2020/21	
	£000	£000	£000	£000
Opening Creditor 1 April		**(29,828)**		**(38,417)**
Funding Received:				
Growth Deal	(9,300)		(19,676)	
Growth Hub	(462)		(641)	

	2021/22		2020/21	
	£000	£000	£000	£000
Core Funding	(526)		(544)	
Capacity and Other Project Funding	(113)		(47)	
Careers & Enterprise	(225)		(329)	
Match Funding – Partner Contributions	(149)		(90)	
Marches Investment Fund	(458)		(265)	
Interest Received	(144)		(179)	
		(11,377)		(21,771)
Expenditure:				
Growth Deal Projects	27,321		26,754	
Growth Hub	461		507	
Capacity Funding Projects	120		192	
Careers & Enterprise	262		144	
Marches Investment Fund Expenditure	0		1,587	
LEP Review Project	0		72	
LEP Management Costs	1,318		1,104	
		29,482		30,360
Marches LEP Creditor		**(11,723)**		**(29,828)**

46. BETTER CARE FUND

Shropshire Council and Shropshire Clinical Commissioning Group are partners in the provision of a range of services including hospital admission avoidance, hospital discharge planning, carers' support and reablement. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006, which enables health and social care authorities to work together for a common objective, creating a pooled fund, with the aims as below. In Shropshire, the Council acts as the host authority for the pooled fund.

The aims of, and benefits to, the partners in entering into this agreement are to:
- improve the quality and efficiency of the services;
- meet the national conditions and local objectives as set out in the Better Care Fund plan;
- make more effective use of resources through the establishment and maintenance of an aligned fund for expenditure on the services

Financing	2021/22	2020/21
	£000	£000
Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	0	0
Shropshire CCG	11,918	12,960
	11,918	**12,960**
Expenditure met from the Better Care Fund:		
Shropshire Council	11,918	12,960
Shropshire CCG	0	0
	11,918	**12,960**

Financing Non-Pooled Fund	2021/22 £000	2020/21 £000
Funding provided to the Better Care Fund:		
Shropshire Council	17,357	16,987
Shropshire CCG	15,444	14,220
	32,801	**31,207**
Expenditure met from the Better Care Fund:		
Shropshire Council	15,736	14,747
Shropshire CCG	15,443	14,220
	31,179	**28,967**
Total Better Care Fund		
Total funding provided to the Better Care Fund:	**44,719**	**44,167**
Total expenditure met from the Better Care Fund:	**43,098**	**41,927**
Net Underspend Arising on the Better Care Fund During the Year	**1,621**	**2,240**

The Pooled Fund has increased significantly during 2020/21, following a variation to the section 75 agreement as a result of the Covid-19 pandemic. The Government mandated that the NHS would fully fund new or additional 'out of hospital' health and social care support packages during the pandemic. The Council has put in place the resulting support packages and the costs have been met by the Clinical Commissioning Group. This practice continued during 2021/22, although the resulting costs were slightly reduced.

The underspend that has arisen during 2021/22 relates to Disabled Facilities Grants. This is largely as a result of a backlog of adaptations works as a result of Covid-19, and particularly contractors not being able to access residents' properties due to social distancing restrictions. The remaining grant balance will be carried forward, is fully committed and is ringfenced for adaptations.

The Council acts as the principal for the Pooled Fund and therefore all income and expenditure incurred in relation to this is accounted for within the Council's Income and Expenditure Statement. Income and expenditure incurred directly by the Council in relation to the Non-Pooled Fund is accounted for in the Council's Income and Expenditure Statement.

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.	9,609	9,907	293,488	(2,400)

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	8,232	(3,847)	168,751	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	8,747	(7,238)	367,205	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	1,367	(3,600)	60,433	0
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	26,514	7,549	640,732	(30)

Accounts are prepared and published for these organisations by Shropshire Council in our role of administering the trusts.

Trusts deliver great benefit into the local community and make a valuable contribution but the Council itself does not derive benefit from them.

48. CONTINGENT LIABILITIES

At 31 March 2022 Council had the identified the following contingent liabilities:

There are a number of legal cases outstanding that may result in future costs for the Council. These include:

- Employment tribunal appeal
- Planning Inquiries
- Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs.
- Planning litigation

The Council’s usual practice when outsourcing a service that requires continued pension provision for employees is to require the contractor to put a Bond in place to reduce the Council’s risk regarding picking up outstanding pension liabilities on termination of the admission agreement. The Council has provided additional guarantees, above those covered automatically by the Local Government Pension Scheme Regulations, to a number of Bodies that have been admitted to the Shropshire County Pension Fund. The bodies with additional guarantees who currently have employees who are active members of the scheme are listed below. The Bodies listed as being grouped with Shropshire Council means all Pension assets and liabilities stay with the Council and they contribute the consolidated Council Employer pension contribution rate unless stated otherwise.

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

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2020 Valuation
Age UK Telford & Wrekin	3	7	27	0	(£0.132m)
Association of Local Councils	3	0	1	0	(£0.037m)

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2020 Valuation
Coverage Care from 1/3/1997	2	30	128	11	£1.111m
Coverage Care from 13/1/2013	10	21	12	2	£0.448m
Perthyn	3	12	6	0	£0.007m
Shropshire Towns & Rural Housing	132	49	25	2	(£0.007m)
Connexus Housing One Ltd	3	2	15	2	£0.727m

<u>Bodies that have additional pension liability guarantee and are Grouped with the Council</u>

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members
Bethphage from 8/12/2016	13	4	1	0
Bethphage from1/7/2017	7	1	1	0
Energize Shropshire Telford & Wrekin	1	0	0	0
Enterprise South West Shropshire	1	1	0	0
South Shropshire Leisure Ltd *	13	24	5	0
The Strettons Mayfair Trust	2	0	0	0

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

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

On the 30th August 2023 the Department of Education issued a list of schools affected by Reinforced Autoclaved Aerated Concrete (RAAC) and also published new guidance advising education settings to vacate areas that are know to contain RAAC, unless suitable mitigations are in place. All records held for local authority schools in Shropshire have been checked and the Council understand these to be unaffected by RAAC. At the time of finalising these accounts, a desktop review of other Council properties is being carried out and preliminary work would suggest that there will be limited implications of RAAC on these as well. If the existence of RAAC is confirmed, there will be significant investigatory work required to establish the extent of RAAC and therefore at this stage we are unable to consider the potential obligations that could arise from any remedial work required to remove or replace RAAC in these properties.

49. CONTINGENT ASSETS

The Council currently has an appeal lodged with HMRC with regard to VAT treatment for waste sent for landfill, which may result in a reimbursement to the Council of VAT paid over to the Government.

The claim for reimbursement is subject to a legal case being pursued nationally and if successful will provide legal precedent to be applied. Therefore the value involved within the claim cannot be reliably estimated. Timescales on this case is uncertain but should be progressed in the next 12-24 months.

Section 6

Group Accounts

Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2021 to 31 March 2022. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases it has created separate companies with its partners to deliver those services. The use of separate companies mean that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture. A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full group accounts. The transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2022, with comparative figures for the previous financial year.

SHROPSHIRE TOWNS & RURAL HOUSING LIMITED

Shropshire Towns and Rural Housing Limited (the Company) is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1st April 2013.

For 2021/22 Shropshire Towns and Rural Housing Limited had total income of £14.610m, total expenditure of £15.027m, assets of £8.670m and liabilities of £10.751m.

WEST MERCIA ENERGY

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME within this Council. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

For 2021/22 West Mercia Energy had total income of £68.321m, total expenditure of £68.148m, assets of £14.110m and liabilities of £12.505m.

WEST MERCIA SUPPLIES (PENSIONS)

West Mercia Supplies (Pensions) Joint Committee pursuant to section 101(5) of the Local Government Act 1972, was set up from 1st April 2020 by the Executives of the four Member Authorities, Herefordshire Council, Shropshire Council, Telford & Wrekin Council and Worcestershire County Council. The Executives of the four Member Authorities of West Mercia Energy (WME) agreed to remove the responsibility for the discharge of their functions in relation to the pension deficit liability in relation to former West Mercia Supplies (WMS) employees (including added years Benefits) from the business of the WME Joint Committee with effect from 1 April 2020. This is to enable any pension deficit to be separately identified, separately valued and monitored.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures).

For 2021/22 West Mercia Supplies (Pensions) had total income of £0.215m, total expenditure of £0.153m and liabilities of £6.888m.

JERSEY PROPERTY UNIT TRUST

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

On 31st January 2021 the shopping centres were transferred to be held directly by the Council therefore the assets and liabilities previously incorporated into Group Accounts from the JPUT have already been included within the Council's single entity accounts under the relevant headings of debtors, creditors and property, plant and equipment.

SSC No.1 LIMITED

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

For 2021/22 the amounts incorporated into the group accounts for SSC No. Limited are income of £0.001m, total expenditure of £0.004m, assets of £0.001m and liabilities of £0.003m.

CORNOVII DEVELOPMENTS LIMITED

Cornovii Developments Limited is a limited company wholly owned by Shropshire Council. The Company's principal activity and reason for it being established is to address unmet housing need in the county of Shropshire.

For 2021/22 the amounts incorporated into the group accounts for Cornovii Developments Limited are total expenditure of £0.766m, income of £0.902m, assets of £7.218m and liabilities of £7.102m.

The Group Comprehensive Income & Expenditure Statement

2020/21 Group Expenditure £000	2020/21 Group Income £000	2020/21 Group Net Expenditure £000		2021/22 Group Expenditure £000	2021/22 Group Income £000	2021/22 Group Net Expenditure £000
			Expenditure on Continuing Services			
14,953	(15,934)	(981)	Health and Wellbeing	18,155	(23,768)	(5,613)
8,558	(19,036)	(10,478)	Local Authority Housing	(3,858)	(19,344)	(23,202)
363,452	(175,737)	187,715	People	390,343	(196,221)	194,122
159,975	(41,223)	118,752	Place	144,801	(48,735)	96,066
59,565	(52,017)	7,548	Resources	56,728	(49,605)	7,123
0	0	0	Strategic Management Board	922	0	922
38,472	(37,412)	1,060	Corporate	26,088	(33,015)	(6,927)
644,975	**(341,359)**	**303,616**	**Net Cost of Services**	**633,179**	**(370,688)**	**262,491**
		15,624	Other Operating Expenditure			15,556
		43,884	Financing and Investment Income and Expenditure			32,232
		(319,838)	Taxation and Non Specific Grant Income			(326,122)
		43,287	**(Surplus)/Deficit on the provision of services**			**(15,843)**
		(194)	Associates & Joint Ventures Accounted for on an equity basis			(94)
		0	Tax expenses of subsidiaries			0
		43,093	**Group (Surplus)/Deficit**			**(15,937)**
		124,069	(Surplus) or deficit on revaluation of non-current assets			(32,260)
		281	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve			(2)
		24,108	Remeasurement of pension assets and liabilities			(27,203)
		148,458	**Other Comprehensive Income and Expenditure**			**(59,465)**
		191,551	**Total Comprehensive Income and Expenditure**			**(75,402)**

Group Movement in Reserves Statement

2021/22	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**40,978**	**211,105**	**(5,253)**	**205,852**
Movement in reserves during 2021/22											
Surplus or (deficit) on the provision of services	5,771	0	5,771	23,076	0	0	28,847	0	28,847	(12,910)	15,937
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	57,970	57,970	1,495	59,465
Total Comprehensive Income and Expenditure	5,771	0	5,771	23,076	0	0	28,847	57,970	86,817	**(11,415)**	**75,402**
Adjustments between Group Accounts and authority accounts	(12,828)	0	(12,828)	0	0	0	(12,828)	0	(12,828)	12,828	0
Net Increase/Decrease before Transfers	**(7,057)**	**0**	**(7,057)**	**23,076**	**0**	**0**	**16,019**	**57,970**	**73,989**	**1,413**	**75,402**
Adjustments between accounting basis and funding basis under regulations	430	0	430	(22,787)	968	1,995	(19,394)	19,394	0	(11)	(11)
Net Increase/Decrease before Transfers to Earmarked Reserves	**(6,627)**	**0**	**(6,627)**	**289**	**968**	**1,995**	**(3,375)**	**77,364**	**73,989**	**1,402**	**75,391**
Transfers to/from Earmarked Reserves	4,059	(4,021)	38	(38)	0	0	0	0	0	0	0
Increase/Decrease in 2021/22	**(2,568)**	**(4,021)**	**(6,589)**	**251**	**968**	**1,995**	**(3,375)**	**77,364**	**73,989**	**1,402**	**75,391**
Balance at 31 March 2022	**11,522**	**89,638**	**101,160**	**11,592**	**6,918**	**47,082**	**166,752**	**118,342**	**285,094**	**(3,851)**	**281,243**

2020/21 Comparative figures	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2020	**13,510**	**67,993**	**81,504**	**10,140**	**4,492**	**41,985**	**138,121**	**263,115**	**401,236**	**(3,818)**	**397,418**
Transfer of Dedicated Schools grant deficit	**0**	**2,247**	**2,247**	**0**	**0**	**0**	**2,247**	**(2,247)**	**0**	**0**	**0**
Revised Opening Balance	**13,510**	**70,241**	**83,751**	**10,140**	**4,492**	**41,985**	**140,368**	**260,868**	**401,236**	**(3,818)**	**397,418**
Movement in reserves during 2020/21											
Surplus or (deficit) on the provision of services	(39,196)	0	(39,196)	7,381	0	0	(31,815)	0	(31,815)	(11,278)	(43,093)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(146,766)	(146,766)	(1,692)	(148,458)
Total Comprehensive Income and Expenditure	(39,196)	0	(39,196)	7,381	0	0	(31,815)	(146,766)	(178,581)	(12,970)	(191,551)
Adjustments between Group Accounts and authority accounts	(11,550)	0	(11,550)	0	0	0	(11,550)	0	(11,550)	11,550	0
Net Increase/Decrease before Transfers	**(50,746)**	**0**	**(50,746)**	**7,381**	**0**	**0**	**(43,365)**	**(146,766)**	**(190,131)**	**(1,420)**	**(191,551)**
Adjustments between accounting basis and funding basis under regulations	74,674	0	74,674	(6,110)	1,458	3,102	73,124	(73,124)	0	(15)	(15)
Net Increase/Decrease before Transfers to Earmarked Reserves	**23,928**	**0**	**23,928**	**1,271**	**1,458**	**3,102**	**29,759**	**(219,890)**	**(190,131)**	**(1,435)**	**(191,566)**
Transfers to/from Earmarked Reserves	(23,348)	23,418	70	(70)	0	0	0	0	0	0	0
Increase/Decrease in 2020/21	**580**	**23,418**	**23,998**	**1,201**	**1,458**	**3,102**	**29,759**	**(219,890)**	**(190,131)**	**(1,435)**	**(191,566)**
Balance at 31 March 2021	**14,090**	**93,659**	**107,749**	**11,341**	**5,950**	**45,087**	**170,127**	**40,978**	**211,105**	**(5,253)**	**205,852**

Group Balance Sheet at 31 March 2022

SC £000	31 March 2021 Adjustments £000	Group £000		SC £000	31 March 2022 Adjustments £000	Group £000
992,164	26	992,190	Property, Plant & Equipment	1,054,190	25	1,054,215
2,193	0	2,193	Heritage Assets	2,137	0	2,137
59,261	0	59,261	Investment Property	61,879	0	61,879
6,393	0	6,393	Intangible Assets	5,381	0	5,381
599	0	599	Assets Held for Sale	599	0	599
1,060,610	**26**	**1,060,636**	**Total Non-Current Assets**	**1,124,186**	**25**	**1,124,211**
400	0	400	Long Term Investment	970	(570)	400
0	(1,571)	(1,571)	Investments in Associates and Joint Ventures	0	(1,339)	(1,339)
22,628	(4,210)	18,418	Long Term Debtors	17,166	(238)	16,928
1,083,638	**(5,755)**	**1,077,883**	**Total Long Term Assets**	**1,142,322**	**(2,122)**	**1,140,200**
			Current Assets			
250	0	250	Current Held for Sale Investment Properties	570	0	570
767	0	767	Assets Held for Sale	3,866	0	3,866
70,000	0	70,000	Short Term Investments	119,000	0	119,000
697	1,157	1,854	Inventories	808	4,478	5,286
99,834	(188)	99,646	Short Term Debtors	82,430	(4,880)	77,550
78,438	8,939	87,377	Cash & Cash Equivalents	45,302	8,500	53,802
249,986	**9,908**	**259,894**	**Total Current Assets**	**251,976**	**8,098**	**260,074**
1,333,624	**4,153**	**1,337,777**	**Total Assets**	**1,394,298**	**5,976**	**1,400,274**
			Current Liabilities			
(14,902)	0	(14,902)	Bank Overdraft	(17,714)	0	(17,714)
(13,893)	0	(13,893)	Short Term Borrowing	(1,858)	0	(1,858)
(126,217)	(417)	(126,634)	Short Term Creditors	(126,848)	(1,123)	(127,971)
(3,912)	0	(3,912)	Provisions	(3,660)	0	(3,660)
(15,443)	0	(15,443)	Grants Receipts in Advance – Revenue	(6,030)	0	(6,030)
(11,773)	0	(11,773)	Grants Receipts in Advance – Capital	(18,645)	0	(18,645)
(186,140)	**(417)**	**(186,557)**	**Total Current Liabilities**	**(174,755)**	**(1,123)**	**(175,878)**
1,147,484	**3,736**	**1,151,220**	**Total Assets Less Current Liabilities**	**1,219,543**	**4,853**	**1,224,396**
			Long Term Liabilities			
(637)	0	(637)	Long Term Creditors	(625)	0	(625)
(291,568)	0	(291,568)	Long Term Borrowing	(291,568)	0	(291,568)
(103,618)	0	(103,618)	Other Long Term Liabilities	(100,838)	0	(100,838)
(531,883)	(8,989)	(540,872)	Pensions Liability	(536,529)	(8,704)	(545,233)
(8,673)	0	(8,673)	Provisions	(4,889)	0	(4,889)
(936,379)	**(8,989)**	**(945,368)**	**Total Long Term Liabilities**	**(934,449)**	**(8,704)**	**(943,153)**
211,105	**(5,253)**	**205,852**	**Total Assets Less Liabilities**	**285,094**	**(3,851)**	**281,243**
			Financed by:			
170,127	5,668	175,795	Usable Reserves	166,752	6,636	173,388
40,978	(10,921)	30,057	Unusable Reserves	118,342	(10,487)	107,855
211,105	**(5,253)**	**205,852**	**Total Reserves**	**285,094**	**(3,851)**	**281,243**

Group Cash Flow Statement

2020/21 SC £000	2020/21 Adjustments £000	2020/21 Group £000	Revenue Activities	2021/22 SC £000	2021/22 Adjustments £000	2021/22 Group £000
43,365	(272)	43,093	Net (surplus) or deficit on the provision of services	(16,019)	82	(15,937)
(120,052)	3,839	(116,213)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(56,995)	2,376	(54,619)
64,552	(33)	64,519	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	72,403	(37)	72,366
(12,135)	**3,534**	**(8,601)**	**Net cash flows from operating activities**	**(611)**	**2,421**	**1,810**
(3,272)	(3,319)	(6,591)	Investing activities	31,184	(1,981)	29,203
30,234	(275)	29,959	Financing activities	5,374	0	5,374
14,827	**(60)**	**14,767**	**Net (increase) or decrease in cash and cash equivalents**	**35,947**	**440**	**36,387**
78,362	8,880	87,242	Cash and cash equivalents at the beginning of the reporting period	63,535	8,940	72,475
63,535	**8,940**	**72,475**	**Cash and cash equivalents at the end of the reporting period**	**27,588**	**8,500**	**36,088**

Notes to Group Accounts

G1. Accounting Policies

G1.1 General

The single entity accounting policies detailed on pages 26-48 have been adopted and applied for group account purposes.

G1.2 Reason for Consolidation

The organisations included within Group Accounts have been assessed to establish whether Shropshire Council controls the entity, has significant influence over the entity or has joint control of the arrangement. If the organisation does not meet one of these criteria then it is not included within the Group Accounts.

Shropshire Towns and Rural Housing Limited, Cornovii Developments Limited and SSC No.1 Limited are all wholly owned by Shropshire Council. Shropshire Council controls each of the organisations therefore they have been consolidated into the Group Accounts as subsidiaries.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME and WMS (Pensions) within this Council. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Telford & Wrekin Council. The Council has joint control over the arrangement and has rights to share the net assets. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

G1.3 Basis for Consolidation

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

WME has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Energy' balances is 23.9%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2022.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of WMS Pensions balances is 25%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2022.

SSC No.1 Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

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

G1.4 Non-Current Assets – Property, Plant and Equipment

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

Recognition

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

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

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

Measurement after recognition

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

Category	Valuation Method (Current Value definition)
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 (23.9%) £000
Turnover	(68,321)	(16,313)
Cost of Goods Sold and Operating Expenses	68,148	16,271
Interest and Investment Income	0	0
Net Operating Surplus	**(173)**	**(41)**
Distribution of Surplus to Member Authorities	0	0
Net Surplus for the year	**(173)**	**(41)**

G3. Consolidation of West Mercia Supplies (Pensions)

Figures in respect of West Mercia Supplies (Pension) have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WMS(P) £000	SC Share (25%) £000
Turnover	(215)	(53)
Cost of Goods Sold and Operating Expenses	5	1
Interest and Investment Income	148	37
Net deficit for the year	**(62)**	**(15)**

G4. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£14.640m) and expenditure (£14.833m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.193m has been included within Local Authority Housing (HRA) in the Net Cost of Services. The inter-company transactions with Shropshire Council have been excluded from Local Authority Housing (HRA) (Income/Expenditure £13.691m).

G5. Consolidation of SSC No.1 Ltd

The operating income (£0.001m) and expenditure (£0.004m) of SSC No1. Ltd, giving a net expenditure of £0.003m has been included within Place in the Net Cost of Services.

G6. Consolidation of Cornovii Developments Ltd

The operating expenditure (£0.568m) and income (£0.902m) of Cornovii Developments Ltd has been included within Place in the Net Cost of Services.

G7. Investment included in Group Balance Sheet

	WME £000	SC Share (23.9%) £000
Assets		
Plant & Equipment	7	2
Short term debtors	10,797	2,578
Cash and cash equivalents	3,306	789
Total Assets	**14,110**	**3,369**
Liabilities		
Short term creditors	(12,241)	(2,923)
Other long term liabilities	(264)	(63)
Total Liabilities	**(12,505)**	**(2,986)**
Net Investments in Associates and Joint Ventures	**1,605**	**383**

	WMS(P) £000	SC Share (25%) £000
Assets		
Short term debtors	0	0
Total Assets	**0**	**0**
Liabilities		
Short term creditors	(178)	(44)
Other long term liabilities	(6,710)	(1,678)
Total Liabilities	**(6,888)**	**(1,722)**
Net Investments in Associates and Joint Ventures	**(6,888)**	**(1,722)**

G8. Property, Plant & Equipment in Group Balance Sheet

The figures below provide information on the movement of non-current assets during 2021/22.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2021	**204,772**	**393,044**	**21,744**	**7,843**	**2,480**	**2,252**	**14,734**	**646,869**	**123,986**
Additions	6,878	2,915	1,295	15	0	0	21,363	**32,466**	760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(113)	17,109	0	0	0	729	0	**17,725**	(1,035)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487	1,043	0	0	0	2	0	**16,532**	(277)
Derecognition – disposals	(2,682)	(3,928)	(13)	0	0	0	0	**(6,623)**	0
Derecognition – other	0	(2,840)	(1,172)	(61)	(122)	0	0	**(4,195)**	(169)
Assets reclassified (to)/from Held for Sale	(213)	(3,394)	0	0	0	0	0	**(3,607)**	0
Other movements in cost or valuation	3	711	0	0	0	305	(77)	**942**	0
At 31 March 2022	**224,132**	**404,660**	**21,854**	**7,797**	**2,358**	**3,288**	**36,020**	**700,109**	**123,265**
At 1 April 2021	**0**	**0**	**(10,578)**	**(3,178)**	**(638)**	**(1,006)**	**0**	**(15,400)**	**(7,579)**
Depreciation charge for 2021/22	(4,194)	(15,988)	(2,964)	(315)	(65)	(54)	0	**(23,580)**	(7,069)
Depreciation written out to the Revaluation Reserve	147	14,367	2	0	0	20	0	**14,536**	4,816
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,047	1,621	0	0	0	34	0	**5,702**	273
Impairment losses/(reversals) recognised in the Revaluation Reserve	2	0	0	0	0	0	0	**2**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,381	0	0	0	0	0	**1,381**	0
Derecognition – disposals	0	0	5	0	0	0	0	**5**	0
Derecognition – other	0	0	1,127	61	123	0	0	**1,311**	124
Other movements in depreciation and impairment	(2)	(1,381)	0	0	0	0	0	**(1,383)**	0
At 31 March 2022	**0**	**0**	**(12,408)**	**(3,432)**	**(580)**	**(1,006)**	**0**	**(17,426)**	**(9,435)**
NBV at 31 March 2022	**224,132**	**404,660**	**9,446**	**4,365**	**1,778**	**2,282**	**36,020**	**682,683**	**113,830**
NBV at 31 March 2021	**204,772**	**393,044**	**11,166**	**4,665**	**1,842**	**1,246**	**14,734**	**631,469**	**116,407**

The comparative movements in 2020/21 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2020	**200,025**	**573,101**	**22,314**	**7,806**	**2,961**	**2,725**	**12,863**	**821,795**	**143,605**
Additions	4,496	4,491	1,157	37	0	0	7,345	**17,526**	916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56)	(138,953)	0	0	0	(120)	0	**(139,129)**	(19,096)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,447	(41,976)	0	0	0	(353)	0	**(40,882)**	9
Derecognition – disposals	(922)	(4,976)	0	0	0	0	0	**(5,898)**	0
Derecognition – other	(132)	(967)	(1,727)	0	(481)	0	0	**(3,307)**	(1,448)
Assets reclassified (to)/from Held for Sale	13	0	0	0	0	0	0	**13**	0
Other movements in cost or valuation	(99)	2,324	0	0	0	0	(5,474)	**(3,249)**	0
At 31 March 2021	**204,772**	**393,044**	**21,744**	**7,843**	**2,480**	**2,252**	**14,734**	**646,869**	**123,986**
Depreciation and Impairments									
At 1 April 2020	**0**	**0**	**(9,009)**	**(2,867)**	**(1,006)**	**(1,006)**	**0**	**(13,888)**	**(6,686)**
Depreciation charge for 2020/21	(4,048)	(17,315)	(3,078)	(311)	(113)	(54)	0	**(24,919)**	(6,877)
Depreciation written out to the Revaluation Reserve	137	14,917	0	0	0	7	0	**15,061**	4,663
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,911	2,387	0	0	0	47	0	**6,345**	90
Impairment losses/(reversals) recognised in the Revaluation Reserve	(127)	(154)	0	0	0	0	0	**(281)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	1,426	0	0	0	0	0	**1,426**	0
Derecognition – disposals	0	0	0	0	0	0	0	**0**	0

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Derecognition – other	0	11	1,509	0	481	0	0	**2,001**	1,231
Other movements in depreciation and impairment	127	(1,272)	0	0	0	0	0	**(1,145)**	0
At 31 March 2021	**0**	**0**	**(10,578)**	**(3,178)**	**(638)**	**(1,006)**	**0**	**(15,400)**	**(7,579)**
NBV at 31 March 2021	**204,772**	**393,044**	**11,166**	**4,665**	**1,842**	**1,246**	**14,734**	**631,469**	**116,407**
NBV at 31 March 2020	**200,025**	**573,101**	**13,305**	**4,939**	**1,955**	**1,719**	**12,863**	**807,907**	**136,919**

Highway Infrastructure Assets

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

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

	2021/22 £000	2020/21 £000
Net book value (modified historical cost):		
At 1 April	360,721	348,638
Additions	32,024	29,954
Derecognition	0	0
Depreciation	(21,654)	(18,980)
Impairment	0	0
Other Movement in cost	441	1,109
At 31 March	**371,531**	**360,721**

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

	2021/22 £000	2020/21 £000
Highway Infrastructure Assets	371,531	360,721
Other PPE Items	682,683	631,469
Total PPE Assets	**1,054,215**	**992,190**

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

G9. Cash and Cash Equivalents

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

	31 March 2022 £000	31 March 2021 £000
Bank current accounts	34,405	27,233
Short term deposits with building societies	19,397	60,144
Total Cash and Cash Equivalents	**53,802**	**87,377**
Bank Overdraft	(17,714)	(14,902)
Cash Overdrawn	**(17,714)**	**(14,902)**

G10. Pension Liability

Assets and Liabilities Recognised in the Balance Sheet

	2021/22 £000	2020/21 £000
Present value of the defined benefit obligation	(1,625,094)	(1,554,568)
Fair value of plan assets	1,079,861	1,013,696
Net liability arising from defined benefit obligation	**(545,233)**	**(540,872)**

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

	Local Government Pension Scheme	
	2021/22 £000	2020/21 £000
Opening fair value of scheme assets at 1 April	1,013,696	857,377
Interest income	21,360	20,767
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	56,252	149,952
Contributions from employer	22,848	22,069
Contributions from employees into the scheme	6,556	6,085
Benefits paid	(39,363)	(41,438)
Other	(1,488)	(1,116)
Closing fair value of scheme assets at 31 March	**1,079,861**	**1,013,696**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2021/22	2020/21
	£000	£000
Opening balance at 1 April	(1,554,568)	(1,359,880)
Current Service Cost	(40,133)	(29,783)
Interest Cost	(32,377)	(32,189)
Contributions from scheme participants	(6,556)	(6,085)
Remeasurement gain/(loss):		
Experience gains/losses	(93,138)	30,290
Actuarial gains/losses arising from changes in demographic assumptions	40,916	0
Actuarial gains/losses arising from changes in financial assumptions	22,987	(204,172)
Other	0	0
Past service costs	(53)	(1,194)
Losses/(gains) on curtailment	(903)	(364)
Benefits paid	39,363	41,438
Liabilities extinguished on settlements	2,255	1,607
Lump Sum Deficit Repayment	(2,887)	5,764
Closing balance at 31 March	**(1,625,094)**	**(1,554,568)**

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2021/22	2020/21
	£000	£000
Cash and cash equivalents	**18,142**	**2,979**
Equity investments:		
UK quoted	52,265	45,672
Global quoted	494,144	454,750
Sub-total equity	**546,409**	**500,422**
Bonds:		
Overseas Global Fixed Income	70,731	72,482
Overseas Global Dynamic	68,355	69,503
Other class 2 - absolute return bonds	65,439	67,518
Sub-total bonds	**204,525**	**209,503**
Property:		
Property funds	40,279	38,724
Sub-total property	**40,279**	**38,724**
Alternatives:		
Private Equity	90,169	88,309
Infrastructure	36,931	31,773

	2021/22 £000	2020/21 £000
Hedge Funds	66,628	63,546
BMO – LDI Manager	37,364	34,752
Property Debt	22,569	27,801
Insurance Linked Securities	15,442	15,887
Private Debt	1,403	0
Sub-total alternatives	**270,506**	**262,068**
Total assets	**1,079,861**	**1,013,696**

G11. Unusable Reserves

	31 March 2022 Total £000	31 March 2022 SC Share £000	31 March 2021 Total £000	31 March 2021 SC Share £000
Shropshire Towns & Rural Housing – Pensions Reserve	8,704	8,704	8,989	8,989
West Mercia Energy – Pensions Reserve and Capital Adjustment Account	257	61	317	76
West Mercia Supplies – Pensions Reserve	6,888	1,722	7,426	1,857
Total	**15,849**	**10,487**	**16,732**	**10,922**

G12. Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authoritys Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	12,828	0	0	0	12,828	0	12,828	(12,828)	0
Total adjustments between Group Accounts and authority accounts	**12,828**	**0**	**0**	**0**	**12,828**	**0**	**12,828**	**(12,828)**	**0**

Section 7

Housing Revenue Account

Shropshire Council

Housing Revenue Account

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

HRA INCOME AND EXPENDITURE STATEMENT

2020/21		2021/22	
£'		£	£
	Expenditure		
5,508,381	Repairs & Maintenance	6,057,685	
3,915,222	Supervision and Management	3,717,200	
121,333	Rents, rates taxes and other charges	144,544	
3,910,780	Depreciation – Dwellings	4,047,050	
185,280	- Other	197,780	
(5,357,702)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(19,534,419)	
46,840	Debt Management Costs	54,800	
25,000	Provision for Bad or Doubtful Debts	38,000	
8,355,134	**Total Expenditure**		**(5,277,360)**
	Income		
(17,395,866)	Dwelling Rents	(17,453,740)	
(109,683)	Non Dwelling Rents	(108,801)	
(4,385)	Other Income	(5,451)	
(909,300)	Charges for Services and Facilities	(827,379)	
0	Contributions towards expenditure	0	
(18,419,234)	**Total Income**		**(18,395,371)**
(10,064,100)			**(23,672,731)**
191,083	HRA Share of Corporate & Democratic Core		314,409
(9,873,017)	**Net Cost of HRA Services**		**(23,358,322)**
(269,234)	(Gain) or loss on sale of HRA Assets		(821,248)
2,988,342	Interest payable and similar charges		2,988,070
(81,567)	Interest and Investment Income		(43,232)
(27,400)	Income & Expenditure in relation to investment properties & change in fair values		(36,051)
(117,998)	Capital grants and contributions receivable		(1,804,818)
(7,380,874)	**(Surplus) or deficit for the year on HRA Services**		**(23,075,601)**

Housing Revenue Account

MOVEMENT ON THE HRA STATEMENT

2020/21 £		2021/22 £
(10,140,313)	**Balance on the HRA at the end of the previous year**	**(11,341,017)**
(7,380,874)	**(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement**	**(23,075,601)**
6,110,170	Adjustments between accounting basis and funding basis under statute	22,786,452
(1,270,704)	**Net increase or (decrease) before transfers to or from reserves**	**(289,149)**
70,000	Transfers to or (from) Reserves	38,400
(1,200,704)	**(Increase) or Decrease in year on the HRA**	**(250,749)**
(11,341,017)	**Balance on the HRA at the end of the current year**	**(11,591,766)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2021/22	2020/21
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,140	3,165
Flats	874	877
	4,014	**4,042**
Change in Stock		
Stock at 1 April	4,042	4,050
Less: Sales – Right to Buy	(45)	(17)
Sales – Other	(1)	(1)
Disposal/restructuring	0	0
Acquisition – full ownership	18	10
Acquisition – shared ownership	0	1
	4,014	**4,043**

2. RENT ARREARS

	2021/22 £	2020/21 £
Due from Current Tenants	81,245	97,759
Due from Former Tenants	106,256	115,332
Total Rent Arrears as at 31 March	**187,500**	**213,091**
Pre-Payments	(652,427)	(633,579)
Net Arrears	**(464,927)**	**(420,488)**

As at 31 March 2022, the total provision set aside for HRA related bad debts is £0.391m.

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£	£
Cost or Valuation								
At 1 April 2020	**204,773,247**	**1,045,000**	**303,898**	**361,568**	**206,483,713**	**268,450**	**62,032**	**206,814,195**
Additions	6,877,292	0	8,557	1,206,428	**8,092,277**	0	0	**8,092,277**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(112,981)	160,000	0	0	**47,019**	0	0	**47,019**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,487,369	0	0	0	**15,487,369**	6,800	0	**15,494,169**
Derecognition – disposals	(2,681,650)	0	0	0	**(2,681,650)**	0	(62,032)	**(2,743,682)**
Derecognition – other	0	0	0	0	**0**	0	0	**0**
Assets reclassified (to)/from Held for Sale	13,003	0	0	0	**13,003**	0	(13,003)	**0**
Other movements in cost or valuation	(224,175)	0	0	365,000	**140,825**	0	226,664	**367,489**
As at 31 March 2021	**224,132,105**	**1,205,000**	**312,455**	**1,932,996**	**227,582,556**	**275,250**	**213,661**	**228,071,467**
Accumulated Depreciation and Impairment								
At 1 April 2020	**0**	**0**	**(116,690)**	**0**	**(116,690)**	**0**	**0**	**(116,690)**
Depreciation Charge	(4,194,400)	(16,690)	(33,740)	0	**(4,244,830)**	0	0	**(4,244,830)**
Depreciation written out to the Revaluation Reserve	147,350	16,690	0	0	**164,040**	0	0	**164,040**
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,047,050	0	0	0	**4,047,050**	0	0	**4,047,050**
Impairment losses/(reversals) recognised in the Revaluation Reserve	2,489	0	0	0	**2,489**	0	0	**2,489**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0	0	**0**
Derecognition – disposals	0	0	0	0	**0**	0	0	**0**
Derecognition – other	0	0	0	0	**0**	0	0	**0**
Other movements in depreciation and impairment	(2,489)	0	0	0	**(2,489)**	0	0	**(2,489)**
As at 31 March 2021	**0**	**0**	**(150,430)**	**0**	**(150,430)**	**0**	**0**	**(150,430)**
Net Book Value								
As at 31 March 2022	**224,132,105**	**1,205,000**	**162,025**	**1,932,996**	**227,432,126**	**275,250**	**213,661**	**227,921,037**
As at 31 March 2021	**204,773,247**	**1,045,000**	**187,208**	**361,568**	**206,367,023**	**268,450**	**62,032**	**206,697,505**

There is a difference of £334.532m between the tenanted valuation and the District Valuer's Vacant Possession Value of £557.553m at 1 April 2021.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

The difference represents the economic cost of the Government providing council housing at less than market rents.

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on Council Housing Stock and Infrastructure was financed as follows.

	2021/22 £	2020/21 £
Usable Capital Receipts	992,871	1,360,367
Revenue Contributions utilised in year	898,926	430,537
Major Repairs Allowance	3,276,361	2,638,117
Government Supported borrowing	1,399,060	0
Government Grants and Contributions	1,532,300	117,998
Total Capital Expenditure on Housing Stock	**8,099,518**	**4,547,019**

5. CAPITAL RECEIPTS

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

	2021/22 £	2020/21 £
Sale of Council Houses under Right to Buy (RTB)	3,238,900	1,134,000
RTB Discounts Repaid	0	0
Other Land & Buildings	0	0
Mortgage Receipts	0	0
Total Capital Receipts from HRA Asset Disposals	**3,238,900**	**1,134,000**
Less Capital Receipts subject to Pooling requirement	(607,015)	(561,054)
Net Capital Receipts from HRA Asset Disposals	**2,631,885**	**572,946**

6. HOUSING REPAIRS ACCOUNT

	2021/22 £	2020/21 £
Balance Brought Forward 1 April	25,000	25,000
Expenditure on Capital	0	0
Balance Carried Forward 31 March	**25,000**	**25,000**

Section 8

Collection Fund

Shropshire Council

Collection Fund

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and Central Government.

2020/21 Council Tax £000	2020/21 NDR £000	2020/21 Total £000		2021/22 Council Tax £000	2021/22 NDR £000	2021/22 Total £000
			Income:			
(210,018)	0	(210,018)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(222,926)	0	(222,926)
			Transfers from General Fund			
1	0	1	- Transitional relief	2	0	2
(1,333)	0	(1,333)	- Discretionary relief	(1,160)	0	(1,160)
0	(40,451)	(40,451)	Income collectable from business ratepayers	0	(58,771)	(58,771)
0	(507)	(507)	Transitional Protection Payments	0	(82)	(82)
(211,350)	**(40,958)**	**(252,308)**	**TOTAL INCOME**	**(224,084)**	**(58,853)**	**(282,937)**
			Expenditure:			
			Precepts			
172,874	41,689	214,563	- Shropshire Council and Parish and Town Councils	179,782	43,073	222,855
25,573	0	25,573	- West Mercia Police & Crime Commissioner	27,307	0	27,307
11,611	831	12,442	- Shropshire & Wrekin Fire Authority	11,846	858	12,704
0	41,560	41,560	- Central Government	0	42,895	42,895
			Charges to Collection Fund			
0	449	449	- costs of collection	0	453	453
			Bad and doubtful debts			
(589)	2	(587)	- write offs	(141)	1	(140)
2,132	740	2,872	- allowance for impairment	2,180	998	3,178
			Appeals rates			
0	(3,173)	(3,173)	- write offs	0	(4,428)	(4,428)
0	(440)	(440)	- provisions	0	(3,294)	(3,294)
			Contributions			
3,355	1,119	4,474	- Towards previous year's estimated Collection Fund surplus/(deficit)	(659)	(42,920)	(43,579)
214,956	**82,777**	**297,733**	**TOTAL EXPENDITURE**	**220,315**	**37,636**	**257,951**
3,606	**41,819**	**45,425**	**Deficit/(Surplus) for the Year**	**(3,769)**	**(21,217)**	**(24,986)**
(2,810)	(1,490)	(4,300)	Balance brought forward	796	40,329	41,125
796	**40,329**	**41,125**	**Balance carried forward**	**(2,973)**	**19,112**	**16,139**

NOTES TO THE COLLECTION FUND

1. GENERAL

In 2021/22 businesses were awarded expanded retail and nursery reliefs as part of the Governments response to the COVID-19 pandemic. This decision was made post the setting of the precepts for 2021/22. The additional reliefs reduce the net amount the Council can collect from businesses and therefore has created a deficit on the Collection Fund. These reliefs are funded by Government via section 31 grants which have been received in 2021/22 and transferred to an earmarked reserve. This reserve will be used to offset the collection fund deficit when it is charged to the Council's General Fund in 2022/23.

As a result of the impact of Covid-19 on the Collection Fund Central Government announced that authorities would be allowed to spread the in year estimated deficit on the 2020/21 Collection Fund over three years, 2021/22 to 2023/24. The phasing of the deficit excludes any amounts funded by section 31 grants or any brought forward surplus or deficit.

2. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2021/22 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1		5/9	16.56
A		6/9	11,701.17
B		7/9	23,015.70
C		8/9	23,513.84
D		9/9	19,087.60
E		11/9	18,706.24
F		13/9	11,871.47
G		15/9	7,281.37
H		18/9	557.98
			115,751.93
Adjustment for MoD Properties (613.46 Band D Equivalents) and Collection Rate (97.7%)			(2,062.94)
			113,688.99

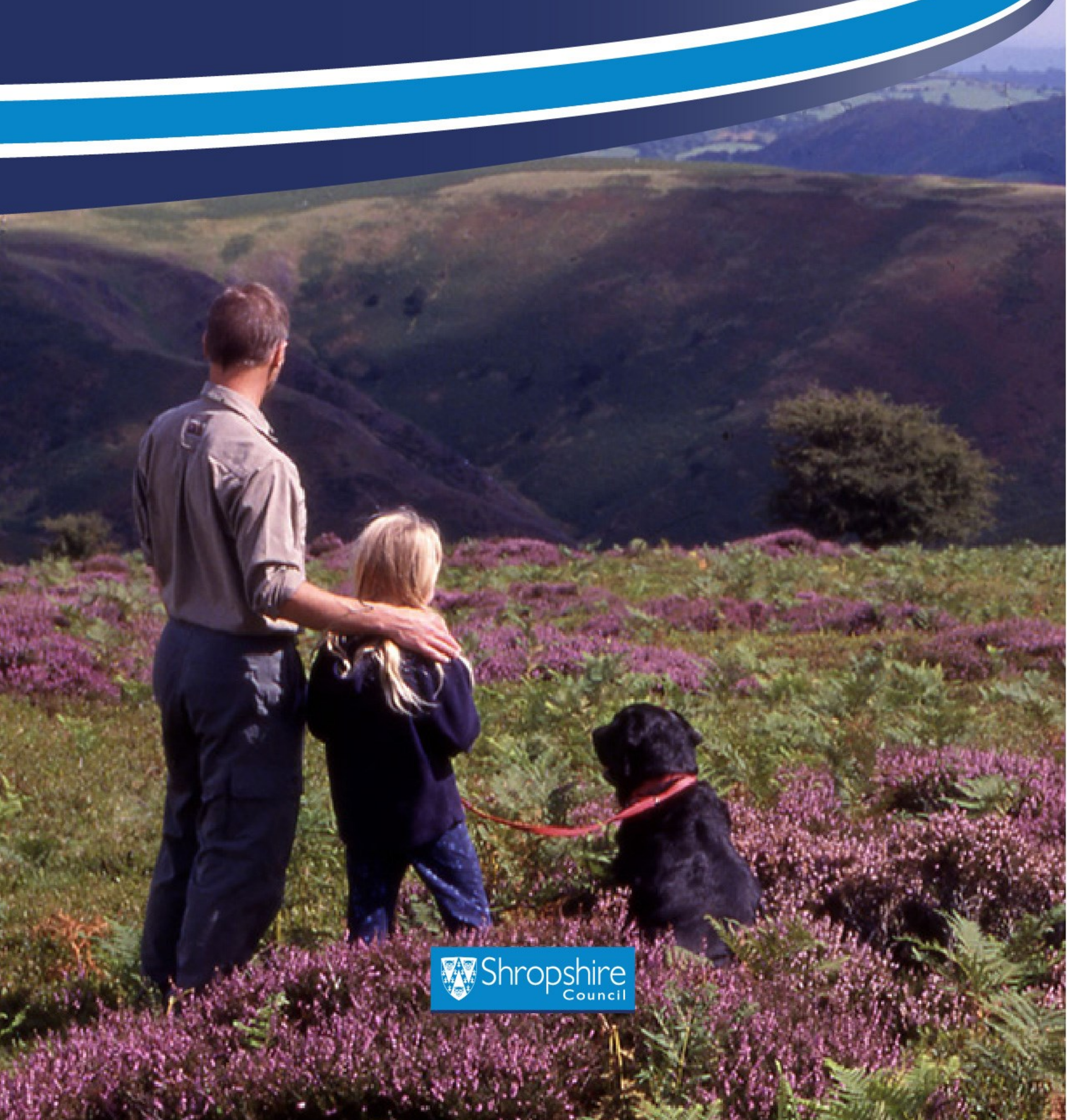
3. NON-DOMESTIC RATES (BUSINESS RATES)

Shropshire Council is the billing authority for NDR and retains 49% share of the total collected and distributes the remaining balance to Central Government (50%) and Shropshire & Wrekin Fire Authority (1%).

At 31 March 2022, the total non-domestic rateable value for all business premises in Shropshire was £234,188,138. The multiplier set by Government to calculate rate bills in 2021/22 was 49.9p for small businesses and 51.2p for all other businesses.

Section 9

Pension Fund Accounts



Introduction
The Shropshire Fund increased in value by £145 million in 2021/22 to be valued at £2.339 billion at the end of the year. The Fund increased in value by 7.5% over the year and outperformed against its benchmark by 1.0%. Financial markets across the world again performed strongly during 2021/22 resulting in the increase in the Fund value during the year.

The Shropshire Fund had positive investment returns in a number of asset classes. The strongest returns were generated in Private Equity which generated strong returns of 24.4%, Property delivered returns of 22.6% and the Fund's Infrastructure manager produced returns of 21.5%. The active global equity portfolio generated returns of 13.0% and these are the reasons the fund performance was above benchmark during the year.

The Pensions Committee determine the strategic asset allocation for the fund. This outlines the proportion of assets that the fund invests in equities, bonds and alternative assets such as property and infrastructure. This is the most important decision that the Committee makes because it has the biggest impact on the long term returns of the fund. The Committee undertook a series of Investment Strategy training workshops during 2021 before agreeing a revised strategic asset allocation in March 2021. The revised investment strategy has started to be implemented during 2021/22, the remainder will be implemented over the next 6 months once new targeted return funds are launched at LGPS Central.

The Pensions Committee undertakes thorough monitoring of the fund's investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities.

The fund undergoes an independent actuarial valuation every 3 years. The last actuarial valuation was conducted at the end of March 2019, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 94% which was an increase from 84% at the previous valuation in March 2016. The next valuation will be undertaken on 31 March 2022, with results communicated in November 2022 and agreed with employers for the next three financial years commencing from 2023/24.

The fund was recognised as a Tier 1 signatory to the Stewardship Code, the highest rating given by the Financial Reporting Council, which is very positive news. The fund is currently working on becoming a signatory to the revised Stewardship Code. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues. In 2020 and 2021 the Fund commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the Fund's exposure to financially material climate-related risks and opportunities. The Climate Risk Reports included both climate scenario analysis and carbon risk metrics. The Fund also published its first Task Force on Climate-related Financial Disclosures (TCFD) aligned report in November 2020. The Fund was one of the first LGPS funds in the UK to publish its public TCFD report, this included a number of recommendations which the Fund has now implemented during 2021/22. Further details relating to this and the significant progress which has been made during the year with regards climate risk monitoring, setting a net zero target, responsible investment, climate risk training and the Fund's carbon footprint are included within the Corporate Governance section of the annual report.

The Shropshire Fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £55.3 billion of assets (£28.5 billion invested as at March 2022), on behalf of 900,000 LGPS members and 2,500 employers.

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

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

The governance structure for LGPS Central has been agreed by all partner funds. The LGPS Central Board and Executive Committee are in place. There are currently 67 permanent staff and a number of additional appointments were made during the year, including the appointment of two more staff within the Responsible Investment team, Investment Operations manager, Portfolio manager and junior analyst, Communications manager, Chief Stakeholder Officer and a Chief Legal, Compliance and Risk Officer. In addition, a second graduate recruitment programme was launched in 2021 and recruited to following on from the success of the first programme. The third graduate programme has just been launched in June 2022 and expected to e recruited to in September 2022.

Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. The Practitioners Advisory Forum, which is made up of 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. The current Chair of the Joint Committee, which rotates between all 8 partner funds, was also the current Chair of the Shropshire County Pension Fund in 2021/22.

LGPS Central Ltd is responsible for a number of advisory and discretionary mandates on behalf of its partner funds. Working with our partners to develop and implement our revised investment strategy will continue to be a major strategic focus for the fund over the next year. The Fund has committed £65 million to an Infrastructure Fund, £120 million into a Private Debt fund and £30 million to a Private Equity Fund. Initial subscriptions were made in August and December 2021 into the Private Debt and Infrastructure Funds. In May 2022, £120 million was transitioned into LGPS Central's active global sustainable equity sub-fund. Further assets are expected to transfer during 2022/23 into a targeted return sub fund once launched in October 2022.

Over the last 12 months The Pensions Administration Team have ensured the benefits it looks after for scheme members are paid accurately, on time and in line with scheme regulations. To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential and fund officers continued to monitor the timeliness and accuracy of submission of this data.

During 2021/22, the number of team members increased with four new posts created to increase resource capability to ensure successful delivery of the upcoming work. As Covid-19 restrictions eased during the year, the team continued to work from home. All key administration tasks are performed while remote working and the team have continued to deliver an effective service. Monthly team meetings have continued virtually but there has been a need to bring staff together occasionally in person to work collaboratively or to induct new team members. To embed new members of staff and grow individual knowledge, e-learning training and online knowledge hubs have been utilised. All regulatory deadlines were met, including issuing Annual Benefit Statements, P60 documents and Pensions Savings Statements by the statutory deadlines and reporting to Pensions Committee and Board continued. During the year, the team continued to progress work on the McCloud remedy by undertaking data analysis. Several policies were reviewed and updated in line with statutory guidance and the team's working practices. The fund's usual in-person annual meeting could not be held in 2021 due to restrictions in place because of the Covid-19 pandemic. However, key fund investment issues and pension administration updates were available to members on the fund's website which were the main topics due to be covered at the annual meetings. The team demonstrated its commitment to tackling pension scams and protecting scheme members by signing up to the Pension Regulator's Pensions Scams Pledge.

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

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £000		2021/22 £000
	Income	
	Contributions	
(70,005)	Employers (Note 7)	(41,967)
(16,471)	Employees (Note 7)	(17,320)
(5,263)	Transfers In from other pension funds (Notes 3, 7)	(10,170)
(91,739)	**Total Income**	**(69,457)**
	Expenditure	
	Benefits Payable	
64,750	Pensions (Note 7)	66,544
10,497	Commutation of pensions and lump sum retirement benefits (Note 7)	11,080
1,334	Lump Sum Death Benefits (Note 7)	1,322
	Payment to & on Account of Leavers	
190	Refund of contributions (Note 7)	220
20,016	Transfers to other funds (Notes 3, 7)	4,942
96,787	**Total Expenditure**	**84,108**
5,048	**Net (additions) / withdrawals from dealings with scheme members**	**14,651**
17,826	**Management Expenses (Note 8)**	**17,492**
22,874	**Net additions/(withdrawals) including fund management expenses**	**32,143**
	Returns on Investments	
(25,477)	Investment Income (Notes 3, 9)	(15,862)
(16,779)	(Gain)/loss on cash and currency hedging	(47,334)
102	Taxes on Income (Note 10)	135
(343,417)	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	(114,349)
(385,571)	**Net return on investments**	**(177,410)**
(362,697)	**Net (increase)/decrease in the net assets available for benefits during the year**	**(145,267)**
1,831,323	**Opening net assets of the scheme**	**2,194,020**
2,194,020	**Closing net assets of the scheme**	**2,339,287**

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2022

31-Mar-21 £000		31-Mar-22 £000	%
	Long Term Investments		
1,315	Equities (Note 11b)	1,315	0.06
	Investment Assets		
104,048	Equities (Note 11b)	109,022	4.66
	Pooled Investment Vehicles		
2,063,901	Other Managed Funds (Note 11b)	2,203,838	94.21
	Other Investment Balances		
685	Loans (Note 11b)	685	0.03
	Cash Deposits		
16,950	Deposits (Note 11a)	17,436	0.74
3,500	Temporary Investments (Note 27)	2,500	0.11
2,190,399	**Total Investment Assets**	**2,334,796**	**99.81**
	Long Term Debtors		
	Lifetime and Annual Tax Allowances (Note 18)	1,055	0.04
	Current Assets		
4,322	Contributions due from Employers (Note 18)	5,653	0.24
2,443	Other Current Assets (Note 18)	1,061	0.05
245	Cash Balances (Note 27)	26	0.00
	Current Liabilities		
(577)	Unpaid Benefits (Note 19)	(422)	(0.02)
(2,812)	Other Current Liabilities (Note 19)	(2,882)	(0.12)
2,194,020	**Net Assets of the Scheme – Available to Fund Benefits as at 31 March**	**2,339,287**	**100**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

1. DESCRIPTION OF FUND

The Shropshire County Pension Fund is part of the Local Government Pension Scheme and is administered by Shropshire Council. The Council is the reporting entity for this Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 221 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2022	31 March 2021
Number of employers with active members	157	146
Number of employees in the scheme		
Shropshire Council	5,807	5,771
Other employers	10,683	10,749
Total	**16,490**	**16,520**
Number of pensioners in the scheme		
Shropshire Council	5,805	5,626
Other employers	6,311	5,945
Total	**12,116**	**11,571**

Shropshire County Pension Fund	31 March 2022	31 March 2021
Number of deferred pensioners in the scheme		
Shropshire Council	8,456	8,591
Other employers	9,497	9,497
Total	**18,253**	**18,088**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2019. Currently, employer contribution rates range from 5.8% to 27.6% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits.

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information within the statement by the consulting actuary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income
Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.

- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. Contributions received earlier than the due date are accounted for on receipt and are recognised as contributions received within the pension fund account statement.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than due date.

Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the Fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 7). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the net assets statement as a current financial asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable
Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, provided that payment has been approved.

Taxation
The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses
The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses	All staff costs relating to the pensions administration team are charged direct to the Fund. Council recharges for management,

	accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.
Oversight and governance	All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with Majedie Asset Management, Pimco Europe Ltd and BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2021/22 £0.807m (2020/21 £1.271m). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2021/22, £0.147m of fees is based on such estimates (2020/21 £0.077m).

Net Assets Statement

Financial assets

The Share Capital investment in LGPS Central Limited is valued at transaction price i.e. cost. LGPS Central Limited began to trade on 3 April 2018. The Pension Fund's view is that the market value of this investment at 31 March 2022 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 11a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account
The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 14).

Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

Financial liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Additional voluntary contributions

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

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Investment in LGPS Central

The Share Capital investment has been valued at cost on the basis that fair value as at 31 March 2022 cannot be reliably estimated. Management have made this judgment because:

- LGPS Central Limited did not commence trading until 3 April 2018
- No dividend to shareholders has as yet been declared
- Published trading results are only available for three years, which in the Fund's opinion does not give sufficient information to allow fair value to be accurately calculated on a net asset basis.

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £195.9 million. There is a risk that this investment may be under or over¬stated in the accounts. A 5% movement in the valuation would equate to a £9.8 million adjustment to the value of these assets
Infrastructure	Infrastructure investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The infrastructure investments in the financial statements are £106.8 million. There is a risk that this investment may be under or over-stated in the accounts. A 5% movement in the valuation would equate to a £5.3 million adjustment to the value of these assets
Property Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total property debt investments in the financial statements are £48.3 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £2.4 million adjustment to the value of these assets
Private Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £4.3 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £0.2 million adjustment to the value of these assets
Insurance Linked Securities	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total insurance linked securities investments in the financial statements are £33.5 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £1.7 million adjustment to the value of these assets

Item	Uncertainties	Effect if actual results differ from assumptions
Hedge Funds	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £143.7 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £7.2 million adjustment to the value of these assets

6. EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2022, and when these accounts were authorised, that require any adjustments to be made.

Non adjusting events
Global markets have been very volatile since the 31st March 2022 due to a number of macroeconomic factors such as the war in the Ukraine, global inflation and the impacts of the political instability in the UK. These issues have resulted in a reduction in the fund value by approximately 5% since the date of the accounts. There have also been significant impacts in the Liability Driven Investments (LDI) market as a result of the mini budget at the end of September. The fund had limited exposure to the LDI market with investments representing approximately 3% of the Pension Fund's Assets under Management as at 31st March 2022. The Fund had already decided to exit this market and no further collateral calls have been made by the fund to maintain its investments at this level. At the 31st October 2022 the Fund's LDI investments represented less than 0.5% of the Assets under Management.

Guaranteed minimum pensions (GMP) equalisation remedy in LGPS is still to be legislated on. GMP reconciliation has ensured that data is up to date for when any changes required are known.

The McCloud remedy in LGPS is still to be legislated for. The Fund is not aware of any cases affected by the Goodwin test cases.

7. ANALYSIS OF THE MAIN REVENUE ACCOUNT TRANSACTIONS

The following table provides further analysis of contributions received and benefits paid between the Administering Authority (Shropshire Council), Designated Bodies and Scheme Employers (Unitary, Town and Parish Councils) and Admission Bodies (Private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

2021/22	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	6,289	1,909	9,122	17,320

2021/22	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Employers	17,319	5,470	19,178	41,967
Transfers In	5,102	750	4,318	10,170
Total Income	**28,710**	**8,129**	**32,618**	**69,457**
Payments Made				
Pensions	37,499	8,737	20,308	66,544
Lump Sums	4,268	2,115	4,697	11,080
Death Benefits	338	249	735	1,322
Refunds	58	28	134	220
Transfers Out	2,240	517	2,285	4,942
Total Expenditure	**44,303**	**11,646**	**28,159**	**84,108**

2020/21 comparative figures	Administering Authority £000	Admission Bodies £000	Designation Bodies/Scheme Employers £000	Total £000
Contributions Received				
Employees	5,864	2,030	8,577	16,471
Employers	25,335	5,941	38,729	70,005
Transfers In	1,544	785	2,934	5,263
Total Income	**32,743**	**8,756**	**50,240**	**91,739**
Payments Made				
Pensions	36,952	8,207	19,591	64,750
Lump Sums	4,208	1,944	4,345	10,497
Death Benefits	455	408	471	1,334
Refunds	63	20	107	190
Transfers Out	2,674	22	*17,320	*20,016
Total Expenditure	**44,352**	**10,601**	**41,834**	**96,787**

*2020/21 Transfers Out figure includes £16.430m bulk transfers out.

This table shows a breakdown of the employers contributions above:

	2021/22 £000	2020/21 £000
Employers normal contributions	34,604	**54,083
Employers deficit contributions	6,215	***14,263
Employers augmentation contributions	1,148	1,659
	41,967	**70,005**

** Employers normal contributions figure for 2020/21 includes upfront payment of 2021/22 normal contributions for Telford & Wrekin Council

*** Employers deficit contributions figure for 2020/21 includes upfront deficit payments covering three years for Shropshire Council

8. MANAGEMENT EXPENSES

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Management Expenses	2021/22 £000	2020/21 £000
Administrative costs	1,148	1,135
Investment management expenses	15,046	15,231
Oversight and governance costs	1,298	1,460
	17,492	17,826

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

The investment management expenses shown below includes £0.807m (2020/21 £1.271m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £3.670m in respect of transaction costs (2020/21 £3.028m).

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	2021/22 £000	2020/21 £000
Management Fees	8,865	8,901
Performance Fees	807	1,271
Other Fees	1,682	1,989
Transaction Costs	3,670	3,028
Custody Fees	22	42
	15,046	15,231

The costs incurred by the fund in administering the fund totalled £1.148m for the year ended 31 March 2022 (2020/21 £1.135m).

Administrative Costs	2021/22 £000	2020/21 £000
Employee Costs	777	753
IT	245	218
Consultants	50	75
Printing, Postage & Design	26	39
Office Accommodation	14	21
Subscriptions	14	14
Other Costs	22	15
	1,148	1,135

The costs incurred by the fund in Oversight and Governance totalled £1.298m for the year ended 31 March 2022 (2020/21 £1.460m).

Oversight & Governance costs	2021/22 £000	2020/21 £000
Investment advice	269	427
Employee costs (pensions investment)	220	234
Actuarial advice	86	74
LGPS Central Pooling costs	532	582
Responsible engagement overlay	50	50
External audit	41*	22
Performance analysis	32	28
Internal audit	17	22
Legal & Committee	21	7
Other Costs	30	14
	1,298	**1,460**

*The External audit figure for 2021/22 comprises the current year audit fee paid of £28,952 as noted in the audit plan and non audit fees payable of £5,000 elating to the provision of IAS19 assurance reports for auditors.

8a. MANAGEMENT EXPENSES

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

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	618	434	0	184	0
Pooled Investments Vehicles					
Global Equity	2,711	1,266	0	1,392	53
Fixed Income	3,112	1,816	0	1,204	92
Hedge Fund of Funds	1,865	803	807	0	255
Infrastructure	1,955	1,855	0	0	100
Pooled property investments	1,116	259	0	857	0
Private Equity	2,744	1,781	0	0	963
Private Debt	14	14	0	0	0
Property Debt	585	410	0	0	175
Insurance Linked Securities	304	227	0	33	44
	15,024	**8,865**	**807**	**3,670**	**1,682**
Custody Fees	22				
Total	**15,046**				

2021/22 2020/21 comparative figures	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Equities	709	366	0	343	0
Pooled Investments Vehicles					
Global Equity	2,123	1,115	0	954	54
Fixed Income	3,162	1,945	0	1,034	183
Hedge Fund of Funds	2,217	711	1,271	0	235
Infrastructure	2,146	2,049	0	0	97
Pooled property investments	953	281	0	672	0
Private Equity	3,035	1,793	0	0	1,242
Property Debt	561	420	0	0	141
Insurance Linked Securities	283	221	0	25	37
	15,189	**8,901**	**1,271**	**3,028**	**1,989**
Custody Fees	42				
Total	**15,231**				

9. INVESTMENT INCOME

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

	2021/22 £000	2020/21 £000
Dividends from equities	(4,235)	(3,053)
Income from pooled investment vehicles	(11,593)	(8,344)
Interest on cash deposits	(34)	(35)
Other	(0)	(14,045)
	(15,862)	**(25,477)**

10. TAXES ON INCOME

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

	2021/22 £000	2020/21 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax – equities	44	30
Withholding tax – pooled	91	72

	2021/22 £000	2020/21 £000
	135	102

11. INVESTMENTS

This table shows investment assets by type of investment

	2021/22 £000	2020/21 £000
Investment Assets		
Equities	109,022	104,048
Pooled Funds		
Global Equity	1,069,331	999,156
Fixed Income	511,499	511,776
Hedge Fund of Funds	143,746	137,333
Infrastructure	106,817	69,301
Pooled property investments	90,509	75,611
Private Equity	195,854	180,438
Property Debt	48,346	57,777
Insurance Linked Securities	33,463	32,509
Private Debt	4,273	0
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	17,436	16,950
Temporary Investments	2,500	3,500
Total	**2,333,481**	**2,189,084**
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	**2,334,796**	**2,190,399**

11a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type 2021/22	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	105,363	35,246	(33,198)	(183)	3,109	*110,337
Pooled Investment Vehicles – Other Managed Funds	2,063,901	86,912	(43,673)	(14,510)	111,208	*2,203,838
Other Investment Balances	685					685
Sub total	**2,169,949**	**122,158**	**(76,871)**	**(14,693)**	**114,317**	**2,314,860**

Investment type 2021/22	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Cash deposits – with Managers	16,950	1,157	(387)	(316)	32	16,950
Temporary Investments	3,500			(1,000)		3,500
Total	**2,190,399**	**123,315**	**(77,258)**	**(16,009)**	****114,349**	**2,334,796**

* Within the Pooled Investment Vehicles - other managed funds total of £2203.838m are £532.499m of level 3 investments as at 31 March 2022. Within the Equities figure of £110.337m are £1.315m of level 3 investments as at 31 March 2022. The value of the level 3 investments was £409.372m as at 1st April 2021 which increased to £533.814m as at 31 March 2022. The increase in value is due to transfers into level 3 of £69.301m, purchases of £86.207m, sales of £43.410m and change in market value of £12.344m.

** The total change in market value for 2021/22 as per the table above is £114.349m. This figure is made of up of profit on sales of £11.138m, market value gains offset by directly charged fees of £12.956m and also the difference between book cost and market value for the whole Fund which for 2021/22 was £90.255m

Investment type 2020/21 Comparative figures	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
Equities	79,061	56,114	(52,719)		22,907	*105,363
Pooled Investment Vehicles – Other Managed Funds	1,726,527	207,619	(197,843)	7,119	320,479	*2,063,901
Other Investment Balances	685					685
Sub total	**1,806,273**	**263,733**	**(250,562)**	**7,119**	**343,386**	**2,169,949**
Cash deposits – with Managers	18,650		(14)	(1,718)	32	16,950
Temporary Investments	2,000			1,500		3,500
Total	**1,826,923**	**263,733**	**(250,576)**	**6,901**	****343,418**	**2,190,399**

* Within the Pooled Investment Vehicles - other managed funds total of £2063.901m are £408.057m of level 3 investments as at 31 March 2021. Within the Equities figure of £105.363m are £1.315m of level 3 investments as at 31 March 2021. The value of the level 3 investments was £307.676m as at 1st April 2020 which increased to £409.372m as at 31 March 2021. The increase in value is due to purchases of £56.083m, sales of £11.625m and change in market value of £57.238m.

** The total change in market value for 2020/21 as per the table above is £343.418m. This figure is made of up of profit on sales of £20.049m and also the difference between book cost and market value for the whole Fund which for 2020/21 was £323.369m.

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 £0.006m in 2021/22 (2020/21 £0.003m) and this is included within investment income in the Pension Fund Account. At 31 March 2022 £5.522m worth of stock (via the Custodian) was on loan (2020/21 £2.841m), for which the Fund was in receipt (via the Custodian) of £5.927m (2020/21 £3.055m) worth of collateral representing 107% (2020/21 108%) 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 pension fund doesn't have any direct investments in derivatives. Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

14. FAIR VALUE – BASIS OF VALUATION

Unquoted equities in LGPS Central are valued using the cost approach / considering Fair Value at Initial Recognition approach as these methodologies provide viable approaches to valuing this shareholding, and they both generate consistent valuations at historic cost less any adjustment for impairment. This will be the approach used for valuing this holding until any change in circumstances creates an alternative approach.

All other investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Quoted fixed income bonds	Level 1	Quoted market value based on current yields	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single	NAV based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		price where single price published		
Pooled equity fund investments	Level 2	Index tracking funds & valuations are based on the market quoted prices of the respective underlying securities	Evaluated price feeds	Not required
Pooled fixed income fund investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Infrastructure	Level 3	Discounted Cash Flows, Market valuations of comparable companies & Binding sale agreements	Enterprise Value / EBITDA multiple, Discount Rate	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at initial recognition approach	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost approach generates a figure similar to the original cost of investment when LGPS Central was created	Valuation reviewed on an annual basis to ascertain if there is any reason that this valuation may have been impaired
Insurance linked securities	Level 3	Closing single price. Investments are fair valued using earned net assets value method	NAV based pricing set on a forward pricing basis. NAV based pricing based upon either 3rd party broker marks or independent Milliman valuations using available industry loss assumptions and 3rd party reports.	Valuations could be affected by any changes to underlying values of the invested portfolio. Value appreciation/depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring.
Private Debt	Level 3	Valuations received directly from the manager of the underlying investment and comply with revised International Private Equity and Venture Capital Valuation Guidelines 2018	Inputs are unobservable and are dependent on the valuations provided by the manager of the underlying investment	Valuations could be affected by changes to the valuation of the underlying investment portfolio arising from changes to estimates and differences between unaudited and audited accounts
Property Debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available,	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
			indicative market interest rates for similar products	valuation may have been impaired
Private Equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate quidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Hedge Funds	Level 3	Valuations received directly from the third party hedge funds with which the fund of hedge fund manager invests	Valuations/prices of the investments held are not publicly available. NAV based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-22 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	195,854	205,647	186,061
Hedge Funds	5%	143,746	150,933	136,559
Insurance Linked	5%	33,463	35,136	31,790
Infrastructure	5%	106,817	112,158	101,476
Private Debt	5%	4,273	4,487	4,059
Property Debt	5%	48,346	50,763	45,929
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**533,814**	**560,505**	**507,123**

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-21 £000	Potential value on increase £000	Potential value on decrease £000
Private Equity	5%	180,438	189,460	171,416
Hedge Funds	5%	137,333	144,200	130,466
Insurance Linked	5%	32,509	34,134	30,884
Property Debt	5%	57,777	60,666	54,888
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		**409,372**	**429,841**	**388,903**

14a. FAIR VALUE HIERARCHY

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset type 2021/22	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
Equities	Majedie Asset Management	UK Equities	109,014	109,014		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	8,151	8,151		
	Pimco Europe Ltd	Global Bonds	137,299		137,299	
	HarbourVest Partners Ltd	Private Equity	195,854			195,854
	Aberdeen Property Investors	Property Unit Trusts	90,509		90,509	
	Blackrock	Hedge Fund	143,746			143,746
	Global Infrastructure Partners	Infrastructure	88,473			88,473

Asset type 2021/22	Investment Manager	Investment Type	Market Value £000	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant evaluation inputs Level 3 £000
	Legal & General	Global Equities	701,925		701,925	
	Blackrock	Fixed Interest	149,154		149,154	
	T Rowe Price	Global Dynamic Bonds	150,456		150,456	
	BMO**	LDI	74,590	74,590		
	Securis	Insurance Linked Securities	33,463			33,463
	DRC	Property Debt	48,346			48,346
	LGPS Central Ltd	Global Equities	359,255	359,255		
	LGPS Central Ltd	Private Debt	4,273			4,273
	LGPS Central Ltd	Infrastructure	18,344			18,344
Cash Deposits & Other (including net Current Assets)			25,120	25,120		
Total			**2,339,287**	**576,130**	**1,229,343**	**533,814**

Asset type 2020/21	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	104,042	104,042		
	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	8,267	8,267		
	Pimco Europe Ltd	Global Bonds	142,416		142,416	
	HarbourVest Partners Ltd	Private Equity	180,438			180,438
	Aberdeen Property Investors	Property Unit Trusts	75,611		75,611	
	Blackrock	Hedge Fund	137,333			137,333
	Global Infrastructure Partners	Infrastructure	69,301		69,301	
	Legal & General	Global Equities	672,984		672,984	
	Blackrock	Fixed Interest	152,946		152,946	
	T Rowe Price	Global Dynamic Bonds	149,017		149,017	
	BMO	LDI	67,397		67,397	
	Securis	Insurance Linked Securities	32,509			32,509
	DRC	Property Debt	57,777			57,777
	LGPS Central Ltd	Global Equities	317,905	317,905		
Cash Deposits & Other (including			24,762	24,762		

Asset type 2020/21	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
net Current Assets)						
Total			**2,194,020**	**454,976**	**1,329,672**	**409,372**

* Share Capital investment in LGPS Central Ltd has been carried at cost
**BMO Liability Driven investment has moved from level 2 to level 1 as a result of the fund moving to daily dealing

14b. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Investment type 2021/22	Value as at 1 April £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative reciepts £000	Other cash transactions £000	Unrealised gains and losses	Realised gains and	Value as at 31 March £000
Equities (unquoted)	1,315								1,315
Private Equity	180,438			28,121	(22,405)	(4,384)	11,371	2,713	195,854
Infrastructure	0	*69,301		52,546	(10,055)	(1,955)	(5,584)	2,564	106,817
Hedge Fund	137,333					(1,865)	(2,087)	10,365	143,746
Insurance Linked Securities	32,509					(304)	840	418	33,463
Property Debt	57,777				(9,706)	(585)	275	585	48,346
Private Debt	0			5,540	(1,244)	(14)	(23)	14	4,273
Total	**409,372**	**69,301**	**0**	**86,207**	**(43,410)**	**(9,107)**	**4,792**	**16,659**	**533,814**

* Transferred from level 2 to level 3 in 2021/22 due to an increase in significant unobservable inputs

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	31 March 2022			31 March 2021		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	110,337			105,363		
Pooled Investment Vehicles – Other Managed Funds	2,203,838			2,063,901		

	31 March 2022 Fair value through profit & loss £000	31 March 2022 Loans & receivables £000	31 March 2022 Financial liabilities at amortised cost £000	31 March 2021 Fair value through profit & loss £000	31 March 2021 Loans & receivables £000	31 March 2021 Financial liabilities at amortised cost £000
Other Investment Balances - Loans		685			685	
Cash		19,962			20,695	
Debtors		7,769			6,765	
Total Assets	**2,314,175**	**28,416**	**0**	**2,169,264**	**28,145**	**0**
Financial Liabilities						
Creditors			(3,304)			(3,389)
Total Liabilities	**0**	**0**	**(3,304)**	**0**	**0**	**(3,389)**
Total	**2,314,175**	**28,416**	**(3,304)**	**2,169,264**	**28,145**	**(3,389)**

15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2021/22 £000	2020/21 £000
Financial Assets		
Fair value through profit and loss	114,349	343,417
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
	114,349	**343,417**

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits to pay members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

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

Market risk

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
UK Equities	19.0%
Global Unconstrained Equities	20.3%
Global Equities (passive)	19.2%
Unconstrained bonds	5.7%
Property	12.5%
Private Equity	28.3%
Hedge Funds	9.3%
Infrastructure	19.2%
Property Debt	7.4%
Insurance Linked Securities	4.5%
LDI	24.4%
Private Debt	8.1%

Should the market price of the Fund investments increase/decrease in line with the above, the change in the net assets available to pay benefits would be as follows.

Asset type 2021/22	Value as at 31 March 2022 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	26,427	0	26,427	26,427
Investment Portfolio Assets				
UK Equities	107,579	20,440	128,019	87,139
Global Equities (unconstrained)	368,849	74,876	443,725	293,973
Global Equities (passive)	701,925	134,770	836,695	567,155
Unconstrained Bonds	463,909	24,904	461,813	412,005
Property	90,509	11,314	101,823	79,195
Private Equity	195,854	55,427	251,281	140,427
Hedge Funds	143,746	13,368	157,114	130,378
Infrastructure	106,817	20,509	127,326	86,308
Property Debt	48,346	3,578	51,924	44,768
Insurance Linked Securities	33,463	1,506	34,969	31,957
LDI	74,590	18,200	92,790	56,390
Private Debt	4,273	346	4,619	3,927
	2,339,287	**379,238**	**2,718,525**	**1,960,049**

Asset type 2020/21 Comparative Figures	Value as at 31 March 2021 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Net Assets including Cash and Other	26,071	0	26,071	26,071
Investment Portfolio Assets				
UK Equities	103,652	19,694	123,346	83,958
Global Equities (unconstrained)	326,568	68,906	395,474	257,662
Global Equities (passive)	672,984	134,597	807,581	538,387
Unconstrained Bonds	444,379	25,330	469,709	419,049
Property	75,611	9,451	85,062	66,160
Private Equity	180,438	51,064	231,502	129,374
Hedge Funds	137,333	12,772	150,105	124,561
Infrastructure	69,301	13,375	82,676	55,926
Property Debt	57,777	4,160	61,937	53,617
Insurance Linked Securities	32,509	1,463	33,972	31,046
LDI	67,397	16,243	83,640	51,154
Total assets available to pay benefits	**2,194,020**	**357,055**	**2,551,075**	**1,836,965**

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below.

Asset Type	As at 31 March 2022 £000	As at 31 March 2021 £000
Cash and cash equivalents	19,936	16,950
Cash balances	26	245
Bonds	511,499	444,379
Total change in assets available	**531,461**	**461,574**

The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates assuming all variables, in particular exchange rates, remain constant. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2022				
Cash and cash equivalents	19,936	0	19,936	19,936
Cash balances	26	0	26	26
Bonds	511,499	5,115	516,614	506,384
Total	**531,461**	**5,115**	**536,576**	**526,346**

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2021				
Cash and cash equivalents	16,950	0	16,950	16,950
Cash balances	245	0	245	245
Bonds	444,379	4,444	448,823	439,935
Total	**461,574**	**4,444**	**466,018**	**457,130**

During 2021/22 the Fund received £0.002m (2020/21 £0.003m) in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.030m. The impact of a 1% fall in interest rates would imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments. In addition, the Fund earned £0.032m (2020/21 £0.032m) in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investments assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency risk – sensitivity analysis

Assets exposed to currency risk	Value as at 31 March £000	Potential market movement £000	Value on increase £000 10%	Value on decrease £000 10%
As at 31 March 2022				
Overseas Equities	338,057	33,806	371,863	304,251
Overseas Private Equity	195,854	19,585	215,439	176,269
Overseas Private Debt	2,891	289	3,180	2,602
Overseas Pooled Property	93	9	102	84
Overseas Infrastructure	95,528	9,553	105,081	85,975
Cash balances	10,036	1,004	11,040	9,032
Total change in assets available	**642,459**	**64,246**	**706,705**	**578,213**

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 2021				
Overseas Equities	303,977	30,398	334,375	273,579
Overseas Private Equity	180,438	18,044	198,482	162,394
Overseas Pooled Property	133	13	146	120
Overseas Infrastructure	69,301	6,930	76,231	62,371
Cash balances	9,982	998	10,980	8,984
Total	**563,831**	**56,383**	**620,214**	**507,448**

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2022 and 31 March 2021 were received in the first two months of the financial year.

In January 2018 the Fund advanced a loan of £0.685m to LGPS Central asset pool on commercial rates, repayable in 2027. LGPS Central have not defaulted on any annual loan interest repayments to date. The credit risk at 31 March 2022 is therefore not considered to be significant and no credit loss adjustment has been made.

The Fund has set limits on the maximum sum placed on deposit with individual financial institutions.

The investment priorities for the management of the pension fund revenue cash held for day to day transactions are the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the minimisation of risk. Accordingly, the Administering Authority ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

The Pension Fund has had no experience of default or uncollectable deposits over the past five financial years.

Asset type	Rating	As at 31 March 2022 £000	As at 31 March 2021 £000
Handelsbanken Instant Access Account	AA	1,500	2,000
Nat West Instant Access Account	A+	0	1,500
Barclays	A+	1,000	0
Total		**2,500**	**3,500**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £2.5m (31 March 2021 £3.5m).

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2022 was £9.543m (31 March 2021 £7.756m). The Fund does not have access to an overdraft facility.

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

17. FUNDING ARRANGEMENTS

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

The key elements of the funding policy are:

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

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

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

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

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

The assumed life expectancy from age 65 is as follows:

Demographic assumptions		31 March 2019	31 March 2016
Current pensioners (at age 65)	Males	22.8	22.9
	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 2022. An analysis of debtors outstanding as at 31 March 2022 is shown below:

Long term Debtors	2021/22 £000	2020/21 £000
Lifetime and annual tax allowances*	1,055	0
Total	**1,055**	**0**

* The HMRC annual allowance limits the tax relief on pension contributions each year and the Life time allowance limits the total amount of savings in a pension pot without facing a tax charge when drawing it. The Pension Fund pays the tax charge upfront on behalf of those members affected and who elect for 'scheme pays'. The Fund is reimbursed by the members via pension deductions over time.

Debtors	2021/22 £000	2020/21 £000
Contributions due - employees	1,510	1,260
Contributions due - employers	4,143	3,062
Other entities and individuals	1,061	2,443
Total	**6,714**	**6,765**

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2022. An analysis of creditors outstanding as at 31 March 2022 is shown below:

	2021/22 £000	2020/21 £000
Central Government bodies	(709)	(670)
Other Local Authorities	(1,470)	(1,441)
Other entities and individuals	(1,125)	(1,278)
Total	**(3,304)**	**(3,389)**

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 471 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2021/22 contributions to schemes amounted to £0.538m (2020/21 £0.611m). The combined value of the AVC funds as at 31 March 2022 was £5.985m (31 March 2021 £4.916m).

21. RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.465m (2020/21 £1.475m) in relation to the administration and management of the Fund and all these costs were recharged to the Pension Fund.

Shropshire Council is also the single largest employer of members of the Pension Fund. At the year end, a balance of £1.606m (2020/21 £1.421m) was due to the Fund from the Council relating to contributions which became due in March but were paid in April and other payments due.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Executive Director of Resources (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 2022. The Fund was owed interest of £0.032m (31 March 2021 £0.032m) on the loan to LGPSC at 31 March 2022. The rate of interest applied to the LGPSC loan is average overnight LIBOR plus 4.5% margin. This loan is due to be repaid to the fund in 2027.

In addition, the Fund invested in the LGPSC Global Equity sub-fund in 2019 & LGPSC Infrastructure and Private Debt sub-funds in August and December 2021 respectively. The Fund incurred costs totalling £1.778m in respect of these investments of which £0.010 was payable to LGPSC at 31 March 2022.

The Fund incurred costs totalling £0.519m (2020/21 £0.562m) in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2021/22 of which £0.123m (31 March 2021 £0.105m) was payable to LGPSC at 31 March 2022.

21.a KEY MANAGEMENT PERSONNEL

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

	2021/22 £000	2020/21 £000
Short-term benefits*	113	111
Post employment benefits**	35	47
Total	**148**	**158**

* This is the Pension Fund's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions
** This is the change in value of accrued pension benefits, expressed as cash equivalent transfer value

22. CONTRACTUAL COMMITMENTS

The Fund has a 6.25% (£146 million) strategic asset allocation to both Private Equity and Infrastructure, a 3.5% (£82 million) strategic allocation to Property Debt & a 4.0% (£94 million) strategic allocation to Private Debt. It is necessary to over commit the strategic asset allocation because some of these investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2022 £287m 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 2022 the fund's Private Equity investments totalled £195.854m (31 March 2021 £180.438m).

As at 31 March 2022 £198m has been committed to investment in Infrastructure via Global Infrastructure Partners and LGPS Central Add/Opportunistic Infrastructure Partnership. Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2022 the fund's Infrastructure investments totalled £106.817m (31 March 2021 £69.301m).

As at 31 March 2022 £66m has been committed to investment in Property Debt via DRC & £120m committed to investment in Private Debt, both via LGPS Central. Investments will be made as opportunities arise over the next 2-3 years. As at 31 March 2022 the fund's Property Debt and Private Debt investments totalled £48.346m & 4.273m respectively (31 March 2021 £57.777m and nil respectively).

23. CONTINGENT ASSETS

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

24. VALUE ADDED TAX

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

25. CUSTODY OF INVESTMENTS

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

26. FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Local Audit and Accountability Act 2014 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

27. PENSION FUND BANK ACCOUNT

Since April 2010 all income received for the Pension Fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2022 £2.5 million was invested (31 March 2021 £3.5million). The cash balance in the Pension Fund account as at the same date was £0.026m (31 March 2021 £0.245m).

28. FUND STRUCTURE UPDATE

In March 2021 following several investment strategy workshops the Pension Committee agreed the Fund's new strategic asset allocation which is detailed below:

Asset	% of Fund
Targeted return funds (e.g.absolute return bonds, hedge funds, insurance linked securities)	25%
Property Debt	3.5%
Equities	50%
Private Debt	4%
Indirect Property	5%
Private Equity	6.25%
Infrastructure	6.25%

The revised strategy started to be implemented during 2021/22 and is expected to be completed following the launch of the LGPS Central targeted return fund in October 2022.

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments. Just over 30% of total global equities are being protected at this time. The equity protection strategy was decreased during 2021/22 to c.£390 million following the strong bounce back in global equity markets following the pandemic. During December 2021 and June 2022 due to the war in Ukraine and volatility in financial markets, the equity protection options were rolled for a further year with Legal and General and now expire in December 2022 and June 2023. Full updates are provided to Pension Committee each quarter on the equity protection strategy.

During the financial year, the Fund committed £120 million into the new LGPS Central Private Debt Fund and £65 million into an LGPS Central Infrastructure fund. In December 2021, the Fund committed £30m to the LGPS Central Private Equity Fund. The fund is still in the early capital commitment stage and no funds have been drawn down to date but are expected in the last quarter of 2022.

In March 2022, following agreement from the Pension Committee a redemption request was submitted to Majedie. Funds from the Majedie UK Equity Fund were transitioned in full to the LGPS Central Global Sustainable Equity Fund in May 2022. Further assets are expected to transfer to LGPS Central during 2022/23 when new funds are launched, these include targeted return, indirect and direct property funds.

Funds also transitioned from the Legal & General passive global equity fund benchmarked against the FTSE AW developed index into the Solactive Low Carbon Net Zero aligned Fund in March 2022 with Legal & General.

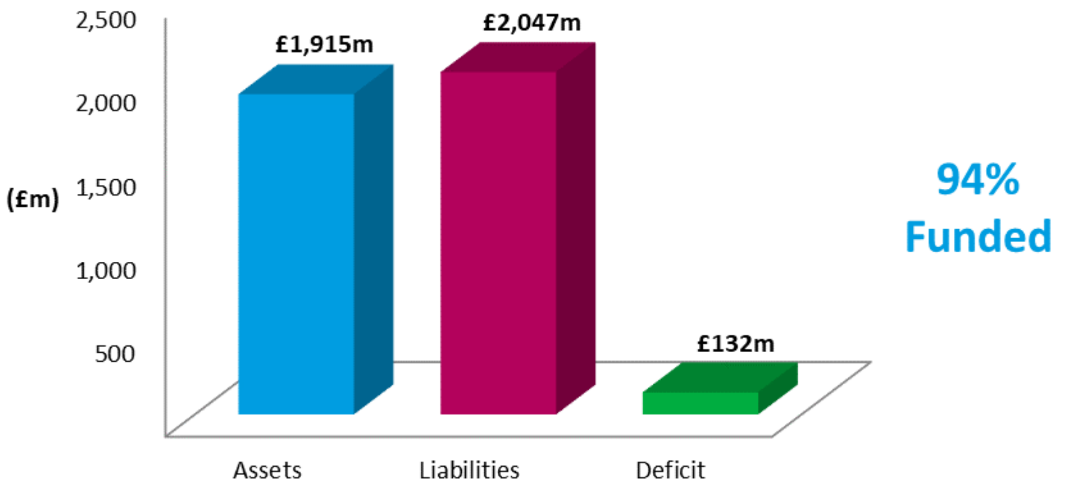
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2022
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 the last actuarial valuation the average recovery period adopted was 19 years, and the total initial recovery payment (the "Secondary rate" for 2021-2022) was an addition of approximately £10m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

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

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

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014 .In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment (other than where the employer has elected to include a provision in their contributions, in which case this is included within the secondary rate). At the overall Fund level we estimate that the cost of the judgment was 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 as at the last valuation.

Impact of COVID-19/Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. 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. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases	3.95% per annum	4.65% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI 2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £3,408 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£71 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£54 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £12 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £3,521 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above

Michelle Doman
Fellow of the Institute and Faculty
Faculty of Actuaries
Mercer Limited

Mark Wilson
Fellow of the Institute and
of Actuaries

June 2022

Independent auditor's report to the members of Shropshire Council on the pension fund financial statements of Shropshire County 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 2022 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 2021/22.
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 2022 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 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Executive Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group'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 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 the 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 (2020) 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, for the financial year for which the financial statements are prepared is consistent with the Pension Fund 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 in relation to the Pension Fund.

Responsibilities of the Authority, the Executive Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 13, 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 Executive Director of Resources. The Executive Director of Resources 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources 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 Executive Director of Resources 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 Audit Committee is Those Charged with Governance for the Pension Fund. 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Pensions Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Pensions Committee, whether they were aware of any instances of non compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This

included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
- journal entries posted by senior officers, manual journals above performance materiality and unusual journals identified from a review of the full year journal activity;
- the valuation of level 2 and 3 investments

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Resources has in place to prevent and detect fraud;
  - journal entry testing;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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.

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham 13 December 2023

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.
Capital Grants Unapplied	The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.
Capital Receipts	The proceeds from the sale of non-current assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Collection Fund	A separate statutory fund which records Council Tax and Non-Domestic Rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), NDR distribution to Central Government and the billing Council's own General Fund.
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.

Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council’s total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Dedicated Schools Grant (DSG) Adjustment Account	The Dedicated Schools Grant (DSG) Adjustment Account holds any DSG deficit separately from the Council’s General Fund.
Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.

Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Council, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.

Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.
General Fund Balance	The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.

Glossary

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

LDI	Liability driven investment (LDI) strategies aim to enable pension funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.

Glossary

Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
Net Book Value	The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to non-current assets.
Non-Current Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.
Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

Glossary

Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.
Revaluation Reserve	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.

Glossary

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

Statement of Accounts
2021-2022

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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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Shropshire Council