

2021/22 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: 23 June 2022; Council 14 July 2022
- **Draft SOA presented to Audit Committee Members: 26 May 2022**
- Draft SOA available for Public Inspection for 30 days
- **Start of External Audit: 20 June 2022**
- Updated SOA approval by Audit Committee: 31 January 2024
- **Audit Completed: 13 March 2024**
- Final SOA published: 13 March 2024

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	131.013	131.041	+0.028
Add: Funding Variance	0.000	-0.076	-0.076
Service Outturn [page 12 SOA]	131.013	130.965	-0.048

General & Special Fund Balances - £m	
Balances bwfd 1/4/21	5.218
Surplus or (Deficit) in year	0.048
Agreed use of balances	(0.159)
Balances cwfd 31/3/22	5.107

Capital - £m	
Approved Capital Programme	73.31
Outturn	57.37
Funded by:	
Borrowing	20.33
Capital Receipts	5.45
Grants	23.68
Other Sources	7.91
Total	57.37

2 & 3. STATEMENT OF RESONSIBILITIES & ANNUAL GOVERNANCE STATEMENT [pages 29 & 30 - 46]

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 2022/23.

4. AUDITORS REPORT [page 47]

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 2022. 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
Deficit on I&E Account	24.734
Less adjustments for capital purposes	- 23.923
Plus other adjustments	+ 24.664
Less pension adjustments	- 25.523
Actual Contribution to General Fund Balances	(0.048)

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	5.107	Pension Reserve - Deficit	(375.383)
Capital Grants Unapp.	16.183	Acc. Absence Reserve	(1.995)
Revenue Grants Unapp.	0.138	Capital Adjustment a/c	103.787
Earmarked Service Reserves	117.722	Revaluation Reserve	183.463
School Balances	10.948	Collection Fund	(2.368)
		Other	(7.520)
Total Usable Reserves	150.098	Total Unusable Reserves	(100.018)
Total Reserves at 31 March 2022: £50.080m			

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	716.347	Borrowing	282.743
Intangible Assets	2.390	Creditors	110.742
Long Term Investments	16.900	Pensions Liability	375.383
Long Term Debtors	42.927	PFI/Finance Leases	47.399
Assets Held for Sale	9.851	Provisions	1.578
Debtors	42.992	Other	0.400
Cash/Cash Equivalents	36.643		
Other Current Assets	0.275		
Total Assets	868.325	Total Liabilities	818.245
Total Net position at 31 March 2021: £50.080m (Asset)			

9. CASHFLOW STATEMENT [page 64]

Shows cash inflows and outflows during the year.

10. NOTES TO THE ACCOUNTS [pages 65 - 143]

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

[listed in contents on page 1]

11. COLLECTION FUND [pages 144 - 147]

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 148 - 171]

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;
- 2021/22 was the seventh year of operation;
- At 31 March, NuPlace's housing portfolio comprised of 431 homes of which 45 are affordable. The programme has resulted in 23 acres of brownfield land being regenerated, addressing sites that might otherwise blight communities.
- Dyke Yaxley are the appointed auditors for Nuplace;
- Nuplace generated an operating profit, before taxation of **£0.564m**. The Council also received income of **£1.8m** from Nuplace during 2021/22. A summary of the financial statements is shown below:

Profit & Loss Account Financial Year 2021/22	
	£
Turnover	3.487
Cost of Sales	(0.637)
Gross Profit	2.850
Administrative Expenses	(0.267)
Other Operating Income	0.034
Profit before taxation and interest	2.617
Net Interest payable	(2.053)
Profit before taxation	0.564
Tax on Profit	(0.158)
Profit for the financial year	0.406

Balance Sheet at 31 March 2022			
Assets	£m	Liabilities	£m
Fixed assets	79.571	Creditors	43.927
Cash at bank and in hand	1.169	Provisions	0.285
Debtors	0.256	Deferred Income	1.368
Total Assets	80.996	Total Liabilities	45.580
Total Net Assets at 31 March 2022: £35.416m			
Share Capital			£16.900m
Profit & Loss Account			£1.879m
Revaluation Reserve			£16.637m
			£35.416m

- In accordance with accounting policy, the housing portfolio was revalued at year end which result in an increase in value of 5% (£3.7m) over the 9 completed sites.

The Council has produced Group Accounts for 2021/22 which consolidate the Council's accounts with those of Nuplace to give an overall picture of the Council's activities.

INFRASTRUCTURE ASSETS

Background –

- This is a technical issue relating to the reporting of infrastructure assets, principally arising from the lack of availability of information held in relation to these assets, particularly at a “component” level.
- The issue, raised by auditors, relates to de-recognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure takes place (which would be the usual approach for this type of asset) together with the reporting of gross historical cost and accumulated depreciation.
- While the derecognition process is standard practice for many items of property, plant and equipment assets, it may not be being implemented for infrastructure assets, particularly highways assets, because there are a variety of significant practical difficulties in applying the standard approach to such assets i.e. the records used to maintain, replace and add to the infrastructure assets have not been created to map against identifiable components, particularly in relation to roads.

Temporary Solution –

- I. Capital Finance and Accounting (England) (Amendment) Regulations 2022 SI 1232/2022 – Statutory Instrument effective from 25 December 2022
- II. CIPFA/LASAAC – have issued an updated Code of Practice issued November 2022 and accompanying CIPFA Bulletin published in January 2023 with more detailed guidance as well as exemplar disclosures

INFRASTRUCTURE ASSETS

I. Statutory Instrument

- Has the effect of allowing local authorities to elect to treat any component of any infrastructure which they own as having a value of nil when it is replaced. We have elected to follow this treatment and have disclosed this in the notes to the accounts.
- There is no requirement to restate any balances relating to previous financial years in relation to infrastructure assets.

II. Code of Practice Update – current interpretation

- Includes temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. The temporary relief has been introduced due to the historical information deficits that exist.
- Where applying the temporary relief, updated disclosure notes required – we are currently in discussion with Grant Thornton to confirm the requirements of the guidance published on 11 January.
- Applies for financial years from 2021/22 to 2024/25

AMENDMENTS MADE DURING AUDIT PERIOD

- Pension Valuation** - as part of the Shropshire Pension Fund audit an understatement in the Fund's Net Assets c. £19m was identified, relating to the timing of valuations included in the Pension Fund draft accounts. Due to the amount involved, the Council requested updated Pensions Accounting (IAS 19) figures which have been included in the final Statement of Accounts. This has reduced the Net Pension Liability on the Balance Sheet by **£5.572m** and impacted on other associated Pensions entries.
- The Council's assets and liabilities relating to the LGPS at 31 March were:

	31.3.21	31.3.22 (Updated SoA)	31.3.22 (Unaudited SoA)
	£m	£m	£m
Total Present Value of Benefit Obligations	(1,009.259)	(1,044.456)	(1,044.456)
Fair Value of Pension Fund Assets	644.387	684.131	678.559
Deficit on Fund at 31 March	(364.881)	(360.325)	(365.897)
Deficit on Fund at 31 March prior year	(328.327)	(364.881)	(364.881)
(Increase) / Decrease in deficit	(36.554)	4.556	(1.016)

- The Council's share of the deficit on the LGPS has reduced by £4.556m; this has been as a result of the funds positive investment performance offset by a changes in the financial assumptions

- **Accounting Treatment of Investment Property revaluations** – revaluations relating to two properties had been incorrectly processed through the revaluation reserve i.e. treated as Property, Plant and Equipment revaluations, rather than Investment Property Revaluations. The accounting treatment has been corrected so that the revaluations, **£2.002m**, are correctly processed, ultimately flowing through the Capital Adjustment Account.
- **Group Accounts – Investment Properties** – previously Nuplace valuation changes were incorporated into the Group Accounts as Property, Plant & Equipment (PPE). Following discussion with Grant Thornton it was agreed that this should be consolidated as Investment Property. However, in error, revaluations were consolidated as PPE, which has now been corrected for 2020/21, **£7.06m** and 2021/22, **£4.594m**.

The Narrative Statement, Core Financial Statements and accompanying notes and Group Accounts have been updated to reflect all changes as appropriate.