

## 2019/20 Statement of Accounts (SOA) Overview

[page references are shown which cross reference to the full SOA document also available on the T&W internet site]

- The communication of financial information is a key aspect of public accountability. The Statement of Accounts provides detail about the funds available to the Council and how they have been used to deliver services together with a snap-shot of the financial position as at 31 March i.e. the value of assets and liabilities at year end.

### BACKGROUND

- The structure and content of the Statement of Accounts is determined by Government Legislation, Accounting Standards, including International Financial Reporting Standards, and the Chartered Institute of Public Finance & Accountancy (CIPFA) Guidance and Codes of Practice.
- The Statement of Accounts comprises:
  1. **Narrative Report**
  2. **Statement of Responsibilities**
  3. **Annual Governance Statement**
  4. **Auditor's Report**
  5. **Expenditure & Funding Analysis**
  6. **Comprehensive I&E Statement**
  7. **Movement in Reserves Statement**
  8. **Balance Sheet**
  9. **Cash Flow Statement**
  10. **Notes to the Accounts**
  11. **The Collection Fund Account**
  12. **Group Accounts**

### KEY DATES

- Outturn report presented to Cabinet: 18 June 2020; Council 16 July 2020
- **Draft SOA circulated to Audit Committee Members: 10 June 2020**
- Draft SOA available for Public Inspection for 30 days
- **Start of External Audit: 8 June 2020**
- Updated SOA approval by Audit Committee: 1<sup>st</sup> October 2020
- **Audit Completed**
- Final SOA published

## 1. NARRATIVE REPORT [pages 4 -29]

Provides an overview of the budget and financial context, highlights issues raised during the year and provides a summary of both the revenue and capital outturn positions for the Council.

Revenue Position			
	Budget £m	Outturn £m	Variation £m
<b>Cabinet Report</b>	<b>121.413</b>	<b>121.267</b>	<b>-0.146</b>
Add: Funding Variance	0.000	+0.378	+0.378
Service Outturn [page 14 SOA]	<b>121.413</b>	<b>121.645</b>	<b>+0.232</b>
Council Tax, Govt. Grant and NDR	-121.413	-121.791	-0.378
Net General Fund Position		+0.146	+0.146
	<b>-121.413</b>	<b>-121.645</b>	<b>-0.232</b>

General & Special Fund Balances - £m	
Balances bwfd 1/4/19	5.083
Contribution to Balances	0.146
Balances cwfd 31/3/20	5.229

Capital - £m	
Approved Capital Programme	53.17
Outturn	41.84
Funded by:	
Borrowing	18.51
Capital Receipts	2.29
Grants	17.77
Other Sources	3.27
<b>Total</b>	<b>41.84</b>

## 2 & 3. STATEMENT OF RESONSIBILITIES & ANNUAL GOVERNANCE STATEMENT [pages 30 & 31]

Sets out the responsibilities of the authority and the Chief Financial Officer in respect of the SOA; details the governance framework, systems of control and standards of conduct; reviews the effectiveness of governance arrangements and identifies actions to be implemented in 2020/21

## 4. AUDITORS REPORT [page 44]

Provides independent assurance to Members that the SOA have been compiled in accordance with UK accountancy regulations and that they give a true and fair view of the financial position as at 31 March 2020. Grant Thornton will present their own report to Audit Committee which will include the Audit Opinion. An unqualified audit opinion is anticipated.

## 5. EXPENDITURE & FUNDING ANALYSIS (EFA) [page 49]

The EFA reconciles how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices.

## 6. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES) [page 56]

The CIES shows the cost of providing services, in accordance with Accountancy regulations, not the amount funded from taxation.

	£m
<b>Deficit on I&amp;E Account</b>	<b>(7.204)</b>
<b>Plus</b> adjustments for capital purposes	+14.371
<b>Plus</b> other adjustments	+13.383
<b>Less</b> pension adjustments	-20.696
<b>Actual Contribution to General Fund Balances</b>	<b>(0.146)</b>

## 7. MOVEMENT IN RESERVES STATEMENT [page 57]

Shows the different reserves held by the authority, analysed into Usable reserves (those which could be used to fund expenditure) and Other Reserves (technical reserves and those where funds would not be immediately realisable e.g. revaluation reserve where assets would have to be sold to release the benefit).

Usable Reserves	£m	Other Reserves	£m
General/Special Fund Balance	5.229	Pension Reserve - Deficit	(333.327)
Capital Grants Unapp.	22.426	Acc. Absence Reserve	(1.853)
Revenue Grants Unapp.	0.210	Capital Adjustment a/c	119.285
Earmarked Service Reserves	81.674	Revaluation Reserve	99.154
School Balances	5.449	Collection Fund	5.301
		Other	(7.945)
<b>Total Usable Reserves</b>	<b>114.988</b>	<b>Total Other Reserves</b>	<b>(119.385)</b>
<b>Total Reserves at 31 March 2020: (£4.397)m</b>			

## 8. BALANCE SHEET [page 59]

The Balance Sheet shows the value of assets and liabilities at 31 March.

Assets	£m	Liabilities	£m
Property, Plant & Equipment	521.532	Borrowing	276.185
Investment Properties	102.143	Creditors	72.742
Intangible Assets	1.989	Pensions Liability	333.327
Long Term Investments	13.300	PFI/Finance Leases	48.027
Assets Held for Sale	6.999	Provisions	15.325
Debtors	67.728	Other	3.273
Cash/Cash Equivalents	30.583		
Other Current Assets	0.208		
<b>Total Assets</b>	<b>744.482</b>	<b>Total Liabilities</b>	<b>748.879</b>
<b>Total Net position at 31 March 2020: £4.397m (liability)</b>			

## 9. CASHFLOW STATEMENT [page 59]

Shows cash inflows and outflows during the year.

## 10. NOTES TO THE ACCOUNTS [from page 60]

57 notes providing further information to support the figures in the financial statements.

[listed in contents on page 1]

## 11. COLLECTION FUND [page 132]

Required by statute for billing authorities; records transactions relating to business rates and council tax income and payments to this Council, the Parishes, Police & Fire Authorities.

## 12. GROUP ACCOUNTS AND NUPLACE ACCOUNTS [from page 137]

Nuplace was incorporated on 1 April 2015. The principal activity of the company is the procurement of the construction and management of private and affordable residential property.

- Nuplace is wholly owned by Telford & Wrekin Council;
- 2019/20 was the fifth year of operation;
- During the year the company completed the development of 39 units at Coppice Court, Snedshill. The number of properties completed and available to let at 31 March 2020 was 329 (309 at 31 March 2018). 42 of these are let as affordable rents;
- Dyke Yaxley are the appointed auditors for Nuplace;
- Nuplace generated an operating profit, before taxation of **£0.574m**. The Council also received income of **£1.2m** from Nuplace during 2019/20. A summary of the financial statements is shown below:

<b>Profit &amp; Loss Account Financial Year 2019/20</b>	
	<b>£</b>
Turnover	2,543,302
Cost of Sales	(309,337)
<b>Gross Profit</b>	<b>2,233,965</b>
Administrative Expenses	(181,650)
Other Operating Income	34,601
<b>Profit before taxation and interest</b>	<b>2,086,916</b>
Net Interest payable	(1,513,219)
<b>Profit before taxation</b>	<b>573,697</b>
Tax on Profit	(146,097)
<b>Profit for the financial year</b>	<b>427,600</b>
Revaluation of tangible fixed assets	4,245,908
<b>Total Comprehensive Profit for the Year</b>	<b>4,673,508</b>

<b>Balance Sheet at 31 March 2020</b>			
<b>Assets</b>	<b>£m</b>	<b>Liabilities</b>	<b>£m</b>
Fixed assets	56.171	Creditors	33.181
Cash at bank and in hand	0.370	Provisions	0.209
Debtors	0.011	Deferred Income	0.975
<b>Total Assets</b>	<b>56.552</b>	<b>Total Liabilities</b>	<b>34.365</b>
<b>Total Net Assets at 31 March 2020: £22.187m</b>			
<b>Share Capital</b>			<b>£13.300m</b>
<b>Profit &amp; Loss Account</b>			<b>£1.329m</b>
<b>Revaluation Reserve</b>			<b>£7.559m</b>
			<b>£22.187m</b>

The Council has produced Group Accounts for 2019/20 which consolidate the Council's accounts with those of Nuplace to give an overall picture of the Council's activities.

## **PENSIONS [notes 11, 12 and 13, page 79]**

- The Council participates in 3 pension schemes: the Local Government Pension Scheme, the National Health Service Pension Scheme and the Teacher's Pension scheme.
- The pension fund assets and liabilities of the National Health Service and Teacher's schemes cannot be attributed to individual authorities and the Council is not therefore required to disclose detailed information relating to these.
- The Local Government Pension Scheme (LGPS) is a Defined Benefit Scheme which is administered by Shropshire Pension Fund and detailed disclosures are available and shown in the accounts.
- The cost charged to the Income and Expenditure account is not the employer contribution rate but an amount provided by the actuaries which takes into account the additional cost of pension obligations earned at 31 March – the principle being that local authorities must account for retirement benefits when they are committed to giving them.
- Both the Council and employees pay contributions into the LGPS fund, calculated at a level intended to balance the pension liabilities with pension assets. There is an actuarial evaluation of the fund undertaken every 3 years which determines the council's contribution. Following the valuation at 31/3/16 the contribution rate was set at 14.1% for 2019/20, supplemented with a lump sum payment.
- MHCLG are consulting on changing the valuation cycle from the current 3 years to 4 years

## PENSIONS [cont.]

- The Council's assets and liabilities relating to the LGPS at 31 March were:

	<b>31.3.19</b>	<b>31.3.20 (Audited SoA)</b>	<b>31.3.20 (Unaudited SoA)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total Present Value of Benefit Obligations	(852,874)	(854,512)	(854,512)
Fair Value of Pension Fund Assets	538,170	521,185	526,185
<b>Deficit on Fund at 31 March</b>	<b>(314,704)</b>	<b>(333,327)</b>	<b>(328,327)</b>
Deficit on Fund at 31 March prior year	(258,739)	(314,704)	(314,704)
<b>(Increase) in deficit / Decrease in deficit</b>	<b>(55,965)</b>	<b>(18,623)</b>	<b>(13,623)</b>

- The Council's share of the deficit on the LGPS has increased by £18.623m; this has been as a result of a reduction in the projected asset value caused by the substantial falls in equity markets around the world in March 2020 in relation to the COVID-19 pandemic.
- There has been one amendment to the Pension disclosures relating to Pension Fund Assets where any adjustment was made in 2017/18 due to the actuarial estimates and assumptions included in the calculations at the time. The adjustment was rolled forward in 2018/19 and was included in the unaudited accounts for 2019/20. However, it is no longer necessary as the 2019 actuarial valuation has been completed.

## **RELATED PARTIES [note 48, page 125]**

- Local authorities are required to show related party transactions as a disclosure note in the Statement of Accounts.
- Disclosure ensures that the SOA are presented in a fair and transparent manner.
- In 2019/20 the process for completing and returning the Related Party Declaration forms remained the same as 2018/19. As at the commencement of the audit 3 returns outstanding from serving Councillors and 4 returns outstanding from Councillors who either stood down or were not re-elected from May 2019 elections.
- Reviewed the Register of Interests and Companies House.
- 3 further disclosures have been included in the final draft of the SOA following the completion of testing by Grant Thornton which included Companies House checks on each Councillor.
- Further guidance regarding disclosures will be included for 2020/21 returns.

## PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY [note 15a & 15b, page 88]

- In consultation with both Grant Thornton and the our valuer's the valuation process has been reviewed and we are now working towards a 3 year revaluation cycle with the aim of revaluing 70% of the Opening Net Book Value (NBV) of assets –
  - In 2019/20 181 fixed assets were revalued out of 350 (51.7%)
  - Opening NBV of these assets is £177.8m or 69% of the overall Opening NBV
- There have been a number of amendments to PPE & Investment Property notes since the unaudited accounts were issued. These include –
  - Revaluation of one Investment Property asset
  - Reclassification of some Assets Under Construction to Investment Property in line with CIPFA Code of Practice (also impacts prior years)
  - Revaluation of 5 PPE assets following Management Assessment of Assets not revalued in year
    - 76% of overall Opening NBV have been revalued in year

	Property, Plant & Equipment		Investment Property	
	Unaudited SoA £m	Audited SoA £m	Unaudited SoA £m	Audited SoA £m
<b>NBV as at 31<sup>st</sup> March 2019</b>	<b>464.667</b>	<b>452.675</b>	<b>93.413</b>	<b>105.407</b>
Additions	28.012	26.712	0.818	2.120
Revaluations	49.232	57.048	2.431	(4.152)
Disposals	0.000	0	(0.037)	(0.040)
Assets reclassified to AHS	(0.029)	(0.029)	(1.152)	(1.152)
Assets reclassified to/from Investment Property/PPE	(10.938)	0.040	10.938	(0.040)
Depreciation Charge	(14.913)	(14.914)	0.000	0.000
<b>NBV as at 31<sup>st</sup> March 2020</b>	<b>516.031</b>	<b>521.532</b>	<b>107.411</b>	<b>102.143</b>

- Impact on PPE of Academy conversions in 2019/20 significantly reduced at -£4.5m