

**Telford & Wrekin Council**  
**Unaudited Statement of Accounts**  
**2020/21**

**Contents**

Financial Statements

• Narrative Report	4
• Statement of Responsibilities	29
• Annual Governance Statement	30
• Auditors' Report	48
• Expenditure & Funding Analysis	49
• Notes to Expenditure & Funding Analysis	
1. Adjustments between funding and accounting basis	51
2. Segmental income	54
• Comprehensive Income and Expenditure Account	56
• Movement In Reserves Statement	57
• Balance Sheet	58
• Cash Flow Statement	59
• Notes to the Core Financial Statements	
1. Accounting Policies	60
2. Accounting Standards that have been issued but have not yet been adopted and prior period adjustments	71
3. Critical Judgements in Applying Accounting Policies	72
4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	73
5. Events after the Reporting Period	76
6. Disclosure of Deployment of Dedicated Schools Grant	76
7. Other Operating Expenditure	77
8. Financing and Investment Income and Expenditure	77
9. Taxation and Non Specific Grant Income and Expenditure	78
10. Expenditure & Income Analysed by Nature	78
11. Pension Schemes	78
12. Defined Benefit Pension Schemes Participation in Pension Schemes	79
13. Pension Schemes Accounted for as Defined Contribution Schemes	82
14. Adjustments between Accounting Basis and Funding Basis under Regulations	83
15. Property, Plant & Equipment & Investment Properties	87
15a. Property, Plant & Equipment	

15b. Investment Properties	
16. Valuation of Property Plant & Equipment and Investment Properties	92
17. Intangible Assets	94
18. Assets Held for Sale	94
19. Heritage Assets	94
20. Impairment Losses	95
21. Financial Instruments	96
22. Nature and Extent of risks arising from treasury related Financial Instruments	100
23. Debtors	105
24. Investments	105
25. Cash and Cash Equivalents	106
26. Provisions	106
27. Creditors	107
28. Private Finance Initiatives and Similar Contracts	107
29. Useable Reserves - Transfers to/from Earmarked Reserves & Balances	108
30. School Balances	110
31. Unusable Reserves	110
32. Revenue Expenditure Funded from Capital Under Statute	114
33. Usable Capital Receipts Reserve	114
34. Capital Expenditure & Capital Financing	114
35. Minimum Revenue Provision	115
36. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements	116
37. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	116
38. Cash Flow Statement – Investing Activities	116
39. Cash Flow Statement – Financing Activities	116
40. Cash Flow Statement – Operating Activities	117
41. Grant Income	117
42. Market Undertakings and Industrial Units	118
43. Pooled Budgets	118
44. Member Allowances	120
45. Senior Officers’ Remuneration & Employee Remuneration in Bands	120
46. Exit Packages	125
47. External Audit Costs	126
48. Related Parties	126
49. Leases	128
50. Contingent Liabilities	129
51. Contingent Assets	129
52. Special Fund Revenue Account	129
53. Soft Loan	130
54. Building Control Account	130
55. Insurance Reserves	130
56. West Mercia Energy Joint Committee	131
57. Apprentice Levy	132

• Collection Fund Account	133
• Group Accounts	138
• Glossary	151

**Telford & Wrekin Council**  
**Unaudited Statement of Accounts**  
**2020/21**

**Financial Statements**

**Narrative Report**

The Narrative Report provides a summary of the Council's performance for 2020/21 and compliments the detailed Financial Statements in providing a fair, balanced and understandable analysis of the year. It comprises the following sections:

- A. Organisational Overview
  - Introduction
  - Background Information
  - The Council's Service & Financial Planning Cycle
  - An Overview of the Budget 2020/21
  - Workforce Analysis
- B. Governance & Transparency
- C. Operational Model
- D. Risks and Opportunities
- E. Performance
  - Revenue Outturn for 2020/21
  - Issues Highlighted during 2020/21
  - IAS Note 19 – Retirement Benefits
  - Capital Outturn 2020/21
  - Provisions
  - Achievements during 2020/21
- F. Strategic Outlook
- G. COVID-19
- H. Looking Ahead
- I. Basis of Preparation
- J. Statement of Accounts – Explanatory Overview
- K. Further Information

**A. ORGANISATIONAL OVERVIEW**

**1. Introduction**

Telford & Wrekin Council is a Unitary Authority created in 1998. Situated in Shropshire, the Borough is a mix of urban and rural areas including Telford New Town, the market town of Newport and the UNESCO World Heritage Site, the Ironbridge Gorge – the birthplace of the industrial revolution. Surrounded by countryside and farmland, more than two thirds of the Borough is classified as rural.

The Council delivers a vast range of services to its community, of almost 180,000 people, including Education, Waste Collection and Disposal, Care for Vulnerable Adults and Children, Libraries, Leisure Centres and Play Facilities.

In October 2020, the Council's Cabinet agreed a refreshed Council Plan to "*Protect, Care and Invest to create a better borough*". It is a vision which is centred on building a strong local identity and resilient and healthy communities by driving housing and economic growth whilst protecting and enhancing our reputation as a green town. Despite the financial constraints, Telford & Wrekin Council is a progressive Council with ambitions to improve the Borough and the lives of residents to be known as "The place of enterprise, innovation and partnership". The programme identifies 5 priorities to deliver the vision.

- Every child, young person and adult lives well in their community
- Everyone benefits from a thriving economy
- All neighbourhoods are a great place to live
- Our natural environment is protected, and the Council has a leading role in addressing the climate emergency
- A community-focussed, innovative council providing efficient, effective and quality services

The Council Plan, which is available on the Council's web site (link below), identifies the organisation's strategies to deliver these priorities.

The Council will work together with the community and partners to collectively deliver the best possible for Telford & Wrekin with the combined resources available.

Council Plan/ Programme	<a href="#">Council Plan - Telford &amp; Wrekin Council</a>
----------------------------	---

## **2. Background Information**

### **Political Context**

The Borough is divided into 30 wards and there are 54 Councillors. Borough elections are held every 4 years, with the most recent being held in May 2019 and the next election due in May 2023.

The Council operates a Leader with Cabinet decision making system. The Council is Labour controlled.

## Senior Management Team

At 31 March 2021

Chief Executive
Director: Finance & Human Resources
Director: Prosperity & Investment
Associate Director: Policy & Governance
Executive Director: Housing, Communities & Customer Services
Director Housing, Employment & Infrastructure
Director Neighbourhood & Enforcement Services
Director: Communities, Customer & Commercial Services
Executive Director: Adults Social Care, Health Integration & Wellbeing
Director: Health, Wellbeing & Commissioning
Director: Adult Social Care
Executive Director: Children's Family Services
Director: Children's Safeguarding & Family Support
Director: Education & Skills

## Legislative Framework

The Council operates within the legislative and regulatory framework as determined by Government. The Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021, and comply with the relevant Local Government Acts, Accounting Standards and other CIPFA guidance.

## Economic Profile

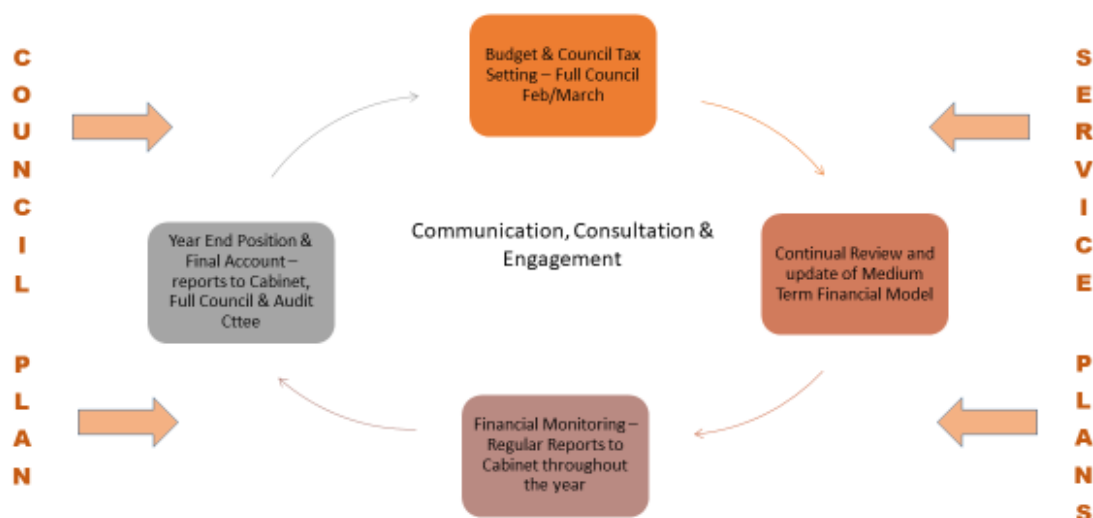
The Borough has a diverse manufacturing sector, a flourishing tourism sector and research and development facilities. There is a strong focus on manufacturing with other important sectors being advanced engineering, food and drink, construction, education and retail.

An estimated 86,800 people were employed in the Borough in December 2019

There were 5,065 business units, in VAT and/or PAYE based enterprises in the Borough in the year ending March 2019, an increase of 125 from the previous year.

Tourism is an important contribution to the local economy with 4.5 million visitors each year, including 1.5 million visitors to the Telford Town Park, Southwater and the Ironbridge Gorge bringing £800m economic benefit to the borough.

### 3. Council's Service & Financial Planning Cycle



Reports to Council, Cabinet and Audit Committee can be accessed via the Council's web site.

### 4. An Overview of the Budget 2020/21

2020/21 Budgeted Net Revenue Spend		
	£m	%
<b>2020/21 Total Net Revenue Spend</b>	<b>128.975</b>	
Funded From:		
Government Grant (RSG and 'Top Up' Grant)	<b>14.652</b>	<b>11</b>
Retained Business Rates	<b>42.178</b>	<b>33</b>
Council Tax	<b>70.211</b>	<b>55</b>
Collection Fund	<b>1.934</b>	<b>1</b>
<b>Total Funding</b>	<b>128.975</b>	<b>100</b>

### 5. Workforce Analysis

	31 March 2020		31 March 2021	
	Head count	FTE	Head count	FTE
Male	701	608.22	728	612.42
Female	1,972	1,425.65	2,140	1,483.43
<b>Total</b>	<b>2,673</b>	<b>2,033.87</b>	<b>2,868</b>	<b>2,095.85</b>

Workforce Information	<a href="#">Workforce Information as at 31 March 2020.pdf (btw.gov.uk)</a>
-----------------------	--

## **B. GOVERNANCE & TRANSPARENCY**

The 2020/21 Annual Governance Statement is included within the Statement of Accounts – see page 30. The Statement outlines that the Council has adhered to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

The Council is committed to openness and transparency and publishes details of all spending over £100 every month (link below). The Statement of Accounts are a public record of the Council's financial position for 2020/21; showing what has been spent, income that has been received, together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

Spend Over £100	<a href="#">Expenditure over £100 - Expenditure over £100 - Telford &amp; Wrekin Council</a>
-----------------	--

## **C. OPERATIONAL MODEL**

Despite the severe financial constraints, Telford & Wrekin is a progressive Council with ambitions to improve the Borough and lives of residents. The organisation will continue to change and develop in response to the challenges we face, particularly the need to make further savings. At the heart of our model has been 4 key delivery themes:

**1. Solving problems and promoting social responsibility to reduce demand for services** – the Council can no longer afford to, neither is it right that the Council can fix every family or community challenge. It is the role of the Council and its partners to work with and support families and communities and so reduce demand on public services.

**2. Challenging and changing, reviewing and reimagining how we do things** – despite the savings we have had to make, we have worked hard to avoid simply cutting services to balance the books – this would be the easy thing to do. We have had to be creative and find new ways to deliver services and ensure that our services are as efficient as possible. For example, working with Town and Parish Councils, community groups and organisations to deliver libraries, community centres, markets, children's centres and youth services. Examples include "Feed the Birds" scheme to tackle social isolation and "Bench to Bench" to encourage people into activity.

**3. Reducing our Dependency on Government Grants** – this is an essential part of our financial strategy; to increase and maximise income into the Council from sources other than Government Grants, for example the Solar Farm, NuPlace (a wholly owned housing company) and securing external funding.

**4. Being a Modern Organisation, with Modern Practices and where we always get the Basics Right**

- **Workforce** – the Council has a hard working and dedicated workforce committed to the values of service and making a difference to the community. Our workforce strategy sets out how we will work to continually support the workforce to ensure that they have the right skills and knowledge to deliver services.



- **Technology** – investing in ICT to keep our systems up to date is an essential part of “Be the Change” which will drive efficiencies and savings as well as ensuring that the ICT network is robust.
- **Customer Focus** – improving the customer journey and outcomes by driving digital transformation including the enablement of “self-service” at the customer’s convenience through “My Telford”. Full detail is in the Council’s digital strategy.
- **Performance** – our performance framework tracks the progress we are making to delivery our priorities. This is an essential part of our approach to evidence based decision making.
- **Financial Management** – the Service & Financial Planning Strategy sets out how we will use our money to deliver our priorities and value for money, including where we will invest more in our priorities and where we are still required to make savings and deliver efficiencies.

## **D. RISKS AND OPPORTUNITIES**

The strategic risk register identifies the substantive issues which need to be managed but which could impact negatively on delivery of the Council’s priorities. The key strategic risks identified for 2020/21 are listed below, with details of the steps that the Council is taking to manage these key risks included in our risk register.

Failure to discharge duty of care for a vulnerable child or a vulnerable adult
Inability to <ul style="list-style-type: none"> <li>• match available resources (financial, people and assets) with statutory obligations, agreed priorities and service standards</li> <li>• deliver the financial strategy including capital receipts, savings and commercial income</li> <li>• fund organisational and cultural development in the Council with the constraints of the public sector economy</li> </ul>
Losing skills, knowledge and experience (retention and recruitment) in relation to staffing
Significant business interruption affecting ability to provide priority services e.g. pandemic
Inability to manage the health and safety risks in delivering the Council’s functions (including building security and cyber security)
Inability to deliver effective information governance
Inability to respond adequately to a significant emergency affecting the community and/or ability to provide priority services
Inability to respond to impact of climate emergency or severe weather events.
Inability to respond to the impact and implications of Brexit

The full risk register (link below) assesses the likelihood and impact of each risk together with the controls in place to manage and mitigate these. The risk register is reviewed and updated on a regular basis.

Corporate Risk Register	<a href="#">Agenda item - Service &amp; Financial Planning Strategy 2021/22 - Telford &amp; Wrekin Council</a> Appendix 3
-------------------------	--

The Council continually seeks and seizes opportunities. The themes described in Section C of the Narrative Report identifies the opportunities being taken to develop services; some of the key opportunities for the future being:

Ongoing investment through the Telford Growth Fund in our Property Investment Portfolio, as part of the "Business Winning, Business Supporting approach" to boost jobs, the economy and generate income
Increasing income through trading and new commercial projects (including continuing to support and develop NuPlace, the Council's wholly owned Housing Company to provide new homes for rent)
Bringing more public services together so that people get what they need at the right time and in the right place
Involving local people and our employees in the planning and running of services
Supporting communities better and encouraging local people and organisations to do more to help their communities
Channel Shift by providing services and information in the most efficient way, encouraging "self-service" and the use of "apps" such as the Everyday Telford App

## **E. PERFORMANCE**

The core elements of the Council's corporate planning framework in place during 2020/21 were:

- **Council Plan 2019/20 to 2023/24** – identifies the organisation's community priorities and strategy to deliver these priorities in a period of unprecedented change for local government (link below).
- **Service & Financial Planning Strategy** – focussed on allocating our financial resources to services to deliver organisational and statutory priorities (link below),
- **Workforce Strategy** – sets out our approach to upskilling and supporting the workforce to ensure that they have the skills and knowledge to deliver their objectives. It has 4 themes:
  1. Employer of choice – through effective HR policies to attract employees of the right calibre to the organisation.
  2. Planning for the Future – robust, effective service planning.
  3. Healthy Organisation – supporting the health and mental wellbeing of employees.
  4. Workforce of the Future - good, effective workforce planning to cover, for example skills and succession planning.
- **Risk Register** - the Council keeps strategic risks under review through its Risk Register. These risks are used to inform the allocation of resources through the Service & Financial Strategy (link below).
- **Performance Framework** – the corporate performance framework is composed of a basket of measures to enable the organisation to understand progress in the delivery of our community priorities and is reported to Cabinet (link below). From January 2020 we have been working to refresh our strategic planning framework
- **Service & Workforce Plans** – each Director led-area produces an annual service plan which identifies their objectives against our community priorities. These plans

also consider risks to delivery and identifies actions to ensure that the workforce has the necessary skills and knowledge to deliver these objectives. These workforce plans feed into the corporate Learning & Development plan.

Council Plan/ Programme	<a href="#">Council Plan - Telford &amp; Wrekin Council</a>
Service & Financial Planning Strategy	<a href="#">Agenda item - Service &amp; Financial Planning Strategy 2021/22 - Telford &amp; Wrekin Council</a>
Corporate Risk Register	<a href="#">Agenda item - Service &amp; Financial Planning Strategy 2021/22 - Telford &amp; Wrekin Council</a> Appendix 3
Performance Report	<a href="https://democracy.telford.gov.uk/ieListDocuments.aspx?CIId=1134&amp;MIId=1183&amp;Ver=4">https://democracy.telford.gov.uk/ieListDocuments.aspx?CIId=1134&amp;MIId=1183&amp;Ver=4</a> Agenda: CAB-33

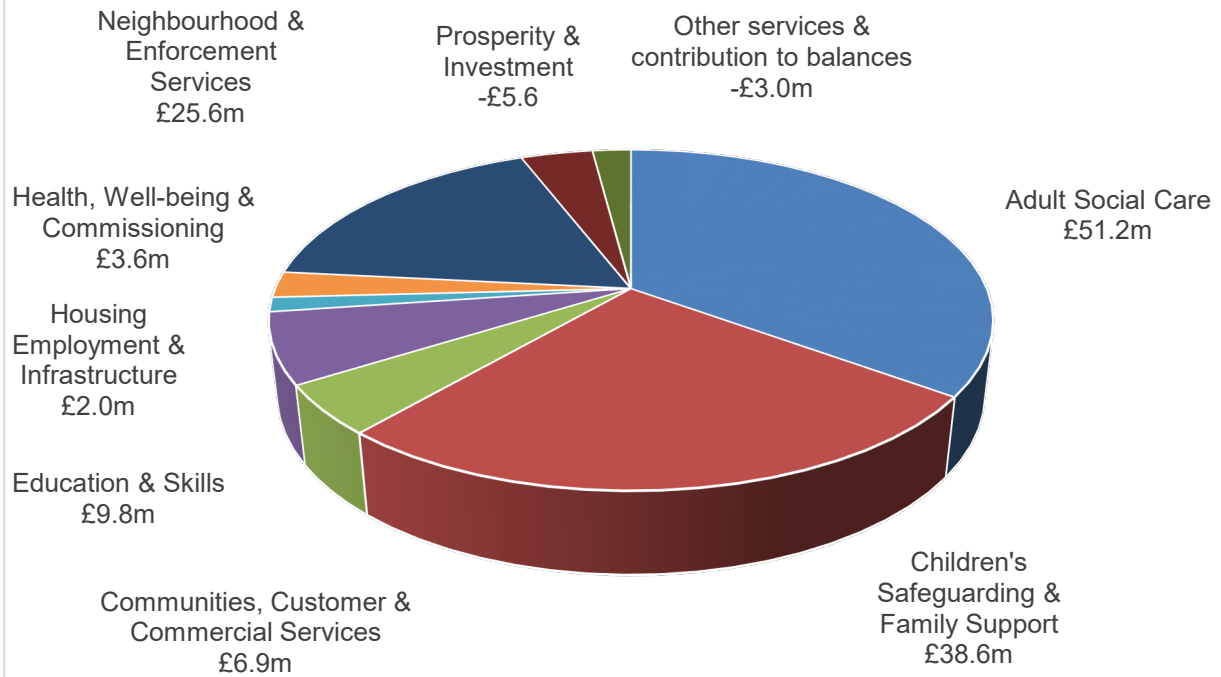
### **1. Revenue Outturn for 2020/21**

Description	2020/21 Budget £m	2020/21 Outturn £m	2020/21 Variation £m
Outturn Report – Overall Totals (see page 13)	128.975	129.125	+0.150
Funding Variance	0.000	-0.189	-0.189
Service Outturn	128.975	128.936	-0.039
Service Outturn excluding funding variance (see page 13)	128.975	129.125	+0.150
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-128.975	-129.164	-0.189
Net General Fund position		<b>+0.039</b>	<b>+0.039</b>
	-128.975	-129.125	+0.150

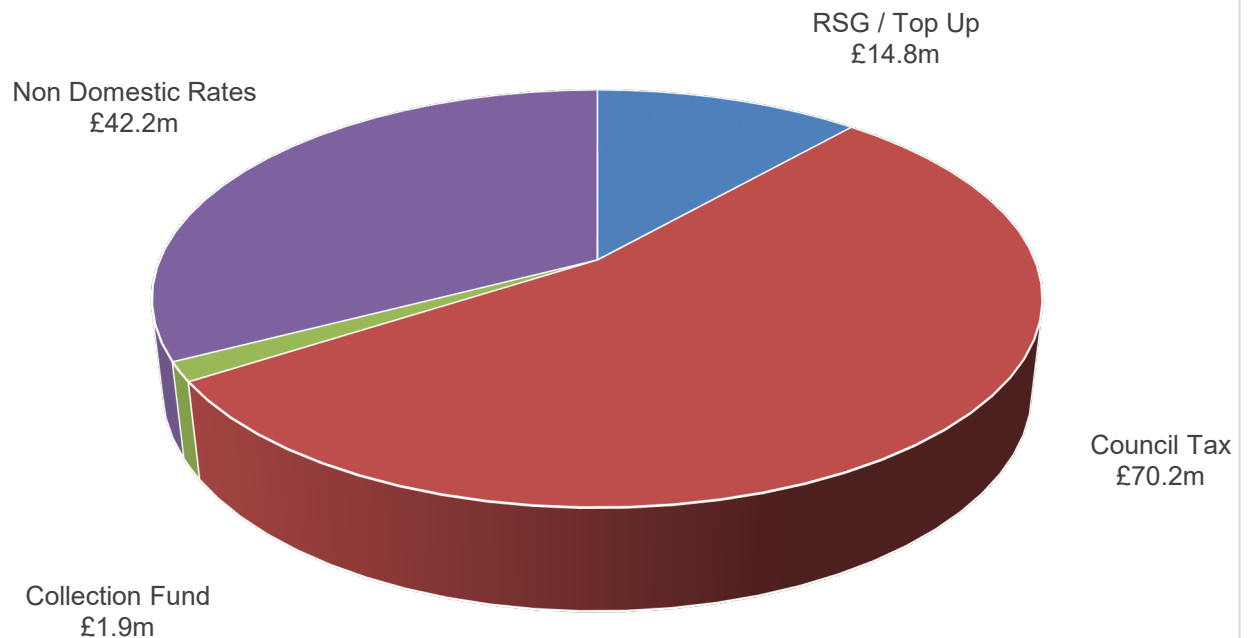
This position can be reconciled with the formal Income and Expenditure Account as shown on page 13.

The following two charts show Net Revenue Spend by Service for 2020/21 and how it is funded.

## Net Revenue Expenditure by Main Service Area 2020/21 £129.1m



## Sources of Finance 2020/21 £129.1m



The outturn position has resulted in a general fund balance of £4.039m and a special fund balance of £1.179m, giving an overall balance of £5.218m. The total for all reserves and usable reserve balances held by the Authority is £151.5m, although almost all of this is held to meet known or likely commitments.

<b>Description</b>	<b>Expenditure £m</b>	<b>Income £m</b>	<b>Net Expenditure £m</b>
Net Cost of Services (See Comprehensive Income and Expenditure Account on page 56)	433.699	328.772	104.927
Trading Services	(0.703)	8.963	(9.666)
Pensions Adjustments under IAS 19	(9.762)	0	(9.762)
Interest Payable and Similar Charges	10.860	0	10.860
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	0.243	0	0.243
Interest and Investment Income	0	1.945	(1.945)
Sources of Capital Funding (mainly Capital Grants)	0	(34.369)	34.369
Remove Depreciation & Impairments, REFCUS etc. from Net Operating Cost	(22.850)	0	(22.850)
Accumulated Absences	(0.688)	0	(0.688)
Minimum Revenue Provision	4.167	0	4.167
Net Movement on Reserves	19.470	0	19.470
<b>Total Service Outturn</b> (see table on page 11)	<b>434.436</b>	<b>305.311</b>	<b>129.125</b>

## **2. Service Issues Highlighted During 2020/21**

A summary of the year end service variances reported to Cabinet is shown in the table below:

<b>Service Area</b>	<b>Final Budget £</b>	<b>Outturn £</b>	<b>Variance £</b>
Prosperity & Investment	(7,034,390)	(5,587,392)	1,446,998
Finance & Resources	14,524,364	8,717,409	(5,806,955)
Policy & Governance	709,044	1,273,991	564,947
Children's Safeguarding & Family Support	36,804,311	38,577,952	1,773,641
Education & Skills	8,222,966	9,824,552	1,601,586
Adult Social Care	45,773,650	51,229,562	5,455,912
Health, Wellbeing & Commissioning	2,899,852	3,597,230	697,378
Neighbourhood & Enforcement Services	25,570,061	25,550,313	(19,748)
Communities, Customer & Commercial Services	602,507	6,923,198	6,320,691
Housing, Employment & Infrastructure	1,866,918	1,983,438	116,520
Corporate Communications	20,840	210,759	189,919
Corporate Items (incl. Covid Funding)	(985,243)	(13,176,433)	(12,191,190)
<b>Total</b>	<b>128,974,880</b>	<b>129,124,579</b>	<b>149,699</b>

<b>Funding Streams</b>	<b>(128,974,880)</b>	<b>(129,163,288)</b>	<b>(188,408)</b>
------------------------	----------------------	----------------------	------------------

<b>Net Position</b>	<b>(0)</b>	<b>(38,709)</b>	<b>(38,709)</b>
---------------------	------------	-----------------	-----------------

Variations exclude IAS 19 Pension entries and asset charges which are technical entries required in the formal statement of accounts but do not impact on the Council's General Fund Balances.

A summary of the key issues, highlighting variations over £250,000 during the year is shown below:

(A "+" is an increase in expenditure or a reduction in income, a "-" is a reduction in expenditure or an increase in income)

<b>Service Area</b>	<b>Variance £m</b>
<b><u>Property &amp; Investment</u></b>	
<b>Property Investment Portfolio</b> – shortfall in rental income due to Covid-19.	+0.694
<b>Car Parks</b> – income shortfall as a result of Covid-19 closures	+0.358
<b><u>Finance &amp; Human Resources</u></b>	
<b>Treasury Management</b> – a combination of continued borrowing at lower than budgeted short term rates and projected long term rates being lower than anticipated.	-5.692
<b><u>Policy &amp; Governance</u></b>	
<b>CSE Enquiry</b> – costs during 2020/21 which included the impact of delays caused by the Covid pandemic.	+0.747
<b><u>Children's Safeguarding &amp; Family Support</u></b>	
<b>Staffing</b> – Whilst T&W Children's Services had significantly lower reliance on agency staffing than National and Regional colleagues, there were occasions where maternity and long term sickness events had to be covered by agency appointments. This therefore gave rise to an overall pressure on staffing budgets. Additional costs relating to Covid-19 were also included.	+0.289
<b>Health Funding</b> – income from Health was significantly lower than in 2019/20. This was mainly due to one specific case who was no longer eligible for support and another individual with health needs being paid directly by the CCG rather than by the Council.	+0.324
<b>Children With Disabilities</b> – underspend as many recipients are clinically vulnerable and were shielding during the pandemic and uptake of activities and services were lower. This is now starting to recover again as shielding ends and face to face services resume.	-0.284
<b><u>Education &amp; Skills</u></b>	
<b>Arthog</b> – challenging income targets together with the impact of Covid-19 which prevented income generation throughout the year.	+0.768

<b>Service Area</b>	<b>Variance £m</b>
<b>Job Box</b> – the removal of opportunities to meet clients fact to face due to Covid-19 has reduced the amount of income generated.	+0.362
<b><u>Adult Social Care</u></b>	
<b>Purchasing, Long Term Care</b> – support provided to care providers and clients due to Covid-19 and increased levels of care needs.	+6.903
<b>Purchasing, In House Charging for care</b> – reduced expenditure, mainly for day care provision, due to Covid closures.	-1.557
<b>Purchasing, Short Term Reablement care</b> – £3.1m related to contracts procured and reimbursed by the CCG for Covid-19 discharges.	+5.045
<b>Income</b> – overachievement of client contributions towards care.	-0.552
<b>Income</b> – NHS Contributions joint funding contributions	-0.861
<b>Income</b> – NHS Transforming Care Partnership pooled fund contribution	-0.280
<b>Income</b> – NHS Contributions, including winter pressures and Covid contracts beds	-5.029
<b>Operational Teams</b> – cost of the use of agency staff, net of the saving resulting from vacancies	+0.326
<b>My Options</b> – reduced income from charges mainly for ASC	+1.045
<b><u>Health, Wellbeing &amp; Commissioning</u></b>	
<b>Personal Protective Equipment</b> – costs of purchasing PPE as a result of Covid-19	+0.553
<b><u>Communities, Customer &amp; Commercial Services</u></b>	
<b>Leisure Operations</b> – loss of budgeted income relating to closures required due to Covid-19.	+3.777
<b>Catering</b> – loss of income due to Covid-19 closures.	+0.911
<b>Theatre</b> – loss of income due to Covid-19 closure.	+0.494
<b>Housing Benefit Subsidy</b> – impact of suspending recovery of overpayments and costs relating to emergency bed and breakfast accommodation for homeless people during the pandemic, which is ineligible for subsidy.	+0.311
<b>Grant Income</b> – additional grants received in respect of Welfare Reform	-0.279
<b><u>Housing, Employment &amp; Infrastructure</u></b>	
<b>Homelessness</b> – costs associated with preventing homelessness during the Covid-19 pandemic.	+0.664
<b>Homelessness</b> – income to support homelessness costs above, including housing benefit income claimed, one off grant funding from MHCLG and one off partner funding.	-0.616

### **3. International Accounting Standard Note 12 – Retirement Benefits**

The objectives of IAS 19 are to ensure that:

- financial statements reflect at fair value, the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- the operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

Overall the deficit on the Council's share of the Shropshire County Pension Fund has increased by £62.76m; mainly due to changes in the financial assumptions at the accounting date (with assumed future inflation having increased from last year, and a decrease in the assumed discount rate for scheme liabilities), partially offset by the Fund's positive investment performance. A deficit recovery plan is in place which is updated as part of the triennial actuarial valuation process.

The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £14.437m (comprising contributions of £12.267m plus a lump sum payment of £2.17m). Following the valuation at 31/03/2020 the contribution rate was increased to 15.8% for 2020/21 and subsequent years, this is supplemented with a lump sum payment as stated above.

### **4. Capital Outturn 2020/21**

The Council spent £57.71m on capital projects during the year, an underspend of £5.99m against budget within the year, although the majority of this will be re-phased into future years. The detail is shown in the table below:

<b>Policy Area</b>	<b>2020/21 Approved Budget £m</b>	<b>2020/21 Expenditure £m</b>
Adult Social Care	0.21	0.09
Prosperity & Investment	23.41	23.22
Neighbourhood & Enforcement Services	22.89	20.48
Education & Skills	5.13	5.97
Housing, Employment & Infrastructure	5.45	4.74
Cities, Customer & Commercial Services	3.56	2.52
Health, Wellbeing & Commissioning	0.07	0.00
Policy & Governance	0.09	0.03
Finance & Human Resources	2.89	0.66
<b>Total</b>	<b>63.70</b>	<b>57.71</b>
<b>Funded by:</b>		
Prudential Borrowing	23.35	22.41
Capital Receipts	5.79	2.55
Government Grants	28.00	28.09
Revenue	0.97	1.51



Policy Area	2020/21 Approved Budget £m	2020/21 Expenditure £m
Other External Sources	5.59	3.15
<b>Total</b>	<b>63.70</b>	<b>57.71</b>

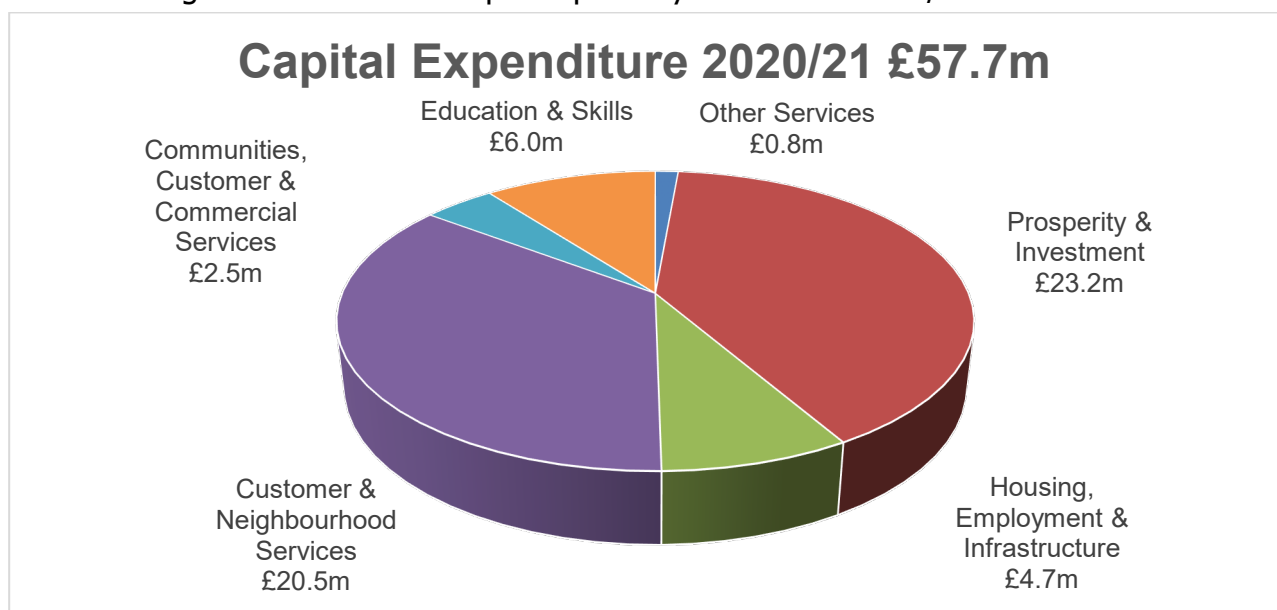
The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (PWLB), which lends to Local Authorities at very competitive rates.

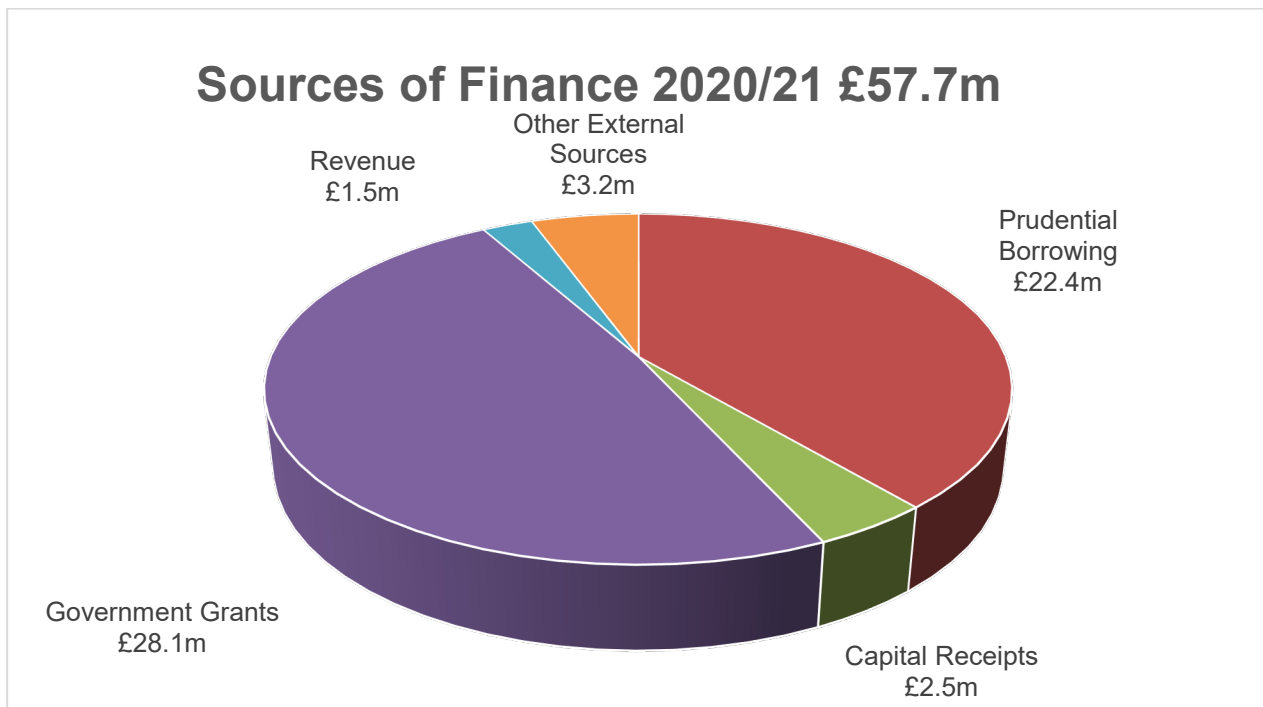
Overall the Council's net indebtedness is £244.1m (inclusive of equity investments) at 31<sup>st</sup> March 2021 which is an increase of £11.7m from the previous year due in part to a reduction in investments held and increasing borrowing for additional capital spend.

The Council has a 28 year (from 2006/7) PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and Queensway (which provides Education, Health and Social Care packages) for £289m. The costs of the contract are being met from a combination of Government support, school contributions and Council support. The Council has approved a budget strategy which makes provision for its commitments. In 2019/20 the Authority made payments of £10,689,927 (£10,548,882 in 2018/19) in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 per annum (index linked, starting point September 2006) until the contract expiry date of 2034 and receives £5.9m per annum from the Government to help offset this cost.

The Council entered into a 10 year Telford Land Deal with Homes England (HE) and Ministry of Housing, Communities and Local Government (MHCLG) in March 2016 through which HE/MHCLG have committed to invest £44.5m from the sale of Government owned land in Telford to invest in the local area supporting the delivery of new homes, jobs and commercial floor space. The total capital expenditure for 2020/21 includes expenditure relating to this deal.

The following two charts show Capital Spend by Service for 2020/21 and how it is funded.





## 5. Provisions (see Note 26)

**Restructure Provision** - the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2021 was £0.045m. It is anticipated that this will be funded from Capital Receipts in 2021/22.

**Single Status** - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2020/21 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2021 was £12.592m which includes an element relating to schools.

**NDR Appeals** – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £8.1m is estimated as the amount required to set aside for this purpose in the 2020/21 accounts (£5.3m in 2019/20). Telford & Wrekin Council's proportion of this is £4.0m (49%) (£2.6m in 2019/20).

## 6. Achievements During 2020/21

Through 2020/21 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

### **Covid-19**

Responding to the pandemic to support our communities and local communities was the core focus of the Council in 2020/21, this included:

- direct support to 1 in 5 households including safe and well checks, food and shopping, dog walking & medication

- 52,000 free school meals delivered before the national scheme went live
- 1,147 volunteers recruited with 80%+ engaged
- £105,000 additional funding to food banks, charities tackling homelessness
- Kindle Kindness campaign – raising £20,000 delivering 190 tablet devices to the Princess royal Hospital and care homes.
- Every household written to twice during lock down

In addition we worked to support businesses:

- £32.3m in business rate relief issue to borough businesses
- £43.0m paid out to businesses who qualify for grant support
- An extra £5.9m extra support beyond national criteria paid out through discretionary Business Grant Scheme

Our Resident Survey undertaken through the summer, found that:

- 74% of respondents said that the support the Council provided its residents during this pandemic was helpful.
- 75% of respondents think that the leadership of the Council has done a good job in responding to Covid-19.
- 91% of respondents agreed that they felt well informed by the Council about the support available during Covid-19.

We have put in place a Covid-19 Recovery, Reform & Reset Strategy and delivery programme against 5 themes.

- Children & Education
- Community & Care
- Economy & Housing
- Environment & Infrastructure
- Health & Welfare

## People

### Children and Adults

**Since Securing 'Outstanding' for Children's Safeguarding** in the latest OFSTED inspection of children safeguarding services completed in January 2020, judged the service to be 'Outstanding'. The Council joined the DfE Strengthening Families Project in October 2020 and will receive over £2m from the DfE to support this programme over a three year period. In addition, the Council unanimously agreed to commission its own Independent Inquiry into child sexual exploitation in light of non-recent cases highlighted by some media. This followed a series of reviews that the Council and partners had supported including external reviews commissioned by the then Local Safeguarding Children's Board and a Scrutiny Review of 'Multi-Agency Working Against Child Sexual Exploitation' which was the culmination of over 18 months work and demonstrated how scrutiny can successfully engage partners around a complex and sensitive issue and - critically - give people affected by exploitation a channel to be heard. An Independent Inquiry, however, was what victims were asking for. We expect the Inquiry to report in 2021/22.

**Strengthening Communities Adult Social Care (ASC)** - we work on behalf of local people in an integrated way with partners both in the NHS and across our vibrant community and voluntary sector which the Council have continued to invest in over many

years. This investment has enabled ASC to maximise the use of the community assets preventing too early access to funded ASC support. Through TWIPP we have developed an integrated Health and Social Care Rapid Response Team working to reduce unnecessary hospital admissions. Our performance on delayed transfer of care is better than the national and regional average, and we are in the best quartile nationally. We recently secured recognition from the Co-operative Council Innovation Network for this work.

We run local booked appointments from local hubs providing advice, information and where necessary more formal assessment freeing up time for more complex work to be undertaken by our social work staff who are linked to GP surgeries. Over 500 staff and volunteers have been trained on how to 'make every contact count' - to raise lifestyle issues with an individual and to direct them to further support.

Our in-house ASC Shared Lives service has been rated as '**Outstanding**' by the CQC and is an example of how we have used our resources creatively to avoid higher cost service provision by providing post hospital discharge re-ablement via Shared Lives.

A key objective for the Council is for every child to be in a good or outstanding school and making at least good progress with 88% (end of academic year 2018/19) of children attending a school which is judged as good or outstanding by OFSTED. Whilst overall a positive picture, there are a small number of secondary schools which need to improve to achieve this level. Generally, the attainment of pupils at each of the Key Stages is at least in line with national averages and well above this across a number of individual indicators.

The Government has set targets which have been adopted by the Council to work with families who need additional support through the "Troubled Families" programme. In 2020/21 we had a target to work with 68 families and we and we worked with 438.

## **Health**

Improving the health and lifestyle of the population remains a significant challenge in the Borough. Although there are still areas of challenge, progress continues to be made with breastfeeding initiation, reducing smoking and reducing excess weight. We are pleased that teenage pregnancy is the lowest it has ever been, but again, this remains a local priority.

**Telford and Wrekin Integrated Place Partnership (TWIPP)** - our local placed based board working with partners around the integration of health and social care which links in with the wider Shropshire and Telford and Wrekin Sustainability and Transformation Partnership (STP). TWIPP enables us to work across our local health and social care economy to develop more integrated ways of working for local people and collaboratively make the best use of the 'Telford pound'. This work also integrates a Community Asset Based Approach across health and social care. One example of this is the introduction of 'Live Well' which is an online directory of services used by all partners and community members in Telford but developed by the Council on behalf of partners

## **Place and Environment**

Our 'Pride in Our Community' Programme is the core driver of our approach to this priority with the Council investing £45m, spread over a 3 year programme to maintain and improve the green spaces, neighbourhoods, street lighting, roads, structures and footpaths across the borough.

- Continuing to invest in road improvements and sustaining traffic flow around the borough as the economy and population grows. 'Overall satisfaction with highways and transport' is third best of unitary authorities.
- Investing £1.6m on a 3G pitch - encouraging participation in our most deprived communities.

We have also established a £1m fund to support 'Pride in Our High Streets' to support nine high streets. This has delivered:

- Community events and physical regeneration - including improved parking, lighting, shop fronts and a series of 'false window' murals to enhance the appearance of empty properties.
- A training programme to improve the commercial skills of our high street businesses.
- Young Enterprise Challenge - young people shared their ideas to develop High Streets with 3 schools receiving between £10-£20k to bring their business idea to life, including a 'Retro Shack shop'.
- Social enterprise pop up shops - the first 'The Forge', used an empty retail unit in Wellington and was so popular, it moved to a permanent base in the town.

Core to supporting our *Place Agenda* is our *enforcement activity* – over the past 12 months we have continued to develop this agenda to sharpen its impact. This is a broad agenda ranging from the prosecution of private landlords who rent out dangerous or sub-standard properties, to utility companies working on our highways who breach their licence conditions through to the prosecution of a minority of people who commit environmental crime and anti-social behaviour activity:

- We have combined Neighbourhood Enforcement and Anti-Social Protection team with Public Protection, invested significantly in staff training and the delegation of enforcement powers to key officers to allow them to issue fixed penalty notices but also giving them powers to gather evidence correctly should we need to undertake prosecutions for more serious and persistent offenders.
- In January 2020, became responsible for civil parking enforcement to address illegal and inconsiderate parking – with immediate impact on illegal parking through an education/warning model before moving to issuing fines.

*Climate Emergency* - in the summer of 2019, Telford & Wrekin Council declared a climate emergency and resolved to go carbon neutral by 2030. The Council has already done much to reduce its carbon footprint by 64% since 2005 through a number of measures, including:

- Solar Farm - bringing income to the Council but as importantly saving the production of CO2 emissions;
- Procurement of seven fully electric commercial vehicles;
- Transferring to a green energy tariff;
- Replacing 98% of street lights with LED;
- Disposing of 27 operational buildings;

We are achieving our waste recycling targets and our new Household Recycling Centre at Hortonwood is getting excellent customer feedback and usage. We have virtually no landfill left in our Borough with all household waste either being recycled or being burnt for energy usage. In September we also introduced introduction of kerbside collection of kitchen waste has been around 100 tonnes per week which is a gross saving 0.5 tonne of CO2 for each tonne collected.

## Economy

'Gross Value Added' (GVA) has grown significantly over the last 10 years. The latest data shows that GVA has grown significantly faster than the England and West Midlands rates. GVA per capita is higher than the West Midlands rate. Employment and unemployment rate are better than the West Midlands position.

We are investing to create the opportunities to support new businesses, including the delivery of new start up/incubation space via land acquired at Hortonwood West where the Council is investing profit share earned through the success of Telford Land Deal and Newport Innovation Park. This is alongside investment into site preparation and power upgrades to support investors acquiring suitable land quickly.

Fibre broadband infrastructure is key to the economic growth of the borough and underpins the benefits that digital connectivity brings. 98% coverage has been achieved and the authority is committed to getting quality broadband to as many as possible in a journey to 100%. Other existing initiatives beyond the build programme are in place and new opportunities are being explored over the coming months.

We continue to provide coordinated business support to companies across the Borough working effectively with the Marches LEP. Despite the challenges of Covid, we supported 10 new business investments into the borough and 10 business expansions.

The borough is the one of the best performing local authorities for housing growth facilitated by our "***Business Supporting, business Winning***" approach - ranked first in the 2021 Centre for Cities Report - with over 1000+ net new builds per year for the past 3 years.

Supporting this work is the ***Telford Land Deal*** - to drive disposal of Homes England assets in the borough, the Council secured stewardship of these assets generating capital receipts for Homes England and the Treasury whilst bringing development sites to the market and so attracting inward investors and retaining existing businesses that would otherwise have sought larger premises outside the borough.

## Organisation

By the end of 2020/21, the Council had delivered budget savings of £126m. Despite the financial challenges the Council continues to face, our budget strategy has been to sustain essential public services. We have worked hard to develop new models of service delivery to ensure continued delivery of our priorities with a key part of our strategy to become a commercial council and to generate income to invest and protect front-line services. Effective budget management has allowed us to deliver on our priorities.

We have developed a track record of taking on new ventures to deliver income to the Council and protect front-line services:

- A solar farm providing £4.4m profit over 25 years.
- The Council's wholly owned housing company, NuPlace, now has 346 homes available for private rent. Demand for these properties is high and are oversubscribed. 74 more homes will be completed in 2021.

- Established a Growth Fund to invest in development of premises for businesses to encourage job creation and retention as well as generating additional rental income and business rates income.

**“Securing external funding”** – we are a non-constituent member of the **West Midlands Combined Authority** and are actively working through this to maximise future opportunities for the borough to build on the £3.7m grant already secured from the WMCA. This grant is to kick-start building new homes on stalled brownfield sites in the borough and will see around 540 new homes built as well bringing ‘derelict’ brownfield land back into use and creating 240 jobs. Work on these sites has stalled because of high costs to developers to get the land ready for building.

## **F. STRATEGIC OUTLOOK**

The Council has a rolling service and financial planning process. This was updated for 2021/22 formally by reports to the Council’s Cabinet in January and February 2021 with final decisions taken at Full Council on 4 March 2021. The impact of Covid-19 is discussed in Section G below.

Savings proposals are developed as soon as they arise and consultation and engagement with our community and partners takes place throughout the year in a more meaningful and timely way to deliver more creative solutions. From the ongoing engagement with local people over many years, we know that the people of Telford & Wrekin want to live: - in a safe community; in a clean environment; in a place with good roads and pavements; where there are first class schools and education facilities; where there are excellent and accessible hospital and GP services; where they have a job and there is a thriving economy. These local priorities form a basis for resource allocation as part of the Service & Financial Planning process.

The decisions on the medium term budget strategy at Full Council reflect the outcome of consultation following publication of the budget proposals on the 7 January 2021.

The provisional funding settlement for 2020/21 was announced, on the 17 December 2020, followed by the final settlement on the 4 February 2021. This saw Revenue Support Grant increasing by just £0.055m and a significant reduction to New Homes Bonus grant. As anticipated the Council faced a budget shortfall and after delivering £126m of savings since 2009/10 further savings of £5.9m are required in 2021/22.

The agreed strategy for 2021/22 to meet the savings requirement and to continue to invest in the area to support both the community and businesses is:

- a savings package delivering an additional £5.9m from general fund budgets;
- £2.5m additional investment into Adult Social Care
- £0.5m investment into safer communities
- A commitment to work with partner organisations to seek new solutions to deliver services to minimise the impact of cuts;
- To continue to deliver jobs and investments and provide additional income business rates, council tax and New Homes Bonus.

The decision has been made to increase council tax by 4.99% for 2021/22, which includes the 3% Adult Social Care precept introduced by the Government in 2016/17. As a result, the

Council Tax for Council Services in 2021/22 (Band B) is £1,105 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,421). The Council will again have the lowest Council Tax out of all Councils areas in the Midlands region for the services which we provide.

<b>2021/22 Net Revenue Budget - £m</b>	
<b>2021/22 Total Net Revenue Spend</b>	<b>131.014</b>
Funded From:	
Government Grant (incl. RSG and Top Up)	<b>14.897</b>
Retained Business Rates (incl. S31 grant)	<b>41.987</b>
Council Tax	<b>74.430</b>
Collection Fund Deficit	<b>(0.300)</b>
<b>Total Funding</b>	<b>131.014</b>

Full Council approved the medium term financial strategy on the 4 March 2021 (available on the Council's web site).

## **G. COVID-19**

The coronavirus pandemic (Covid-19) has had a huge impact across the country. During this unprecedented year, the Council has continued to provide all its usual services, subject to national restrictions, as well as providing additional support to Telford & Wrekin residents and businesses. The mid-year budget report, presented to Cabinet in January 2021, highlighted the breadth and scale of the huge amount of additional work which has taken place during 2020/21. This has included: being one of the quickest council's in the country to distribute almost £50m vital grant support to local businesses; allocating over £30m business rates relief to businesses in the borough; granting council tax holidays to over 10,000 households; supporting the vaccination roll out, the provision of effective, testing facilities and track and trace processes; providing additional support to local care providers; providing more than 200 Kindles to care home residents and local hospital patients; providing laptops to schools to support learning; supporting local high street businesses; and when permitted re-opening facilities safely and quickly. Further information can be found in the Performance Section E.

All this additional support has been at a time when many of our income streams have been under pressure and comes after more than a decade of severe financial constraint due to Government grant cuts and increasing demand for many Council services, Covid-19 has resulted in pressures from increased costs, particularly relating to the provision of Social Care and safeguarding the most vulnerable in our community; the purchase of essential personal, protective equipment; income shortfalls relating to closed facilities and services.

Some of the major risks and challenges to the authority during 2020/21 were:

- Maintaining Children's Safeguarding function
- Maintaining Adult Social Care function and capacity to meet new requirements, such as the 2 hour hospital discharge target
- Supporting vulnerable and shielded members of the community
- Supporting individuals through Crisis Support mechanisms
- Mental health issues for carers, clients, staff, vulnerable residents
- Closure of building bases for services to vulnerable individuals
- Maintaining an Education service for key workers



- Supporting the business community, including care homes
- Supporting and working with partners
- supporting the voluntary sector and community resilience
- Managing Health and Safety, including supplies of PPE
- Financial Management

Throughout the year, the Council continued to demonstrate robust financial management. As anticipated, there were a number of significant variations from the approved budget which related to Covid-19 however spend was effectively managed.

The Council has a long track record of sound financial management and started 2020/21 in a healthy financial position. It is a testament to Cabinet Members and Senior and wider management teams that, despite the significant and unprecedented financial pressures relating to the Coronavirus pandemic, the Council ended the year within budget.

Importantly the Council did not make any unplanned use of reserves in 2020/21 and has retained a prudent level of balances set aside which will support the delivery of the medium-term Service & Financial Planning Strategy and support a high level of financial resilience in future years, as we will continue to feel the longer-term impacts of Covid including national funding pressures and, at the same time also, face the uncertainties of planned changes to the local government funding system.

During 2020/21 the Government provided a range of Covid financial support packages. These included additional funding to support service pressures (both income and expenditure) caused by the pandemic, funding for specific measures and initiatives, and grants paid to local businesses. In accordance with the Code of Practice, where the authority has the ability to determine/influence the grant scheme criteria it is said to be acting as a Principal. Where the authority has acted as principal, transactions are included in the financial statements and on this basis, the majority of Covid grants are recognised in the CIES. However there are some instances where the Council has acted as an agent i.e. the Council has simply acted as an intermediary and passed the funds onto recipients following government criteria. Where the Council has acted as an agent, transactions are not reflected in the authority's financial statements.

One measure the Government put in place was to provide 100% business rates discount for the hospitality, leisure and hospitality sectors. Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2020/21. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2020/21. Therefore, £15.4m of the upfront payment received in 2020/21 has been set aside in reserves at year end to offset this deficit in 2021/22. This and other Covid grants has resulted in an increase in reserves at 31 March 2021.

## **H. LOOKING AHEAD**

The Council ended 2020/21 in a positive position, despite the significant and unprecedented financial pressures experienced during the year. This is a solid basis upon which to move into 2021/22 and demonstrates ongoing financial resilience in the most challenging of circumstances. The funding outlook for the medium term is very uncertain. Due to the impact of Covid19, the major planned reforms to the local government finance system have been postponed with no date for implementation confirmed; changes to the New Homes Bonus system are, however, expected to come in to force during 2022/23; and changes to Adult Social Care (ASC) funding through the long awaited ASC Green paper are also

potentially expected. Using the limited information that was available when the budget was set in March, it was anticipated that the Council would need to deliver the £8.8m savings already identified for 2021/22 and 2022/23 plus around £10.7m of further savings over the two years 2022/23 and 2023/24, taking the total savings to £146m by the end of 2023/24.

The impact of CV-19, discussed above, is likely to extend into 2021/22 and possibly beyond, depending on how quickly the economy recovers. The 2021/22 position will be closely monitored and the medium term financial strategy will also be updated to reflect the latest known position.

It is clear that the financial climate ahead will still be one of significant financial challenge.

## **I. BASIS OF PREPARATION**

The Council prepares its Statement of Accounts on a going concern basis, under the assumption that it will continue to operate into the foreseeable future. Disclosures are included in the Statement of Accounts based on an assessment of their materiality. Local Authorities can only be discontinued under statute.

**Group Accounts** – The Council’s wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015. These accounts consolidate the Council and NuPlace’s financial statements for both 2019/20 and 2020/21. The accounts for 2020/21 include an increased number of transactions as NuPlace’s trading continues to grow.

The Council has examined the relationship with other partners including West Mercia Energy (see note 56 to the accounts) and has concluded that group accounts only need to be prepared in respect of NuPlace.

## **J. STATEMENT OF ACCOUNTS – EXPLANATORY OVERVIEW**

The Statement of Accounts features the Expenditure and Funding Analysis, which does not form part of the Primary Statements and is included as a Note, and four Primary Statements reporting on the Council’s core activities plus Group Accounts.

The Primary Statements include:

- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet; and
- the Cash Flow Statement.

The purpose of each is briefly described within this narrative report and they are followed by notes explaining the statements and any specific restatements required.

The main statements are supplemented by the Collection Fund Account, which receives all council tax and business rates income before passing this income to the Council, the Government, Shropshire Combined Fire Authority and the West Mercia Police & Crime Commissioner as appropriate.

The Council’s accounts for the year 2020/21 are set out in the remainder of the report. They consist of:

- ... **The Expenditure and Funding Analysis (EFA)** – this is not one of the Primary Statements but is included as a note to the accounts. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council’s services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This shows an adjustment of -£13.6m to move from an underspend of £0.039m to a surplus of £13.638m in the Comprehensive Income and Expenditure Statement. This adjustment reflects technical accounting requirements and does not alter the underlying position of £0.039m underspend reported in the Outturn Report to Cabinet.
  
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a surplus for the year of £13.638m (after technical accounting adjustments referred to above) compared with the outturn report which shows an underspend of £0.039m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis, including capital grants offset by losses on disposal of fixed assets, depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions. **These technical accounting adjustments do not impact on either General Fund Balances or Council Tax.**
  
- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £5.219m at 31<sup>st</sup> March 2021). This statement represents the Authority’s net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
  
- ... **The Balance Sheet** - this is a “snapshot” of the Authority’s financial position which sets out the financial position of the Council on 31<sup>st</sup> March 2021 and shows net liabilities for the Council of -£8.902m, a decrease from a net asset of £0.603m for the previous year.
  
- ... **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net reduction in Cash and Cash Equivalents of £9.811m.
  
- ... **The Notes to the Core Financial Statements** - provide further information supporting the financial statements including the Statement of Accounting Policies and provide further detailed information on specific items.
  
- ... **The Collection Fund** – is the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is a reduction on the council tax fund balance of £1.918m for the year and the Council’s share of the surplus was £0.941m at 31<sup>st</sup> March 2021. The localisation of business rates means that we also show similar information in respect of this. The business rates show a reduction in the balance on the account for the year of £39.838m and the Council’s share of the deficit was £16.725m at 31<sup>st</sup> March 2021.

... **Group Accounts** - consolidates the Council's accounts with those of NuPlace Ltd, the Council's wholly owned Housing Investment Company, to give an overall picture of the Council's activities.

These accounts are supported by the Statement of Responsibilities, which follows this narrative report.

## **K. FURTHER INFORMATION**

Further information is contained in the Council's Service & Financial Planning Strategy, which is available from the Corporate and Capital Finance Team, Addenbrooke House, Telford, [contact Pauline Harris on 01952 383701].

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Details of all purchases made by the Council costing over £100 are published on a monthly basis on the Council's web site.

The Councillor Code of Conduct requires that members notify the Council's Monitoring Officer of their financial and other interests, by completing a declaration of interests form. The register is open to inspection by the public and you can view copies of the [Declaration of Interest forms](#) on line from this page or they can be accessed from each individual Councillor's webpage and for further information, please contact Democratic Services on 01952 383211.

Further information in relation to Information Governance is presented to the Council's Audit Committee which can be found via the Council's web site.



Ken Clarke MBA CPFA  
Chief Financial Officer

## 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 Authority, that officer is the Director: Finance, & Human Resources (Chief Financial Officer);
- manage its affairs to secure economic, efficient and effective use of resources, safeguard its assets and to approve the Statement of Accounts.

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2021.

#### In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

#### The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- signed the letter of representation for the External Auditor.

### **CERTIFICATE OF THE CHIEF FINANCE OFFICER**

I hereby certify that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2015.



Ken Clarke MBA CPFA,  
Director: Finance & H.R. (C.F.O.)

**Dated: 26<sup>th</sup> May 2021**

### **APPROVED BY AUDIT COMMITTEE**

The Statement of Accounts was approved at a meeting of the Audit Committee.

Councillor Nathan England  
Chair of Audit Committee

**Dated: 27<sup>th</sup> May 2021**

# Annual Governance Statement 2020/21



# Annual Governance Statement 2020/21

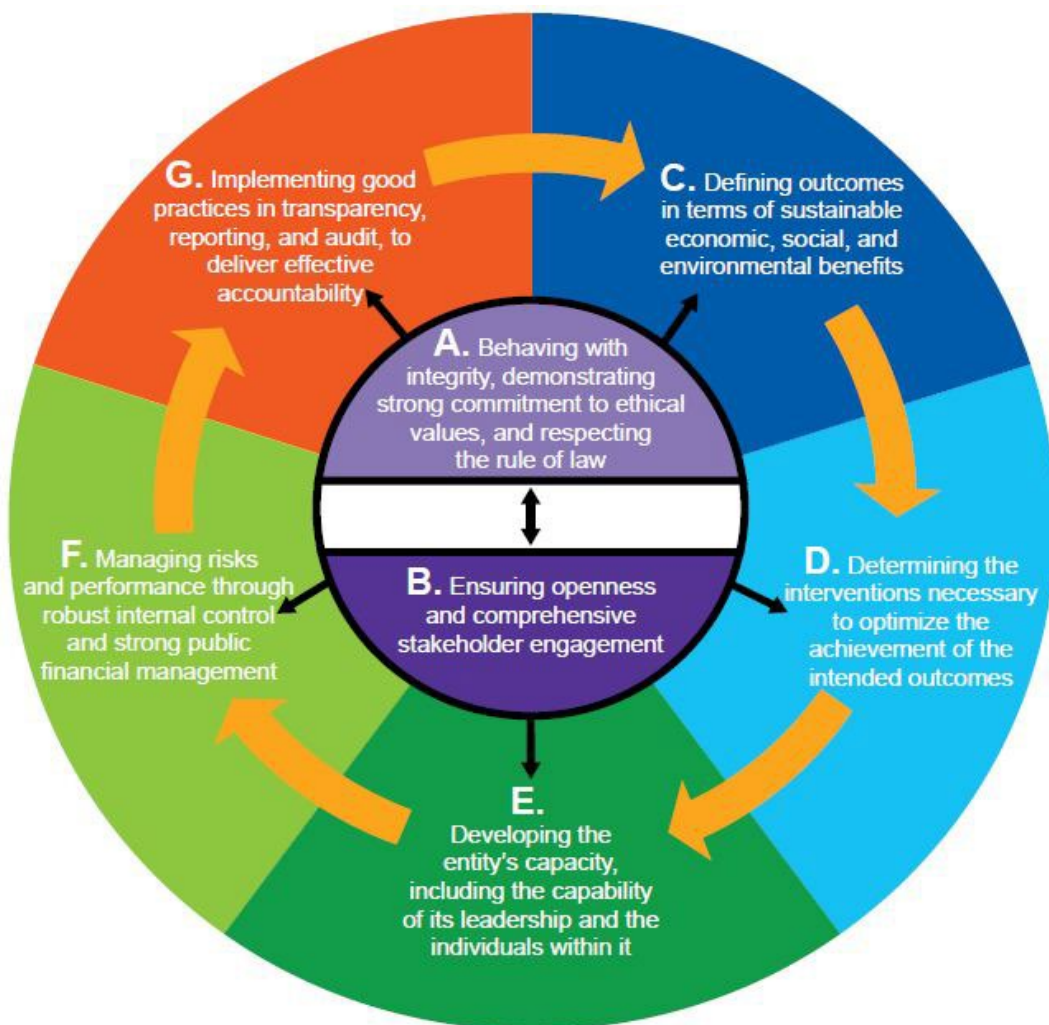


# 1. Introduction

1.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee.

The Annual Governance Statement outlines that the Council has been adhering to the Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

The Council has adopted the Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government.



*CIPFA's Principles of Good Governance*

# 2. Standards of Governance

2.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the employee

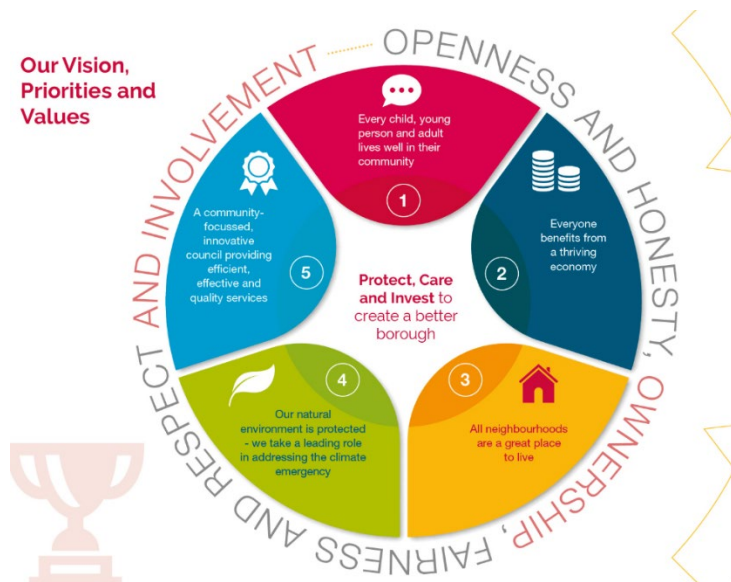
and Members' Code of Conduct, Constitution, Corporate Vision, Priorities and Vision as well as applicable statutory requirements.

### 3. Scope of Responsibility

- a. Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council needs to demonstrate that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to secure continuous improvement.
- b. To meet this responsibility, the Council puts in place proper governance arrangements for overseeing what it does including putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions. These arrangements are intended to make sure that the Council does the right things, in the right way, for the right people, in a timely, open and accountable manner. The Council takes into consideration all systems, processes, policies, cultures and values that direct and control the way in which we work and through which we account, engage and lead our communities.

### 4. The Governance Framework

- a. The governance framework allows the Council to monitor how they are achieving their strategic aims and ambitions and how this contributes to the delivery of its vision, priorities and values:



- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.



## 5. Review of Effectiveness

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-



- 5.2 The Council has faced unprecedented challenge during 2020/21 particularly in respect to the significant effects of the worldwide COVID-19 pandemic. The pandemic has been the single biggest risk to the Council's achievement of its objectives.

The pandemic has meant changes to working practices which have required a greater degree of flexibility and risk based decision making at lower levels in the authority. However changes have been made within the boundaries of good governance which can be evidenced by the following examples:

- Gold/silver corporate groups set up to manage strategic and operational risk;
- Gold/silver groups including key stakeholders and regulatory roles, e.g. Section 151 Officer, Monitoring Officer, etc;
- Audit & Governance support with Business Rate Relief applications and other changes in practice across the Council;
- COVID-19 decision log kept to record decisions made using Chief Officer powers within the Council's Constitution; and
- COVID-19 risk registers maintained both at service area level and at a corporate level

The Council continues to deliver services to its community using new and developing practices in light of COVID-19. Underpinning this is support/instruction from central government and continued risk management from the corporate Gold and Silver Groups.

5.3 The Council recognises the importance of information governance and formalised its Information Governance Framework. The main focus of the Information Governance Team in 2020/21 has been to:

- Ensure the Council's continued compliance with the requirements of the General Data Protection Regulations (GDPR) / Data Protection Act 2018
- Provide advice and guidance in relation to new/revised way of working adopted by Council services

The Information Governance Team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2020/21 no enforcement action has been taken by the Information Commissioner's Office (ICO) against the Council in respect to data breaches.

5.4 The Chief Executive, Executive Directors, Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1. Additional assurance has been requested for 2020/21 from the Senior Management Team and Service Delivery Managers in respect to controls/risk management measures that have been in place during the year. Internal Audit plan to undertake increased sample testing of completed certificates to provide additional assurance that adequate controls/risk management measures have been operating in 2020/21.

5.5 The Accounts and Audit Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review. The Internal Audit Annual Report 2020/2021 will set out the Internal Audit opinion.

5.6 The Council has been advised on the implications of the review of the effectiveness of the governance framework by Cabinet, Standards Committee, Audit Committee, Scrutiny, Senior Managers, Internal Audit and external review. The Chief Internal Auditor concludes that the review of the governance arrangements provides a reasonable level of assurance that these arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The Chief Internal Auditors opinion has a different basis to previous years given the pandemic and associated dilution of the scope of Internal Audit work in 2020/21. The opinion given is based on what Internal Audit work was conducted, Internal Audit involvement in the Councils COVID-19 response, additional assurance from other elements of the assurance framework and, in part, on the proven track record of the Council being an established well-run local authority.

## **Internal Audit Work**

As stated above, completion of planned Internal Audit work has significantly reduced in 2020/21. This is primarily due to:

- All Council services being asked to contribute to supporting the community in respect to the response to COVID-19 throughout the year.
- Internal Audit officers being nominated to designated COVID-19 related tasks due to their skill set, e.g. business grants, shielding calls, COVID-19 hub, etc.

It should be noted that Internal Audit have not been refused access to any services throughout 2020/21 but clearly the majority of Council services have been fully occupied with providing ongoing services using new delivery methods and/or directly supporting the most needy and vulnerable in the community. During this time Internal Audit have had an ongoing dialogue with managers and have provided guidance and support on new delivery methods put in place as and when required.

Internal Audit have ensured the Chair/Audit Committee have been kept informed of audit resource/work throughout the year.

One of Internal Audits key objectives, as detailed in the Internal Audit Charter is *'To review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council.'* It is clear in 2020/21 the biggest risk to the Council operations was the COVID-19 pandemic. Internal Audits focus in the year has therefore been to obtain assurance that COVID-19 associated risks have been adequately managed. Internal Audit have obtained assurance on this by:

- Having access to Senior Management Team papers on the Councils response to COVID-19
- Having regular meetings with the Monitoring Officer who has played a pivotal role in ensuring adequate governance measures are in place
- Attending 'Reset and Recovery' COVID related meetings with the Monitoring Officer, Section 151 Officer and other key stakeholders
- Internal Audit Team involved in the setup and checking of COVID-19 business grants
- Overseeing the risk log for the Gold/silver corporate groups set up to manage strategic and operational risk;
- Having operational input into a number of different delivery models and or models for new service provision, e.g. free school meals, shielding calls, COVID-19 hub, etc.
- Overseeing the certification process related to the AGS and undertaking increased sample checks of certification responses

Looking forward, the Chief Internal Auditor is assured that the scope of planned Internal Audit work will return to expected levels in 2021/22.

## **Other Sources of Assurance**

As stated above, more reliance has been placed on other sources of assurance in 2020/21 with respect to the Chief Internal Auditors opinion. Other sources of

assurance have been obtained from in year activity but also by reflecting on past opinions and the basis of these.

Summary in year activity is detailed below:

- Telford & Wrekin Council has a sound track record in respect to how it is run. This is important to note and is reflected in the 2020/21 audit opinion given. General risk management identifies 'likelihood' as a key determinant of the level of risk associated with an action/entity. Given that the Councils track record demonstrates strong governance arrangements and sound financial management, the likelihood of this changing considerably in the space of 12 months is relatively low.
- Additional assurance on how the Council was performing, including governance, in relation to the challenges of COVID-19 was obtained independently from a resident's survey undertaken which detailed that 75% of residents responding to the survey stating they were either very or fairly satisfied with Council support provided during the pandemic.
- Independent assurance was also obtained through the results a peer review undertaken by the Local Government Association (LGA) in relation to how the Council was performing in terms of supporting the community through the pandemic and its leadership and communications. The outcome of the review was extremely positive with the LGA noting:
  - A number of successful initiatives such as free school meals, Operation Guardian (helping shielding residents), pace of the business grant provision
  - The Councils response was *'impressive delivery...both independently and with and through others, and it is making a difference'*
  - Council had *'delivered a huge amount through its communities thanks to its clear leadership and strong work with partners'*.
  - Praised Council's commitment as services start to return to find new approaches rather than defaulting back to pre-pandemic ways of doing things
- The Councils External Auditors have met with the Section 151 officer and Chief Internal Auditor throughout 2020/21 and have also attended Audit Committee meetings. During this time the External Auditor has not expressed any specific concern on the governance and/or financial arrangements operating within the Council.
- Other examples of assurance obtained in year include:
  - Positive results from the staff survey
  - One of best performing Councils for distributing business grants
  - Recruitment of over 1,000 new volunteers
  - First Council in the country to offer a council tax holiday
  - Legal Services Lexcel accreditation
  - Council committee meetings including the Audit Committee have taken place

- Health Scrutiny Committee work
  - Business and Finance Scrutiny Committee work
  - Communities Scrutiny Committee work
  - Children and Young People Scrutiny Committee work
  - Environmental Scrutiny Committee work
- As part of the AGS certification process, all services have been asked to highlight additional assurance activity in their areas. Examples of additional assurance activity includes:
- Adherence to Lexcel risk management requirements
  - Completion of statutory health and safety returns
  - External security penetration testing completed which assesses the security of the Councils IT network
  - Completion of performance development discussions with staff
  - File audits in social care
  - Regular performance, contract and financial monitoring

Assurance obtained by reflecting on the past 3 years includes:

- The Chief Internal Auditors opinion has been that there a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- The External Auditor has stated that:
  - Final accounts have been produced on time and in line with best practice
  - An unqualified opinion has been given in the financial statements
  - Financial statements comply with statutory requirements
  - Financial statements give a true and fair view of the Councils financial position
  - Proper arrangements are in place for securing economy, efficiency and effectiveness in its use of resources

In the Chief Internal Auditors opinion the above assurance activity reflects that sound governance arrangements are in place as a number of the points above would not have been possible without adequate governance foundations being in place and embedded.

There has been no significant instances of fraud, poor risk management, poor financial management, etc. that would lead the Chief Internal Auditor to believe poor governance practices have been in place.

However, as part of the AGS certification process, there have been areas identified that do require development. Attached as Annex 1 is an agreed action plan to address these areas for development and ensure continuous improvement.

- 5.7 Issues from the previous action plan (2019/20) that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in 2020/21 action plan.

5.8 The Senior Management Team has monitored implementation of the 2019/20 actions and reported back to the Audit Committee in January 2021.

5.9 Detailed below is a statement explaining how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015 and CIPFA Code on the Principles of Good Governance.

**5.10 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.**

5.10.1 Members and officers, in the main, recognise the importance of compliance with the Constitution, specifically Financial and Contract Rules; Procurement Regulations, Scheme of Delegation, Codes of Conduct and Gifts & Hospitality Policy. However, some improvements are needed in this area and recommendations have been included in the 2020/21 AGS action plan.

5.10.2 There is ongoing training, both classroom based and via the on-line learning platform (OLLIE) for Codes of Conduct, Equality Awareness, Leadership & Governance and Contract Procedure Rules/Procurement.

5.10.3 The Council has an Anti-Fraud & Corruption Policy, supported by the Whistleblowing (Speak Up) Policy, encouraging internal referrals. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Whistleblowing (Speak Up) Policy supports this internally. Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register and/or other intelligence. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on anti-fraud and corruption activities and an update to the Anti-Fraud & Corruption Policy and Whistleblowing (Speak Up) Policy is presented to the Audit Committee.

5.10.4 Officers comply with their professional organisations' codes of conduct when delivering services.

5.10.5 All Internal Audit reviews consist of an ethics questionnaire that is sent to a sample of staff in specific teams to demonstrate their understanding of key corporate policies.

Ethics questionnaire findings have been shared when discussing individual audits with relevant Service Delivery Managers and Directors and taken to SMT as part of reporting corporate recommendations. Summary findings from the ethics work have been included in the 2020/21 AGS action plan.

5.10.6 There are both internal and external reviews in social care to monitor compliance with the law, e.g. the Care Act, Deprivation of Liberties, Safeguarding and the Mental Health Act.

- 5.10.7 Human Resource and recruitment policies and processes ensure the Council is fully compliant with employment law. Annual audits are undertaken in these areas and ongoing checks take place to ensure compliance with IR35 legislation.
- 5.10.8 Senior officers meet regularly and work closely with Members to ensure that they understand and can undertake their respective roles effectively and legally.
- 5.10.9 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to Cabinet.
- 5.10.10 Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place, i.e. Head of Paid Service, Data Protection Officer, Section 151 Officer, Monitoring Officer, Director of Children Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer.

### **5.11 Ensuring openness and comprehensive stakeholder engagement**

- 5.11.1 The Director – Housing, Employment & Infrastructure is leading the development of a new vision document for the borough that will replace the Council’s ‘Shaping our Future – Our Journey to 2020’ document.
- 5.11.2 The Council actively contributes to, and collaborates with, partners to promote good governance and achieve the delivery of outcomes through increased joint working. The Council is a member of a number of sub regional partnerships and groups. Many of our services are delivered in partnership with other organisations such as West Mercia Energy, Town and Parish Councils, voluntary groups, etc. Internal Audit reviewed the arrangements for ‘Together 4 Children’ which is a partnership arrangement with three other local authorities.
- 5.11.3 Regular meetings take place between Children Safeguarding and key partner agencies such as the police, Telford & Wrekin CCG, Education and Health.
- 5.11.4 All Council services feed into transparent reporting processes through council committee meetings and this is further supported by the transparency agenda.
- 5.11.5 Annually the public is consulted on the budget for the forthcoming year.
- 5.11.6 There is regular engagement between Public Health, Telford & Wrekin Clinical Commissioning Group (CCG) and Social Care for the future provision of services.
- 5.11.7 The Scrutiny provision has looked at the development of policy, the decision-making process and areas of concern. The subject areas for review will be informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council.

5.11.8 The Council undertook a residents' survey in 2020/21.

## **5.12 Defining outcomes in terms of sustainable economic, social and environmental benefits.**

5.12.1 The Council Plan was refreshed in the autumn 2020. The plan identifies 5 priorities to deliver the Council's organisational vision to 'Protect, Care and Invest to Create a Better Borough'. The Council continues to develop commercial projects to generate income to invest in front line services to mitigate the impact of Government cuts and uncertainly over Government funding.

5.12.2 Digital transformation and changes in the way we work are intrinsic to the Council's service delivery model.

5.12.3 The Telford & Wrekin Local Plan sets out the Council's vision and strategy for the physical planning of the borough up to 2031 and a review of the Local Plan has commenced to ensure that it remains capable of meeting the needs of the borough.

5.12.4 All service areas have their own service plans which details how they intend to deliver their service for the coming year and the risks they face. These plans encompass identifying risks to service objectives being met.

5.12.5 The Council has a commercial strategy / investment strategy that demonstrates clear visions, objectives and outcomes. This includes financial, economic, social and environmental issues.

5.12.6 The Council's economic growth strategy supports and drives increased economic productivity.

5.12.7 The financial strategy sets out the short and long-term implications for service delivery across the Council. The Service & Financial Planning reports include various papers to Cabinet regarding the budget and sets out short/ medium and long-term implications, including the capital strategy and saving strategy.

5.12.8 Adult Social Services, in respect of financial management and the implementation of the cost improvement plan, have continued to provide updates during the year to SMT and Members.

5.12.9 All Council reports to Members show relevant financial implications and risk.

5.12.10 Implementation of the ICT Strategy has continued, including infrastructure upgrades, the ongoing roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats. Some implementation such as the facilitation of employees working from home has been accelerated due to COVID-19.

## **5.13 Determining the interventions necessary to optimise the achievement of the intended outcome.**



5.13.1 The 2020/21 Service & Financial Strategy including the Treasury Management Plan are aligned to the refreshed Council Plan – setting out how our financial resources will deliver the Council vision and priorities.

5.13.2 Budget plans are produced for all service areas for planning purposes. Budget consultation is undertaken annually with Council Members and members of the public.

#### **5.14 Developing the Council's capacity, including the capability of its leadership and the individuals within it.**

5.14.1 The Workforce Strategy is being reviewed and is due for approval in May/June 2021. This will reflect a revitalised emphasis on inclusion and diversity. The new strategy is informed by the Employee Survey which was completed in 2020.

5.14.2 Officers understand their respective roles and these are set out in job descriptions. The Constitution, Scheme of Delegation and Contract Procedure Rules clearly shows roles and responsibilities, specifically with regard to delegation and authorisation.

5.14.3 There are various training methods available to staff such as mentoring, Ollie (On-line learning platform) and classroom based. Work is ongoing in designing a new Management & Leadership programme for the organisation (SMT, SDM's and Team Leaders) to be rolled in July 2021. However, the ethics questionnaire issued by audit highlighted that some staff did not feel supported or developed in their roles. The results also highlighted that some staff felt that training and awareness could be developed further.

5.14.4 Other support includes CPD sessions, team meetings and ongoing 1:2:1s, however results of the ethics questionnaires have demonstrated that some staff still do not have regular 1:2:1 supervision meetings.

5.14.5 Members receive an induction session and annual training with regard to the Treasury Management Strategy and other training relevant to their position. All Members and staff have had the opportunity to undertake training on General Data Protection Regulations (GDPR) / Data Protection Act (DPA) 2018 legislation. There is also online training available to all staff on GDPR/DPA 18 Requirements.

5.14.6 The action plan at Annex 1 to Appendix 1 of this statement detail issues highlighted from the results of the annual governance certification process

#### **5.15 The Council continues to manage risks and performance through robust internal control and strong public financial management.**

5.15.1 Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Our approach to managing risk is explained in our Risk Management Strategy. The Strategic Risk Register is reviewed by SMT and considered by Audit Committee annually.

5.15.2 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking

intelligence, comments from Senior Management and their opinion of the current state of the governance risk and internal control arrangements.

5.15.3 During 2020/21 the Internal Audit team achieved 32% of their planned work and this has been used, in part, with the relevant output from unplanned work to help form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework. Internal Audit output is significantly lower than previous years and this is due to a number of factors relating to the COVID-19 pandemic. See paragraph 5.6 for more information.

All recommendations made in audit reports show a risk category which is used to inform the overall grading of the report.

5.15.4 The Chief Internal Auditor has undertaken checks on the work of Internal Audit as part of the Quality Assurance Improvement Program. A small number of minor issues have been identified through these checks and have been fed back to the Internal Audit Team to assist in their continuous improvement.

5.15.5 Internal Audit report to the Audit Committee 4 times a year. The Audit Committee has asked for additional information during the year to provide assurance on the management of risks and implementation of recommendations. The Audit Committee have also approved the Internal Audit Charter for 2020/21.

5.15.6 Large projects include the maintenance of a project risk register; this is an ongoing working document that is amended throughout the project. Where personal data is processed, projects also include the completion of Data Protection Impact Assessments.

5.15.7 The Council has adopted the CIPFA code of practice for managing the risk of fraud and corruption and this has been reflected in our updated Anti-Fraud & Corruption Policy and Whistleblowing (Speak Up) Policy.

5.15.8 Services report regularly to Council committees such as Audit Committee, Planning, Licensing, Cabinet etc. These reports detail any impact assessment, including risk and opportunity. Financial decisions are reported to Cabinet, full Council and Audit Committee, who often challenge to ensure appropriate financial management and to demonstrate transparency.

5.15.9 Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available. Financial roles and responsibilities are clearly shown in the Financial Regulations and it provides a framework for financial decision-making.

5.15.10 The Treasury Management Strategy and regular updates on treasury matters are provided to Audit Committee. This information clearly show investments, loans, and the financial position of the Council.

5.15.11 The Council's financial strategy identifies the short term budget plan and long term aspirational plan linked to the corporate plan to be a self-sustaining council.

5.15.12 The Council's final accounts continue to be produced on time and in line with best practice and our External Auditor's Report for 2020/21 included:

"Value for Money conclusion - Based on the work we performed to address the significant risk we identified, we are satisfied that the Council has proper arrangements for securing economy, efficiency, and effectiveness in its use of resources"

An unqualified audit opinion was, once again, received by the Council in respect of 2019/20.

5.15.13 The Council has continued to make savings in light of ongoing financial pressures. £126.4m of ongoing savings had been delivered by the end of 2020/21 with a further £5.9m to be delivered by the end of 2021/22. Forecasts of the level of savings that will be required from April 2022 onwards are very difficult to make in the absence of any Government control totals pending the CSR scheduled to take place during 2021 and potential significant changes to be made to the local government finance system. However, best current estimates are that further savings of c.£11m may be required by the end of 2023/24.

## **5.16 Implement good practices in transparency, reporting and audit to deliver effective accountability**

5.16.1 As a public body we endeavour to be open and transparent in our activities and reporting. Council and committee agendas, reports and minutes are published on our corporate website to demonstrate decisions made. The Council undertake public consultation on areas such as the budget and selective licensing. We publish expenditure over £100 on our website, as part of the transparency agenda.

5.16.2 The Audit Committee has responsibility for internal and external audit matters, the Council's arrangements for Corporate Governance and risk management.

5.16.3 The Audit Committee terms of reference also incorporate the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on these matters by Arlingclose the Council's Treasury Management advisors.

5.16.4 There are various committees, all with their own terms of reference and areas of responsibility, i.e. Licensing Committee, Planning Committee, and there are elected members who are responsible for service areas within the Council.

5.16.5 Arrangements are in place to ensure Internal Audit fully complies with the Public Sector Internal Audit Standards (PSIAS). A self-assessment of the Internal Audit function against the requirements of the PSIAS was undertaken in 2020/21. The results demonstrated that Internal Audit were compliant with the PSIAS and this was reported to the Audit Committee.

5.16.6 The Internal Audit plan is developed using a risk-based approach taking into consideration the Strategic Risk Register, Service Plans and other audit intelligence. Audit recommendations made are communicated to relevant Service Delivery

Managers and relevant Senior Management representatives for consideration and implementation of recommendations. Internal Audit will share best practice in the duty of their work. The Audit plan is reviewed regularly to ensure it is still relevant and any changes made are reported to the Audit Committee.

- 5.16.7 The Council’s Communication Team works with Officers and Members to ensure key messages are in plain English and in consistent format.
- 5.16.8 The Council’s performance management framework is monitored by the Senior Management Team and has procedures in place that drive continuous improvement in performance.
- 5.16.9 The Council has identified lessons learnt from corporate complaints and complaints made to the Local Government Ombudsman and implemented measures accordingly.

	Signed	Dated
David Sidaway Chief Executive		
Cllr Shaun Davies Leader of the Council		
Cllr Nathan England Chair of Audit Committee		

## AGS ACTION PLAN FOR 2020/21 FOR IMPLEMENTATION DURING 2021/22

No	Findings	Actions	Lead Officers	Additional comments
1.	<p>Ongoing savings proposals and continued strategic management of organisational changes to continue particularly in light of COVID19.</p> <p><i>Re-iterated from 19/20 AGS</i></p>	<p>Continued management/reduced budgets, revised structures and commercial/ business approach which links to the continued development and implementation of revised governance framework.</p> <p>Financial impact of COVID19 under review.</p> <p>Further consultations on future savings where necessary.</p>	<ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• SMT</li> </ul>	
2.	<p>All internal audits consist of an ethics questionnaire that is sent to a sample of staff in the team/areas being audited to demonstrate their understanding of corporate policies and whether staff feel supported.</p> <p>Of those questioned, a very high proportion of staff felt that training provided was of an appropriate level. Work continues, however, to ensure that staff training and awareness is developed further we need and to ensure consistency throughout the organisation.</p>	<p>Induction process to be reviewed and re-publicised.</p> <p>Further guidance for managers in respect to completion of regular 121's, supervision and team briefs.</p> <p>Development of service strategies underpinned by team plans which link to the Councils priorities. This link to the APPD process creating the organisational golden thread</p> <p>Policy &amp; Development updating new management and leadership programme.</p>	<ul style="list-style-type: none"> <li>• SMT/SDM</li> <li>• Policy &amp; Development Manager</li> </ul>	

No	Findings	Actions	Lead Officers	Additional comments
	<p>It should be noted that these areas of improvement have been affected by the COVID pandemic.</p> <p>These findings have been shared when discussing individual audit reports with relevant managers and taken to SMT as part of reporting corporate recommendations.</p> <p><i>Re-iterated from 19/20 AGS</i></p>			
3.	<p>Responses from completed Internal Audit ethics questionnaires sent out indicated that a high majority of those contacted were aware of corporate policies. Again, work continued to develop consistent awareness of corporate policies throughout the employee base.</p> <p><i>Re-iterated from 19/20 AGS</i></p>	<p>Governance reminders sent to staff.</p> <p>Training and further publicity given on whistleblowing with new methods of reporting made available.</p> <p>Reminders on Gifts &amp; Hospitality will be sent to staff and further reminders given leading up to Christmas.</p>	<ul style="list-style-type: none"> <li>• SMT/SDM</li> <li>• Policy &amp; Development Manager</li> <li>• Audit &amp; Governance Lead Manager</li> </ul>	
4.	<p>The results of the annual governance certification process highlighted that in some service areas there were reductions in appropriate skilled staff numbers. Difficulties in recruiting have resulted in single points of failure or the use of agency staff.</p>	<p>Number of initiatives in place including service and workforce planning, apprenticeship scheme, Kickstart programme, etc.</p> <p>Policy &amp; Development updating new management and leadership programme.</p>	<ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Director of Finance &amp; Human Resources</li> <li>• Policy &amp; Development Manager</li> </ul>	

No	Findings	Actions	Lead Officers	Additional comments
	<p>Service Delivery Managers are aware of these issues and where possible are putting measures in place to try and mitigate this.</p> <p><i>Re-iterated from 19/20 AGS</i></p>	<p>Additional recruiting measures being used via social media platforms.</p>		
5.	<p>The results of the annual governance certification process has highlighted that service areas have experienced data breaches and potential near misses in respect to personal data.</p> <p>Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring.</p> <p>It should be noted that the Information Commissioners Office has not taken any action against the Council during this time.</p> <p><i>Re-iterated from 19/20 AGS</i></p>	<p>Information Governance to:</p> <ul style="list-style-type: none"> <li>• To ensure lessons are learnt after each breach and suggested improvements communicated corporately where applicable.</li> <li>• Audit &amp; Governance to review current training materials.</li> <li>• The Information Security Breach Procedure has been updated and is available on the Councils intranet. This has been publicised to all staff.</li> <li>• A new reporting tool has been developed that allows staff to report breaches using a computerised template. The template includes a field for lessons learnt which is a mandatory field.</li> <li>• Breaches are reported to the individual Director as and when they occur</li> <li>• Breaches are reported to Senior Management Team meetings on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>• SIRO/SMT</li> <li>• SDM's</li> <li>• Audit &amp; Governance Lead Manager</li> </ul>	

# **Independent auditor’s report to the members of the Borough of Telford of Wrekin Council**

(Page intentionally left blank)



**EXPENDITURE & FUNDING  
ANALYSIS AND  
ACCOMPANYING NOTES**

## Expenditure & Funding Analysis

The EFA is not a Primary Financial Statement and as such should be treated as a note to the accounts. Further details of adjustments between the funding and the accounting basis are contained in the note to the EFA. The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20			SERVICE	2020/21		
Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000	£000	£000		£000	£000	£000
43,650	1,672	45,322	Adult Social Care	51,230	(2,179)	49,051
31,906	1,077	32,983	Children's Safeguarding & Family Support	38,578	(1,896)	36,682
4,987	3,423	8,410	Communities, Customer & Commercial Services	6,923	7,103	14,026
387	78	465	Corporate Communications	211	512	723
(4,911)	(21,354)	(26,265)	Council Wide	(13,177)	(4,075)	(17,252)
5,765	(16,426)	(10,661)	Education & Skills	9,825	(11,316)	(1,491)
11,899	14,265	26,164	Finance & Human Resources	8,717	(6,562)	2,155
2,099	323	2,422	Health, Wellbeing & Commissioning	3,597	(6,287)	(2,690)
409	(3,064)	(2,655)	Housing, Employment & Infrastructure	1,983	(898)	1,085
21,603	(4,764)	16,839	Neighbourhood & Enforcement Services	25,550	(7,932)	17,618
5,062	729	5,791	Policy & Governance	1,274	4,284	5,558
(1,211)	6,884	5,673	Prosperity & Investment	(5,587)	5,049	(538)
<b>121,645</b>	<b>(17,157)</b>	<b>104,488</b>	<b>Net Cost Of Services</b>	<b>129,124</b>	<b>(24,197)</b>	<b>104,927</b>
(121,791)	10,099	(111,692)	Other Income & Expenditure	(129,163)	10,598	(118,565)
<b>(146)</b>	<b>(7,058)</b>	<b>(7,204)</b>	<b>(Surplus) or Deficit</b>	<b>(39)</b>	<b>(13,599)</b>	<b>(13,638)</b>
5,083			Opening General Fund Balance	5,229		
146			Surplus or (Deficit) for year	39		
0			Other approved uses	(50)		
<b>5,229</b>			<b>Closing General Fund Balance</b>	<b>5,218</b>		

## Expenditure & Funding Analysis Notes

### 1. Adjustments between funding and accounting basis

2020/21

	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other* Adjustments	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Adult Social Care	51,230	81	0	(2,260)	(2,179)	49,051
Children's Safeguarding & Family Support	38,578	119	0	(2,015)	(1,896)	36,682
Communities, Customer & Commercial Services	6,923	2,657	0	4,446	7,103	14,026
Corporate Communications	211	(46)	0	558	512	723
Council Wide	(13,177)	393	9,762	(14,230)	(4,075)	(17,252)
Education & Skills	9,825	1,344	0	(12,660)	(11,316)	(1,491)
Finance & Human Resources	8,717	(957)	0	(5,605)	(6,562)	2,155
Health, Wellbeing & Commissioning	3,597	3	0	(6,290)	(6,287)	(2,690)
Housing, Employment & Infrastructure	1,983	(136)	0	(762)	(898)	1,085
Neighbourhood & Enforcement Services	25,550	(5,903)	0	(2,029)	(7,932)	17,618
Policy & Governance	1,274	19	0	4,265	4,284	5,558
Prosperity & Investment	(5,587)	(8,939)	0	13,988	5,049	(538)
<b>Net Cost of Services</b>	<b>129,124</b>	<b>(11,365)</b>	<b>9,762</b>	<b>(22,594)</b>	<b>(24,198)</b>	<b>104,927</b>
Other Income & Expenditure	(129,163)	(1,646)	7,300	4,944	10,598	(118,565)
<b>(Surplus) or deficit on provision of services</b>	<b>(39)</b>	<b>(13,011)</b>	<b>17,062</b>	<b>(17,650)</b>	<b>(13,599)</b>	<b>(13,638)</b>

\* - Other Adjustments include technical adjustments for MRP, accumulated absences, revenue grants and movement in reserves.

**2019/20**

	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Adult Social Care	43,650	91	0	1,581	1,672	45,322
Children's Safeguarding & Family Support	31,906	165	0	912	1,077	32,983
Communities, Customer & Commercial Services	4,987	2,027	0	1,396	3,423	8,410
Corporate Communications	387	0	0	78	78	465
Council Wide	(4,911)	1,351	13,324	(36,029)	(21,354)	(26,265)
Education & Skills	5,765	(11,908)	0	(4,518)	(16,426)	(10,661)
Finance & Human Resources	11,899	509	0	13,756	14,265	26,164
Health, Wellbeing & Commissioning	2,099	16	0	307	323	2,422
Housing, Employment & Infrastructure	409	(3,110)	0	46	(3,064)	(2,655)
Neighbourhood & Enforcement Services	21,603	(5,185)	0	421	(4,764)	16,839
Policy & Governance	5,062	110	0	619	729	5,791
Prosperity & Investment	(1,211)	2,746	0	4,138	6,884	5,673
<b>Net Cost of Services</b>	<b>121,645</b>	<b>(13,188)</b>	<b>13,324</b>	<b>(17,293)</b>	<b>(17,157)</b>	<b>104,488</b>
Other Income & Expenditure	(121,791)	(1,182)	7,372	3,909	10,099	(111,692)
<b>(Surplus) or deficit on provision of services</b>	<b>(146)</b>	<b>(14,370)</b>	<b>20,696</b>	<b>(13,384)</b>	<b>(7,058)</b>	<b>(7,204)</b>

## **Adjustments for Capital Purposes**

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 throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## **Net Change for the Pensions Adjustments**

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 on the defined benefit liability is charged to the CIES.

## **Other Adjustments**

### **Other Statutory Adjustments**

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

### **Other Non-statutory Adjustments**

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

## 2. **Segmental Income**

	2019/20 £000	2020/21 £000
Adult Social Care	25,889	30,158
Children's Safeguarding & Family Support	3,875	2,777
Communities, Customer & Commercial Services	79,503	70,753
Corporate Communications	161	31
Council Wide	17,443	30,079
Education & Skills	114,083	118,187
Finance & Human Resources	9,110	10,107
Health, Wellbeing & Commissioning	11,724	16,735
Housing, Employment & Infrastructure	2,244	3,588
Neighbourhood & Enforcement Services	7,017	7,022
Policy & Governance	1,133	604
Prosperity & Investment	27,515	18,324
<b>Net Cost of Services</b>	<b>299,697</b>	<b>308,365</b>

**CORE FINANCIAL STATEMENTS  
AND  
ACCOMPANYING NOTES**

## Comprehensive Income and Expenditure Account

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 regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure & Funding Analysis.

SERVICE	2019/20			2020/21		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Adult Social Care	70,788	25,466	45,322	79,384	30,333	49,051
Children's Safeguarding & Family Support	36,951	3,968	32,983	39,459	2,777	36,682
Communities, Customer & Commercial Services	79,232	70,822	8,410	77,074	63,048	14,026
Corporate Communications	626	161	465	800	77	723
Council Wide	(8,839)	17,426	(26,265)	10,655	27,907	(17,252)
Education & Skills	114,949	125,610	(10,661)	116,347	117,838	(1,491)
Finance & Human Resources	30,950	4,786	26,164	18,051	15,896	2,155
Health, Wellbeing & Commissioning	14,110	11,688	2,422	14,045	16,735	(2,690)
Housing, Employment & Infrastructure	6,400	9,055	(2,655)	8,656	7,571	1,085
Neighbourhood & Enforcement Services	33,579	16,740	16,839	37,946	20,328	17,618
Policy & Governance	6,924	1,133	5,791	6,163	605	5,558
Prosperity & Investment	31,573	25,900	5,673	25,119	25,657	(538)
<b>Net Cost of Services</b>	<b>417,243</b>	<b>312,755</b>	<b>104,488</b>	<b>433,699</b>	<b>328,772</b>	<b>104,927</b>
Other Operating Expenditure (Note 7)			3,246			3,238
Financing and Investment Income and Expenditure (Note 8)			12,684			6,549
Taxation & Non Specific Grant Income and Expenditure (Note 9)			(127,622)			(128,352)
<b>(Surplus) or deficit on provision of services</b>			<b>(7,204)</b>			<b>(13,638)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(53,933)			(22,557)
(Surplus) or deficit on revaluation of Available for Sale financial assets			282			0
Re-measurements of the net defined benefit pension liability (Note 12)			(7,073)			45,700
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(60,724)</b>			<b>23,143</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(67,928)</b>			<b>9,505</b>



## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

	General Fund Balance & Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019 carried forward</b>	<b>85,490</b>	<b>6,858</b>	<b>92,348</b>	<b>(159,673)</b>	<b>(67,325)</b>
Total Comprehensive Income and Expenditure	7,204	0	<b>7,204</b>	60,724	<b>67,928</b>
Adjustments between accounting basis & funding basis under regulations (Note 14)	(132)	15,568	<b>15,436</b>	(15,436)	<b>0</b>
<b>Increase/ (Decrease) in 2019/20</b>	<b>7,072</b>	<b>15,568</b>	<b>22,640</b>	<b>45,288</b>	<b>67,928</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>92,562</b>	<b>22,426</b>	<b>114,988</b>	<b>(114,385)</b>	<b>603</b>
Total Comprehensive Income and Expenditure	13,638	0	<b>13,638</b>	(23,143)	<b>(9,505)</b>
Adjustments between accounting basis & funding basis under regulations (Note 14)	21,408	1,466	<b>22,874</b>	(22,874)	<b>0</b>
<b>Increase/ (Decrease) in 2020/21</b>	<b>35,046</b>	<b>1,466</b>	<b>36,512</b>	<b>(46,017)</b>	<b>(9,505)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>127,608</b>	<b>23,892</b>	<b>151,500</b>	<b>(160,402)</b>	<b>(8,902)</b>

It should be noted that of the total usable reserves, £151.5m, only £5.2m is uncommitted general fund balances. The remainder includes earmarked reserves and school balances, see note 29 and 30. There are also unusable reserves see note 31.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), 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'.

31 March 2020 £000		Notes	31 March 2021 £000
521,532	Property, Plant & Equipment	15a	563,531
102,143	Investment Properties	15b	107,754
1,989	Intangible Assets	17	2,338
13,300	Long Term Investments	21,22,23	16,300
32,859	Long Term Debtors	21	40,102
<b>671,823</b>	<b>Long Term Assets</b>		<b>730,025</b>
208	Inventories		281
34,869	Debtors	23	50,219
6,999	Assets Held for Sale	18	7,615
30,583	Cash and Cash Equivalents	25	20,772
<b>72,659</b>	<b>Current Assets</b>		<b>78,887</b>
(15,325)	Provisions	26	(16,615)
(67,149)	Short term Borrowing	21,22	(79,177)
(72,742)	Creditors	27	(78,307)
<b>(155,216)</b>	<b>Current Liabilities</b>		<b>(174,099)</b>
<b>(82,557)</b>	<b>Net Current Assets/(Liabilities)</b>		<b>(95,212)</b>
(209,036)	Less Long Term Borrowing	21,22	(201,908)
(48,027)	Less Long Term Creditors (PFI & Finance Leases)	21,28	(50,713)
(328,327)	Less Pensions Liability	12	(391,089)
(3,273)	Capital Grants Receipts in Advance	41	(5)
<b>(593,663)</b>	<b>Long Term Liabilities</b>		<b>(643,715)</b>
<b>603</b>	<b>Net Assets/(Liabilities)</b>		<b>(8,902)</b>
114,989	Usable Reserves	29,30	151,500
(114,385)	Unusable Reserves	31	(160,402)
<b>603</b>	<b>Net Reserves</b>		<b>(8,902)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20 £000		2020/21 £000
(7,204)	Net (surplus) or deficit on the provision of services	(13,638)
(35,608)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36)	(42,983)
39,208	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37)	37,081
<b>(3,604)</b>	<b>Net cash flows from Operating Activities</b>	<b>(19,540)</b>
(4,602)	Investing Activities (Note 38)	16,937
(6,879)	Financing Activities (Note 39)	12,414
<b>(15,085)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>9,811</b>
<b>15,498</b>	Cash and cash equivalents at the beginning of the reporting period	<b>30,583</b>
<b>30,583</b>	Cash and cash equivalents at the end of the reporting period (Note 25)	<b>20,772</b>

# Notes to the Core Financial Statements

## 1. Accounting Policies

### a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (COP), based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). They are further supplemented by International Public Sector Accounting Standards (IPSAS).

### b) Concepts

These accounts have been prepared in accordance with the all-pervading concepts of accruals and going concern, together with comparability, verifiability, timeliness, understanding of and primacy of legal requirements as set out in the COP. Under the going concern concept, although the Council has net current liabilities of £95.2m, it is a going concern as the Council has access to Public Works Loan Board borrowing and future Council Tax revenues. (See Note 22 for detail on interest rate risk). Local Authorities can only be discontinued under statute.

### c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice, IAS 18 and IFRS 15. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. 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. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation.
- 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 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 income not collected.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

#### **d) Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits. 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.

Investments that are short-term are defined as highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value. Under this definition investments held in call accounts would count as cash equivalents but fixed term investments and investments in notice accounts would not, as they are not readily convertible to cash.

#### **e) Contingent Asset**

A contingent asset is a possible asset that arises for a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. The Council does not recognise contingent assets, but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### **f) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Council or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Council does not recognise a contingent liability but discloses its existence in the financial statements.

#### **g) Employee Benefits**

The accounting arrangements for Employee Benefits are covered by IAS 19. The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The areas of remuneration that relate to the Council are as follows:

- Salaries and Wages
- Compensated Absences (paid annual leave and sick leave)
- Pensions Benefits
- Termination Benefits

#### **Salaries and Wages**

The amount of salary or wage earned by an employee will be recognised in the financial year to which it relates.

#### **Compensated Absences**

The expected cost of short-term compensated absences should be recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

In relation to annual leave and time off in lieu an estimation of the value of any untaken annual leave and the time off in lieu position at the end of the financial year will be undertaken and an appropriate amount included in the accounts. Sick leave is non accumulating and is accounted for when absences occur.

### **Pensions Benefits**

The Council participates in three formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, the National Health Service Pension Scheme, administered by NHS Pensions and the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the DfE.

Under International Accounting Standards and accounting Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees, rather than when benefits are eventually paid as pensions. For the Local Government Pension Scheme, these costs are provided by the fund actuaries and are included as a cost in the financial statements. However, statutory provision requires that the General Fund Balance is charged with the amount payable by the Council and not the amount calculated according to the accounting standard, therefore compensating entries are posted through the Movement in Reserves Statement which result in the General Fund Balance not being impacted by future pension liabilities.

Arrangements for the Teachers' scheme and the NHS Scheme mean that liabilities for future benefits cannot be separately identified for the Council and no liability for future payments of benefits is therefore recognised in the financial statements for these, and the employer's contribution is charged to the CIES in the year.

See Notes 11, 12 and 13.

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2020/21 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any Authority's share of the assets and liabilities under the Teachers' scheme or the National Health Service scheme.

The age profile of this Council's Local Government Pension Scheme is not currently rising significantly, so we should not see the current liabilities of the scheme rising significantly as the members approach retirement.

### **Termination Benefits**

Any termination benefits awarded during the financial year will be included in the Comprehensive Income and Expenditure Statement in that year. Where the amount has not been paid at the balance sheet date, a provision will be created in the accounts for that year.

### **h) Events After the Reporting Period**

Where a material post balance sheet event occurs which

- Provides additional evidence relating to conditions existing at the balance sheet date; or
- Indicates that application of the going concern concept to a material part of the Authority is not appropriate;

Changes will be made in the amounts to be included in the statement of accounts or disclosed in a note.

## **i) Exceptional Items and Prior Period Adjustments**

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the authority, and which need to be disclosed separately by virtue of their size or incidence if the financial statements are to give a true and fair view.

Prior Period Adjustments relate to corrections of errors in the financial statements of prior periods, retrospective adjustments resulting from changes to accounting policy or adoption of new accounting treatments. The correct accounting treatment for prior period adjustments for a comparative financial statement is to restate the amount to be adjusted and show the impact on the accounts. Please see Note 2.

## **j) Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES 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.

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

- Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made two loans to local organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES 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 is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, 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 CIES to the net gain 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.

Any gains and losses that arise from the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

- Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, 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 authority.

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.

- Financial Assets Measured at Fair Value through Profit & 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 from the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **k) Government Grants and Other Contributions**

The accounting treatment of transactions within the Authority's financial statements have been determined following the general principal of whether the Authority is acting as the Principal or Agent. Where the Authority is acting as Principal, i.e. acting on its own behalf, transactions have been included in the Authority's financial statements. Where the Authority is acting as Agent, i.e. acting as an intermediary, transactions have not been reflected in the Authority's financial statements, with the exception of cash collected or expenditure incurred by the agent on behalf of the principal in which case there is a debtor / creditor position included in financing activities in the cashflow statement.

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is recognised in the comprehensive income and expenditure statement (CIES) unless there is an outstanding condition, where it is transferred to capital grant receipts in advance until the condition is met or the grant is returned. Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

#### **l) Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Authority as a result of past events, and future economic benefits must be expected to flow from the intangible asset to the Authority. Usually within local authorities this relates to in house developed software.

#### **m) Inventories and Long Term Contracts**

Stocks are valued in accordance with IAS 2 at current value with an allowance made for obsolescent and slow-moving items. Any long term contracts in existence at 31 March are apportioned to the year in relation to when the work was carried out rather than the year in which the contract was completed.

#### **n) Investment Properties**

Investment property is property (land or a building – or part of a building – or both) held for regeneration, economic development and investment, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

**o) Leases**

The Council accounts for leases as Finance Leases when substantially all the risks and rewards relating to the ownership of the leased asset are transferred to the Council. Leases that do not meet this definition are accounted for as Operating Leases. The Council also operates as Lessor for its Property Investment Portfolio.

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation, is explained in Note 49 to the Core Financial Statements.

Rentals payable under operating leases are charged to revenue on an accruals basis.

The cost of assets acquired under operating leases and the related liability for future rentals payable are not included in the balance sheet.

**p) Non-current Assets Held for Sale**

Assets are classified as being held for sale if the following conditions are met:

- management is committed to a plan to sell,
- the asset is available for immediate sale,
- an active programme to locate a buyer is initiated,
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions),
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value,
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

**q) Interests in Companies and Other Entities**

The Council has a wholly owned Company, NuPlace Ltd for the provision of market rented housing in the borough and is required to prepare Group Accounts. Group Accounts have been prepared on a line for line basis; accounting policies are aligned between NuPlace and the Council; and intra-group transactions have been eliminated. In the authority's own single-entity accounts, the interest of NuPlace is recorded as a financial asset, less any provision for losses.

The Council is one of four constituent authorities for the West Mercia Energy purchasing consortium (WME). WME transactions are excluded from the Council's financial statements on the basis that they are not material to the fair presentation of the financial position of the Council. Note 56 shows an extract of WME's balance sheet at 31 March 2021.

**r) Overheads**

The revenue accounts for the various services include charges for the related support services. These are agreed annually and are based on agreed criteria. Support Services are allocated in line with CIPFA recommended practice. As the Code of Practice does not allow transactions between segments in the service analysis, internal recharges have been eliminated from gross income and gross expenditure in the Comprehensive Income and Expenditure Statement.

**s) Private Finance Initiative**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has one PFI scheme which was entered into in March 2006 and

is for the provision of school and leisure facilities at Hadley Learning Community and Queensway for £289m.

IFRIC 12 Service Concession Arrangements requires the Council to assess the level of control each party has within the PFI contract. The result of this assessment is that the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries on the Balance Sheet the property, plant and equipment used under the contracts.

An asset has been recognised and a long term financial lease creditor created to reflect the asset in the accounts and recognise the commitment to make future payments to the operator.

The original recognition of this property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Property, plant and equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

Amounts payable to PFI operators are analysed into five elements. Fair value for the services received in the year (debited to the appropriate service). Finance cost (debited to interest payable and similar charges). Contingent rent – increases in the amount to be paid for the property arising during the contract (debited to interest payable and similar charges). Payment toward liability (applied to write down the Balance Sheet liability towards the PFI operator). Lifecycle replacement costs (recognised as a fixed asset on the balance sheet).

#### **t) Property, Plant & Equipment**

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on property, plant and equipment is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of property, plant and equipment, which is charged direct to service revenue accounts.

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Property, plant and equipment are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value.
- non-operational assets and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value.
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Revaluations of property, plant and equipment are planned at five yearly intervals, where circa 70% of the value of all properties will be completed on an annual basis as the Council transitions to three yearly intervals for revaluation. Three yearly intervals should be implemented by 31 March 2022. Material changes to asset valuations will be adjusted in the interim period, as they occur. Surpluses or deficits arising from revaluation are credited

or debited to the revaluation reserve respectively as long as there is a sufficient balance on the reserve in respect of deficits. Where there is an insufficient balance or a clear consumption of economic benefits, deficits are charged to the income and expenditure account as impairments.

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals. Other assets previously acquired under advance and deferred purchase schemes are also recognised and included in the balance sheet.

Income from the disposal of property, plant and equipment is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing account, and has not been used, is included in the balance sheet as usable capital receipts.

Expenditure on site clearance carried out prior to contract signature is capitalised as part of the Council's land value.

As at 31<sup>st</sup> March 2021 there were 3 significant capital contracts in place. These totalled £12.727m and are detailed in Note 15a.

#### **u) Depreciation**

Depreciation is provided for on all property, plant and equipment with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are depreciated from the start of the year after they are acquired, assets in the course of construction are not depreciated until the year after they are brought into use. Depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method over its estimated life.
- depreciation is not provided for on Investment Properties.

#### **v) Charges to Revenue in Respect of Property, Plant and Equipment**

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all property, plant and equipment used in the provision of services. The total charge covers the annual provision for depreciation and impairments. Where there is sufficient balance in the Revaluation Reserve, impairments are charged there, otherwise they are charged to the Revenue Account. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

#### **w) Provisions**

The Council sets aside provisions for specific future expenses which are likely, or certain, to be incurred, based on the best estimate available.

#### **x) Reserves**

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in Notes 29, 30 and 31.

The current system of capital accounting also requires the maintenance of two accounts in the balance sheet:

- the revaluation reserve, which represents principally the balance of the upward revaluations of property, plant and equipment and;

- the capital adjustment account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other financing transactions.

**y) Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Legislation allows some expenditure to be classed as capital for funding purposes when it does not result in an asset on the balance sheet, for example work on properties owned by another organisation. This is charged to the relevant service in the Comprehensive Income & Expenditure Account and then transferred via the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the General Fund balance.

**z) Value Added Tax**

Local Authorities pay VAT on purchases and charge VAT on supplies of goods and services. Usually the amount of VAT paid on purchases is greater than that received for goods and services and the difference is reclaimed. The figures included in the statement of accounts exclude VAT except in infrequent circumstances where it is not reclaimable.

**aa) Direct Revenue Financing of Capital Expenditure**

The Council is permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts.

**ab) Interest on Surplus Funds and Balances**

All interest earned on surplus cash or funds and balances is taken to the General Fund, except appropriate interest that is credited to the school balances, section 106 agreements, commuted sums, insurance provision (Ex Shropshire Council) and certain Adult Social Care balances.

**ac) Capital Receipts**

Capital receipts from the disposal of assets are held in the usable capital receipts account until such time as they are used to finance other capital expenditure or to repay debt. During 2020/21, the Council funded £0.564m of expenditure in its Comprehensive Income and Expenditure Account from capital receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

**ad) The Redemption of Debt**

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008 and Explanatory Memorandum and Guidance.

The "Minimum Revenue Provision" (MRP) is calculated on the basis of the life of the asset and the ultimate funding of that asset. MRP is not charged until the year after the asset comes into operation.

**ae) Estimation Techniques**

Estimation techniques are methods adopted by the Authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at using an estimation technique.

**af) Heritage Assets**

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values

are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For the Council's heritage assets no cost information is available and the cost of obtaining that value is disproportionate to the benefit.

A list of the Council's Heritage assets is included in Note 19.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

#### **ag) Capitalisation Of Interest**

Following a change in guidance the Council amended its policy on capitalisation of interest in 2013/14. Previously all interest has been charged to revenue in the year incurred, however, part of this interest cost relates to capital schemes under construction. With effect from 1 April 2013, interest costs relating to assets under construction will be capitalised, but only during the construction phase of the scheme. A threshold of £1m will be applied to this policy i.e. interest will only be capitalised for programme items where prudential borrowing exceeds £1m in year. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years spread over the life of the respective assets. No interest was charged to capital rather than revenue for the financial year 2020/21.

#### **ah) Accounting for Council Tax and Non Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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 Telford & Wrekin 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 repayments.

In relation to Non-Domestic Rates, Telford & Wrekin Council collects income due as an agency arrangement. As with council tax, the cash collected belongs proportionately to Telford & Wrekin 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.

### **ai) Accounting for Local Authority Maintained Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements of the authority as if there were transactions, cash flows and balances of the authority.

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. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998.

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.

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 either on a 125 year peppercorn lease or the freehold of land and buildings has been transferred to the Academy. When schools transfer to Academy status the assets are written out of the balance sheet as at the date that the asset transfers.

## **2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted and Prior Period Adjustments**

At the balance sheet date the following new standards and amendments to existing standards have been published and will be introduced by the 2020/21 Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1<sup>st</sup> April 2022. The impact will be assessed for inclusion in the 2021/22 Statement of Accounts.

- Definition of a Business: amendments to **IFRS 3 Business Combinations**
- Interest Rate Benchmark Reform: amendments to **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition & Measurement and IFRS 7 Financial Instruments Disclosures**
- Interest Rate Benchmark Reform – Phase 2: amendments to **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition & Measurement and IFRS 7 Financial Instruments Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases**

### **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, given levels of uncommitted reserves and the long track record of managing significant budget reductions and sound financial management, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has one PFI contract for the provision of school and leisure facilities at Hadley Learning Community and Queensway. Under the requirements of IFRIC 12, it has been determined that the arrangements is controlled by the Council and the accounting policy (Note 1(s)) relating to PFI schemes has been applied.
- West Mercia Energy – the Council has determined that the exclusion of WME’s transactions from the Council’s own accounts will not materially impact the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by the reader. Note 56 provides details of the arrangement and an extract of the balance sheet of the West Mercia Energy Joint Committee.
- Pension Fund Liability – an actuarial evaluation of the Shropshire Local Government Pension Fund is undertaken every three years by the Fund actuary, Mercers, with annual updates in the intervening years. The methodology used is in line with IAS 19. Estimates of Pension Assets and Liabilities are sensitive to actuarial assumptions and can vary significantly based on changes to these assumptions.
- Recognition of Schools – the Council recognises the land and buildings used by schools in line with the provisions of the Codes of Practice. An assessment of the different schools operated has been undertaken to determine the accounting treatment (see Note 1(ai) above).
- Revenue from contracts with service recipients (IFRS 15) – IFRS 15 requires the Council to recognise revenue only when its obligations are delivered and accepted by ‘service recipients’. A service recipient is a party that has contracted with an authority to obtain goods or services that are an output of the authority’s normal operating activities in exchange for consideration.



Any delay between receipt of income and performance of obligations is considered to be minimal and below the materiality limit for qualifying, non-statutory services.

Where payments are received in advance of the Council fully discharging its obligations, for example in relation to planning fees or registration fees, these are appropriately recognised in the correct year through applying the accruals policy.

- Provision for single status – the council has taken into consideration a number of factors to determine the level in the single status provision including the nature of service delivery (grounds, refuse and cleansing are all provided by external contractors) and the restructuring programme which has taken place over the past 10+ years which reduces the potential future risk.

#### **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £1.8m for every year that useful lives had to be reduced.
<b>Property, Plant and Equipment</b>	The effects of the COVID-19 Virus will affect the work carried out by valuers in a variety of ways, with varying impacts. All assets were valued in accordance with usual practices and no access issues for valuation purposes have been reported.  For land, whilst there have been some deals stalling or falling away during 2020 the level of enquiries at the end of 2020 for both commercial land and residential land were starting to	A 1% movement on the valuation of Land & Buildings equates to +/- £3.4m

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>increase. This was due to the development of vaccines as away for the business to re-open in the UK.</p> <p>The level of optimism continues to grow into 2021 however it is difficult predict the full impact until all local and national subsidies and grants have ceased.</p>	
<b>Property Portfolio</b>	<p>The effects of the COVID-19 Virus will affect the work carried out by valuers in a variety of ways, with varying impacts. The exact consequences of the COVID-19 outbreak are unknown. All assets were valued in accordance with usual practices and no access issues for valuation purposes have been reported.</p> <p>For 2020/21 uncertainty for the Property Portfolio has been lessened by the on-going relationships with tenants and any issues reported have been factored into the valuations and assessments.</p> <p>The market is still in flux and it is not known yet what the full impact of the Covid-19 crisis will be. It would appear that the retail market is changing, with online retail undergoing a boost due to the retail outlets being shut for significant periods of time since March 2020. However it is still unclear what the ultimate impact of this will be.</p>	<p>A 1% movement on the valuation of Investment Properties equates to +/- £1.0m</p>
<b>Pensions Liability</b>	<p>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 Authority with expert advice about the assumptions to be applied.</p> <p>Since February 2020 there has been substantial volatility in financial markets around the world in relation to the Covid-19 pandemic, and while this has reduced in recent months, the potential</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £16.7m. However, the assumptions interact in complex ways.</p> <p>Asset values included in the 2020/21 accounting figures equates to £24.1m of the property fund assets attributable to the Council. If</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	for further volatility remains. This may have consequences for asset values which is reflected in the 2020/21 accounting figures. Market volatility has also extended to corporate bonds, and as the discount rate for accounting purposes is based on corporate bond yields, this also impacts on accounting liabilities. Further, market-implied RPI has also been impacted.	these asset valuations were overstated by 10% this would have a £2.4m impact on the net pension liability.
<b>Arrears</b>	<p>At 31 March 2021, the Authority had a balance of £58.11m for sundry debtors. The Council has set aside a bad debts provision of £7.89m (13.6%) in relation to these. It is our view that this level of provision is sufficient.</p> <p>The ongoing impact of COVID-19 has created uncertainty around future collection rates although it is not possible to predict the long-term impact.</p>	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £2.9m to be set aside as an allowance.
<b>Single Status</b>	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 <sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2020/21 accounts, as was the case last year.	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower, then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and future Council Tax increases.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

### **COVID-19**

The coronavirus pandemic (Covid-19) has had a huge impact across the country. During this unprecedented year, the Council has continued to provide all its usual services, subject to national restrictions, as well as providing additional support to Telford & Wrekin residents and businesses.

Throughout the year, the Council continued to demonstrate robust financial management. As anticipated, there were a number of significant variations from the approved budget which related to Covid-19 however spend was effectively managed.

Importantly the Council did not make any unplanned use of reserves in 2020/21 and has retained a prudent level of balances set aside which will support the delivery of the medium-term Service & Financial Planning Strategy and support a high level of financial resilience in future years, as the Council will continue to feel the longer-term impacts of Covid including national funding pressures and, at the same time also, face the uncertainties of planned changes to the local government funding system.

During 2020/21 the Government provided a range of Covid financial support packages. These included additional funding to support service pressures (both income and expenditure) caused by the pandemic, funding for specific measures and initiatives, and grants paid to local businesses. In accordance with the Code of Practice, where the authority has the ability to determine/influence the grant scheme criteria it is said to be acting as a Principal. Where the authority has acted as principal, transactions are included in the financial statements and on this basis, the majority of Covid grants are recognised in the CIES. However there are some instances where the Council has acted as an agent i.e. the Council has simply acted as an intermediary and passed the funds onto recipients following government criteria. Where the Council has acted as an agent, transactions are not reflected in the authority's financial statements, with the exception of cash collected or expenditure incurred by the agent on behalf of the principal in which case there is a debtor / creditor position included in financing activities in the cashflow statement.

One measure the Government put in place was to provide 100% business rates discount for the hospitality, leisure and hospitality sectors. Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2020/21. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2020/21. Therefore, £15.4m of the upfront payment received in 2020/21 has been set aside in reserves at year end to offset this deficit in 2021/22. This and other Covid grants has resulted in an increase in reserves at 31 March 2021.

## **Brexit**

The UK formerly left the European Union on 31<sup>st</sup> January 2020 and trade deal negotiations continued to within days of the scheduled end of the transition period on 31<sup>st</sup> December 2020 and new rules apply to travel and doing business with Europe. Unsurprisingly, the Covid-19 response and recovery has taken precedence over Brexit and there is still some uncertainty in relation to the new arrangements. The Local Government Association represents local government with the aim of ensuring that councils can mitigate key risks. The Council will continue to monitor the position as information becomes available.

## **5. Events After the Reporting Period**

The unaudited Statement of Accounts was authorised for issue by the Director: Finance & Human Resources on 26<sup>th</sup> May 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **6. Disclosure of Deployment of Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can

only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2020/21 before Academy & High Needs Recoupment			163,359
Less Academy & High Needs figure recouped for 2020/21			61,962
<b>Total DSG after Academy recoupment for 2020/21</b>			<b>101,397</b>
Plus brought forward from 2019/20			120
<b>Agreed budgeted distribution in 2020/21</b>	18,240	83,277	<b>101,517</b>
In Year Adjustments	0	(78)	<b>(78)</b>
<b>Final Budget Distribution for 2020/21</b>	<b>18,240</b>	<b>83,199</b>	<b>101,439</b>
Less actual Central Expenditure	17,846		17,846
Less actual ISB deployed to Schools		83,016	83,016
<b>Carry Forward to 2021/22</b>	<b>394</b>	<b>183</b>	<b>577</b>

## **7. Other Operating Expenditure**

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
4,330	Parish Council Precepts	4,785
98	Payment of RSG to Parishes	99
0	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	0
(1,182)	(Gains)/losses on the disposal of non-current assets – Other Assets	(1,646)
<b>3,246</b>	<b>Total</b>	<b>3,238</b>

## **8. Financing and Investment Income and Expenditure**

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
0	Premiums/Discounts on debt redemption	0
11,103	Interest payable and similar charges	10,860
(1,621)	Interest receivable and similar income	(1,945)
7,372	Pensions interest cost and expected return on pensions assets	7,300
(4,170)	Income and expenditure in relation to Property Investment Portfolio and changes in their fair value	(9,666)
<b>12,684</b>	<b>Total</b>	<b>6,549</b>

## 9. Taxation and Non Specific Grant Income and Expenditure

2019/20 £000		2020/21 £000
(70,664)	Council tax income	(73,434)
(1,750)	Collection Fund Surplus/Deficit	(1,934)
(36,832)	Non domestic rates	(18,550)
(4,702)	Non domestic rates Top Up Grant	(4,970)
(9,812)	Revenue Support Grant	(9,972)
(3,862)	Section 31 Grant	(19,492)
<b>(127,622)</b>	<b>Total</b>	<b>(128,352)</b>

## 10. Expenditure and Income Analysed by Nature

2019/20 £000		2020/21 £000
	<b>Expenditure</b>	
94,807	Employee benefits expenses	96,525
329,285	Other services benefits	340,599
16,008	Depreciation, amortisation and impairment	13,252
9,409	Interest Payments	10,774
4,428	Precepts and levies	4,884
(1,182)	Gains / (losses) on disposal of assets	(1,646)
<b>452,755</b>	<b>Expenditure Total</b>	<b>464,388</b>
	<b>Income</b>	
(70,162)	Fees, charges and other service income	(55,765)
(132)	Interest & investment income	(2,109)
(109,246)	Income from Council Tax & NDR	(93,918)
(280,419)	Government Grants and other contributions	(326,234)
<b>(459,959)</b>	<b>Income Total</b>	<b>(478,026)</b>
<b>(7,204)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(13,638)</b>

## Revenue from Contracts with Service Recipients

IFRS 15 requires the Council to recognise revenue only when its obligations are delivered and accepted by 'service recipients'. A service recipient is a party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration.

Any delay between receipt of income and performance of obligations is considered to be minimal and below the materiality limit for qualifying, non-statutory services.

Where payments are received in advance of the Council fully discharging its obligations, for example in relation to planning fees or registration fees, these are appropriately recognised in the correct year through applying the accruals policy.

## 11. 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 fund payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in three formal Pension Schemes:

- The Local Government Pension Scheme, administered by Shropshire County Pension Fund
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education
- The NHS Pension Scheme, administered by NHS Pensions

## **12. Defined Benefit Pension Schemes Participation in Pension Schemes**

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under IAS 19 and has resulted in transactions impacting on the Income and Expenditure Account.

The cost of retirement benefits are recognised 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 required against council tax is the cash paid in the year, so the cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Further information is contained in Note 1(g) of the Accounting Policies.

The Council's share of the deficit on the Local Government Pension Scheme has increased by £62.76m; This is mainly due to changes in the financial assumptions at the accounting date (with assumed future inflation having increased from last year, and a decrease in the assumed discount rate for scheme liabilities), partially offset by the Fund's positive investment performance. Note that the financial assumptions are based on bond yields at the accounting date in line with the accounting requirements.

The Superannuation Act 1972 provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 17 years. (17 years 2019/20).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £14.437m. The contribution rate was set for 2021/22 at 15.8% (2020/21 15.8%), plus a lump sum. The combined rate for 2021/22 is estimated at 18.8%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31<sup>st</sup> March 2021 the cumulative amount of actuarial losses recognised in the statements is £212.97m.

The Council's assets and liabilities related to the Local Government Pension Scheme operated by Shropshire Council amounted to:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
(846,133)	Present Value of Funded Benefit Obligations	(1,000,662)

2019/20 £000		2020/21 £000
(8,379)	Present Value of Unfunded Benefit Obligations	(8,597)
<b>(854,512)</b>	<b>Total Present Value of Benefit Obligations</b>	<b>(1,009,259)</b>
526,185	Fair Value of Pension Fund Assets	618,170
<b>(328,327)</b>	<b>Surplus/(Deficit)</b>	<b>(391,089)</b>

### Change in Benefit Obligation during year

2019/20 £000		2020/21 £000
(852,874)	Benefit Obligation at Beginning of Year	(854,512)
(24,650)	Current Service Cost	(23,556)
(20,268)	Interest on Pension Liabilities	(20,341)
(4,552)	Member Contributions	(4,793)
29,874	Re-measurements (Liabilities)	(124,173)
(3,120)	Past Service Costs	(400)
(133)	Curtailment Cost	(76)
21,211	Benefits / Transfers Paid	18,592
<b>(854,512)</b>	<b>Benefit Obligation at End of Year</b>	<b>(1,009,259)</b>

### Change in Plan Assets during year

2019/20 £000		2020/21 £000
538,170	Fair Value of Plan Assets at Beginning of Year	526,185
12,896	Expected Return on Plan Assets	13,041
(22,801)	Re-measurements (Assets)	78,473
15,018	Employer Contributions	14,730
4,552	Member Contributions	4,793
(439)	Administration Expenses	(460)
(21,211)	Benefits / Transfers Paid	(18,592)
<b>526,185</b>	<b>Plan Assets at End of Year</b>	<b>618,170</b>

Assets are valued at fair value, principally market value for investments, and consist of:

2019/20			2020/21	
£000	%		£000	%
263,092	50.0	Equity Investments	311,556	50.4
75,771	14.4	Government Bonds	88,398	14.3
41,569	7.9	Other Bonds	42,036	6.8
22,626	4.3	Property	24,109	3.9
6,840	1.3	Cash/Liquidity	1,855	0.3
116,287	22.1	Other	150,216	24.3
<b>526,185</b>	<b>100.0</b>	<b>Total</b>	<b>618,170</b>	<b>100.0</b>

The expected rate of return on assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected returns are adjusted for risk and are appropriate to each of the asset classes weighted by the proportion of the assets in the particular asset class.



Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2019 and updated for the following 36 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is due at 31 March 2022 and will be implemented in April 2023.

The main assumptions used in the calculations are:

2019/20		2020/21
2.1%	- rate of inflation (CPI)	2.7%
3.4%	- rate of increase in salaries	4.0%
2.2%	- rate of increase in pensions	2.8%
50.0%	- proportion of employees opting to take a commuted lump sum	50.5%
2.4%	- rate for discounting scheme liabilities	2.1%
	- longevity at 65 for current pensioners	
22.9	Male	23.0
25.0	Female	25.1
	- longevity at 65 for future pensioners	
24.2	Male	24.3
26.6	Female	26.7

Changes to the pension scheme permit employees retiring on or after 6<sup>th</sup> April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take maximum cash and 50% will take 3/80ths cash.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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.

Sensitivity Analysis as at 31<sup>st</sup> March 2021

Disclosure Item	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+0.1%p.a. discount (328,rate)	+0.1%p.a. inflation/pensions	+0.1%p.a. pay growth	1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	1,009,259	992,578	1,026,220	1,011,020	1,039,710
Assets	(618,170)	(618,170)	(618,170)	(618,170)	(618,170)
Deficit/(Surplus)	391,089	374,408	408,050	392,850	421,540
Projected Service Cost for next year	30,538	29,677	31,437	30,538	31,528
Projected Net Interest Cost for next year	8,056	8,073	8,419	8,099	8,702

## Pensions Asset/Liability Account

2019/20 £000		2020/21 £000
(314,704)	Opening Balance	(328,327)
(3,253)	Past Service Cost - Added Years	(476)
(24,650)	Current Service Cost	(23,556)
(20,268)	Interest Cost	(20,341)
12,896	Return On Assets	13,041
15,018	Payments to Pension Fund	14,730
(439)	Administration Expenses	(460)
7,073	Actuarial Gain or (Loss)	(45,700)
<b>(328,327)</b>	<b>Closing Balance</b>	<b>(391,089)</b>

## Pensions Reserve

2019/20 £000		2020/21 £000
314,704	Opening Balance	328,327
3,253	Past Service Cost - Added Years	476
(15,018)	Charging Pensions Costs Payable	(14,730)
32,461	Reversing Out IAS 19 Items	31,316
(7,073)	Actuarial (Gain) or Loss	45,700
<b>328,327</b>	<b>Closing Balance</b>	<b>391,089</b>

## Risk Management

Shropshire Council, the administering body, has a formal risk management strategy and risk registers for Pension Fund Investment, Investment Pooling and Pension Administration within their overall Pension Strategy. A summary of the Pension Fund's key risks can be found in the Pension Fund Annual report. The Shropshire County Pension Fund uses a number of 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. 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 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.

### **13. Pensions Schemes Accounted for as Defined Contribution Schemes**

The Teachers' and NHS Pension Schemes are technically Defined Benefits Schemes. However, the Schemes are unfunded and the Department for Education and NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, these are therefore accounted for on the same basis as a defined contribution scheme.

### **Teachers Pensions Authority:**

In 2020/21 the Council paid an employer's contribution of £7,972,757 (£6,798,364 in 2019/20), representing 23.68% (20.73% in 2019/20) of Teachers' pensionable pay, into the Teachers' Pension Authority. The scheme provides members with defined benefits related

to pay and service. Contributions are set at rates determined by the Secretary of State, taking advice from the Scheme's Actuary. Changes from the most recent valuation will be implemented from 1 September 2021.

#### **National Health Service Pension Scheme:**

In 2020/21 the Council paid an employer's contribution of £36,244 (£51,742 in 2019/20) representing 14.38% (14.38% in 2019/20) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the results of the latest valuation will be implemented in April 2021. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

#### **14. 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The adjustments affect General Fund Balances and Reserves, Capital Receipts and Capital Grants Unapplied.

2020/21	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	16,717	0	0	(16,717)
Movement in the market value of Investment Properties	(3,464)	0	0	3,464
Revenue expenditure funded from capital under statute	10,924	0	0	(10,924)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(422)	0	0	422
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(4,167)	0	0	4,167
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(34,215)	0	34,215	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(32,749)	32,749

2020/21	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,551)	2,551	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,551)	0	2,551
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	(243)	0	0	243
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	31,792	0	0	(31,792)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,729)	0	0	14,729
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	21,078			(21,078)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	688	0	0	(688)
<b>Total Adjustments</b>	<b>21,408</b>	<b>0</b>	<b>1,466</b>	<b>(22,874)</b>

2019/20	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>	11,859	0	0	(11,859)
Charges for depreciation and impairment of non-current assets	4,152	0	0	(4,152)
Movement in the market value of Investment Properties	7,702	0	0	(7,702)
Revenue expenditure funded from capital under statute	806	0	0	(806)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>	(3,928)	0	0	3,928
Statutory provision for the financing of capital investment				
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>	(36,607)	0	36,607	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	(21,039)	21,039
Application of grants to capital financing transferred to the Capital Adjustment Account				
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	(2,287)	2,287	0	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(2,287)	0	2,287
Use of the Capital Receipts Reserve to finance new capital expenditure				
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>	0	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>	(238)	0	0	238
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				

2019/20	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>	35,714	0	0	(35,714)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	(15,018)	0	0	15,018
Employer's pensions contributions and direct payments to pensioners payable in the year				
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>	(1,403)	0	0	1,403
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements				
<b>Adjustments primarily involving the Accumulated Absences Account:</b>	(884)	0	0	884
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	<b>(132)</b>	<b>0</b>	<b>15,568</b>	<b>(15,436)</b>
<b>Total Adjustments</b>	11,859	0	0	(11,859)

## 15. Property, Plant & Equipment and Investment Properties

### 15a. Property, Plant & Equipment

Movements in 2020/21:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>336,978</b>	<b>40,241</b>	<b>217,883</b>	<b>358</b>	<b>5,000</b>	<b>600,460</b>	<b>24,132</b>
Additions	11,898	1,705	22,321	0	0	<b>35,924</b>	(10)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,856	0	0	0	0	<b>21,856</b>	581
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,059)	0	0	0	700	<b>(10,359)</b>	(607)
Derecognition – disposals	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to)/from PPE	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to)/from Investment Properties	(335)	0	0	0	0	<b>(335)</b>	0
Assets reclassified (to)/from Intangible Assets	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	<b>0</b>	0
<b>At 31 March 2021</b>	<b>359,338</b>	<b>41,946</b>	<b>240,204</b>	<b>358</b>	<b>5,700</b>	<b>647,546</b>	<b>24,096</b>
<b>Less Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2020</b>	<b>20,699</b>	<b>30,547</b>	<b>27,682</b>	<b>0</b>	<b>0</b>	<b>78,928</b>	<b>7,091</b>
Depreciation charge	6,501	2,442	5,450	0	0	<b>14,393</b>	49
Depreciation written out to the Revaluation Reserve	(2,239)	0	0	0	0	<b>(2,239)</b>	(243)

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Depreciation written out recognised in the Surplus/Deficit on the Provision of Services	(7,067)	0	0	0	0	(7,067)	0
Impairment loss/(reversals) recognised in the surplus/deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>17,894</b>	<b>32,989</b>	<b>33,132</b>	<b>0</b>	<b>0</b>	<b>84,015</b>	<b>6,897</b>
<b>Net Book Value</b>							
<b>at 31 March 2021</b>	<b>341,444</b>	<b>8,957</b>	<b>207,072</b>	<b>358</b>	<b>5,700</b>	<b>563,531</b>	<b>17,199</b>
<b>at 31 March 2020</b>	<b>316,279</b>	<b>9,694</b>	<b>190,201</b>	<b>358</b>	<b>5,000</b>	<b>521,532</b>	<b>17,041</b>
<b>Nature of Holding</b>							
Owned	324,245	8,010	207,072	358	5,700	<b>545,385</b>	
Leased	0	947	0	0	0	<b>947</b>	
PFI	17,199	0	0	0	0	<b>17,199</b>	
<b>Total</b>	<b>341,444</b>	<b>8,957</b>	<b>207,072</b>	<b>358</b>	<b>5,700</b>	<b>563,531</b>	



Comparative Movements in 2019/20:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2019</b>	<b>276,852</b>	<b>39,009</b>	<b>201,935</b>	<b>5,021</b>	<b>5,000</b>	<b>527,817</b>	<b>22,261</b>
Additions	9,400	1,346	15,948	18	0	<b>26,712</b>	762
Revaluation increases/(decreases) recognised in the Revaluation Reserve	55,243	0	0	0	0	<b>55,243</b>	1,757
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,206)	(114)	0	(3)	0	<b>(9,323)</b>	(648)
Derecognition – disposals	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to)/from PPE	4,678	0	0	(4,678)	0	<b>0</b>	
Assets reclassified (to)/from Investment Properties	40	0	0	0	0	<b>40</b>	0
Assets reclassified (to)/from Intangible Assets	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	(29)	0	0	0	0	<b>(29)</b>	0
<b>At 31 March 2020</b>	<b>336,978</b>	<b>40,241</b>	<b>217,883</b>	<b>358</b>	<b>5,000</b>	<b>600,460</b>	<b>24,132</b>
<b>Less Accumulated Depreciation and Impairment</b>							
At 1 April 2019	<b>24,086</b>	<b>28,419</b>	<b>22,637</b>	<b>0</b>	<b>0</b>	<b>75,142</b>	<b>7,077</b>
Depreciation charge	7,588	2,281	5,045	0	0	<b>14,914</b>	293
Depreciation written out to the Revaluation Reserve	(2,277)	0	2	0	0	<b>(2,275)</b>	(1)
Depreciation written out recognised in the Surplus/Deficit on the Provision of Services	(8,698)	(153)	(2)	0	0	<b>(8,853)</b>	(278)
Impairment loss/(reversals) recognised in the surplus/deficit on the Provision of Services	0	0	0	0	0	<b>0</b>	0

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Derecognition – disposals	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>20,699</b>	<b>30,547</b>	<b>27,682</b>	<b>0</b>	<b>0</b>	<b>78,928</b>	<b>7,091</b>
<b>Net Book Value</b>							
<b>at 31 March 2020</b>	<b>316,279</b>	<b>9,694</b>	<b>190,201</b>	<b>358</b>	<b>5,000</b>	<b>521,532</b>	<b>17,051</b>
<b>at 31 March 2019</b>	<b>252,766</b>	<b>10,590</b>	<b>179,298</b>	<b>5,021</b>	<b>5,000</b>	<b>452,675</b>	<b>15,184</b>
<b>Nature of Holding</b>							
Owned	299,238	9,079	190,201	358	5,000	<b>503,876</b>	
Leased	0	615	0	0	0	<b>615</b>	
To PFI	17,041	0	0	0	0	<b>17,041</b>	
<b>Total</b>	<b>316,279</b>	<b>9,694</b>	<b>190,201</b>	<b>358</b>	<b>5,000</b>	<b>521,531</b>	

## Depreciation

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

- Other Land and Buildings – 30 to 60 years
- Vehicles, Plant, Furniture & Equipment – 3 to 25 years
- Infrastructure – 25 to 40 years

## Capital Commitments

At 31 March 2021, the Authority has entered into three contracts for the construction of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £12.727m. Similar commitments at 31 March 2020 were £4.681m. The major commitments are:

- Construction of starter units Newport Innovation Park: £4.327 (£3.183m outstanding)
- Expansion of Houghton School and John Randell Primary School: £4.456m (£4.009m outstanding)
- Expansion of Telford Langley School: £3.949m (£2.393m outstanding)

## 15b. Investment Property

The authority holds a number of individual sites for regeneration and economic development purposes: the Property Investment Portfolio (PIP). Continued investment has allowed the PIP to strengthen and grow and is being used to invest directly into land and property enabling local businesses to expand and attracting new investors which boosts jobs, the economy and generated additional income for the Council, directly through rental income but also from business rates.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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 the investment properties over the year:

2019/20 £000		2020/21 £000
<b>105,407</b>	Balance at 1 <sup>st</sup> April 2020	<b>102,143</b>
2,120	Additions	2,381
(60)	Revaluation increase/(decrease) recognised in the revaluation reserve	660
(4,092)	Revaluation increase/(decrease) met from the Net Surplus/Deficit on the Provision of Services	2,804
(40)	Disposals	(569)
	Transfer:	
(40)	to/(from) Property, Plant & Equipment	335
(1,152)	to/(from) Assets Held for Sales	0
<b>102,143</b>	<b>Balance at 31<sup>st</sup> March 2021</b>	<b>107,754</b>

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

2019/20 £000		2020/21 £000
(9,388)	Rental income from Property Portfolio	(8,977)
3,719	Direct operating expenses arising from Property Portfolio	3,263
<b>(5,670)</b>	<b>Net Operational (Gain)/Loss</b>	<b>(5,714)</b>
1,500	Net (gain)/loss on revaluation of properties	(3,952)
<b>(4,170)</b>	<b>Total (Gain)/Loss</b>	<b>(9,666)</b>

## 16. Valuation of Property Plant & Equipment and Investment Properties

The Council's property, that was due to be valued this year, was valued on 31<sup>st</sup> December 2020 by internal valuers, Dawn Toy MRICS, David Scrimgeour MRICS and Marc Jones MRICS, all Registered Valuers of Telford & Wrekin Council.

The Authority 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. The Authority is currently transitioning the rolling programme to ensure revaluations are completed every three years. The transition will be completed by 31 March 2022. All valuations were carried out internally. 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. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The valuations were in accordance with the [RICS Valuation – Global Standards 2020 and UK National Supplement 2017](#) (the Red Book) and the International Valuation Standards (IVS).

The valuation of the property was on the basis of:

- existing use value (EUV) assuming that the property would be sold as part of the continuing business and subject to the following special assumptions (owner occupied property).
- fair value (which equates to market value for accounting purposes) for investment property assuming that it would be sold subject to any existing leases and subject to the following special assumptions (Investment Property).
- Market Value assuming that the property would be sold with vacant possession in its existing condition and subject to the following special assumptions (surplus property and property held for development).

The valuer's opinion of Market Value and EUV was primarily derived using:

- The Comparable method for types of property where there is good evidence of previous sales on arm's-length terms,
- Investment method for most commercial (and residential) property that is producing, or has the potential to produce, future cash flows through the letting of the property,
- Depreciated replacement cost approach, because the specialised nature of the asset means that there are no market transactions of this type of asset, except as part of the business or entity.

- The value is being reported on the basis of market value. However, because of the specialist nature of the properties, the values are estimated using a DRC method and is not based on the evidence of sales of similar assets in the market

#### Special assumptions – Operational Property:

- There would be no bids from Special Purchasers.
- It is assumed that the interest being valued can be offered freely and openly in the market, although based on Existing Use.
- We will ignore any impending or proposed change in the physical circumstances of the property, for example, a new building to be constructed or an existing building to be refurbished or demolished as at the valuation date. These will be dealt with by you by way of capital spend adjustments and / or Asset Amendment Sheets during the course of the year.
- There will be no anticipated changes in the mode of occupation or trade at the properties.
- It is assumed that there are no alterations and improvements to be carried out under the terms of any leased property.
- Inherent constraints do not exist at the Valuation Date, nor are there any foreseeable consequences of a particular event on any particular property.
- Any individual standalone property is let on defined terms when, in reality, at the date of valuation it is vacant.

#### Lotting assumptions – Property Investment Portfolio (PIP) & Groups of Properties:

- It is assumed that there are no physically separate properties that are occupied by the client where there is a functional dependence between the properties. e.g. a separate car park that is exclusively used by the occupier of the building.
- Due to the nature of the business of the Council, no account will be made where the ownership of a number of separate properties would be of particular advantage to someone as a single owner, because of economies that could result from either increased market share or savings in administration or distribution, such as with a block of offices, shops, factory units, libraries, schools, or drop in or contact centres.
- Where physically-adjointing properties that have been acquired separately by the Council for site assembly for future development/regeneration, the proposed development scheme will be used as the basis of valuation for the assembled site(s).
- No account will be made where individual properties are used collectively or are an essential component of the Council's operation, even though they may cover a large geographical area.
- You have not told us of any groups of properties that you do not want valuing together.
- We will value units with industrial estates, office complexes and local shopping centres within the Property Investment Portfolio as groups of properties

Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Other Land & Buildings are valued over a 3 year rolling programme, Infrastructure and Vehicles, Plant & Equipment are valued at depreciated historical cost and Community Assets are valued at historical cost. Investment Properties are valued annually.

## 17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT System and accounted for as part of the hardware item of Property, Plant and Equipment. The Intangible Assets include purchased licenses.

The carrying amount of Intangible Assets is amortised on a straight-line basis.

The movement on Intangible Asset balances during the year is as follows:

2019/20 £000		2020/21 £000
	Balance at start of the year	
9,448	- Gross Carrying Amount	10,390
(7,400)	- Accumulated Amortisation	(8,401)
<b>2,048</b>	<b>Net Carrying Amount at Start of Year</b>	<b>1,989</b>
	In year movements	
942	- Purchases	1,346
(1,001)	Amortisation for the Period	(997)
<b>1,989</b>	<b>Net Carrying Amount at Year End</b>	<b>2,338</b>
	Comprising	
10,390	- Gross Carrying Amount	11,736
(8,401)	- Accumulated Amortisation	(9,398)
<b>1,989</b>	<b>Total</b>	<b>2,338</b>

## 18. Assets Held for Sale

2019/20 £000		2020/21 £000
6,062	Balance outstanding at start of year	6,999
29	Reclassified from / (to) - Property, Plant and Equipment	0
1,152	Reclassified from / (to) - Investment Properties	0
0	Revaluation gains	0
(1,756)	Impairment losses met from the revaluation reserve	40
2,696	Impairment losses met from income and expenditure	385
(1,065)	Assets sold	(335)
(119)	Acquisitions	526
<b>6,999</b>	<b>Balance outstanding at year end</b>	<b>7,615</b>

## 19. Heritage Assets

The Council has identified a number of Heritage Assets, as listed below. These are held for the appreciation of the history of the local area. The Council has no cost records for the assets and due to their nature, they cannot be valued effectively. The assets are therefore not recognised in the balance sheet.

Asset	Location
Anstice Backwalls & Ice House	Ironbridge
Bridge Structure, Former Castle	Little Dawley

Asset	Location
Canal & 2 Railway Bridges	Coalport
Canal & Lock Gates	Hadley
Canal Basin	Granville Park
Canal Blists Hill to Sutton Hill	Madeley
Captain Webb Memorial	Dawley
Crossing Gates, Station Platform, Sidings	Ironbridge
Furnaces	Granville Park
Incline	Ironbridge
Incline Plane	Coalbrookdale
Incline Plane	Madeley
Ladywood Brickworks	Ironbridge
Loam Hole Dingle	Jiggers Bank
Lydbrook Sandstone Outcrop	Jiggers Bank
Mining Landscape	Shortwood, Wellington
Monument	Lilleshall
Newport Canal	Newport
Norman Chapel	Town Park
Overhead Bridge, Footbridge at Low Level	Madeley
Pumping Engine House Including Reservoir Weirs	Ironbridge
Railway Bridge	Newport
Railway Bridge (Wings)	West of Newport
Shafts Compressor House	Granville Park
Slag Block Wall	Ironbridge
Station Yard	Coalport
Stirchley Chimney	Stirchley
Stirchley Railway Station	Stirchley
Stirchley Tunnels	Stirchley
Track Beds/Railway Lines	Ironbridge
Ventilation Shaft	Ironbridge
Wappenshall Canal Basin	Wappenshall
Wide waters, Canal Basin	Little Dawley

## **20. Revaluations and Impairment Losses**

During 2020/21, the Authority has recognised a net revaluation gain of £20.214m (2019/20 revaluation gain £49.286m) in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment losses (£3.292m) will be charged to the Comprehensive Income and Expenditure Statement where there is an insufficient balance held in the Revaluation Reserve for a specific asset being impaired. The charge to the CIES is then reversed out as part of the Movement in Reserves Statement. Revaluation gains (£23.506m) will be held in the Revaluation Reserve or credited to the Comprehensive Income and Expenditure Statement.

## 21. Financial Instruments

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

### Financial Assets

	Non-current				Current				Total
	Long Term Investments		Long Term Debtors		Investments (inc. Cash & Cash Equivalents)		Debtors		
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Fair Value through Profit and Loss</b>									
Amortised Cost									
Cash & Cash Equivalents					30,455	20,652			<b>20,652</b>
Debtors*			300	257			36,080	50,087	<b>50,344</b>
Debtors with Subsidiaries							160	227	<b>227</b>
NuPlace Loan			32,559	39,845					<b>39,845</b>
Nuplace Equity	13,300	16,300							<b>16,300</b>
Shropshire Waste Management (SWM) Equity	0	0							<b>0</b>
<b>Fair Value through other comprehensive income - designated equity instruments</b>									<b>0</b>
<b>Fair value through other comprehensive income - other</b>									<b>0</b>
<b>Total Financial Assets</b>	<b>13,300</b>	<b>16,300</b>	<b>32,859</b>	<b>40,102</b>	<b>30,455</b>	<b>20,652</b>	<b>36,240</b>	<b>50,314</b>	<b>127,368</b>
Non-Financial Assets - Other					128	120	4,881	7,795	<b>7,915</b>
<b>Total</b>	<b>13,300</b>	<b>16,300</b>	<b>32,859</b>	<b>40,102</b>	<b>30,583</b>	<b>20,772</b>	<b>41,121</b>	<b>58,109</b>	<b>135,283</b>



## Financial Liabilities

	Non-Current				Current				Total
	Long Term Borrowing		Long Term Creditors		Short Term Borrowing		Creditors		
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Fair Value through Profit and Loss</b>									
Amortised Cost									
Borrowing	209,036	201,908			67,149	79,177			281,085
PFI and finance lease liabilities			48,027	50,713			3,261	(460)	50,253
Other Creditors*			0	0			57,900	66,130	66,130
<b>Total Financial Liabilities</b>	<b>209,036</b>	<b>201,908</b>	<b>48,027</b>	<b>50,713</b>	<b>67,149</b>	<b>79,177</b>	<b>61,161</b>	<b>65,670</b>	<b>397,468</b>
Non-Financial Liabilities							11,581	12,637	12,637
<b>Total</b>	<b>209,036</b>	<b>201,908</b>	<b>48,027</b>	<b>50,713</b>	<b>67,149</b>	<b>79,177</b>	<b>72,742</b>	<b>78,307</b>	<b>410,105</b>

\* The value of debtors and creditors reported in the above tables are solely those amounts meeting the definition of a financial instrument. The balance sheet and notes also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

## Income, Expense, Gains and Losses

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
<b>Net Gain/Losses on:</b>				
Financial assets measured at fair value through profit and loss	0	0	0	0
Financial asset measured at amortised cost	0	0	0	0
Investment in equity instrument designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through other comprehensive income	0	0	0	0
Financial liabilities measured at fair value through profit and loss	0	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0
<b>Total net gains loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	0	(1,621)		(1,953)
Other financial assets measured at fair value through other comprehensive income	0	0		0
<b>Total interest revenue</b>	<b>0</b>	<b>(1,621)</b>		<b>(1,953)</b>
<b>Interest expense</b>	<b>0</b>	<b>11,103</b>		<b>10,860</b>
<b>Fee income</b>				
Financial assets or financial liabilities that are not at fair value through profit and loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
<b>Total fee income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fee expense</b>				

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Financial assets or financial liabilities that are not at fair value through profit and loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
<b>Total fee expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their 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:

- estimated ranges of interest rates are based on new lending rates for equivalent loans at that date.
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2019/20		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	276,185	339,059	281,085	344,813
Long-term creditors	48,027	48,027	50,713	50,713

The fair value of the liabilities is higher than the carrying amount because the Authority'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 (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

	2019/20		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Amortised Cost	13,300	13,300	16,300	16,300
Long-term debtors	32,859	32,859	40,102	40,102

The fair value of the assets is the same as the carrying amount due to the nature of the assets held.

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

## **22. Nature and Extent of Risks Arising from Treasury Related Financial Instruments**

### **Fair Value of Assets & Liabilities**

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

We have worked in conjunction with Arlingclose, our treasury advisors, to produce the following portfolio valuation:

	<b>Nominal/ Principal 31/3/2021 £000</b>	<b>Fair Value 31/3/2021 £000</b>
<b>Financial Assets</b>		
Fixed Term Deposits	0	0
Other	16,300	16,300
<b>Financial Liabilities</b>		
Money Market Loans (inc. LOBO's)	40,000	71,956
PWLB Loans	169,036	200,808
Temporary Loans	72,049	72,049
	<b>281,085</b>	<b>344,813</b>

The assets and liabilities are shown in the balance sheet at Nominal/Principal cost. The above table shows that the fair value of our assets (investments) is the same as the nominal value as they are non-tradeable shares. Whereas, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

### **Methodology and Assumptions**

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

### Complexities of the NPV calculation

It is unlikely that the future cash instalments of an instrument will fall in equal time periods from the date of valuation, and there is likely to be a "broken" period from the valuation date to the next instalment. This means that an adjustment needs to be made to each discount factor, in order to take account of the timing inequality.

### Evaluation of PWLB debt

We have used the new borrowing rate, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

### Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

### Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Arlingclose from the market on 31st March, using bid prices where applicable.

### Assumptions:

It is noted that the following assumptions do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention, Actual Days/365.
- Where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.
- We have not adjusted the interest value and date where a relevant date occurs on a non-working day.

### Exposure to Risk

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management on investments is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

## Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The Authority has a policy of not lending more than £15m to any one institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2021	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2021 (rounded to 3 decimal place)	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	A * C
Deposits with banks and financial institutions	0	0	0	0
Other	16,300	0	0	0
Debtors	58,110	0	13.577	7,890
<b>Total</b>	<b>74,410</b>	<b>0</b>	<b>10.602</b>	<b>7,890</b>

The Council has not experienced any defaults with any of the above counterparty types in the last 10 years. No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council has one long term investment which is our wholly owned subsidiary NuPlace where we hold a mixture of equity (classified as 'Other' in the above analysis) and debt. The equity is not traded therefore has no credit risk. Arlingclose, the Council's independent treasury advisor, have reviewed the Expected Credit Losses associated with the debt and these are not deemed to be material.

## Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, 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 Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of long term financial liabilities can be found in the table on page 104.

All trade and other payables are due to be paid in less than one year.

## **Market risk**

### **Interest rate risk**

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound (£) for pound (£). Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. The policy is to have a maximum of 70% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

In line with our Treasury Strategy, the Authority has taken advantage of low level of interest on short-term borrowing in order to reduce cost. The Authority will continue to engage with our external treasury advisor, Arlingclose, to monitor interest rates and lock into long term borrowing when it is prudent to do so.

### **Price risk**

The Authority does not generally invest in equity shares. The Authority is not consequently exposed to losses arising from movements in the prices of the shares. We do however hold shares in NuPlace and have a historic holding in Shropshire Waste Management however these are non-traded stocks and therefore there is no price risk.

### **Foreign exchange risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**Financial Instruments Adjustment Account** – this account holds the accumulated difference between the financial costs included in the Income and Expenditure Account and

the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

The **Available-for-Sale Reserve** is a revaluation reserve used to manage the fair value process for these financial assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

### Sensitivity Analysis

At the 31<sup>st</sup> March 2020 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

The table below shows an analysis of investments and borrowing into fixed and variable together with the impact of a 1% change in interest rates.

	<b>Investments</b>	<b>Borrowing</b>	<b>Net Total</b>	<b>1% Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Variable	(20,652)	79,177	58,525	585.3
Fixed	(16,300)	201,908	185,608	0.0
<b>Total</b>	<b>(36,952)</b>	<b>281,085</b>	<b>244,133</b>	<b>585.3</b>

A 1% change in interest rates would have an impact on the budget of £0.585m, this is because at 31<sup>st</sup> March 2021 more variable borrowing than variable investments were held. The most likely next move in interest rates at 31<sup>st</sup> March 2021 is upward and this would lead to a net increase in borrowing costs based on the position at 31<sup>st</sup> March 2021. The Council is managing ongoing maturity profiles for both investments and borrowing.

### Long Term Borrowing

<b>Source of Loan</b>	<b>Range of Interest rates payable (%)</b>		<b>Total Outstanding</b>	
	<b>Min.</b>	<b>Max.</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Public Works Loan Board	1.20	9.38	169,036	161,908
Money Market Loans (including LOBOs)	3.98	4.50	40,000	40,000
			<b>209,036</b>	<b>201,908</b>

An analysis of loans by maturity is:		
	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Maturing in 1-2 years	7,128	7,155
Maturing in 2-5 years	21,549	21,634
Maturing in 5-10 years	29,751	27,402
Maturing in more than 10 years	150,608	145,717
	<b>209,036</b>	<b>201,908</b>



	2019/20 £000	2020/21 £000
Total Long Term Borrowing	209,036	201,908
Temporary Borrowing	67,149	79,177
<b>Total Borrowing</b>	<b>276,185</b>	<b>281,085</b>

In total, fixed and temporary borrowing increased by £4.9m, from £276.185m to £281.085m during the year. This was due to capital expenditure incurred during 2020/21 offset by positive cash flow.

### 23. Debtors

2019/20 £000		2020/21 £000
	Amounts falling due in one year:	
1,893	Central Government	5,946
230	Other Local Authorities	347
2,758	NHS Bodies	1,502
0	Public Corporations and Trading Funds	0
160	Amounts due from Subsidiaries	227
36,080	Other Entities and Individuals	50,087
<b>41,121</b>	<b>Gross Debtors</b>	<b>58,109</b>
(6,252)	Provision for Expected Credit Loss & Incurred Loss	(7,890)
<b>34,869</b>	<b>Total</b>	<b>50,219</b>

### Provision for Expected Credit Loss & Incurred Loss

2019/20 £000		2020/21 £000
(190)	Rent associated with Property Investment	(266)
(160)	Sales Ledger	(160)
(3,009)	Benefits overpayments	(2,536)
(2,893)	Other provisions	(4,928)
<b>(6,252)</b>	<b>Total</b>	<b>(7,890)</b>

### 24. Investments

In total the Council's investments held at 31<sup>st</sup> March 2021 reduced by £6.803m as a result of a reduction in cash holdings (£9.802m) offset by additional share capital in our wholly owned subsidiary (£3.0m).

The Council has long term investments, totalling £16.3m, comprising of share capital in its wholly owned subsidiary. Investments are shown in the Balance Sheet at cost.

The Council has no short fixed term deposits, with the exception call accounts or investments placed overnight with the Debt Management Office (DMO). Such investments are shown within cash and cash equivalents.

## Summary of Investments

2019/20 £000	Category	2020/21 £000
	<b>Long Term Investments</b>	
0	Fixed Term Deposits	0
13,300	Other	16,300
<b>13,300</b>	<b>Total Long Term</b>	<b>16,300</b>
	<b>Short Term Investments</b>	
0	Fixed Term Deposits	0
<b>0</b>	<b>Total Short Term</b>	<b>0</b>
<b>30,455</b>	<b>Cash &amp; Cash Equivalent Investments</b>	<b>20,652</b>
<b>43,755</b>	<b>Total Investments</b>	<b>36,952</b>

Investments are valued as "loans and receivables". See also note 22 on fair value.

## 25. Cash and Cash Equivalents

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

2019/20 £000		2020/21 £000
6,974	Bank current accounts	3,072
23,481	Call Accounts	17,580
<b>30,455</b>	<b>Cash and Cash Equivalent Investments</b>	<b>20,652</b>
129	Cash held by the Authority	120
<b>30,583</b>	<b>Total Cash and Cash Equivalents</b>	<b>20,772</b>
0	Bank Account Overdrawn	0
<b>30,583</b>	<b>Net Cash Position for Cash Flow Purposes</b>	<b>20,772</b>

## 26. Provisions

	1 <sup>st</sup> April 2020 £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	31 <sup>st</sup> March 2021 £000
Restructure Provision	85	0	(37)	48
Single Status Provision – Schools	3,232	1	(58)	3,175
Single Status Provision – Non Schools	9,417	0	0	9,417
NDR Appeals Provision	2,592	3,975	(2,592)	3,975
<b>Total</b>	<b>15,326</b>	<b>3,976</b>	<b>(2,687)</b>	<b>16,615</b>
2019/20	18,574	2,667	(5,915)	15,326

**Restructure Provision** - the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31<sup>st</sup> March 2021 was £0.048m. It is anticipated that this will be funded from Capital Receipts in 2021/22.

**Single Status** - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the

Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2020/21 accounts, as was the case last year and previous years. The total amount in the provision at 31<sup>st</sup> March 2021 was £12.592m (of which £9.417m related to General Fund).

**NDR Appeals** – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £8.1m is estimated as the amount required to set aside for this purpose in the 2020/21 accounts (£5.3m in 2019/20). Telford & Wrekin Council's proportion of this is £4.0m (49%) (£2.6m in 2019/20).

## 27. Creditors

2019/20 £000		2020/21 £000
9,944	Central Government	12,189
1,637	Other Local Authorities	448
0	NHS Bodies	0
976	Public Corporations and Trading Funds	1,020
0	Amounts due to Subsidiaries	0
56,924	Other Entities and Individuals	65,110
3,261	PFI and Leases	(460)
<b>72,742</b>	<b>Total</b>	<b>78,307</b>

## 28. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Queensway. We have assets held of £17.2m shown within Property, Plant & Equipment. The equivalent figure for 2019/20 was £17.0m. The PFI scheme relates to a number of properties of which Hadley Learning Community Primary and Secondary schools and Queensway North converted to Academy status during 2017/18 and as such these assets do not appear on our Balance Sheet. The Bridge School and four properties formerly used as children's residential homes remain with the Council.

A finance lease creditor has also been recognised to the value of £49.723 as at 31<sup>st</sup> March 2021 (£50.931m as at 31<sup>st</sup> March 2020). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.3m to the interest paid for 2020/21 (£4.3m in 2019/20). Amounts due are shown in the table below:

	2019/20				2020/21			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	2,854	1,786	4,303	1,208	2,925	3,923	4,292	(850)
2 to 5 years	12,146	5,097	16,196	8,581	12,450	2,633	15,382	12,144
6 to 10 years	16,972	7,342	15,403	16,124	17,395	6,902	14,046	17,733
11 to 15 years	18,174	4,522	6,584	25,018	14,522	3,504	4,465	20,696
16 to 20 years	0	0	0	0	0	0	0	0

## 29. Usable Reserves - Transfers to/from Earmarked Reserves & Balances

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and below.

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	General Fund Balance	Earmarked General Fund Reserves*	School Balances	Revenue Grants & Other Balances	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019 carried forward</b>	<b>5,083</b>	<b>73,340</b>	<b>5,759</b>	<b>1,308</b>	<b>6,858</b>	<b>92,348</b>
Movement / Use of reserves during 2019/20	146	8,334	(310)	(1,098)	15,568	<b>22,640</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>5,229</b>	<b>81,674</b>	<b>5,449</b>	<b>210</b>	<b>22,426</b>	<b>114,988</b>
Movement / Use of reserves during 2020/21	(11)	30,948	3,954	154	1,466	<b>36,511</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>5,218</b>	<b>112,622</b>	<b>9,403</b>	<b>364</b>	<b>23,892</b>	<b>151,499</b>

## Analysis of Earmarked General Fund Reserves

	<b>1<sup>st</sup> April 2020</b>	<b>Payments</b>	<b>Receipts</b>	<b>31<sup>st</sup> March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
S31 Grant – Covid ndr reliefs collection fund deficit	0	0	15,383	15,383
Investment in Council Priorities Fund	0	0	10,000	10,000
Covid Contain Outbreak Management Fund Balance	0	0	3,982	3,982
Covid 19 Emergency Fund	8,167	(5,167)	0	3,000
Covid Test & Trace Grant Balance	0	0	843	843
Capacity Fund & Invest to Save	6,750	(1,310)	126	5,566
HCA Land Deal funds	5,577	(673)	3,038	7,942
NDR Equalisation Account	0	0	4,531	4,531
Self Insurance Fund	3,138	(2,097)	781	1,822
Pride in our Community funding reserve	2,851	(1,635)	0	1,216
Hadley PFI Sinking Fund	1,728	(11,449)	11,158	1,437
CSE Inquiry	1,300	(690)	1,650	2,260
Severance Fund	1,204	(94)	0	1,110
Public Health Grant	1,034	(17)	649	1,666
Community Action Teams – 3 yr funding	0	0	1,655	1,655
Covid Recovery & Regeneration Activities	0	0	1,250	1,250
Pride in Your Parks Programme	0	0	1,000	1,000
Culture, Tourism and public event initiatives and activities	0	0	1,000	1,000
Council Tax Funding Reserve	0	0	1,000	1,000
Pride in Our Community 2019 – Regeneration projects	1,000	0	0	1,000
Pride in Your High Street 2019	1,000	0	0	1,000
Reserves earmarked as part of medium term Service and Financial Planning Strategy <sup>(1)</sup>	21,142	(1,434)	2,008	21,716
Other reserves below £1,000,000 <sup>(2)</sup>	26,783	(14,184)	9,644	22,243
<b>Total</b>	<b>81,674</b>	<b>(38,750)</b>	<b>69,698</b>	<b>112,622</b>
<b>Previous Year</b>	<b>73,341</b>	<b>(27,881)</b>	<b>36,214</b>	<b>81,674</b>

- 1 These balances have been set aside to support the medium term financial strategy, following a review of one-off resources undertaken as part of the 2021/22 budget process. Due to the number of uncertainties about future funding, including a completely new Relative Needs Assessment due, the Comprehensive Spending

Review, and the Adult Social Care Green Paper, it is prudent to hold sufficient reserves to ensure a sustainable financial position.

- The total includes residual grant balances: Public Health Grant, Specific Covid Grant Funding and Improved Better Care Fund Grant; provision for insurance excesses and funding committed for the capital programme. There are also a number of service balances which support the delivery and development of services, such as to provide Youth Unemployment support, Public Transport Initiatives and homelessness prevention. A robust review of all reserves and balances is undertaken annually as part of the Service & Financial Planning Process and a detailed schedule is included in the Service & Financial Planning Strategy.

### 30. School Balances

School balances do not form part of the Council's General Fund Balances. They are held separately and are solely for use by schools. The balances held are as follows:

2019/20 £000		2020/21 £000
4,541	School Balances – Revenue	8,315
908	School Balances - Capital	1,088
<b>5,449</b>	<b>Total School Balances</b>	<b>9,403</b>

### 31. Unusable Reserves

2019/20 £000		2020/21 £000
99,154	Revaluation Reserve	119,468
119,285	Capital Adjustment Account	137,240
0	Available for Sale Financial Investment Reserve	0
(7,945)	Financial Instruments Adjustment Account	(7,702)
(333,327)	Pensions Reserve	(391,089)
5,301	Collection Fund Adjustment Account	(15,777)
(1,853)	Accumulated Absences Account	(2,542)
<b>(119,385)</b>	<b>Total Unusable Reserves</b>	<b>(160,402)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2019/20 £000		2020/21 £000
<b>48,005</b>	<b>Balance brought forward</b>	<b>99,154</b>

2019/20 £000		2020/21 £000
53,933	Upwards revaluation of assets	22,557
0	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	0
(2,279)	Difference between fair value depreciation and historical cost depreciation	(2,242)
(505)	Accumulated gains and losses on assets sold or scrapped	(1)
<b>99,154</b>	<b>Balance carried forward</b>	<b>119,468</b>

### 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 provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert 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 enhancement.

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 15 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £000		2020/21 £000
<b>113,766</b>	<b>Balance Brought Forward</b>	<b>119,285</b>
35,634	Charges for depreciation and impairment of non-current assets	13,765
(1,001)	Amortisation of intangible assets	(997)
(7,702)	Revenue expenditure funded from capital under statute	(10,924)
(805)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	421
(51,149)	Adjusting amounts written out of the Revaluation Reserve	(20,314)
2,287	Capital financing	2,551
21,039	- Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	32,749
3,928	Minimum Revenue Provision	4,167

2019/20 £000		2020/21 £000
3,288	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,463)
<b>119,285</b>	<b>Balance Carried Forward</b>	<b>137,240</b>

### 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 benefiting from gains per statutory provisions.

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2019/20 £000		2020/21 £000
<b>(8,183)</b>	<b>Balance at 1 April</b>	<b>(7,945)</b>
238	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	243
0	Premium/discount on loan redemption	0
<b>(7,945)</b>	<b>Balance at 31 March</b>	<b>(7,702)</b>

### Pensions Reserve

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

2019/20 £000		2020/21 £000
314,704	<b>Balance at 1 April</b>	328,327
(7,073)	Actuarial (gains) or losses on pensions assets and liabilities	45,700



2019/20 £000		2020/21 £000
3,253	Added Years	476
32,461	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	31,316
(15,018)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,730)
<b>328,327</b>	<b>Balance at 31 March</b>	<b>391,089</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax 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.

2019/20 £000		2020/21 £000
<b>3,898</b>	<b>Balance at 1 April</b>	<b>5,301</b>
1,403	Amount by which council tax and Non Domestic Rate income credited to the CIES is different from council tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements	(21,078)
<b>5,301</b>	<b>Balance at 31 March</b>	<b>(15,777)</b>

### Accumulated Absences Account

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

2019/20 £000		2020/21 £000
<b>(2,737)</b>	<b>Balance at 1 April</b>	<b>(1,854)</b>
2,737	Settlement or cancellation of accrual made at the end of the preceding year	1,854
(1,854)	Amounts accrued at the end of the current year	(2,542)
<b>(1,854)</b>	<b>Balance at 31 March</b>	<b>(2,542)</b>
883	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	688

### Available for Sale Financial Investment Reserve

2019/20 £000		2020/21 £000
282	<b>Balance at 1 April</b>	0
26	Upward revaluation of investment	0
(308)	Disposal	0
0	<b>Balance at 31 March</b>	0

### 32. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2020/21 expenditure on this totalled £10.924m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been transferred to the Capital Adjustment Account during the year.

### 33. Usable Capital Receipts Reserve

2019/20 £000		2020/21 £000
0	<b>Balance at 1 April</b>	0
2,287	Capital receipts received during year	2,551
(2,287)	Less Capital receipts used for financing during year	(2,551)
0	<b>Balance at 31 March</b>	0

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure. The balance was nil at 31<sup>st</sup> March.

### 34. Capital Expenditure and Capital 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/PPP 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2019/20 £000		2020/21 £000
445,020	<b>Opening Capital Financing Requirement</b>	460,084
	<b>Capital Investment</b>	
26,712	Property, Plant & Equipment	35,924
2,120	Investment Properties	2,381
(119)	Assets Held for Sale	526
942	Intangible Assets	1,346
7,702	Revenue Expenditure funded from Capital under Statute (REFCUS)	10,924
1,700	Long Term Investments	3,000
3,559	Capital Loans	7,286
29	Leased Vehicles	600

2019/20 £000		2020/21 £000
	<b>Sources of Finance</b>	
(2,287)	Capital Receipts	(2,551)
(327)	Finance Leases & De Minimis Capital Expenditure	(1,926)
(21,039)	Government Grants and Other Contributions	(32,749)
(3,928)	Revenue Provision (NB: includes MRP)	(4,167)
<b>460,084</b>	<b>Closing Capital Finance Requirement</b>	<b>480,678</b>
15,064	Movement for Year	20,594
	Explanation of movements in the year	
0	Increase in underlying need to borrow (supported by Government financial assistance)	0
15,064	Increase in underlying need to borrow (unsupported by Government financial assistance)	20,594
<b>15,064</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>20,594</b>

The main items of capital expenditure during the year related to improving schools, roads, local housing improvements, ICT, Town Centre Regeneration, Property Investment Programme and Street Lighting, some of which would be classed as REFCUS.

At 31<sup>st</sup> March 2021 there were 3 significant contracts in place with outstanding commitments of £9.586m, as detailed in note 15.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and Queensway for £289m.

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2020/21 the Authority made payments of £10.7m in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

### **35. Minimum Revenue Provision**

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision is as follows:

2019/20 £000		2020/21 £000
3,661	Principal Repayment of external loans	3,777
0	Adjustment for prior year overpayments	0
267	Principal Repayment of leases	390
<b>3,928</b>	<b>Total</b>	<b>4,167</b>

**36. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements**

2019/20 £000		2020/21 £000
(15,360)	Impairment and depreciation of property, plant and equipment and intangible assets	(9,683)
58	(Increase)/decrease in interest creditors	56
(4,430)	(Increase)/decrease in creditors	(27,299)
(4)	Increase/(decrease) in interest/dividend debtors	(3)
338	Increase/(decrease) in debtors	13,130
(89)	Increase/(decrease) in inventories	72
(20,696)	Pension Liability	(17,062)
3,248	Contribution (to)/from provisions	(1,289)
(1,105)	Carrying amount of non-current assets sold	(905)
2,432	Movement in Investment Property Values	0
<b>(35,608)</b>	<b>Total</b>	<b>(42,983)</b>

**37. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**

2019/20 £000		2020/21 £000
36,606	Capital grants credited to surplus or deficit on the provision of services	34,215
315	Proceeds from sale of short and long term investments	315
2,287	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,551
<b>39,208</b>	<b>Total</b>	<b>37,081</b>

**38. Cash Flow Statement – Investing Activities**

2019/20 £000		2020/21 £000
29,380	Purchase of property, plant and equipment, investment property and intangible assets	36,415
1,700	Purchase of short-term and long-term investments	3,315
3,559	Other payments for investing activities	7,286
(280)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,450
(315)	Proceeds from short-term and long-term investments	(315)
(38,646)	Other receipts from investing activities	(34,214)
<b>(4,602)</b>	<b>Net cash flows from investing activities</b>	<b>16,937</b>

**39. Cash Flow Statement – Financing Activities**

2019/20 £000		2020/21 £000
(195,500)	Cash receipts of short and long term borrowing	(130,500)
(251)	Other receipts from financing activities	15,491
(423)	Appropriation to/from Collection Fund Adjustment Account	(1,562)
186,239	Repayments of short and long term borrowing	125,601

2019/20 £000		2020/21 £000
3,056	Cash payments in relation to finance leases and PFI agreements	3,384
<b>(6,879)</b>	<b>Net cash flows from financing activities</b>	<b>12,414</b>

#### 40. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2019/20 £000		2020/21 £000
(1,621)	Interest received	(1,945)
11,103	Interest paid	10,860
<b>9,482</b>	<b>Net cash flows from operating activities</b>	<b>8,915</b>

#### 41. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2019/20 £000		2020/21 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
9,812	Revenue Support Grant	9,972
4,702	Non Domestic Rates Top Up Grant	4,970
3,862	Section 31 Grant	19,491
<b>18,376</b>	<b>Total – Credited to Taxation and Non Specific Grant Income</b>	<b>34,433</b>
	<b>Credited to Services</b>	
96,141	Dedicated Schools Grant	100,863
54,712	Mandatory Rent Allowances Subsidy	51,824
12,012	Public Health Grant	12,702
6,231	Pupil Premium Grant	6,933
6,187	New Homes Bonus	6,342
1,675	Universal Free School Meals	1,623
6,820	Improved Better Care Fund	7,594
1,323	Adult Social Care Grant	4,738
5,167	Covid-19 LA Support Grant	10,029
0	Covid-19 compensation for loss of sales, fees & charges	5,134
0	Council Tax Hardship Grant	1,820
0	Local Restrictions Support Grant	587
0	BEIS Additional Restrictions Grant	4,509
0	Small Business Grants Fund and Retail, Hospitality and Leisure Grants Fund	1,458
0	Test and Trace Service Support Grant	1,162
0	Contain Outbreak Management Fund / LA Surge Testing	4,149
0	Coronavirus (Covid-19) catch up premium	1,140
10,171	Other grants	15,471
<b>200,439</b>	<b>Total Credited to Services</b>	<b>238,078</b>
<b>218,815</b>	<b>Total Grant Income</b>	<b>272,511</b>

The Authority credited the following grants, contributions and donations, have been treated as 'Agent' in line with the Code of Practice and have therefore been credited to the Balance Sheet and not the Comprehensive Income and Expenditure Statement:

2019/20 £000		Receipts £000	Payments £000	Creditor £000
0	Small Business Grant Fund and Retail, Hospitality & Leisure Grant	33,782	(33,429)	353
0	Additional Restrictions Grant	686	0	686
0	Local Restriction Support Grant	10,024	(7,346)	2,678
0	Closed Business Lockdown Payment Grant	7,137	(5,278)	1,859
0	Adult Social Case Infection Control	3,073	(2,898)	175
0	Rapid Testing Grant	384	(384)	0
0	Workforce Capacity Grant	387	(387)	0
<b>0</b>	<b>Total</b>	<b>55,473</b>	<b>(49,722)</b>	<b>5,751</b>

The Authority 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 if the conditions are not met. The balances at the year-end are as follows:

2019/20 £000		2020/21 £000
	<b>Capital Grants Receipts in Advance</b>	
3,178	Standards Fund	5
95	Park for People 10 year Maintenance Programme	0
<b>3,273</b>	<b>Total</b>	<b>5</b>

#### **42. Market Undertaking and Industrial Units**

The Council no longer operates any markets. The responsibility for these has passed to Parish Councils.

The Council operates industrial units whose financial results were as follows:

2019/20 £000		2020/21 £000
7,978	Income from rents	7,694
1,410	Other income	1,283
(1,500)	Net gains/(losses) on revaluation of property	3,952
(3,718)	Direct operating expenses	(3,263)
<b>4,170</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>9,666</b>

#### **43. Pooled Budgets**

The Better Care Fund is a pooled fund governed by a Section 75 agreement. The parties to this joint arrangement are Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group. The fund was established for the first time in 2015/16 in order to meet the Government's requirement to encourage closer working and integration between health and care services and to improve outcomes for Patients and Service Users and Carers. There are performance targets regarding the reductions in non-elective admissions

to hospital and to deliver more care in the community helping people to remain independent.

### **Better Care Fund where Telford & Wrekin Clinical Commissioning Group was the host in 2020/21**

The revenue fund is hosted by the Telford & Wrekin Clinical Commissioning Group and a Section 75 pooled budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics. The relevant funding contributions are reported below, but the contribution by the Telford & Wrekin Clinical Commissioning Group includes revenue funding targeted to the protection of Adult Social Care for which the local authority commissions services. The expenditure and associated contributions in 2020/21 reflect the impact on demand of Coronavirus Pandemic

The net surplus will be retained in the fund and carried forward by the Council into 2021/22.

<b>2019/20 £000</b>	<b>Better Care Fund Revenue Pooled Budget</b>	<b>2020/21 £000</b>
801	Surplus from 2019/20 brought forward	219
8,982	Funding from Telford & Wrekin Council	8,701
12,831	Funding from Telford & Wrekin Clinical Commissioning Group	17,217
(16,607)	Expenditure met from pooled budget Telford & Wrekin Council	(19,824)
(5,788)	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	(5,933)
<b>219</b>	<b>Net Surplus/(Deficit) arising on Pooled budget carried forward</b>	<b>380</b>

### **Better Care Fund where Telford & Wrekin Council was the host in 2020/21**

The capital fund is hosted by Telford & Wrekin Council, and a section 75 Pooled Budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics.

The expenditure has been incurred in the year entirely on local authority commissioned services. The relevant funding contributions are reported below, and the underspend in 2020/21 will be retained in the fund and carried forward by the council into 2021/22.

<b>2019/20 £000</b>	<b>Better Care Fund Capital Pooled Budget</b>	<b>2020/21 £000</b>
513	Brought forward from 2019/20	33
2,033	Funding from Telford & Wrekin Council	2,306
(2,534)	Expenditure met from pooled budget Telford & Wrekin Council	(2,306)
21	Capital Grant Adjustment	0
<b>33</b>	<b>Net Surplus/(Deficit) arising on Pooled budget carried forward</b>	<b>33</b>

### Transforming Care Partnership (TCP) Revenue Pooled Budget

TCPs are made up of clinical commissioning groups, NHS England's specialised commissioners and local authorities. They work with people with a learning disability, autism or both and their families and carers to agree and deliver local plans for the programme.

In England there are 48 TCPs who are changing services in a way that is making a real difference to the lives of local people. This includes making community services better so that people can live near their family and friends, and making sure that the right staff with the right skills are supporting people.

Shown below is the summary for the Section 75 Pooled budget movements arising from the joint working of Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group, part of the Shropshire footprint of the TCP.

2019/20 £000	Transforming Care Partnership (TCP) Revenue Pooled Budget	2020/21 £000
840	Brought forward from 2019/20	778
0	Funding from Telford & Wrekin Council	204
1,384	Funding from Telford & Wrekin Clinical Commissioning Group	1,403
(299)	Expenditure met from pooled budget Telford & Wrekin Council	(280)
(1,147)	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	0
<b>778</b>	<b>Net Surplus/(Deficit) arising on Pooled budget carried forward</b>	<b>2,105</b>

### 44. Members' Allowances

The Authority paid the following amounts to members of the Council and Co-optees during the year.

2019/20 £000		2020/21 £000
761	Allowances	792
0	Expenses	0
<b>761</b>	<b>Total</b>	<b>792</b>

### 45. Senior Officers' Remuneration & Employee Remuneration in Bands

This note shows the amounts paid to Senior Officers in 2020/21 and 2019/20. Senior Officers are defined as:

- named employees whose annualised salary is £150,000 or more; and
- posts where the annualised salary is £50,000 or more and who are either: statutory chief officers (per the Local Government and Housing Act 1989); or non-statutory chief officers who report directly to the Head of Paid Service (Chief Executive); or posts which have responsibility for management of the Authority, whether solely or collectively.



2020/21

Post Holder Information (Post title)	Note	Annualised salary £	Salary, Fees & Allowances £	Compensation for Loss of Office £	Total Remuneration excluding Pension contributions 2020/21 £	Pension contributions £	Total Remuneration including pension contributions 2020/21 £
<b>Current Posts</b>							
<b>Chief Executive (David Sidaway)</b>			159,263	0	<b>159,263</b>	25,164	<b>184,427</b>
<b>Executive Director: Adult Social Care, Health Integration &amp; Wellbeing</b>			119,520	0	<b>119,520</b>	18,486	<b>138,006</b>
<b>Executive Director: Children's &amp; Family Services</b>	1	119,520	97,276	0	<b>97,276</b>	15,370	<b>112,646</b>
<b>Executive Director: Housing, Communities &amp; Customer Services</b>			119,520	0	<b>119,520</b>	18,884	<b>138,404</b>
<b>Director: Finance &amp; Human Resources</b>		100,695	96,121	0	<b>96,121</b>	15,187	<b>111,308</b>
<b>Director: Prosperity &amp; Investment</b>	2	91,547	83,180	0	<b>83,180</b>	13,143	<b>96,323</b>
<b>Director: Education &amp; Skills</b>	2	91,547	64,969	0	<b>64,969</b>	10,265	<b>75,234</b>
<b>Director: Children's Safeguarding &amp; Family Support</b>	2	91,547	37,890	0	<b>37,890</b>	5,987	<b>43,877</b>
<b>Director: Health, Wellbeing &amp; Commissioning</b>	3		91,547	0	<b>91,547</b>	13,164	<b>104,711</b>
<b>Director: Adult Social Care</b>			91,547	0	<b>91,547</b>	14,464	<b>106,011</b>
<b>Director: Communities, Customer &amp; Commercial Services</b>			91,547	0	<b>91,547</b>	14,464	<b>106,011</b>
<b>Director: Neighbourhood &amp; Enforcement Services</b>	2	91,547	75,013	0	<b>75,013</b>	11,852	<b>86,865</b>
<b>Director: Housing, Employment &amp; Infrastructure</b>			91,547	0	<b>91,547</b>	14,464	<b>106,011</b>
<b>Associate Director: Policy &amp; Governance</b>	2	77,369	78,219	0	<b>78,219</b>	12,359	<b>90,578</b>
Executive Director: Children's & Family Services	4	122,492	70,958	0	<b>70,958</b>	11,211	<b>82,169</b>
Director: Education & Corporate Parenting	4	91,547	37,124	0	<b>37,124</b>	0	<b>37,124</b>
Director: Children's Services & Family Support	1	91,547	17,038	0	<b>17,038</b>	2,692	<b>19,730</b>
Director: Governance, Procurement & Commissioning	4	91,547	22,993	80,000	<b>102,993</b>	3,633	<b>106,626</b>
			<b>1,445,272</b>	<b>80,000</b>	<b>1,525,272</b>	<b>220,789</b>	<b>1,746,061</b>

Notes

Those roles shown in bold above represent the current posts.

- 1) This post holder was appointed to Executive Director role part way through the year
- 2) These post holders were appointed part way through the year
- 3) Current post holder is part of the NHS Pension Scheme
- 4) These post holders left part way through the year

2019/20

Post Holder Information (Post title)	Note	Annualised salary £	Salary, Fees & Allowances £	Compensation for Loss of Office £	Total Remuneration excluding Pension contributions 2019/20 £	Pension contributions £	Total Remuneration including pension contributions 2019/20 £
<b>Current Posts</b>							
<b>Chief Executive (David Sidaway)</b>	1	155,000	48,558	0	<b>48,558</b>	5,170	<b>53,728</b>
<b>Executive Director: Adult Social Care, Health Integration &amp; Wellbeing</b>			116,321	0	<b>116,321</b>	16,401	<b>132,722</b>
<b>Executive Director: Children's &amp; Family Services</b>			116,321	0	<b>116,321</b>	16,401	<b>132,722</b>
<b>Executive Director: Housing, Communities &amp; Customer Services</b>	1	116,321	25,328	0	<b>25,328</b>	3,571	<b>28,899</b>
<b>Director: Finance &amp; Human Resources</b>			89,097	0	<b>89,097</b>	12,563	<b>101,660</b>
<b>Director: Education &amp; Corporate Parenting</b>			89,097	0	<b>89,097</b>	0	<b>89,097</b>
<b>Director: Governance, Procurement &amp; Commissioning</b>			89,097	0	<b>89,097</b>	12,563	<b>101,660</b>
<b>Director: Commissioning, Health &amp; Wellbeing</b>	2		89,097	0	<b>89,097</b>	17,958	<b>107,055</b>
<b>Director: Adult Social Care</b>			89,097	0	<b>89,097</b>	12,563	<b>101,660</b>
<b>Director: Children's Safeguarding &amp; Family Support</b>			89,097	0	<b>89,097</b>	12,563	<b>101,660</b>
<b>Director: Policy, Customer &amp; Commercial Services</b>			89,097	0	<b>89,097</b>	12,563	<b>101,660</b>
Assistant Director: Business, Development & Employment			89,097	0	<b>89,097</b>	12,563	<b>101,660</b>
Managing Director	3	145,401	86,769	36,350	<b>123,119</b>	6,834	<b>129,953</b>
Chief Operating Officer	5		7,678	0	<b>7,678</b>	1,083	<b>8,761</b>
Assistant Director: Customer & Neighbourhood Services	4	89,097	69,697	0	<b>69,697</b>	9,827	<b>79,524</b>
Service Delivery Manager: Community Participation	3	63,298	26,204	44,615	<b>70,819</b>	3,695	<b>74,514</b>
			<b>1,209,652</b>	<b>80,965</b>	<b>1,290,617</b>	<b>156,318</b>	<b>1,446,935</b>

Notes

Those roles shown in bold above represent the current posts.

- 1) This post holder was appointed part way through the year
- 2) Current post holder is part of the NHS Pension Scheme

- 3) The post holder left part way through the year
- 4) The post holder was appointed to an Executive Director role part way through the year
- 5) Honorarium payment paid to post holder for acting as Chief Operating Officer for part of the year

The following table excludes Senior Officers shown above.

The number of employees whose remuneration, excluding pension contributions, but including redundancy payments, was £50,000 or more, in bands of £5,000 were:

Number of Employees 2019/20	Salary Band	Number of Employees 2020/21
31	£50,000 - £54,999	36
40	£55,000 - £59,999	36
14	£60,000 - £64,999	14
8	£65,000 - £69,999	11
4	£70,000 - £74,999	8
3	£75,000 - £79,999	2
2	£80,000 - £84,999	3
1	£85,000 - £89,999	0
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0

The 2020/21 figures include 61 school based employees (54 in 2019/20). The 2020/21 there were no employees who left under redundancy or retired during the year (2 in 2019/20).

#### 46. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2020/21 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies		Number of other Departures Agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£
£0 - £20,000	2	3	7	11	9	14	100,567	53,733
£20,001 - £40,000	0	0	2	1	2	1	69,854	24,022
£40,001 - £60,000	0	0	3	0	3	0	139,071	0
£60,001 - £80,000	0	0	0	1	0	1	0	80,000
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	1	0	1	0	238,669
<b>Total</b>	<b>2</b>	<b>3</b>	<b>12</b>	<b>14</b>	<b>14</b>	<b>17</b>	<b>309,492</b>	<b>396,424</b>

<b>An analysis of the total cost of exit packages shows:</b>	<b>Redundancy etc. £</b>	<b>Pension Fund Charges* £</b>	<b>Total £</b>
Exit Packages agreed and charged to the Income & Expenditure Account during 2020/21	109,625	238,752	348,377
Provision Included in the Authority's Income & Expenditure Account for the cost of exit packages where the authority had made a commitment at 31 March 2021 (i.e. Employees who had received formal notice at 31 March 2021 and will leave during 2021/22)	48,047	0	48,047
<b>Total</b>	<b>157,672</b>	<b>238,752</b>	<b>396,424</b>

\* Charges made by Shropshire Pension Fund in respect of early payment of pensions.

Please note that majority of the exit packages charged to the Income & Expenditure Account during 2020/21 were subsequently funded from capital receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review (and subsequently extended to 2021/2022).

#### **47. External Audit Costs**

The Council's accounts have been audited by Grant Thornton since 2018/19. The Council incurred the following fees relating to external audit and inspection:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
110	Fees payable to Grant Thornton with regard to external audit services	115
0	Fees payable to Cabinet Office in respect of statutory inspection	4
11	Fees payable to Grant Thornton for the certification of grant claims and returns	10
0	Fees payable in respect of other services provided by the appointed auditor. Includes dealing with elector questions under statutory responsibilities.	0
(11)	Reimbursements from PSAA	0
<b>110</b>	<b>Total</b>	<b>129</b>

#### **48. Related Parties**

The Authority 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 Authority.

#### **Central Government**

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many

of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts are shown in Note 41.

## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 44. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

During the year transactions with related parties arose as follows:

**Councillor Shaun Davies** is a member of Marches LLP and a Telford & Wrekin Council nominee – Non Executive Director of Wrekin Housing Trust. The value of transaction between the Council and Wrekin Housing Trust for 2020/21 is £854,720 which includes the purchase of 13 properties for £470,751.

**Councillor Stephen Burrell** is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £531,825 in 2020/21 (£423,445 in 2019/20).

**Councillor's Rae Evans, Kuldip Sahota, Vanessa Holt and Amrik Jhawar** are voluntary directors of Meeting Point Trust and as such has no financial interest in the company. The Council makes payments to the Trust in relation to Room Hire at Meeting Point House. During 2020/21 the Council made payments totalling £48,310 (£49,345 in 2019/20).

**Councillor Rae Evans** performs a number of Trustee roles for organisations as the Council's nominated representative who have received monies in 2020/21 as follows:

	<b>Amount Received by Organisation (£)</b>
• Park Lane Centre	£100,351
• West Mercia Energy	£3,137,827

**Councillor Richard Overton** is centre manager for Donnington Charitable Trust. The value of all financial transactions between Donnington Charitable Trust and Telford and Wrekin Council in 2020/21 is £21,755.

**Councillor Stephen Bentley** manages Waters Upton Stores in Telford which receives 100% Rural Rate Relief in line with national legislation and Council Policy and also received £10,000 Business Support Grant due to the Coronavirus Pandemic in line with National Policy.

**Councillor's Chris Turley and Carolyn Healy** are Council nominated directors of Severn Gorge Countryside Trust. The value of all financial transactions between the Trust and the Council is £233,207 which includes the payment of rental incomes, £175,619, collected by the Council on behalf of the Trust. Neither Councillor receives remuneration or personal benefit for this role.

**Councillor Carolyn Healy** is a Director of Red Kite Network Ltd who provided services as part of Horsehay Pool Management and tree and ecological surveys as part of the development of the New College site. The value of transactions between the Council and Red Kite Network Ltd in 2020/21 was £14,358.

**Councillor Gemma Offland** is Chair Person of the Leegate Centre CIC. The value of financial transaction between the Council and the Leegate Centre is £20,190 including

£10,000 for Business Support Grant following the Coronavirus Pandemic in line with National Policy.

**Councillor Adrian Lawrence** is owner of Compelling Media Ltd which received £1,215 Business Support Grant following the Coronavirus Pandemic in line with National Policy.

### **Other Public Bodies [subject to common control by Central Government]**

The Authority has pooled budget arrangements with Telford & Wrekin Clinical Commissioning Group. Transactions and balances outstanding are detailed in Note 43.

### **Subsidiaries**

NuPlace Ltd is a Wholly Owned Company for the provision of market rented housing in the Borough. For 2020/21 the company had a Profit Before Taxation of £0.621m (£0.574m in 2019/20) and Net Assets of £30.860m (£22.187m in 2019/20). There are 3 Council employees, James Dunn, Katherine Kynaston and Kate Callis, who are Directors of NuPlace Ltd and receive no remuneration or benefit for this role. The Council produces Group Accounts in relation to NuPlace Ltd and these can be found on page 138.

## **49. Leases**

### Finance Leases

During 2020/21 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £568,924. Finance lease rentals of £345,878 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:

	<b>Within 1 Year £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
Outstanding Obligations	346	329	0	675

The aggregate amount of finance charges in respect of finance leases was £6,798 for 2020/21 (£18,732 for 2019/20).

The value of assets held, which have been financed by, is shown within Vehicles, Plant and Equipment (see note 15a)

### Operating Leases

During 2020/21 the value of vehicles, plant and equipment acquired under operating leases amounted to £30,726. Operating lease rentals of £4,576 were paid during the year. Total outstanding obligations at the end of the year were as follows:

	<b>Within 1 Year £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
Outstanding Obligations	0	18	0	18

### Hire Purchase Contracts

During 2020/21 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.



## Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental and other income received from these properties for 2020/21 amounted to £8.977m (£9.388m for 2019/20). See also Note 42 Market Undertaking and Industrial Units and Note 15b in respect of the valuation of these assets as Property Portfolio.

## **50. Contingent Liabilities**

At 31<sup>st</sup> March 2021, the Authority had no known material contingent liabilities.

## **51. Contingent Assets**

At 31<sup>st</sup> March 2021, the Authority had no material contingent assets.

## **52. Special Fund Revenue Account**

<b>Net Expenditure 2019/20 £000</b>		<b>Gross Expenditure 2020/21 £000</b>	<b>Income 2020/21 £000</b>	<b>Net Expenditure 2020/21 £000</b>
	<b>EXPENDITURE ON SERVICES</b>			
(55)	Cemeteries	235	(320)	(85)
715	Highways – footway lighting	488	(8)	480
<b>660</b>	<b>Total expenditure on services</b>	<b>723</b>	<b>(328)</b>	<b>395</b>
	<b>INCOME</b>			
(788)	Council Tax			(631)
<b>(128)</b>	<b>(Surplus) or deficit for year</b>			<b>(236)</b>
	<b>Special Fund</b>			
1,016	Balance at beginning of the year			1,144
0	Approved use of Reserve for the year			(200)
128	Surplus or (deficit) for year			236
<b>1,144</b>	<b>Balance at end of year</b>			<b>1,180</b>

The Special Fund covers the cost of providing footway lighting and cemetery services in the former unparished areas of the Borough (excluding the parishes of Lawley & Overdale, Oakengates, St Georges & Priorslee and Wrockwardine Wood & Trench which have taken over responsibility for the footway lighting in their parishes). The above costs for footway lighting relate to the remaining parishes of Great Dawley, Dawley Hamlets, Hollinswood & Randlay, Madeley, Stirchley & Brookside, The Gorge and Wellington.

### 53. Soft Loan

During 2013/14 the Council extended for 10 years a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 2.85% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2020/21 and the balance at 31<sup>st</sup> March is £161,977. This is shown as a debtor on the Balance sheet at a fair value of £157,636 and a notional £4,341 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited, which covers the outstanding amount of the loan.

During 2015/16 the Council advanced a loan for 40 years to AFC Telford of £45,000 at an interest rate of 4.66%, which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2020/21 and the balance at 31<sup>st</sup> March is £42,944. This is also shown as a debtor in the Balance sheet at a fair value of £22,814 and a notional £20,130 has been charged to the I&E account to reflect the preferential rate given. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

### 54. Building Control Account

<u>Expenditure</u>	<u>Chargeable</u>	<u>Non- Chargeable</u>	<u>Total Building Control</u>
	<u>2020/21</u>	<u>2020/21</u>	<u>2020/21</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Employee Expenses	166	173	339
Support Services	133	138	271
	<b>299</b>	<b>311</b>	<b>610</b>
<u>Income</u>			
Building Regulation Charges	(267)	(2)	(269)
<b>(Surplus)/Deficit</b>	<b>32</b>	<b>309</b>	<b>341</b>
<b>(Surplus)/Deficit 2019/20</b>	<b>(9)</b>	<b>335</b>	<b>326</b>

Note the Building Control Account is not covered by the Audit Opinion.

### 55. Insurance Reserves

The Council has insurance reserves on its General Fund and specifically for Education.

The reserves are in existence for the following purposes:

- to enable the Council to move towards an element of self-insurance and risk management to mitigate premium increases.
- to provide for unbudgeted potentially significant increases in annual premiums and late premium adjustments in a volatile insurance market.
- to meet any potential liabilities resulting from the winding up of MMI.

An analysis of the reserves for 2019/20 indicates the following:

	General Fund		Education	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Balance b/f	3,248	3,643	926	923
Charges in the Year	(311)	(631)	(3)	0
Transfers to other reserves	0	(1,800)	0	(423)
Contributions	706	609	0	0
<b>Balance c/f</b>	<b>3,643</b>	<b>1,821</b>	<b>923</b>	<b>500</b>

The charges relate to additional premium costs and excesses and the contributions to interest as well as contributions from services.

For 2020/21 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims, £10,000 in relation to Investment property claims and £50,000 on each public liability claim, employers liability, libel and slander and officials' indemnity claims. Also note 26 Provisions

## **56. West Mercia Energy Joint Committee**

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is constituted as a Joint Committee (JC). Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council. On 19<sup>th</sup> April 2012, the stationery division of WMS - JC was sold with only the energy division being retained by the four member authorities. The energy division trades under the name "West Mercia Energy".

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WME is a Joint Venture. Under International Accounting Standards, Group Accounts should be prepared unless it is considered not to be material.

The conclusion of the Council is that the exclusion of its share of WME's assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability the unaudited 2020/21 balances of WME - JC are included below, along with an analysis of this Council's proportion of those balances based on an estimated share of 24.9%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

<b>Extract from WME Balance Sheet</b>	<b>2020/21</b>	<b>Telford &amp; Wrekin Share</b>
	<b>£000</b>	<b>£000</b>
<b>Long Term Assets</b>		
Property, Plant & Equipment	14	4
<b>Current Assets</b>		
Short Term Debtors	10,063	2,528

<b>Extract from WME Balance Sheet</b>	<b>2020/21</b>	<b>Telford &amp; Wrekin Share</b>
	<b>£000</b>	<b>£000</b>
Cash and Cash Equivalents	2,164	544
<b>Current Liabilities</b>		
Short Term Creditors	(10,756)	(2,703)
<b>Long Term Liabilities</b>		
Other Long Term Liabilities	(331)	(83)
<b>Total Assets Less Liabilities</b>	<b>1,154</b>	<b>290</b>
<b>Financed By</b>		
General Fund	(6,137)	(1,542)
Net Operating surplus	7,607	1,911
Capital Adjustment Account	14	4
Pension Reserve	(330)	(83)
	<b>1,154</b>	<b>290</b>
<b>Turnover</b>	<b>60,646</b>	<b>2,633</b>

## **57. Apprentice Levy**

The Apprentice Levy came into effect in April 2017. It is a Government tax which aims to deliver new apprenticeships. All UK employers who have a total employee pay bill above £3m must pay the levy. The levy rate is 0.5% of the pay bill and includes schools. The money is collected by HMRC and is held in a Digital Apprenticeship Service (DAS) account which can be accessed to fund apprentice training. The levy has been treated as an employee expense in the CIES. The total amount paid in 2020/21 was £0.519m.

## **COLLECTION FUND ACCOUNT**

## Collection Fund Account

<b>COLLECTION FUND 2020/21</b>			
	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>
<b>INCOME</b>			
Council Tax Receivable		93,944	93,944
Business Rates Receivable	43,064		43,064
Transition Protection Payments Receivable	(1,716)	(1)	(1,717)
	<b>41,348</b>	<b>93,943</b>	<b>135,291</b>
<b>EXPENDITURE</b>			
<b>Apportionment of prior year surplus</b>			
Central Government	1,893		1,893
Telford & Wrekin Council	1,855	1,934	3,789
West Mercia Police Authority		302	302
Shropshire & Wrekin Fire Authority	38	140	178
	<b>3,786</b>	<b>2,376</b>	<b>6,162</b>
<b>Precepts &amp; Demands</b>			
Central Government	36,848		36,848
Telford & Wrekin Council	36,112	70,211	106,323
West Mercia Police Authority		11,682	11,682
Shropshire & Wrekin Fire Authority	737	5,304	6,041
Parish / Town Councils		4,785	4,785
	<b>73,697</b>	<b>91,982</b>	<b>165,679</b>
<b>Charges to Collection Fund</b>			
Write offs of uncollectable amounts	432	233	665
Increase/(decrease) in provision	3,058	958	4,016
Cost of collection	213	313	526
	<b>3,703</b>	<b>1,504</b>	<b>5,207</b>
<b>Surplus / (Deficit) arising during the year</b>	<b>(39,838)</b>	<b>(1,919)</b>	<b>(41,757)</b>
Surplus / (Deficit) b/fwd 1 <sup>st</sup> April 2020	5,706	3,074	8,780
<b>Surplus / (Deficit) c/fwd 31<sup>st</sup> March 2021</b>	<b>(34,132)</b>	<b>1,155</b>	<b>(32,977)</b>

## Notes To Collection Fund Accounts

### CF1. Council Tax Base for 2019/20

2019/20 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	2020/21 Equivalent Band D Dwellings
11,188	Band A	26,695	(9,666)	17,029	11,353
12,452	Band B	21,045	(4,716)	16,329	12,700
9,236	Band C	12,488	(1,814)	10,674	9,488
7,940	Band D	8,954	(784)	8,170	8,170
5,381	Band E	4,913	(352)	4,561	5,575
2,949	Band F	2,263	(131)	2,132	3,080
1,645	Band G	1,087	(83)	1,004	1,673
71	Band H	49	(13)	36	72
<b>50,862</b>	<b>TOTAL</b>	<b>77,494</b>	<b>(17,559)</b>	<b>59,935</b>	<b>52,111</b>
(222)	Adjustments for growth and losses				(237)
50,640	Tax base for year				51,874
£1,703.97	Average Council Tax for year				£1,773.17
2019/20 £000					2020/21 £000
86,289	Gross Yield				91,981
0	Less Benefits and Transitional Relief				0
2,803	Add increase in debit net of exemptions and reliefs				1,963
<b>89,092</b>					<b>93,944</b>

### CF2. Income Collectable from Business Rate Payers

2019/20 £000		2020/21 £000
148,917	Effective Non-Domestic Rateable Value for the year	73,719
50.4p	Uniform Business Rate for the year	51.2p
75,054	Gross yield for the year	37,744
137	Less reductions & Transitional Relief	3,605
<b>75,191</b>	<b>Total</b>	<b>41,349</b>

The rateable value was £183,454,832 at 31<sup>st</sup> March 2021 (£184,304,997 at 31<sup>st</sup> March 2020)

### CF3. Allocation of Fund Balance (Council Tax)

2019/20 £000		2020/21 £000
(2,503)	Telford & Wrekin Council	(941)
(390)	West Mercia Police Authority	(154)
(180)	Shropshire Fire Authority	(60)
<b>(3,073)</b>	<b>Total (Surplus)/Deficit</b>	<b>(1,155)</b>

**CF4. Allocation of Fund Balance (NDR)**

2019/20 £000		2020/21 £000
(2,796)	Telford & Wrekin Council	16,725
(57)	Shropshire Fire Service	341
(2,853)	Central Government	17,066
<b>(5,706)</b>	<b>Total (Surplus)/Deficit</b>	<b>34,132</b>

The Government provided 100% business rates discount for the retail, leisure and hospitality sectors as part of its financial support package to businesses during the Coronavirus pandemic. This has resulted in a significant NDR Collection Fund deficit at the end of 2020/21. This is not a "real" deficit as the Council has received compensation via a Section 31 Grant, however due to Collection Fund accounting regulations the grant cannot be transferred into the Collection Fund and instead it has been set aside in Earmarked General Fund Reserves, see Note 29, to offset the deficit which is carried forward and payable in 2021/22 through the Business Rates Retention mechanism.

**CF5. Spreading Collection Fund Deficits**

In response to the anticipated Collection Fund Deficits resulting from the Coronavirus pandemic and the impact on the setting of budgets for 2021/22, the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were enacted during 2020/21. This means that where there are estimated collection fund deficits arising in 2020-21 these have to be spread over the three years 2021-22 to 2023-24. As there were estimated deficits on both the Council Tax and NDR Collection Funds this spreading mechanism is applicable to the Collection Fund.



# **GROUP ACCOUNTS**

# Group Accounts

## Introduction

During 2015/16 the Council established a Wholly Owned Company (NuPlace Ltd) for the provision of market rented housing in the Borough. The company was set up primarily to improve standards in the private rented sector and to offer homes for life to tenants operated by a responsible and responsive landlord. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Telford & Wrekin Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group.

The following pages include:

- Group Expenditure and Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group Deficit
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts where they differ from the notes to the Single Entity Accounts

The Narrative Report has not been replicated in the Group Accounts as the overview below provides a summary of NuPlace performance for 2020/21.

The group financial statements are presented in accordance with the IFRS based Code.

NuPlace Ltd's property assets were valued on 31<sup>st</sup> March 2021 by Registered Valuer's of Telford & Wrekin Council. The valuations were in accordance with the required valuation standards. The valuation of each property was on the basis of current value, which equates to the Market Value. Investment property is initially valued at cost, and recognised once the entire development has been completed, and then revalued annually. Investment properties are not depreciated as they are anticipated to appreciate in value.

Accounting policies are aligned between the group members.

## NuPlace – 2020/21 Overview

NuPlace Limited was incorporated on 1 April 2015. NuPlace is a wholly owned subsidiary of Telford and Wrekin Council, limited by shares.

The principal activity of the company is the procurement of the construction and management of private and affordable residential property for rent. In addition, the company aims to:

- Raise the standard of rental provision, both in terms of the quality of the rental homes and the landlord service.
- Deliver added value and stimulate local economic growth through supply chain engagement, offering skills and employment opportunities and working with the community.
- Develop brownfield and stalled sites in order to deliver widespread regeneration benefits.

The company is financed by Telford and Wrekin Council, through a combination of equity in the form of share capital and debt finance in the form of a 30 year loan.

The company was impacted by the COVID19 pandemic during 2020/21. Construction works at two development sites were suspended in March 2020 for a period of approximately 6 weeks, however the contractor remobilised and work is progressing, as a result sites are due to complete later than previously anticipated. NuPlace is working with its tenants to continue to offer support where appropriate.

Despite the challenges, the company completed the development of 37 units at Rowan View, Snedshill, taking the number of properties completed and available to let at 31 March 2021 to 366, of which 42 are available at affordable rents. In addition, 54 units at Maple Fields, Dothill are expected to reach completion within the first quarter of 2021/22, with 19 of the units being developed to accessible and adaptable standards and ring-fenced for people who are over 55 or have a proven physical disability on a rental basis. Development has commenced on 46 housing units at Southwater Way in Telford Town Centre, of which 11 will be affordable housing, bringing the NuPlace portfolio to 466 units

In accordance with the Company's/Group accounting policy, the housing portfolios were revalued at the year end, which has resulted in an increase in value of 9.6% (£5.366m) over the completed sites.

NuPlace Ltd is a separate legal entity and as such will prepare its own Statement of Accounts and comply with company regulations. The accounts will be audited by Grant Thornton, who also audit the Council's accounts.

NuPlace distributed a final dividend of £0.01 per ordinary share registered on 24<sup>th</sup> February 2021, totalling £156,000. The company reported an operating profit before taxation of £0.620m, £0.463m after tax. It should be noted that the Council has received income totalling £1.65m from NuPlace during 2020/21 net of additional interest and other costs which is a combination of interest paid relating to the loan agreement, dividend income and services NuPlace purchased from the Council.

NuPlace final audited accounts will be published on the Council's website once finalised.

## **GROUP EXPENDITURE & FUNDING ANALYSIS**

## Group Expenditure & Funding Analysis

The EFA is not a Primary Financial Statement and as such should be treated as a note to the accounts. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 1 of the Expenditure and Funding Analysis to the main accounts.

2019/20			SERVICE	2020/21		
Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
43,650	1,672	45,322	Adult Social Care	51,230	(2,179)	49,051
31,906	1,077	32,983	Children's Safeguarding & Family Support	38,578	(1,896)	36,682
4,987	3,423	8,410	Communities, Customer & Commercial Services	6,923	7,103	14,026
387	78	465	Corporate Communications	211	512	723
(4,912)	(21,354)	(26,266)	Council Wide	(13,177)	(4,075)	(17,252)
5,765	(16,426)	(10,661)	Education & Skills	9,825	(11,316)	(1,491)
11,970	14,265	26,235	Finance & Human Resources	8,794	(6,562)	2,232
2,099	323	2,422	Health, Wellbeing & Commissioning	3,597	(6,287)	(2,690)
500	(3,064)	(2,564)	Housing, Employment & Infrastructure	2,250	(898)	1,352
21,603	(4,764)	16,839	Neighbourhood & Enforcement Services	25,552	(7,932)	17,620
5,063	729	5,792	Policy & Governance	1,283	4,284	5,567
(1,658)	7,643	5,983	Prosperity & Investment	(5,897)	6,232	335
<b>121,360</b>	<b>(16,398)</b>	<b>104,962</b>	<b>Net Cost Of Services</b>	<b>129,169</b>	<b>(23,014)</b>	<b>106,155</b>
(121,791)	9,340	(112,451)	Other Income & Expenditure	(129,163)	9,415	(119,748)
<b>(431)</b>	<b>(7,058)</b>	<b>(7,489)</b>	<b>(Surplus) or Deficit</b>	<b>6</b>	<b>(13,599)</b>	<b>(13,593)</b>
<b>4,616</b>			<b>Opening General Fund Balance</b>	<b>5,047</b>		
431			Surplus of (Deficit) for year	(6)		
0			Other approved uses	(50)		
<b>5,047</b>			<b>Closing General Fund Balance</b>	<b>4,991</b>		

**GROUP CORE  
FINANCIAL STATEMENTS AND  
ACCOMPANYING NOTES**

## Group Comprehensive Income and Expenditure Account

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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

SERVICE	2019/20 Gross Expenditure £000	2019/20 Income £000	2019/20 Net Expenditure £000	2020/21 Gross Expenditure £000	2020/21 Income £000	2020/21 Net Expenditure £000
Adult Social Care	70,788	25,466	45,322	79,384	30,333	49,051
Children's Safeguarding & Family Support	36,951	3,968	32,983	39,459	2,777	36,682
Communities, Customer & Commercial Services	79,232	70,822	8,410	77,074	63,048	14,026
Corporate Communications	626	161	465	800	77	723
Council Wide	(8,840)	17,426	(26,266)	10,655	27,907	(17,252)
Education & Skills	114,949	125,610	(10,661)	116,347	117,838	(1,491)
Finance & Human Resources	30,950	4,715	26,235	18,051	15,819	2,232
Health, Wellbeing & Commissioning	14,110	11,688	2,422	14,045	16,735	(2,690)
Housing, Employment & Infrastructure	6,400	8,964	(2,564)	8,656	7,304	1,352
Neighbourhood & Enforcement Services	33,579	16,740	16,839	37,946	20,326	17,620
Policy & Governance	6,924	1,132	5,792	6,163	596	5,567
Prosperity & Investment	31,669	25,684	5,985	25,191	24,856	335
<b>Net Cost of Services</b>	<b>417,338</b>	<b>312,376</b>	<b>104,962</b>	<b>433,771</b>	<b>327,616</b>	<b>106,155</b>

Other Operating Expenditure	3,246	3,238
Financing and Investment Income and Expenditure	11,925	5,366
Taxation & Non Specific Grant Income and Expenditure	(127,622)	(128,352)
<b>(Surplus) or deficit on provision of services</b>	<b>(7,489)</b>	<b>(13,593)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets	(58,179)	(27,923)
(Surplus) or deficit on revaluation of Available For Sale Financial Assets	282	0
Re-measurements of the net defined benefit pension liability	(7,073)	45,700
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(59,970)</b>	<b>17,776</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(72,459)</b>	<b>4,184</b>

## Reconciliation of the Single Entity Deficit on Provision of Services to the Group Deficit

2019/20 £000		2020/21 £000
(7,204)	Deficit/(Surplus) from the Single Entity Accounts (Page 56)	(13,638)
(428)	Deficit/(Surplus) contained within Subsidiary Accounts	(182)
143	Removal of Trading Surpluses from Single Entity Accounts	227
<b>(7,489)</b>	<b>Deficit in Group Accounts (Page 143)</b>	<b>(13,593)</b>



## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance & reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of the reserves of the subsidiary	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31<sup>st</sup> March 2019 carried forward restated</b>	<b>85,490</b>	<b>6,858</b>	<b>92,348</b>	<b>(159,673)</b>	<b>(67,325)</b>	<b>2,847</b>	<b>(64,478)</b>
Total Comprehensive Income and Expenditure	7,204	0	7,204	60,724	<b>67,928</b>	4,531	<b>72,459</b>
Adjustments between accounting basis & funding basis under regulations	(132)	15,568	15,436	(15,436)	<b>0</b>	0	<b>0</b>
<b>Increase/ (Decrease) in 2019/20</b>	<b>7,072</b>	<b>15,568</b>	<b>22,640</b>	<b>45,288</b>	<b>67,928</b>	<b>4,531</b>	<b>72,459</b>
<b>Balance at 31<sup>st</sup> March 2020 carried forward</b>	<b>92,562</b>	<b>22,426</b>	<b>114,988</b>	<b>(114,385)</b>	<b>603</b>	<b>7,378</b>	<b>7,981</b>
Total Comprehensive Income and Expenditure	13,638	0	13,638	(23,143)	<b>(9,505)</b>	5,321	<b>(4,184)</b>
Adjustments between accounting basis & funding basis under regulations	21,408	1,466	22,874	(22,874)	<b>0</b>	0	<b>0</b>
<b>Increase/ (Decrease) in 2020/21</b>	<b>35,046</b>	<b>1,466</b>	<b>36,512</b>	<b>(46,017)</b>	<b>(9,505)</b>	<b>5,321</b>	<b>(4,184)</b>
<b>Balance at 31<sup>st</sup> March 2021 carried forward</b>	<b>127,608</b>	<b>23,892</b>	<b>151,500</b>	<b>(160,402)</b>	<b>(8,902)</b>	<b>12,699</b>	<b>3,797</b>

It should be noted that of the total usable reserves, £151.5m, only £5.2m is uncommitted general fund balances. The remainder includes earmarked reserves and school balances. There are also unusable reserves.

## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), 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'.

31 March 2020 £000		Note	31 March 2021 £000
521,532	Property, Plant & Equipment		563,532
156,804	Investment Properties	3	177,528
1,989	Intangible Assets		2,338
0	Long Term Investments		0
300	Long Term Debtors		257
<b>680,625</b>	<b>Total Long Term Assets</b>		<b>743,655</b>
208	Inventories		281
34,720	Debtors		50,484
6,999	Assets Held for Sale		7,615
30,953	Cash and Cash Equivalents		21,702
<b>72,880</b>	<b>Current Assets</b>		<b>80,082</b>
(15,533)	Provisions		(16,881)
(67,149)	Short term Borrowing		(79,177)
(73,093)	Creditors		(78,602)
<b>(155,775)</b>	<b>Current Liabilities</b>		<b>(174,660)</b>
<b>(82,895)</b>	<b>Net Current Assets/(Liabilities)</b>		<b>(94,578)</b>
(209,036)	Less Long Term Borrowing		(201,908)
(49,113)	Less Long Term Creditors		(52,278)
(328,327)	Less Pensions Liability		(391,089)
(3,273)	Capital Grants Receipts in Advance		(5)
<b>(594,749)</b>	<b>Long Term Liabilities</b>		<b>(645,280)</b>
<b>7,981</b>	<b>Net Assets</b>		<b>3,797</b>
114,807	Usable Reserves		151,274
(106,826)	Unusable Reserves		(147,477)
<b>7,981</b>	<b>Net Reserves</b>		<b>3,797</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<b>2019/20</b> <b>£000</b>		<b>2020/21</b> <b>£000</b>
(7,489)	Net (surplus) or deficit on the provision of services	(13,593)
(35,256)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(42,577)
39,208	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36,766
<b>(3,537)</b>	<b>Net cash flows from Operating Activities</b>	<b>(19,404)</b>
(4,239)	Investing Activities	16,720
(6,867)	Financing Activities	11,935
<b>(14,643)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>9,251</b>
16,310	Cash and cash equivalents at the beginning of the reporting period	30,953
30,953	Cash and cash equivalents at the end of the reporting period	21,702

# Notes to the Group Financial Statements

## Group Note 1. Accounting Policies

### a) General

The single entity accounting policies are detailed on pages 60 - 71 have been adopted and applied to the group accounts.

### b) Reasons for Consolidation

Nuplace Ltd is wholly owned by Telford & Wrekin Council. As the Council has significant influence and control over the company, in line with the CIPFA Code of Practice Group Accounts are produced which consolidate Telford & Wrekin single entity accounts and Nuplace accounts.

### c) Basis for Consolidation

Nuplace has been included in the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Finance Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and Balance Sheet. Figures have been consolidated based on the statement of accounts for 31<sup>st</sup> March 2021. Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared.

### d) PPE Recognition and Measurement

Nuplace Ltd's property assets are valued by Registered Valuer's of Telford & Wrekin Council in accordance with the required standards. The valuation of each property is on the basis of current value, which equates to the Market Value. Property is initially valued at cost and recognised once the entire development has been completed, and then revalued annually. Investment properties are not depreciated as it is anticipated that they will appreciate in value.

## Group Note 2. Investment Property

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

2019/20 £000		2020/21 £000
<b>151,201</b>	Balance at 1 <sup>st</sup> April 2020	<b>156,804</b>
7,218	Additions	12,130
(60)	Revaluation increase/(decrease) recognised in the revaluation reserve	660
154	Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	8,170
(40)	Disposals	(571)
	Transfer:	
523	to/(from) Property, Plant & Equipment	335
(1,152)	to/(from) Assets Held for Sales	0
<b>156,804</b>	<b>Balance at 31<sup>st</sup> March 2021</b>	<b>177,528</b>

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

2019/20 £000		2020/21 £000
(11,931)	Rental income from investment property	(11,795)
4,499	Direct operating expenses arising from investment property	3,335
<b>(7,432)</b>	<b>Net Operational (gain)/loss</b>	<b>(8,460)</b>
1,500	Net (gain)/loss on revaluation of properties	(3,953)
<b>(5,932)</b>	<b>Total Net (gain)/loss</b>	<b>(12,413)</b>

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

## Glossary

Academy Schools	A school that chooses to opt out of Local Authority control and receives its funding direct from the Education Funding Agency
Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory Board.
Accruals	The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid
Balances	See Reserves and Balances.
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 <sup>st</sup> March for Local Authorities.
Business Rates	This is the income collected from business premises in respect of National Non Domestic Rates. Also known as Non Domestic Rates (NDR) and Retained Business Rates.
Business Rates Retention	Local Government Funding scheme under which councils retain 50% of business rates revenue locally.
Budget	The financial statement reflecting the Council's policies over a period of time i.e. what the Council is going to spend to provide services.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Financing Requirement	A measure of an authority's underlying need to borrow or finance for a capital purpose.
Capitalisation	The means by which Government, exceptionally, permits local authorities to treat revenue costs as capital costs. Permission is given through capitalisation directions issued by the Secretary of State.
Capital Receipts	The proceeds from the disposal of land or buildings, or other assets. These can be used to finance new capital expenditure.
Capping	The Government has the power to tell Councils to set a lower council tax requirement if it thinks the year on year increase is excessive.
CIPFA	The Chartered Institute of Public Finance and Accountancy.
CIPFA Code of Practice	Code of Practice on local authority accounting in the United Kingdom which specifies the principles and practices required to be followed when preparing the Statement of Accounts
CIPFA/SOLACE	CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of

	Public Finance and Accountancy, have worked with SOLACE - the Society of Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management.
Collection Fund	A separate statutory fund maintained by the Council, as billing authority, which records council tax and non-domestic rates collected, together with payments to precepting authorities (Police, Fire, Parishes), the Government and the Council's own General Fund.
Comprehensive Income & Expenditure Statement (CIES)	Summarised income and expenditure during the year by service area. Includes both revenue and capital items.
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end.
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end.
Depreciation	The accounting term used to describe the write off of the reduction in value of a fixed asset due to wear and tear, passing of time.
Dedicated Schools Grant (DSG)	Specific ring-fenced grant allocated by the Department for Education for the funding of schools.
Defined Benefit Pension Scheme	Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.
Discounts	The benefit obtained from re-scheduling debt.
Financial Year	The local authority financial year commences 1 April and ends on the 31 March
General Fund	A statutory fund which summarises the cost of all services provided by the Council (with the exception of Special Fund detailed below). The General Fund balance is the reserve held by the Council for general purposes
Group Accounts	Group Accounts have to be produced where a Council has an interest in another organisation, such as Nuplace, unless the interest is considered not material. Group Accounts consolidate the financial position of the Council and all organisations it has an interest in (subject to materiality).
Heritage Assets	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.



International Accounting Standard 19 (IAS19)	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Impairment	A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.
Infrastructure Assets	Assets where there is no prospect of sale or alternative use, for example roads and footpaths.
Intangible Assets	An asset that does not exist in a physical sense but has a value to the Council, for example software licenses
Investment Properties	Property (land or building) which is held for economic regeneration purposes which also earn rentals or capital appreciation.
Leases	A method of funding expenditure by payment over a defined period of time. An <b>operating lease</b> is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. <b>Finance leases</b> are more akin to borrowing and do fall within the capital system, further a finance lease transfers substantially all of the risks and rewards of ownership of the asset to the lessee
LOBO	A LOBO is a market loan to the Authority. LOBO stands for Lenders Option Borrowers Option. What this means is that the loan has a fixed interest rate but the lender has the option to increase that rate at specified intervals. If they exercise that option then the Authority has an option to either accept the new rate or repay the loan.
Materiality	A matter is material if its omission would reasonably influence the reader of the accounts. Materiality is authority-specific and is dependent on the nature and magnitude of the items to which the information relates.
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Net Book Value	The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
Non Domestic Rates (NDR)	This is the income collected from business premises in respect of National Non Domestic Rates (NNDR). Also known as Non Domestic Rates (NDR), Business Rates and Retained Business Rates.
Outturn Pension Fund	Actual Expenditure and Income within a particular year. An employee's pension fund is maintained in order to make pension payments on retirement to participants. It is financed

	from contributions from the employing authority (The Council), the employee and investment returns.
Post Balance Sheet Events	Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date the Statement of Accounts is signed by the Section 151 Officer.
Precept	Precepting authorities do not collect Council Tax and Business Rates directly, but instruct the Billing Authority to do so. Major preceptors include Shropshire & Wrekin Fire & Rescue Authority and West Mercia Police and Crime Commissioner. Parishes and Town Councils are local precepting authorities.
Premia	A penalty payment that may be incurred when debt is repaid early.
Private Finance Initiative (PFI)	A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. PFI are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services belongs to the PFI contractor. The authority is deemed to own the assets at the end of the contract and the assets are therefore carried on the Balance sheet as part of PPE.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain.
Prudential Borrowing	The system which governs local authority borrowing, based on the requirement that capital expenditure plans are affordable, sustainable and prudent, as prescribed in CIPFA's prudential code.
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.
Reserves	Sums set aside in reserve for specific future purposes
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 from Capital under Statute	Legislation allows some expenditure to be classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Settlement Funding Assessment, also determined by Government.

<b>Reserves &amp; Balances</b>	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
<b>Section 151</b>	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Director Finance and Human Resources.
<b>Soft Loan Special Fund Revenue Account</b>	A loan granted at lower than the prevailing interest rate Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council.
<b>Special Purchaser</b>	A particular buyer for whom a certain asset has special value because of advantages arising from its ownership that would not be available to general buyers in the market.
<b>Trading Services</b>	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
<b>Variance</b>	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
<b>Virement</b>	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.