



Our ref: TW/UAE1

Pauline Harris
Addenbrooke House
Ironmasters Way
Telford
TF3 4NT

Dear Pauline,

Borough of Telford & Wrekin Council Financial Statements for the year ended 31 March 2022

As part of our audit of Borough of Telford & Wrekin Council's financial statements for the year ended 31 March 2022, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in Borough of Telford & Wrekin Council's financial statements this year. We do this to maintain our understanding of Borough of Telford & Wrekin Council and to comply with International Auditing Standards (ISAs (UK)).

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 31 March 2022 to help inform our risk assessment and planning of our 2021/22 audit of the Council's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

David Rowley
For Grant Thornton UK LLP

Valuation of PPE – Land and Buildings

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The COVID-19 pandemic and measures to tackle the pandemic continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly - and for the avoidance of doubt, the valuation as at December 2021 is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Valuations completed as per the Code and RICS Guidance. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Valuations complete as per Code and RICS guidance i.e. all asset groups valued in same year No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	The Asset Register is provided to valuers. A review of the asset groups was conducted with the valuers and cycle based on no. of assets and value of assets were agreed. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Professional valuers from with the Council are engaged to complete the valuations required. The valuers are Registered Valuers and Members of the RICS.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Professional valuers/professional code (RICS)/CIPFA
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Instructions are provided to the valuer so that expectations/requirements are known in advance.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Indices are applied to asset values for those assets not revalued in year to ensure the financial statements are not materially misstated. Management relies on professional opinion of valuer employed.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Sensitivity disclosures included in the SOA note.
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Depreciation and Estimates Useful Lives estimates

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	A review has been conducted during 2021/22 to ensure that all assets have a EUL and that depreciation is being calculated. EUL's are in line with valuers assumptions.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	As per the code.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As per the Code
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data is from the asset register and valuers estimates.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Professional valuers
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Asset lives are determined at acquisition/revaluation. Depreciation is calculated on a straight line basis. The asset lives are recorded in the asset register.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so please provide details.	Yes. Assets have been reviewed to ensure a EUL have been attributed.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The asset lives are recorded in the asset register.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Included in disclosure note to the SoA.
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Impairment of Receivables – Collection Fund

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There is a process in place to calculate Collection Fund bad debts which is based on the best data available.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Age related debt profile / arrears analysis used as a recognised accounting practice. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	In line with accounting practice. No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Council Tax and NDR Collection fund data No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	In year monitoring
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Percentage of bad debt reviewed in light of collection data.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Included in SoA Note
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Valuation of the Defined Net Pension Fund Liability

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Disclosure notes contained within the Financial Statements will be informed by information from the Actuary to be received.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Management engage the Pension Fund Actuary No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	The actuary determines the assumptions which are reviewed by Management. No.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Payroll Information requested by actuary in the final quarter of the year No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, the actuary
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year. Additional information will be submitted to the Actuary should the need arise e.g. McCloud judgements etc.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes; The Council is an admitted body to the Shropshire County Local Government Pension Scheme. The administering authority (Shropshire Council) engage the Actuary who provides the estimate of the pension liability.
8. Were any changes made to the key control activities this year? If so please provide details.	No

9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Disclosure notes contained within the Financial Statements. Fund performance which feeds into the overall pension liability calculation is based on 12 months (10 actual / 2 estimate).
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Disclosure notes contained within the Financial Statements.

Valuation of Investment Property

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The COVID-19 pandemic and measures to tackle the pandemic continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly - and for the avoidance of doubt, the valuation as at December 2021 is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Valuations completed as per the Code and RICS Guidance. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Valuations complete as per Code and RICS guidance i.e. all asset groups valued in same year No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	The Asset Register is provided to valuers. All assets in this Fixed Asset category are revalued every year. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Professional valuers from with the Council are engaged to complete the valuations required. The valuers are Registered Valuers and Members of the RICS.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Professional valuers/professional code (RICS)/CIPFA
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Instructions are provided to the valuer so that expectations/requirements are known in advance.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management relies on professional opinion of valuer employed.

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Sensitivity disclosures included in the SOA note.</p>
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Fair Value of Loans estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Yes, disclosure notes contained within the Financial Statements.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Engage external advisors No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Take advice from Finance Professionals No.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	In conjunction with Treasury advisors / Treasury Portfolio No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Treasury Management advisor.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure nominal/principle value of loans matches with Balance Sheet information Review of Accounting Standards
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Disclosure notes contained within the Financial Statements.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Disclosure notes contained within the Financial Statements.

Single Status Provision – Schools and non-Schools

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	The amount in the accounts was originally based on 4% of the relevant pay bill, which was the best and only information available on the average cost of settlements at that time. A review was undertaken in 2019/20 and the total provision was reduced by £3m, following consideration of the current context. The assumed cost will have been reduced by action taken during the restructures carried out over the last 10 years and the creation of local job evaluation scheme. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As above; no comparator or more up to date information available. The review undertaken in 19/20 considered the nature of service delivery (grounds, refuse and cleansing all provided by external contractors and no bonus schemes in place which was a major cause of inequality in some other councils), and the restructuring programme which has taken place over the past 10+ years which reduces the potential future risk. No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	As Above No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Updates from the Single Status team on progress towards implementation – implementation has been delayed due to staff being redeployed to respond to the Covid pandemic.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Regular updates received on progress in implementing Single Status. Monitor any equal pay claims received (none to date)
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes; the Council continues to work towards the implementation of Single Status. Only once work progresses will further information be available which will enable the estimate to be firmed-up.
8. Were any changes made to the key control activities this year? If so please provide details.	No

<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>See Q7 above. Further, the single status settlement will be a negotiation in the context of the funds set aside</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>As above, the single status settlement will be a negotiation in the context of the funds set aside and the wider financial context facing the Council at the time of implementation.</p>