

2020/21 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: 10 June 2021; Council 22 July 2021
- **Draft SOA presented to Audit Committee Members: 27 May 2021**
- Draft SOA available for Public Inspection for 30 days
- **Start of External Audit: 14 June 2021**
- Updated SOA approval by Audit Committee: 28 September 2021
- **Audit Completed**
- Final SOA published

1. NARRATIVE REPORT [pages 4 -28]

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 |
| Net Budget | 128.975 | 129.125 | +0.150 |
| Add: Funding Variance | 0.000 | -0.189 | -0.189 |
| | | | |
| Service Outturn [page 13 SOA] | 128.975 | 128.936 | -0.039 |

| General & Special Fund Balances - £m | |
|--------------------------------------|---------|
| Balances bwfd 1/4/20 | 5.229 |
| Surplus or (Deficit) in year | 0.039 |
| Agreed use of balances | (0.050) |
| Balances cwfd 31/3/21 | 5.218 |

| Capital - £m | |
|----------------------------|--------------|
| Approved Capital Programme | 63.70 |
| Outturn | 57.71 |
| Funded by: | |
| Borrowing | 22.41 |
| Capital Receipts | 2.55 |
| Grants | 28.09 |
| Other Sources | 4.66 |
| Total | 57.71 |

2 & 3. STATEMENT OF RESONSIBILITIES & ANNUAL GOVERNANCE STATEMENT [pages 29 & 31 - 47]

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 48 - 53]

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 2021. 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 54]

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 61]

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

| | £m |
|--|-----------------|
| Surplus on I&E Account | (11.045) |
| Plus adjustments for capital purposes | +10.418 |
| Plus other adjustments | +17.650 |
| Less pension adjustments | -17.062 |
| | |
| Actual Contribution to General Fund Balances | (0.039) |

7. MOVEMENT IN RESERVES STATEMENT [page 62]

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 | Unusable Reserves | £m |
|---|----------------|--------------------------------|------------------|
| General/Special Fund Balance | 5.218 | Pension Reserve - Deficit | (375.392) |
| Capital Grants Unapp. | 23.892 | Acc. Absence Reserve | (2.541) |
| Revenue Grants Unapp. | 0.365 | Capital Adjustment a/c | 135.046 |
| Earmarked Service Reserves | 112.622 | Revaluation Reserve | 119.263 |
| School Balances | 9.403 | Collection Fund | (15.777) |
| | | Other | (7.702) |
| Total Usable Reserves | 151.500 | Total Unusable Reserves | (147.103) |
| Total Reserves at 31 March 2021: £4.397m | | | |

8. BALANCE SHEET [page 63]

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

| Assets | £m | Liabilities | £m |
|---|----------------|--------------------------|----------------|
| Property, Plant & Equipment | 561.134 | Borrowing | 281.085 |
| Investment Properties | 107.753 | Creditors | 79.177 |
| Intangible Assets | 2.338 | Pensions Liability | 364.881 |
| Long Term Investments | 16.300 | PFI/Finance Leases | 50.713 |
| Assets Held for Sale | 7.615 | Provisions | 16.615 |
| Debtors | 40.960 | Other | 0.005 |
| Cash/Cash Equivalents | 20.772 | | |
| Other Current Assets | 0.281 | | |
| | | | |
| Total Assets | 797.255 | Total Liabilities | 792.858 |
| Total Net position at 31 March 2021: £4.397m (Asset) | | | |

9. CASHFLOW STATEMENT [page 64]

Shows cash inflows and outflows during the year.

10. NOTES TO THE ACCOUNTS [pages 65 - 138]

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

[listed in contents on page 1]

11. COLLECTION FUND [pages 139 - 142]

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 [pages 143 - 156]

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;
- 2020/21 was the sixth year of operation;
- During the year the company completed the development of 37 units at Rowan View, Snedshill, taking the number of properties completed and available by 31st March 2021 to let to 366 of which 42 are available at affordable rents.
- Dyke Yaxley are the appointed auditors for Nuplace;
- Nuplace generated an operating profit, before taxation of **£0.621m**. The Council also received income of **£1.65m** from Nuplace during 2020/21. A summary of the financial statements is shown below:

| Profit & Loss Account Financial Year 2020/21 | |
|---|--------------|
| | £ |
| Turnover | 2.818 |
| Cost of Sales | (0.445) |
| Gross Profit | 2.373 |
| Administrative Expenses | (0.225) |
| Other Operating Income | 0.035 |
| Profit before taxation and interest | 2.183 |
| Net Interest payable | (1.563) |
| | |
| Profit before taxation | 0.620 |
| Tax on Profit | (0.157) |
| Profit for the financial year | 0.463 |
| Revaluation of tangible fixed assets | 5.366 |
| Total Comprehensive Profit for the Year | 5.829 |

| Balance Sheet at 31 March 2021 | | | |
|--|---------------|--------------------------|-----------------|
| Assets | £m | Liabilities | £m |
| Fixed assets | 71.637 | Creditors | 40.532 |
| Cash at bank and in hand | 0.930 | Provisions | 0.265 |
| Debtors | 0.491 | Deferred Income | 1.401 |
| | | | |
| Total Assets | 73.058 | Total Liabilities | 42.198 |
| Total Net Assets at 31 March 2021: £30.860m | | | |
| | | | |
| Share Capital | | | £16.300m |
| Profit & Loss Account | | | £1.635m |
| Revaluation Reserve | | | £12.924m |
| | | | £30.860m |

The Council has produced Group Accounts for 2020/21 which consolidate the Council's accounts with those of Nuplace to give an overall picture of the Council's activities.

AMENDMENTS DURING AUDIT PERIOD – IMPACTED THE MAIN FINANCIAL STATEMENTS

- **Pension Valuation** - as part of the Shropshire Pension Fund audit a material valuation increase was identified in relation to the Private Equity portfolio. This has resulted in a £15.7m reduction in the Pension Fund liability and an increase in the Net Assets on the Balance Sheet.

Further, the employer's pension contribution pre-payment has been moved from debtors to the Pension Asset/Liability Account;

- **Property Plant and Equipment (PPE)** – amendments have made in respect of capital expenditure which should have been treated as Revenue Expenditure Funded by Capital Under Statue (REFCUS), valuation error on 1 asset and depreciation charges being omitted which effected 7 assets. This has resulted in a £2.4m reduction in the net book value of PPE a decrease in the Net Assets on the Balance Sheet.
- **Group Accounts – Investment Properties** – a review of the valuation method used to value assets under construction held within NuPlace's accounts has been undertaken to ensure the valuation reflects the Code requirements upon consolidation. The review has resulted in an increase in the Net Book Value of Investment Property of £1.7m in the Group Balance Sheet.

Overall impact of the above amendments resulted in an increase in Net Assets of £13.3m in the Council (Single Entity) accounts and an increase in the Net Assets of consolidated Group Accounts of £15.0m

AMENDMENTS DURING AUDIT PERIOD - PRESENTATION

- **Prior Period Restatement (PPR)** – a PPR has been included to reflect the impact of the 2020/21 reporting structure on the presentations disclosed in 2019/20;
- **Disclosure of Deployment of Dedicated Schools Grant** – updated figures received from Education and Skills Funding Agency (ESFA) in relation to final DSG;
- **Financial Instruments** – reclassification of debtor items from Financial Assets/Liabilities to Non-Financial Assets/Liabilities in line with the Code requirements;
- **Debtors / Creditors** – amendments made with both debtors and creditors balances increasing by the same amount the result is no impact on the overall net position;
- **Related Party Declarations** – updates added to reflect the current information available;
- Various wording/presentational changes

PENSIONS [notes 11, 12 and 13, page 84]

- 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 1/4/19 the contribution rate was set at 15.8% for 2020/21, supplemented with a lump sum payment.
- Two amendments during the Audit Period

PENSIONS [cont.]

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

| | 31.3.20 | 31.3.21 (Audited SoA) | 31.3.21 (Unaudited SoA) |
|--|------------------|--------------------------|-------------------------------|
| | £'000 | £'000 | £'000 |
| Total Present Value of Benefit Obligations | (854,512) | (1,009,259) | (1,009,259) |
| Fair Value of Pension Fund Assets | 526,185 | 644,378 | 618,170 |
| Deficit on Fund at 31 March | (328,327) | (364,881) | (391,089) |
| Deficit on Fund at 31 March prior year | (314,704) | (328,327) | (328,327) |
| (Increase) / Decrease in deficit | (18,623) | (36,554) | (62,752) |

- The Council's share of the deficit on the LGPS has increased by £36.554m; this has been as a result of a changes in the financial assumptions offset by the funds positive investment performance.
- There has been two amendments to the Pension disclosures:
 - The first related a material valuation increase in relation to the Private Equity portfolio which was identified as part of the Shropshire Pension Fund audit. This has resulted in an increase in the Fair Value of the Pension Fund assets of £15.7m (which presents as a reduction in the Pension Fund Liability which is the net value of the Funds Assets and Liabilities) and an increase in the Net Assets on the Balance Sheet.
The contra entry has reduced the credit on the Pension Reserve and therefore increased the Net Reserve
 - The second adjustment related to the Accounting Treatment of the employer's pension contribution pre-payment (£10.5m) which has been moved from debtors to the Pension Asset/Liability Account. Whilst this does not impact on either the Net Asset or Net Reserve position at 31st March 2021, it does mean that the Pension Liability and Pension Reserve no longer offset. An additional disclosure has had been included at Note 12 to show the reconciliation between the two.

PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY [note 15a & 15b, pages 93-98]

- These items are identified in the audit process as having significant risk due to the values held on the balance sheet.
- We have reviewed our processes over the past couple of years to mitigate this and ensure the accuracy of asset valuations. These include –
 - working with colleagues in Estates and Investments to -
 - Reduce the period between asset valuations from a maximum of 5 years to a maximum of 3 years
 - Identify asset groups with high carrying value's and ensure these are revalued every year. This includes all of our Schools and (others)
 - Move from a physical valuation date of April to December
 - working with colleagues in our Systems Support Team to -
 - Sufficient training is provided to team members responsible for the maintenance of the Fixed Asset Register
 - Create effective reports and processes
- Despite this a number of amendments were made during the Audit Period. These included –
 - A valuation error which reduced the NBV of PPE by £1.3m
 - The inclusion of capital expenditure on assets not belonging to the Council which reduced the NBV of PPE by £0.6m
 - Depreciation not being applied to 7 assets which reduced the NBV of PPE by £0.5m

COVID-19 GRANTS – ACCOUNTING TREATMENT [note 41, pages 122-123]

- As part of the COVID-19 response the Government announced a number of grants to support businesses which were administered by Councils.
- Councils needed to assess whether they should be accounting for grants and the distribution of the grants to eligible business, as either principal or agent transactions in accordance with Section 2.6 (Principal and Agent Transactions) of the Code.
 - Paragraph 2.6.2.1 of the Code specifies that the authority is deemed to be an agent where it is acting as an intermediary.
 - acting as a distribution point for grant monies to other bodies and has no control over the amount of grant allocated to a recipient, then the authority is likely to be acting as agent.
 - Paragraph 2.6.2.2 of the Code sets out that the authority is principal where it is acting on its own behalf.
 - able to conclude that it has control over the distribution or amounts of the grant it would be deemed to be acting a principal.
- Where the authority is acting as principal, the transactions shall be included in its comprehensive income and expenditure statement (CIES)
- 7 grants administered where it was deemed the Council acted as Agent
- Section 31 Grants in respect of Business Rate Reliefs
 - Implications for Collection Fund and 2021/22