



# Worcester

## CITY COUNCIL

*Building a successful future on 2,000 years of history*

# STATEMENT OF ACCOUNTS

## 2017/18



**WORCESTER CITY COUNCIL  
STATEMENT OF ACCOUNTS 2017/18**

---

**CONTENTS**

	Page
STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS	1
NARRATIVE REPORT	2
ANNUAL GOVERNANCE STATEMENT	16
STATEMENT OF ACCOUNTING POLICIES	19

**CORE STATEMENTS**

MOVEMENT IN RESERVES STATEMENT	31
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)	32
BALANCE SHEET	34
CASH FLOW STATEMENT	35

**NOTES TO THE CORE STATEMENTS**

NOTES TO THE CIES	36
NOTES TO THE MOVEMENT IN RESERVES	47
NOTES TO THE BALANCE SHEET	52
NOTES TO THE CASHFLOW	79
OTHER NOTES	82

**SUPPLEMENTARY ACCOUNTS**

COLLECTION FUND AND EXPLANATORY NOTES	90
ACCOUNTING DEFINITIONS	97
COMMITTEE APPROVAL	98
INDEPENDENT AUDITOR'S REPORT <i>(to follow)</i>	

# **WORCESTER CITY COUNCIL STATEMENT OF RESPONSIBILITIES**

---

## **The City Council's responsibilities**

The City Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director Finance and Resources , he is the council's s151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the Statement of Accounts.

## **The S151 Officer's responsibilities**

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"). The S151 Officer is required to present the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2018.

**As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31 March 2018, I have:**

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

**I have also:**

- kept proper accounting records which were up to date
- taken reasonable steps to prevent and detect fraud and other irregularities.

These accounts give a true and fair view of the financial position of Worcester City Council at the reporting date and of its expenditure and income for the year ended 31 March 2018.



Shane Flynn  
**Corporate Director Finance and Resources**

**26 July 2018**

# **WORCESTER CITY COUNCIL NARRATIVE REPORT**

---

## **1. Introduction**

This Draft Statement of Accounts presents the financial position of the Council for the year ended 31 March 2018. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The Accounts and Audit Regulations 2015 require that Local Authorities provide a narrative to the Statement of Accounts. This should provide an analysis of the development and performance of the authority in that financial year and its position at the end of the year.

## **2. An Introduction to Worcester City**

Worcester City is the County town of Worcestershire and covers an area of c. 33 square kilometres of South Worcestershire. It is situated in the West Midlands, approximately 17 miles southwest of Birmingham and 23 miles north of Gloucester.

The River Severn and the Worcester and Birmingham Canal run through the centre of Worcester providing recreational and sporting opportunities for residents and visitors. Although predominantly urban, the City is surrounded by open countryside and features a variety of parks and open spaces.

The city's history spans more than 2,000 years. It is studded with monuments to its rich heritage, including the 12th Century Cathedral, the Guildhall, the 800-year-old Commandery and the site of the final battle of the Civil War.

Education is thriving in the city, which is home to the University of Worcester, Heart of Worcestershire College and Worcester Sixth Form College.

Retail and leisure in the city have received a major boost with the 2017 opening of a £20m redevelopment of Cathedral Square at the southern end of High Street, boosting Worcester's offer of large high street brands, unique boutiques and independent shops. The city also has a growing reputation for sport, hosting top class sporting venues including Worcestershire County Cricket Ground, Worcester Warriors Rugby Club and the 300-year-old Worcester Racecourse.

Worcester has a population of approximately 102,300 people and the City's age profile is generally younger than for England and the rest of the surrounding county. 32% of the population are aged under-25 compared to 27.4% in Worcestershire, and 28.5% in England. The working age population between 16-64 makes up 65.2% of the total population compared to 60.4% in Worcestershire and 63% in England.

*Source: ONS mid-year population estimates 2016*

A survey of resident satisfaction and perception carried out in summer 2017 indicated that there are relatively high satisfaction levels from residents of Worcester City about their local area as a place to live (81%).

The average house price in Worcester in February 2018 was £216,017 compared to the county average of £232,699 and £242,176 in England. *Source: Land Registry*

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**2. An Introduction to Worcester City cont'd**

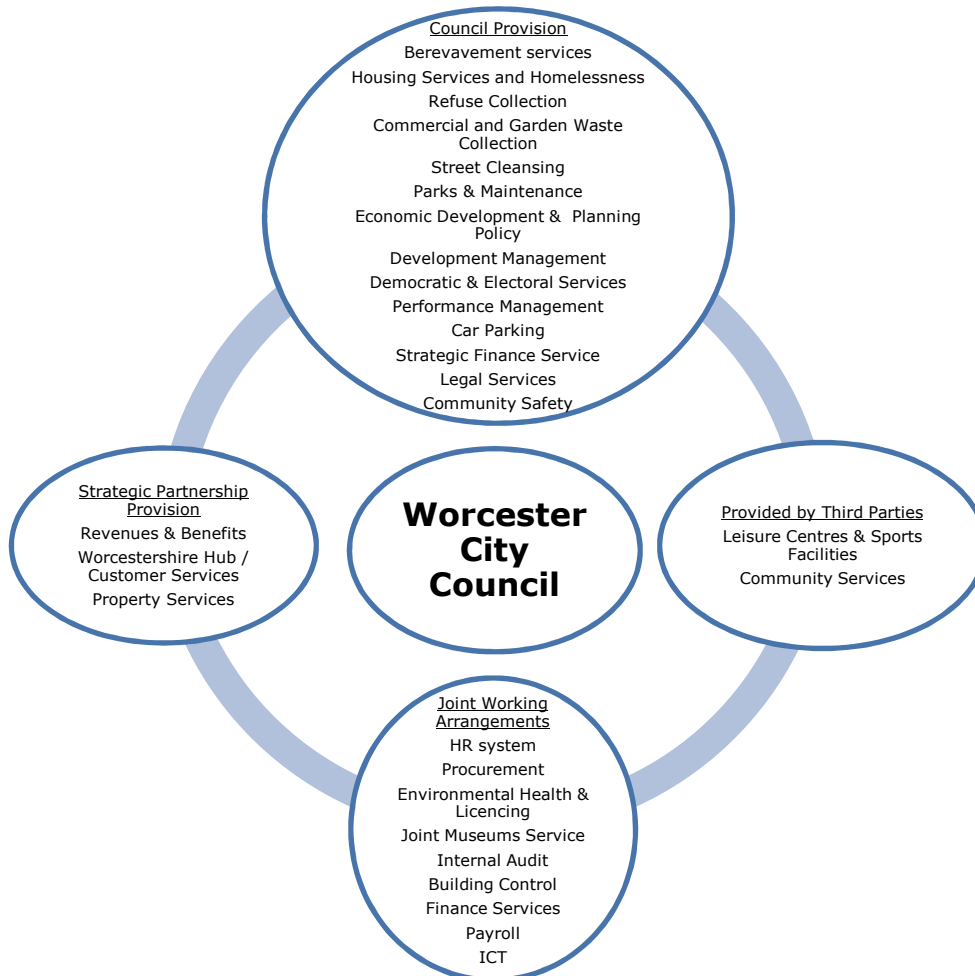
The unemployment rate in Worcester is 3.3% which is lower than the UK average of 4.2%.  
*Source: ONS / LFS : ILO unemployment rate April 2018*

**3. The City Council**

Residents are represented by 35 councillors from 15 wards in the city. Each one is elected for a term of four years, with annual elections held in three of every four years. From the election in May 2016 the leadership of the Council was held by the Labour Group with support from the Green Group. Following a change in the constitution regarding the appointment of the Leader of the Council and the election in May 2018, the Conservative Group still have the most seats and hold the Leadership of the Council.

Political Party	Number of Seats	
	From 5 May 2016 to 7 May 2018	From 8 May 2018
Conservative Group	17	17
Labour Group	16	15
Green Group	2	3

The Council provides a wide range of services to residents through direct provision, joint working, strategic partnership and via third parties as shown below.



During the year, a decision was taken to bring property services back in-house with effect from 1st April 2019

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**3. The City Council cont'd**

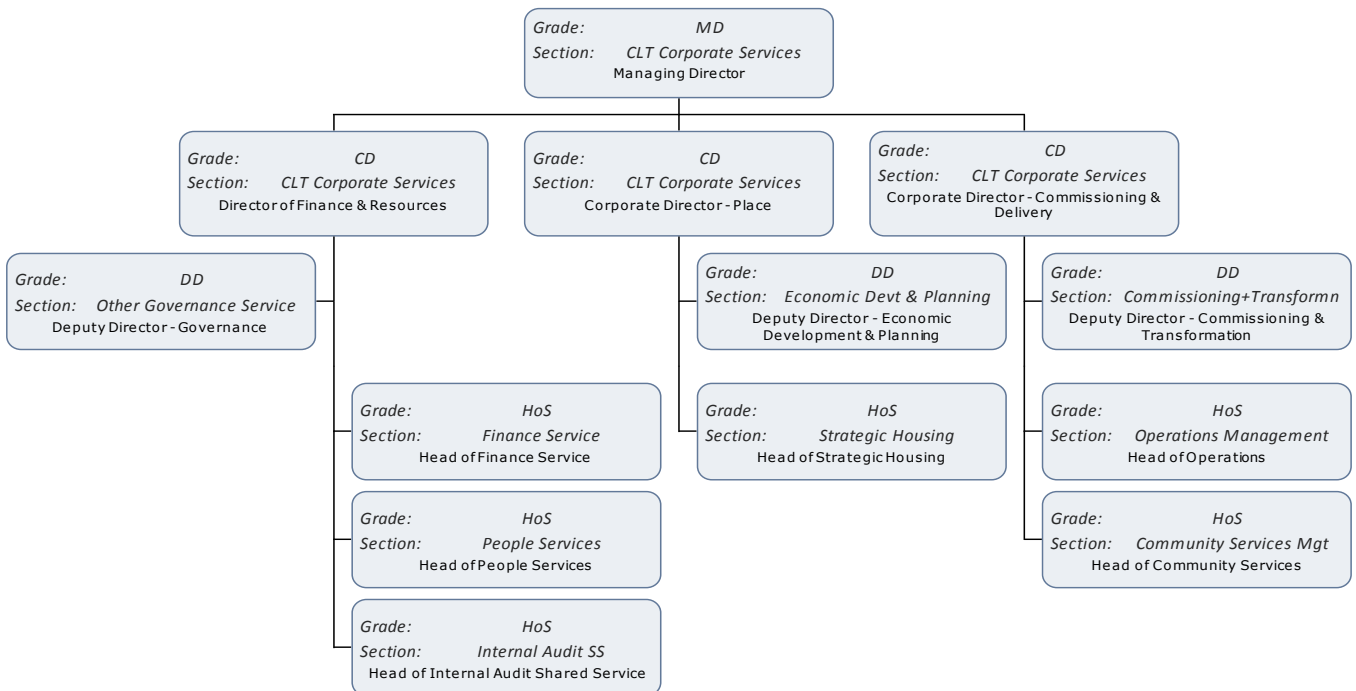
On 16th May 2017 the council adopted a revised Constitution which implemented the Committee model of governance. This comprises Policy committees and Regulatory Committees.

The Policy Committees are responsible for implementing the budget and policy framework as agreed by full Council and decisions must be in line with the Council's overall policies and budget. All members of the Council are entitled to a seat on one of the Policy committees, which are the part of the Council with responsibility for most day to day decisions.

The Regulatory committees are responsible for specific functions of the Council, for example planning and licensing.

The council has approximately 250 employees to manage and deliver services making it one of the largest employers in the city.

The management structure is shown below with the Managing Director and Directors forming the Corporate Leadership Team.



## **WORCESTER CITY COUNCIL NARRATIVE REPORT**

---

### **4. Financial Performance**

The financial context for the Council is demonstrated by the following key statistics.

Worcester City Council manages cashflows and assets in excess of £240m by:

- collecting over £90m of Business Rates and Council Tax. 91% of this is passed onto central government and other agencies, with the Council retaining £8.45m for service delivery in 2017/18.
- administering over £32m of Housing Benefit claims
- managing over £80m of land, buildings and other assets. This includes the Grade 1 listed Commandery and The Guildhall as well as the Perdiswell swimming pool and leisure centre that opened in 2017.
- spending a total of approximately £22m each year on Council services.
- accounting for £12m pa of fees, charges, rents, grant funding and capital receipts, which are used to help deliver services and keep council tax down.

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether.

This is one of the key financial challenges the Council faces in the coming years, a selection of which are shown below:

- Central Government funding (Revenue Support Grant) will cease after 2018/19
- Changes to business rates retention regulations means that Worcester City Council will be further exposed to the level of appeals
- The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values.

To balance the budget there will be a continuing need for transformation, efficiencies and other financial initiatives for the foreseeable future. In tackling these challenges, the council will balance sound financial stewardship with innovative approaches to service delivery, generating new sources of income and cost-effective support functions. To support this the Council approved a Commercial strategy in February 2018.

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**4. Financial Performance 2017/18**

The Council's Statement of Accounts for the year are set out on the following pages. The core statements comprise the following:

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>Movement in Reserves Statement</b>
<p><b>A surplus of £1.3m on provision of services for 2017/18</b></p> <p>This records all of the Council's income and expenditure for the year. Expenditure is a combination of the cost of services that the Council is required to carry out by law (statutory duties) and discretionary expenditure focused on local needs. Income is a combination of the Council's Fees and Charges and other Income.</p>	<p><b>An overall increase of £1.1m in Useable Reserves.</b></p> <p>This is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'useable' which can be invested in capital projects or service improvements and 'unusable' reserves which are technical accounting adjustments.</p>
<b>Cashflow Statement</b>	<b>Balance Sheet</b>
<p><b>A net cash inflow of £0.8m in cash or cash equivalents</b></p> <p>This shows the reasons for the changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.</p>	<p><b>An increase in net assets of £14.1m as at 31 March 2018</b></p> <p>This shows the value of the Council's assets and liabilities at 31 March 2018.</p>

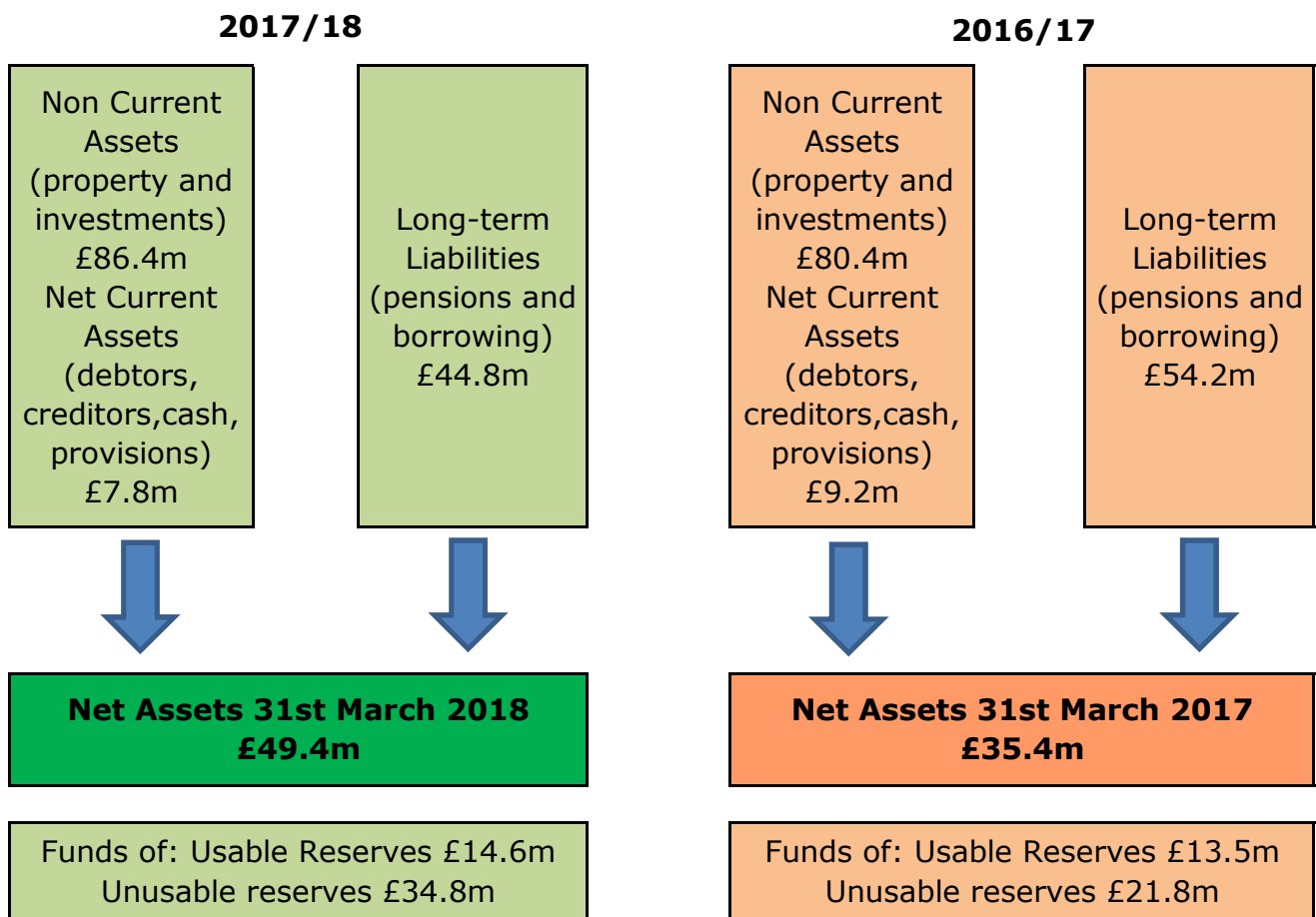
The major factors in the increase in net assets of £14.1m are the reduction in the pension liability (excluding the prepayment made in 2017/18) of £4.3m, the increase in value of investment properties and assets held for sale of £2.1m and the increase in value of land and buildings of £6.7m.



## NARRATIVE REPORT

### 4. Financial Performance 2017/18 cont'd

The council holds a strong financial balance sheet with net assets of £49.4m



### 5. Budget Performance - Net Revenue and Capital Budgets

The 2017/18 budget was approved by Full Council in February 2017. This was a balanced budget achieved after a further reduction in funding mainly due to a reduced Revenue Support Grant. It included combined cost savings and income increases of £0.9m as part of a programme of budget reduction. This is in addition to the £2.4m achieved from this programme in the previous three years. There was a 2.94% increase in Council Tax. The capital programme was approved with a budget of £3.1m. This included the completion of the refurbishment of the Commandery, provision of affordable housing and continuing the programme of vehicle replacement in the Cleaner and Greener service.

For 2017/18 the Council has delivered a budget surplus of £644k on operational budgets, despite the challenging financial climate and year-on-year budget savings.

At a headline level, the budget surplus is comprised as follows:

- £6k underspend on operating expenditure against a budget of £21.7m;
- £642k surplus on income against a budget of £12.7m;
- £5k deficit on net interest payments and Minimum Revenue Provision.

There is also a one-off surplus of £228k arising from a technical finance adjustment. This relates to an income contingency budget that is no longer required.

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**5. Budget Performance - Net Revenue Budget (cont'd.)**

The total budget surplus is therefore £0.87m and the following table details the net revenue expenditure by service. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Statement by the exclusion of costs relating to depreciation, revenue funded from capital under statute and certain pension adjustments.

	<b>2017/18</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Governance Services	868	895	27
People Services	379	411	32
Internal Audit Shared Service	48	41	(7)
Finance Services	970	973	3
Revenues & Benefits Service	495	490	(5)
Property and Assets	1,437	1,472	35
Corporate Costs	1,885	1,701	(183)
Commissioning & Transformation	1,592	1,535	(57)
Community Services	(3,395)	(3,873)	(478)
Operational Services	2,612	2,665	53
Joint Museum Services	632	644	12
Devt. Mgt, Economic Devt and Planning	896	761	(134)
Strategic Housing Service	699	624	(76)
CLT & Stakeholder Management	696	598	(98)
Housing Benefit - net subsidy	(132)	28	160
<b>Equivalent Net Cost of Service</b>	<b>9,682</b>	<b>8,965</b>	<b>(717)</b>
Capital Charges/Interest/MRP	1,145	888	(257)
General Fund transfer	(102)	0	102
To Earmarked Reserves	2,554	2,554	0
From Earmarked Reserves	(1,124)	(1,124)	0
<b>Other amounts reported</b>	<b>2,473</b>	<b>2,318</b>	<b>(155)</b>
<b>Total Net Expenditure</b>	<b>12,155</b>	<b>11,282</b>	<b>(872)</b>

The favourable surplus to budget mainly relates to:

- increased income of £0.4m, particularly from car parking and bereavement. These are both included in Community Services
- release of the income contingency budget of £0.2m which is part of Corporate Costs
- lower interest costs than budget of £0.2m as the level of borrowing required was lower than planned.

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**5. Budget Performance - Net Revenue Budget (cont'd)**

Net revenue expenditure was financed by:

	2017/18		
	Budget £'000	Actual £'000	Variance £'000
New Homes Bonus	(2,182)	(2,182)	(0)
Council Tax	(5,556)	(5,558)	(2)
Business rates	(2,691)	(2,691)	(0)
Revenue Support Grant	(653)	(653)	(0)
Section 31 Grants / Other Govt. Grants	(1,073)	(1,092)	(19)
<b>Total Funding</b>	<b>(12,155)</b>	<b>(12,176)</b>	<b>(21)</b>

**6. Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement shows the gross cost and income generated from the service provision:

Expenditure Type	2017/18	2016/17 £000
Employee expenses	<b>10,339</b>	10,621
Other service expenses	<b>12,083</b>	10,732
Housing Benefit payments	<b>30,606</b>	31,316
Capital charges/gain on disposal	<b>3,879</b>	3,671
Interest paid/Parish Precepts	<b>495</b>	493
<b>Gross Cost of Service Provision</b>	<b>57,402</b>	<b>56,833</b>

**Employee expenses** include all payments for the City Council's employees including salaries, employer's national insurance and pension contributions, training, professional subscriptions, recruitment, and health and safety costs.

**Other service expenses comprising:**

**Premises, transport related expenses and supplies and services** costs include the cost of maintaining buildings, of operating vehicles and of buying goods and services.

**Third party** payments mainly comprise payments to partners delivering services for the Council.

**Capital charges** are net servicing of finance costs, impairments and depreciation, and represent the real cost of using assets to provide the Council's services.

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**6. Comprehensive Income and Expenditure Statement (Cont'd)**

<b>Income Type</b>	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Grants and Contributions	(7,706)	(10,172)
Housing benefit grant	(30,709)	(31,490)
Fees, Charges and other service income	(10,361)	(9,747)
Income from Council Tax and Business Rates	(8,154)	(8,283)
Increase in value of Investment Properties	(1,619)	(659)
Interest & Investment Income	(134)	(128)
<b>Total Income in Service Provision</b>	<b>(58,683)</b>	<b>(60,479)</b>

**Grants and Contributions** in compliance with proper accounting practice this includes the value of capital grants and contributions. As shown in the expenditure and funding analysis/movement in reserves statement, capital related items are subsequently adjusted in accordance with statutory provisions and do not impact the General Fund.

**Fees and charges** income comes from users paying for Council services such as leisure facilities, building control, car parking, planning, land charges and licensing.

**Other service income** includes miscellaneous items such as charges to external bodies and shared services partners.

**7. Capital Expenditure and Financing**

Capital expenditure for 2017/18 was £3.5m (2016/17 £12.3m). This compares with a final budget of £5.8m for the year (this included budgets carried forward from 2016/17 and further in-year approvals). The difference largely relates to delayed expenditure on capital projects including those managed in partnership with other local authorities. Funding will be carried forward to 2018/19 to complete these items.

A summary of the capital expenditure in 2017/18 is shown below. Of the £3.5m spend, £2.1m was added to the value of the Council's own assets, and the balance of £1.4m was charged in year to the Comprehensive Income and Expenditure Statement as 'revenue expenditure funded from capital under statute'. This created assets which were owned by others - for example, grants to homeowners, or contributions to capital projects managed by other local authorities.

The sources of funding for the Council's capital expenditure are also shown below.

<b>Capital Expenditure</b>	<b>£000</b>	<b>Source of Financing</b>	<b>£000</b>
Housing and building grants	988	Usable capital receipts	880
City centre redevelopment	156	External Grants	791
Play Areas and Parks projects	545	Section 106 funds	573
Economic Development	500	Earmarked reserves	983
Vehicles, ICT and other equipment	859	Direct Revenue Financing	191
Museums	319	Borrowing	93
Other small capital items	144		
<b>Total</b>	<b>3,511</b>	<b>Total</b>	<b>3,511</b>

## **WORCESTER CITY COUNCIL NARRATIVE REPORT**

---

### **8. Treasury Management**

The Council borrows for cash flow purposes within specified limits or to fund capital expenditure. Note 25 (Long Term Borrowing) in the Notes to the Core Financial Statements shows details of the Council's outstanding loans and when they mature.

The total cash and short-term investments balances at 31 March 2018 were £11.1m, which is a reduction of £3.9m against the prior year. One of the major factors is the prepayment to the pension fund of £4.0m at the balance sheet date.

### **9. Pension Fund**

The Council's share of the assets and liabilities in the Local Government Pension Fund, as administered by Worcester County Council, is a net liability, and has been calculated in accordance with International Accounting Standard 19. The net liability has decreased by £8.4m to £37.4m, including the prepayment of £4.0m (in 2016/17 it increased by £3.5m to £45.7m). A further explanation can be found in Note 26 to the Core Financial Statements.

It is important to understand that the net pensions liability is a position taken at just one point in time and is based on many assumptions about the future. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market prices will have on the Pension Fund.

### **10. Reserves**

The General Fund balance brought forward from 2016/17 was £1.4m. This has increased to £2.0m at 31st March 2018.

The General fund is maintained for emergency funding issues and to bridge any short-term timing differences in matching income and expenditure budgets.

Earmarked reserves balances brought forward from 2016/17 were £8.8m. The balance at the year-end is £9.5m, a net increase of £0.7m. Of this net increase £2.1m of existing earmarked reserves were utilised in year and a further £2.8m was added to earmarked reserve balances during the year.

### **11. Significant Changes in Accounting Policies**

The Council regularly reviews its accounting policies but there have been no significant changes to accounting policies in the financial year.

### **12. Risk Management**

Worcester City Council's risk management strategy was reviewed in 2016/17 as part of the Achieving Excellence improvement programme to embed a consistent approach to corporate, service and project risks within the Council.

The Corporate Risk Register is monitored by the Corporate Leadership Team on a quarterly basis and during 2017/18 was reported to the Policy and Resources Committee for oversight of corporate risks. A full copy of the report can be found on the council's website.

**12. Risk Management cont'd**

The risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. As examples, some of the key strategic risks that the council faces are shown below.

Risk	Impact	Mitigation
<p><b>Business Rates</b> Rates Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 75% for Local Authorities.</p> <p><b>General Data Protection Regulation</b> The General Data Protection Regulation (GDPR) bill will come into effect on 25th May 2018. There may be changes to the bill over the coming months as it passes through parliament. Affected areas across the organisation include ????</p> <p><b>Reliance on Commercial Income</b> Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents.</p> <p><b>Major Incident</b> Major incident impacting the city e.g. flooding from the river Severn.</p>	<p>Adverse financial outcome(s) for the Council in future years</p> <p>Fines of up to 4% of annual turnover for serious infringements of compliance. Potential implications for the scope and ambition of some transformation initiatives. Implications for the way personal information is requested and stored by departments.</p> <p>A recession or other unexpected / uncontrollable event could leave the Council exposed to under-funding or large losses in income. Competition - As well as individual factors influencing demand the Council has to consider competitive forces in certain service areas, especially trading activities.</p> <p>Major disruption to Worcester's transport and roads; difficulties for staff getting to work. Impact on residents, especially those classed as vulnerable.</p>	<p>Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals. Continuing discussions with MHCLG and the Valuation Office on measures to resolve outstanding appeals.</p> <p>A working group has been set up and includes representatives from all departments. A data audit is also being carried out as is a review of the process for Privacy Impact Assessments. A data protection officer will be appointed in line with the requirements of the bill.</p> <p>Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.</p> <p>Business continuity plan and a Crisis communications plan is in place and all staff are aware of how to respond to an emergency situation.</p>

## **WORCESTER CITY COUNCIL NARRATIVE REPORT**

---

### **12. Non Financial Performance 2017/18**

Performance management across all the council's services is measured using a series of key performance indicators that are reported quarterly to the Policy and Resources Committee. Copies of these reports can be found on the Council's website at [www.worcester.gov.uk](http://www.worcester.gov.uk)

Key performance achievements during 2017/18 include:

- During 2017/18 a new Performance Monitoring System was developed which is designed to improve management and reporting of performance.
- The new £20m Cathedral Square development opened in the city centre, amidst a blaze of positive publicity. A partnership between Worcester City Council, Worcestershire County Council and developer Salmon Harvester, the square includes retail, dining, leisure and a new public plaza. 400 new jobs have been created.
- Cathedral Square was awarded the Re:fresh Gold Award for a "complete transformation" of a retail area by Revo.
- All annual targets have been exceeded for the clean streets surveys which assess if streets are of an acceptable standard with regards to detritus, litter, grass cutting and hedge maintenance. Performance has improved or been maintained for all elements.
- The city's Cripplegate and Gheluvelt Parks have retained their prestigious Green Flag award, in recognition of their high quality, and Fort Royal Park has secured the commendation for the first time.
- The City Council invested £380,000 into a new interactive Civil War experience at the historic Commandery building. The scheme also attracted a £96,000 Heritage Lottery Fund grant and has been enjoyed by thousands of visitors since opening in July.
- Worcester hosted the prestigious start of the final stage of the final leg of the prestigious OVO Energy Tour of Britain, with thousands of people lining the streets to cheer on some of the world's best cyclists. The event brought an estimated £512,000 economic boost to the city.
- The Worcester City Run, which is supported by the City Council, attracted a record number of entrants and now includes a half-marathon.
- Over 800 new trees and saplings were planted in Worcester during winter 2017/18, to reduce air pollution and enhance the city's appearance.
- A major new tourism strategy to attract more visitors to Worcester was launched, and the management of the city's tourism service was taken over by the City Council from the Chamber of Commerce.
- Worcester was named as Britain's happiest city in the Provident Personal Credit's Unbroken Britain survey (March 2018)

## **WORCESTER CITY COUNCIL NARRATIVE REPORT**

---

### **12. Non Financial Performance 2017/18 cont'd**

- There were nearly 700,000 visits to the City Council's leisure centres and swimming pool. The Learn to Swim programme has grown from 400 to nearly 1800 children in the 3 years to 2018
- The sale to YMCA and Sanctuary Housing of the site of the former swimming pool at Sansome Walk was agreed
- The sale of part of the former Park and Ride site at Perdiswell was agreed and will be for a new primary school
- Collection of the amount billed for Council Tax grew to 98.1%, while business rates collection remained at 99%
- Employee absence for the City Council was 11.4 days in 2017/18. This is an improvement on 12.6 days in 2016/17 but still higher than the national public sector average of 10 days
- Staff turnover for voluntary leavers for the City Council improved to 13.5% from 16.2% in 2016/17.
- Savings and income generation of £865,000 were delivered in the Council's services, part of a Transformation Plan that aims to save £2.7m over three years.

### **13. Corporate Plan**

In February 2015 the Council approved a five year City Plan: 'Building a successful future on 2,000 years of history'. It can be viewed on the City Council for which the link is - <https://www.worcester.gov.uk/cityplan>

It is focused on improving the city and includes five themes, each with supporting goals, strategies and measures:

1. Stronger and Connected Communities
2. A Prosperous City
3. A Healthy and Active City
4. A Heritage City for the 21st Century
5. Sustaining and Improving our Assets

This plan was jointly prepared and agreed by the three main political groups on the Council. Progress against the core themes within the plan is now being recorded through the Council's performance monitoring system.

### **14. Events after the Balance Sheet Date**

On 27th April 2018 Worcester city Council invested £3.0m in the Local Authorities' Property Fund which is a pooled investment fund, managed by CCLA. This is the first investment of this type made by the council.



**15. Further Information**

Further information about the accounts is available from the Head of Finance, The Guildhall, High Street, Worcester, WR1 2EY. Interested members of the public also have a statutory right to inspect the draft accounts on the Council's website before the audit is completed.

In the 'About Your Council' pages under 'City Council Finances' on the Council's website, readers can find copies of audited Annual Accounts going back to 2010/11 as well as a wide range of information about the Council's budgets, medium term planning, fees and charges and annual reports. The 'Council reports' pages also has reports and documents covering the full spread of the Council's management and activities.

The website is at : <http://www.worcester.gov.uk>

## **WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT**

---

The Annual Governance Statement adopted by the Council can be found on the Council's website [www.worcester.gov.uk](http://www.worcester.gov.uk). The following paragraphs are an extract of some of the key areas.

### **Legal Framework**

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) fulfils the statutory requirements for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the CIPFA Code.

### **Principles of good governance**

To implement and measure performance against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (April 2016) (intended as best practice for developing and maintaining corporate governance by Local Authorities). This embodies the following core principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### **Continuous Improvement in 2017/18**

The following improvements have been achieved during 2017/18.

1. Customer Focused
  - Customer strategy  
A Customer Strategy has been developed as part of the Council's Transformation Programme and was approved by Policy and Resources Committee in December 2017.
  - Customer satisfaction  
We have reviewed our existing measures of customer satisfaction and will be developing a new set of questions for a customer survey during 2018/19.
  - Better forecasting and intelligence about demand and customer requirements  
Forecasting and intelligence about demand and customer requirements is being developed as part of the Council's Transformation Programme.

# WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

---

## Continuous Improvement in 2017/18 cont'd

### 2. Good Governance

- Health and Safety Management  
We have reviewed our Health and Safety management and achieved HSAS18001 accreditation.
- Data Security and Management (GDPR)  
We have reviewed data security policies and procedures as part of the implementation of the General Data Protection Regulation.
- Procurement procedures.  
We have reviewed our procurement code to ensure that the procedures are efficient and effective.
- Transition to Committee system  
We have made a smooth transition to the Committee System.
- Safeguarding  
We have provided mandatory training for all staff so that they understand the important role that the Council has to play in protecting vulnerable groups.
- Business Continuity  
We have had an independent review of our business continuity arrangements and will undertake the testing of our business continuity capabilities across all areas of the organisation in 2018/19.

### 3. Committed People

- Driving up Employee engagement and communication  
New values have been rolled out and a new PDR process has been created. All managers have attended a leadership development programme. We will continue to build on this work in 2018/19.
- Talent development and skills acquisition  
We have created a Workforce Development Strategy which will be implemented during 2018/19.
- Reward and recognition approach.  
This was incorporated into the Workforce Development Strategy.
- Recruitment  
This was incorporated into the review of policies and procedures.
- Reviewing and improving individual performance management  
A new approach to Performance Review and Development has been developed and implemented.

### 4. Creative Council

- Commissioning cycle and strategy  
Commissioning work is ongoing as part of the Transformation Programme in housing, planning and clean streets . A formal commissioning strategy will be considered in 2018/19.
- The Transformation Plan (Transformation Programme)  
This three year programme is on track to deliver significant customer and operational improvements through a structured approach to review and redesign of services to operate innovatively and in line with identified best practice.
- Contract and Client management will be strengthened by developing and delivering a Contracts and Shared Services Intervention Action Plan  
We have reviewed the governance of our shared services and the management of major contracts. This work will continue in 2018/19.
- A new ICT Strategy will be developed which will set out our ambitions for ICT and ensuring that delivery arrangements are fit for purpose.

### **Continuous Improvement in 2017/18 cont'd**

Consultants have been engaged to advise on ICT infrastructure and how we will set out our ambitions and priorities for the short, medium and long term. This work will continue in 2018/19.

- Income Generation

A Commercial strategy was adopted by the Council in February 2018.

#### 5. Strong Performance

- The new Performance Framework will be rolled out across the council

A new performance reporting system has been implemented which has enhanced the timely availability of accurate information and realised efficiencies in collection and reporting.

- Improved information management

This was incorporated into the Data and Information Management (GDPR).

- Continuous improvement approach (Achieving Excellence)

We have carried out a self-assessment of our continuous improvement, the results of which will inform a new continuous improvement programme for 2018/19 and beyond.

- Use of ICT

This will be incorporated into the ICT Strategy.

### **Continuous Improvement for 2018/19**

The following improvements which form part of the Achieving Excellence Programme will be carried forward to 2018/19

#### 1. Customer Focused

- Stakeholder management plan

We will map our wide range of stakeholders and develop a plan to ensure that we maximise the value of our partnerships and communications.

- Learning from complaints and demand

We will build on our complaints procedures and link the information gained to analysis of demand so that we can better design effective and efficient services.

#### 2. Good Governance

- Policy Framework and policy library review

We will embed a corporate approach to policy creation, implementation and review.

- Project Management framework

We will ensure that all projects are managed effectively with appropriate governance and reporting structures.

#### 3. Committed People

- Fit for purpose policies and procedures

Policies and procedures are the infrastructure that governs how the organisation operates. We will develop a structured review and validation process to ensure that all of these are up to date and contribute to delivering excellently.

#### 4. Creative Council

- Strategic Asset Management

We will review our assets to ensure they support delivery of the City Plan and provide an optimum return.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**1. General**

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position as at 31 March 2018. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting 2017/18, relevant International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP). The accounts generally use 'historical cost' figures, except for certain categories of non-current assets and financial instruments which are revalued differently as required by accounting rules.

**2. Accruals of Income and Expenditure**

All revenue and capital transactions are accounted for on an 'accruals' basis. This means that the Council's costs and income due in the year are recorded whether or not the cash has actually been received or paid during the year. In particular:

- Fees, charges, rents and other income are shown as income at the point the Council provides the goods or service;
- Supplies and services provided to the Council are treated as expenditure as they are consumed;
- Interest receivable on investments is accounted for as income using the effective interest rate for the investment rather than the cash flows set by the contract;
- Where income and costs have been recognised but cash has not been received or paid, a debtor or creditor for that amount is recorded in the Balance Sheet. Where it is doubtful that a debtor will pay in full, the balance due is reduced and the income that might not be collected is charged to revenue.

**3. Government Grants**

Government grants and other contributions to revenue expenditure are shown on an accruals basis and recorded in the accounting statements when it is reasonably sure that the Council will comply with any conditions attached to the grants and that the grants will be received.

Grants received are not shown in the Comprehensive Income and Expenditure Account until the Council has met any conditions attached to the grant or contribution; until then, the grant is shown in the balance sheet as a creditor. Then when conditions are met, the grant or contribution is shown in the Comprehensive Income and Expenditure Account either in the relevant service line if it is a grant for a specific service ("ring-fenced"), or in the line Taxation and Non-Specific Grant Income if it is a general ("non-ringfenced") grant or a capital grant.

The Movement in Reserves Statement then takes capital grants credited to the Comprehensive Income and Expenditure Statement out of the General Fund Balance. Where the grant has been used to pay for capital spending, it is posted to the Capital Adjustment Account. When the grant has not yet been used by the end of the year, it is held in the Capital Grants Unapplied Reserve and transferred to the Capital Adjustment Account once it has been used to pay for capital spending.

Of the main Government grants received each year, Revenue Support Grant is a general grant allocated by central government, so it is 'non-ringfenced' and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**4. Assets - Property, Plant & Equipment**

This describes all assets that have physical substance and are used by the Council in providing its goods and services, rented to others, or used for administration, and that are expected to be used in more than one financial year.

*Recognition*

All expenditure on buying, creating or enhancing Property, Plant and Equipment has been capitalised on an accruals basis at the time the cost is incurred, provided that the Council expects to gain future economic benefits or service potential from the asset and the cost of the asset can be measured reliably. However, expenditure on repairing or maintaining assets is charged direct to revenue accounts as there is no increased future benefit. Assets costing less than £5,000 are treated as 'de minimis' - the amount is too small to be recorded as a capital asset - and charged to the revenue costs of services in the year.

*Measurement*

Property, Plant and Equipment are first measured at cost, which includes purchase price and any costs needed to bring the asset into use.

Assets are then carried in the Balance Sheet using these measurement bases:

- Community assets (mainly open land) and Infrastructure assets – depreciated historical cost;
- Heritage assets (items with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture) – historical cost or insurance value;
- Specialised assets – if the specialist nature of an asset means there is no evidence obtainable of current market value, then depreciated replacement cost (DRC) is used as an estimate of current value.
- All other assets – fair value, which means the amount that would be paid for the asset in existing use ("existing use value").

Assets included in the balance sheet at fair value are revalued as often as needed to be sure that their carrying amount is not materially different from their fair value at the year-end, and as a minimum are revalued every five years. Any increases in fair value are not taken as income but are held in the Revaluation Reserve as an "unrealised gains". Balance-sheet values are useful for general purposes, but are not usually used for decision-making - for example, if the Council was considering selling an asset, it would first refer to the balance-sheet value but then use an up-to-date valuation.

Downward revaluations are first charged against any revaluation gains in the Revaluation Reserve for the same asset, with any excess over the gain in the Revaluation Reserve then charged to the relevant service revenue costs.

The Revaluation Reserve was set up on 1 April 2007, and only holds gains after that date. Gains before then have been consolidated into the Capital Adjustment Account.

*Impairment*

Impairment happens when the value of an asset suddenly drops, and where it comes from a "clear consumption of economic benefits" (the asset will not last as long as had been expected) it is charged to the relevant service revenue costs.

## **WORCESTER CITY COUNCIL**

### **STATEMENT OF ACCOUNTING POLICIES**

---

#### *Disposals*

When it becomes probable that an asset will soon be sold, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of the revaluation or of 'fair value less costs to sell'. If the 'fair value less costs to sell' is less than the revaluation, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale, as they are not being used.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposal are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Local Government Act 2003 states that amounts received when an asset is sold are classed as capital receipts. A share of receipts from housing disposals is payable to central Government; the remaining receipts must be credited to the Capital Receipts Reserve and can then only be used for new capital investment.

The Movement in Reserves Statement shows when all these amounts are taken out of the General Fund and put into capital reserves.

The written-off value of disposals is not a charge against Council Tax, because there are separate arrangements for capital financing. Any losses on disposals are shown in the Comprehensive Income and Expenditure Statement outside the costs of services, and then charged to the Capital Adjustment Account through the Movement in Reserves Statement. Any gains can only be spent on capital assets, so they too do not affect Council Tax.

#### **5. Assets - Charges to Revenue for Non-current Assets**

Service revenue accounts are charged with depreciation on assets to reflect the real cost of holding non-current assets during the year. Where capital expenditure is funded by Government Grants or other contributions the depreciation charge is offset by writing down the grant.

Impairment losses are charged to revenue. Impairment losses are losses attributable to the clear consumptions of economic benefits and other losses where there are no accumulated gains in the Revaluation Reserve to which they can be matched.

The Council is not required to raise Council Tax to cover depreciation or impairment losses.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**6. Assets - Depreciation**

Depreciation is the annual charge for using assets, and spreads the cost of an asset over the time it is used. It is calculated for all assets with a finite useful life on a straight line basis - the charge each year is the value of the asset divided by its expected useful life. Newly acquired assets are not depreciated in the year of acquisition, but all assets are fully depreciated in the year of disposal. Assets under construction are not depreciated until they are ready to be used. The life expectancy of the main asset classes is:

Buildings - 10 to 100 years;  
Vehicles - 5 to 7 years;  
Plant - 5 to 30 years;  
Equipment - 4 to 15 years.

Community Assets and Investment Properties are not depreciated as the assets do not have an identifiable working life.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is classed as significant if its value is greater than 20% of the total value of the asset or is over £200,000, whichever is higher.

**7. Assets - Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals from investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The revaluation gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any receipts, the Capital Receipts Account.



## **WORCESTER CITY COUNCIL**

### **STATEMENT OF ACCOUNTING POLICIES**

---

#### **8. Revenue Expenditure Funded from Capital under Statute**

To be classed as 'capital', expenditure normally has to create an asset of long-term benefit to the Council. Exceptionally, some costs that do not meet that definition can be capitalised by law, and for the City Council that is usually the costs of Disabled Facilities Grants, housing renovations grants, and grants to other bodies for their own capital spending. These create assets that are not owned by the City Council. The payments are charged as expenditure to the relevant service revenue account, and any grant funding the Council receives to support its own payments is credited to the same account. Where the Council funds its grants from existing capital resources or by borrowing, a transfer through the Movement in Reserves Statement takes the costs out of the revenue accounts into the Capital Adjustment Account. Hence there is no impact on Council Tax-payers.

#### **9. Operating Leases**

Rentals payable under operating leases are charged to the relevant service revenue account on an accruals basis (i.e. when the rents are due, not when they are paid).

#### **10. Reserves**

In addition to its general revenue balances the Council has set aside specific 'earmarked reserves' for future identified expenditure. Expenditure is not charged directly against reserves. When expenditure is incurred it is first charged against the relevant service revenue account, so that the costs are recorded in the right place. The Movement in Reserves Statement then shows the appropriate transfer from the reserve into the General Fund balance.

The pension reserve, employee benefit reserve and capital adjustment account do not represent useable revenue resources for the Council.

#### **11. Estimation Techniques**

In line with IAS 8, a distinction is made between accounting policies and estimation techniques. Accounting policies set out how things should be included and recorded; estimation techniques concern using expertise and information to attribute a financial value for assets, liabilities, gains, losses and changes in reserves where exact figures are not available - for example, in valuing an asset that accounting policies say should be recorded at 'fair value' but is not actually on the market. Where estimation techniques are used, the notes to the accounts explain when and how this has been done.

There have not been any material changes to the basis of the estimation techniques used since the preparation of the last Statement of Accounts.

#### **12. Inventories**

Inventories are valued at the latest price paid for the items held in stocks and stores, with an allowance made for slow moving and obsolete items.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**13. Costs of Central Support Services**

In previous years support services were reallocated to enable comparison of costs on a CIPFA SerCOP basis. Following the change in presentation of the comprehensive income and expenditure statement to a management reporting structure there is no longer the requirement to reallocate support services.

**14. Employee Benefits**

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave, and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of employment of an officer or a group of officers.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits or the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

## WORCESTER CITY COUNCIL

### STATEMENT OF ACCOUNTING POLICIES

---

#### 14. Employee Benefits (cont'd)

##### Post Employment Benefits

The Council participates in one defined benefits scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. An actuarial valuation is undertaken by the funds actuaries Mercer Human Resource Consulting Limited every 3 years and was performed again in 2016. This includes revised contribution rates payable by the Council in future financial years.

The liabilities of the Worcestershire County Council Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of future payments based on assumptions. Liabilities are discounted to their value at current prices using a discount rate prescribed by the actuary.

The assets of the pension scheme are included in the Balance Sheet at their fair value.

The total pension cost recognised in the Comprehensive Income and Expenditure Statement is made up of:

- The **current service cost** represents the future cost to the employer of one year's accrual of pension benefits for active members, calculated on the actuarial assumptions used at the start of the year for accounting standard IAS19 purposes. Interest on the service cost is now included within the service cost. This cost is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- The **net interest cost** is the difference between the interest paid on pension liabilities and earned on pension assets. The costs are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- The **administration expenses** are the costs of running the fund payable by the employer. This does not include any investment management expenses. These charges are spread across services along with the current service cost.
- The **past service and curtailment costs** are normally the costs of increased benefits being awarded if members retire early during the year. These costs could also come from changes in scheme benefits or augmented benefits for active members. Any past service costs would be shown in the Comprehensive Income and Expenditure Account as the 'Non-distributed costs' line' within Net Cost of Services.

The Balance Sheet includes **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited or credited to the Pensions Reserve.

Contributions paid to the pension scheme (the cash paid as employer's contributions to the pension fund in settlement of liabilities) is budgeted and accounted for as an in-year expense.

Note 26 gives the details of assumptions, changes and costs for the current year and comparatives for the previous year.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**14. Employee Benefits (cont'd)**

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further information can be found in Worcestershire County Council's Pension Fund Annual Report, available on their website [www.worcestershire.gov.uk](http://www.worcestershire.gov.uk).

**15. Bad debt provisions**

Provision is made for bad and doubtful debts in relation to council tax, business rates, housing benefit overpayments and sundry debts. These provisions reduce the value of total debtors shown on the Balance Sheet. The provisions have been estimated in accordance with recommended practice and past experience and where necessary, a charge is made to the service that is receiving the income. When debts are written-off the same amount is released from the provision.

**16. Financial Liabilities (loans)**

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

**17. Financial Assets (investments)**

Loans and receivables are measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account for interest receivable are based on the carrying value of the asset multiplied by the effective rate of interest for the instrument.

**18. VAT**

VAT is included within the accounts only if it cannot be recovered, and then it is charged to service expenditure or capital expenditure as appropriate.

**19. Associated and subsidiary companies, group accounts**

In reviewing the requirement to prepare Group Accounts, the Council has considered IFRS 10 and the CIPFA Code of Practice. The Council is of the opinion that it does not have any material interests in companies and other entities and need not prepare group accounts.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**20. Accounting for Council Tax**

As a billing authority, the Council acts as an agent, collecting and distributing Council Tax income on behalf of its major preceptors - Worcestershire County Council, West Mercia Police Authority, Hereford and Worcester Fire and Rescue Authority, and itself.

Council Tax income for the year is the Council's accrued income for the year and not the amount required to be transferred from the Collection Fund under regulation. The difference between the amount included in the Income and Expenditure account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The cash collected by the Council from Council Tax debtors belongs proportionately to the billing authority and major preceptors. This results in a debtor/ creditor position between the Council and major preceptors for the difference between the cash collected from Council Tax debtors and the precept paid over during the year. The Balance Sheet includes the Council's share of Council Tax arrears and impairment for bad debts, Council Tax over payments and prepayments and the debtor/ creditor from the preceptors.

The Council's share of net cash collected from Council Tax debtors in the year is included within the Cash Flow Statement. The difference between the major preceptors' share of net cash collected and amounts paid to precepting authorities is included in the Net Increase/ Decrease in Other Liquid Resources within Management of Liquid Resources.

**21. Accounting for National Non-Domestic Rates**

From 2013/14 the National Non-Domestic Rates scheme was changed to a localised Business Rates regime. Worcester City is a member of a local Worcestershire Business Rates pooling arrangement with Worcestershire County Council, Wychavon District Council and Wyre Forest District Council. Under the pooling arrangement, levy income which would have been payable to central government is retained by the partners and transferred into the pool. The pool funds form a local risk reserve and available funding for partners.

The Council has made a provision for the likely cost of refunds following successful appeals by businesses against their NNDR assessment.

The cash received in respect of cost of collection allowance is included within Revenue Activities in the Cash Flow Statement. The difference between the amount of cash collected from NNDR taxpayers and the amount paid over to central government and other parties is included in the analysis of financing activities (see note 33).

**22. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**23. Accounting for Jointly Controlled Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

The City Council receives Shared Services Building Control, ICT, Worcester Regulatory Services, a Joint Museum Service, and the Worcestershire Hub under a separate shared services contract, from the relevant host Council within Worcestershire. Under these jointly controlled operations, each Council accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

The arrangements are consolidated into the City Council's accounts, and where appropriate, the notes to the accounts show both the details to support the accounts and the comparative details excluding the amounts for the Shared Service.

**24. Heritage Assets**

All of the Council's heritage assets are held due to their cultural, environmental or historical associations making their preservation for future generations important. The Council holds a number of assets at its two museums in the City. The Council also holds a number of other assets, including furniture, art works and ceramics at the Guildhall.

Where the Council has information on the cost or value of heritage assets, these assets are recognised on the balance sheet otherwise a disclosure is made and the notes to the financial statements explain the significance and nature of those assets not reported on the balance sheet.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The value on the balance sheet is on a valuation or cost basis if this information is available. Where a valuation is not practical the assets are held on the balance sheet at the valuation provided for insurance purposes.

Any impairment of heritage assets is recognised and measured in accordance with the Council's general policies on impairment.

**WORCESTER CITY COUNCIL**  
**STATEMENT OF ACCOUNTING POLICIES**

---

**25. Other Accounting Matters**

The Hopmarket Charity is administered by the Council. Once completed, summary accounts for this charity will be reported to the Hopmarket Charity.

**26. Events after the balance sheet date**

The accounts take into consideration any material event after the balance sheet date i.e. those that:

- provide evidence of conditions that existed at the balance sheet date for which the Council adjusts the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- indicate conditions that arose after the balance sheet date for which the Council would not adjust the amounts in its financial statements (non-adjusting events).

# Statement of Accounts



**WORCESTER CITY COUNCIL**  
**MOVEMENT IN RESERVES STATEMENT**  
**For the year ended 31 March 2018**

	General Fund Uncommitted	Earmarked Reserves	Total General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	<b>Total Usable Reserves</b>	Total Unusable Reserves	<b>Total Authority Reserves</b>
Note	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000s
<b>Balance at 1 April 2016</b>	<b>1,265</b>	<b>8,746</b>	<b>10,011</b>	<b>3,014</b>	<b>13</b>	<b>13,039</b>	<b>20,914</b>	<b>33,952</b>
<b><u>Movement in Reserves During 2016/17</u></b>								
Deficit on the provision of services	3,646		3,646			<b>3,646</b>		<b>3,646</b>
Other Comprehensive Income and Expenditure	-					-	(2,211)	<b>(2,211)</b>
<b>Total Comprehensive Income and Expenditure</b>	3,646	-	3,646		-	<b>3,646</b>	(2,211)	<b>1,435</b>
13 Adjustments between accounting basis and funding basis under regulations	(3,478)	-	(3,478)	353	(13)	<b>(3,138)</b>	3,138	-
<b>Increase in 2016/17</b>	169	0	169	353	(13)	<b>509</b>	926	<b>1,435</b>
14 Transfers to/(from) Earmarked Reserves	(34)	34	0					
<b>Balance at 31 March 2017</b>	<b>1,400</b>	<b>8,780</b>	<b>10,180</b>	<b>3,367</b>	<b>(0)</b>	<b>13,547</b>	<b>21,840</b>	<b>35,387</b>
<b>Balance at 1 April 2017</b>	1,400	8,780	10,180	3,367	(0)	<b>13,547</b>	21,840	<b>35,387</b>
<b>Reclassify opening balance</b>	(270)	270	-					
<b>Revised opening balance</b>	1,130	9,050	10,180	3,367	(0)	13,547	21,840	35,387
<b><u>Movement in Reserves During 2017/18</u></b>								
Surplus on the provision of services	1,281		1,281	-		<b>1,281</b>		<b>1,281</b>
Other Comprehensive Income and Expenditure						-	12,776	<b>12,776</b>
<b>Total Comprehensive Income and Expenditure</b>	1,281	-	1,281		-	<b>1,281</b>	12,776	<b>14,057</b>
13 Adjustments between accounting basis and funding basis under regulations	60	-	60	(289)	-	<b>(229)</b>	229	-
<b>Net Increase/(Decrease) before Transfer to</b>	1,341	-	1,341	(289)	-	<b>1,052</b>	13,005	<b>14,057</b>
14 Transfers to/(from) Earmarked Reserves	(448)	448	-	-		-	-	-
<b>Increase/(Decrease) in 2017/18</b>	893	448	1,341	(289)	-	<b>1,052</b>	13,005	<b>14,057</b>
<b>Balance at 31 March 2018</b>	<b>2,024</b>	<b>9,498</b>	<b>11,521</b>	<b>3,078</b>	<b>(0)</b>	<b>14,599</b>	<b>34,845</b>	<b>49,444</b>

**WORCESTER CITY COUNCIL**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
For the year ended 31 March 2018

Note	2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s	2016/17 Net Expenditure £000s
				<b>Restated</b>
<b>Directorate Analysis</b>				
Commissioning and Delivery	11,735	(8,288)	3,447	3,662
Corporate and Managing Director	679	(1)	678	671
Housing Benefit/Subsidy	30,737	(30,709)	28	(105)
Place	6,290	(3,429)	2,861	3,026
Resources and Governance	6,849	(1,650)	5,199	4,397
<b>NET COST of SERVICES</b>	<b>56,289</b>	<b>(44,077)</b>	<b>12,212</b>	<b>11,651</b>
3 Other operating expenditure			(259)	(366)
4 Financing and investment income and expenditure			(672)	784
5 Taxation and non-specific grant income			(12,562)	(15,715)
<b>DEFICIT/ (SURPLUS) ON PROVISION OF SERVICES</b>			<b>(1,281)</b>	<b>(3,646)</b>
28 Surplus on revaluation of non current assets			(7,851)	(709)
26 Remeasurements of the net defined benefit liability (pension)*			(4,924)	2,920
Other Comprehensive (Income) and Expenditure			(12,776)	2,211
<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>			<b>(14,057)</b>	<b>(1,435)</b>

\* In 16/17 the pension fund fell in value, this financial year it rose. Note 26 contains the detail.

The Council has restated its 2016/17 Comprehensive Income and Expenditure Statement Net Cost of Services comparatives to reflect changes in the Directorate reporting structure and a revised Directorate split of IAS19 pension related adjustments.

**WORCESTER CITY COUNCIL**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (2016/17)**  
**For the year ended 31 March 2018**

---

The Council has restated its 2016/17 Comprehensive Income and Expenditure Statement Net Cost of Services comparatives to reflect changes in the Directorate reporting structure and a revised Directorate split of IAS19 pension related adjustments.

<b>Directorate Analysis</b>	<b>As reported 2016/17 CIES £000</b>	<b>Changes in Directorate Structure £000</b>	<b>Revised allocation of IAS19 adjustments £000</b>	<b>Restated 2016/17 £000</b>
Commissioning and Delivery	2,457	482	723	3,662
Corporate and Managing Director	558		113	671
Housing Benefit/Subsidy Place	(105)		-	(105)
Resources and Governance	3,183	(482)	325	3,026
	5,557		(1,161)	4,397
Net Cost of Services	<u>11,651</u>	<u>0</u>	<u>0</u>	<u>11,651</u>

**WORCESTER CITY COUNCIL**  
**BALANCE SHEET**  
as at 31 March 2018

		2017/18	2016/17
Note		£000s	£000s
<b>Long term assets</b>			
15	Property, plant & equipment	73,450	68,056
16	Heritage assets	7,696	7,667
17	Investment property	5,294	3,676
18	Long term debtors	0	1,002
		<b>86,440</b>	<b>80,401</b>
<b>Current assets</b>			
19	Short term investments	4,000	8,700
20	Assets held for sale	1,469	0
	Inventories	24	25
<a href="#">21</a>	Short term debtors	5,776	4,455
22	Cash and cash equivalents	7,119	6,284
		<b>18,389</b>	<b>19,464</b>
<b>Current liabilities</b>			
23	Short term creditors	(8,580)	(8,811)
24	Provisions	(2,022)	(1,489)
		<b>(10,602)</b>	<b>(10,300)</b>
<b>Long term liabilities</b>			
25	Long term borrowing	(7,432)	(8,464)
26	Pensions liability	(37,352)	(45,712)
		<b>(44,784)</b>	<b>(54,176)</b>
<b>NET ASSETS</b>		<b>49,443</b>	<b>35,388</b>
<b>Financed by:</b>			
27	Usable reserves	14,599	13,548
28	Unusable reserves	34,844	21,841
<b>TOTAL RESERVES</b>		<b>49,443</b>	<b>35,388</b>

**WORCESTER CITY COUNCIL**  
**CASH FLOW STATEMENT**  
**For the year ended 31 March 2018**

	<b>2017/18</b>	2016/17
Note	<b>£000s</b>	£000s
<b>Net deficit/(surplus) on the provision of services</b>	<b>(1,281)</b>	(3,646)
34 Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>1,624</b>	(5,159)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>3,013</b>	7,933
<b>Net cash flows from:</b>		
31 Operating activities	<b>3,355</b>	(871)
32 Investing activities	<b>(4,024)</b>	585
33 Financing activities	<b>(166)</b>	(3,632)
Net (increase)/decrease in cash and cash equivalents	<b>(835)</b>	(3,919)
Cash and cash equivalents at the beginning of the reporting period	<b>6,284</b>	2,365
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>7,119</b>	6,284

Figures in (brackets) show cash 'in'; other figures show cash 'out'.

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

# Notes to the Comprehensive Income and Expenditure Statement

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**1. EXPENDITURE AND FUNDING ANALYSIS**

	<b>Adjustments between the Funding and Accounting basis</b>					Net Expenditure in the CIES £000
	Expenditure Chargeable to the General Fund £000	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	
Commissioning and Delivery	326	2,614	506	-	3,121	3,447
Corporate and Managing Director	598	-	80	-	80	678
Housing Benefit/Subsidy	28	-	-	-	-	28
Place	2,029	528	240	65	832	2,861
Resources and Governance	5,984	248	(1,246)	212	(785)	5,199
<b>Net Cost of Services</b>	<b>8,965</b>	<b>3,390</b>	<b>(420)</b>	<b>277</b>	<b>3,247</b>	<b>12,212</b>
Other Operating Expenditure	136	(395)	-	-	(395)	(259)
Financing & Inv inc and exp	1,870	(3,264)	1,008	(286)	(2,542)	(672)
Taxation & NSG	(12,312)	(481)	-	230	(251)	(12,562)
Other Income and Expenditure	(10,306)	(4,140)	1,008	(56)	(3,188)	(13,494)
<b>(Surplus)/Deficit against GF balances in year</b>	<b>(1,341)</b>	<b>(750)</b>	<b>588</b>	<b>221</b>	<b>59</b>	<b>(1,281)</b>
Opening General Fund Balances	(10,180)					
Less Deficit/(Surplus) on General Fund balances in year	(1,341)					
Closing General Fund Balances	(11,521)					
Opening Balances comprising:						
Unreserved General Fund	(1,400)					
Earmarked Reserves	(8,780)					
	(10,180)					
Closing Balances comprising:						
Unreserved General Fund	(2,023)					
Earmarked Reserves	(9,498)					
	(11,521)					

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. An analysis of the material items of income and expenditure, by directorate, can be found in the Note 12 to these accounts.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**1. EXPENDITURE AND FUNDING ANALYSIS**

2016/17

**Adjustments between the Funding and Accounting basis**

	Expenditure Chargeable to the General Fund £000	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Net Expenditure in the CIES £000
Commissioning and Delivery	468	2,966	228	-	3,194	3,662
Corporate and Managing Director	629	-	42	-	42	671
Housing Benefit/Subsidy Place	(105)	-	-	-	-	(105)
Resources and Governance	2,274	561	124	67	752	3,026
	5,287	166	(1,283)	228	(890)	4,397
<b>Net Cost of Services</b>	<b>8,553</b>	<b>3,693</b>	<b>(890)</b>	<b>295</b>	<b>3,098</b>	<b>11,651</b>
Other Operating Expenditure	130	(496)	-	-	(496)	(366)
Financing & Inv inc and exp	1,583	(2,007)	1,470	(262)	(800)	784
Taxation & NSG	(10,436)	(3,252)	-	(2,027)	(5,279)	(15,715)
Other Income and Expenditure	(8,722)	(5,756)	1,470	(2,290)	(6,575)	(15,298)
<b>(Surplus)/Deficit against GF balances in year</b>	<b>(169)</b>	<b>(2,062)</b>	<b>580</b>	<b>(1,995)</b>	<b>(3,477)</b>	<b>(3,646)</b>
Opening General Fund Balances	(10,011)					
Less Deficit/(Surplus) on General Fund balances in year	(169)					
Closing General Fund Balances	(10,180)					
Opening Balances comprising: Unreserved General Fund	(1,265)					
Earmarked Reserves	(8,746)					
	(10,011)					
Closing Balances comprising: Unreserved General Fund	(1,400)					
Earmarked Reserves	(8,780)					
	(10,180)					

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. An analysis of the material items of income and expenditure, by directorate, can be found in **Note 12** to these accounts.



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**2. Expenditure and Income analysed by nature**

<b><u>Expenditure</u></b>	<b>2017/18 £000's</b>	2016/17 £000's
Employee Benefits Expenses	10,339	10,621
Other services expenses	12,083	10,732
Transfer Payments (Housing Benefit)	30,606	31,316
Depreciation, amortisation, impairment, downwards revaluations	4,274	4,167
Interest Payments	359	363
Precepts and Levies	136	130
Gain on disposal of assets	( 395)	( 496)
	<b><u>57,402</u></b>	<b><u>56,833</u></b>
<b><u>Income</u></b>		
Fees, charges and other service income	( 10,361)	( 9,747)
Interest and Investment Income	( 134)	( 128)
Change in Fair Value of Investment Properties	( 1,619)	( 659)
Income from council tax and non domestic rates	( 8,154)	( 8,283)
Housing Benefit related grants	( 30,709)	( 31,490)
Grants and contributions - Other	( 7,706)	( 10,172)
	<b><u>( 58,683)</u></b>	<b><u>( 60,479)</u></b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b><u>( 1,281)</u></b>	<b><u>( 3,646)</u></b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>3. Other operating expenditure</b>		
Precepts from Council Tax paid to parish councils	<b>136</b>	130
Gains/Losses on disposal of non-current assets	<b>(395)</b>	(496)
Total	<b><u>(259)</u></b>	<u>(366)</u>

**4. Financing and investment income and expenditure**

Interest payable and similar charges	<b>359</b>	363
Pensions interest cost and expected return on pensions assets	<b>1,008</b>	1,470
Interest receivable and similar income	<b>(134)</b>	(128)
Income and expenditure in relation to investment properties	<b>(286)</b>	(262)
Change in Fair Value of Investment Properties	<b>(1,619)</b>	(659)
Total	<b><u>(672)</u></b>	<u>784</u>

The pensions figure includes actuarial estimates of long-term performance, and so may change significantly from year to year.

**5. Taxation and non-specific grant income**

This note consolidates all non-specific grants and contributions receivable that cannot be identified to any particular service expenditure and therefore cannot be credited to the gross income amount relevant to an individual service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities.

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Council tax income	<b>(5,675)</b>	<b>(5,426)</b>
Non-domestic rates	<b>(2,479)</b>	<b>(2,857)</b>
Revenue Support Grant*	<b>(653)</b>	<b>(1,213)</b>
Non-ringfenced government grants*	<b>(3,274)</b>	<b>(2,967)</b>
Capital grants and contributions*	<b>(172)</b>	<b>(2,721)</b>
S106 Developer Contributions*	<b>(309)</b>	<b>(531)</b>
Total	<b><u>(12,562)</u></b>	<b><u>(15,715)</u></b>

\* Further analysed in Note 6

	(4,408)	(7,432)
--	---------	---------

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**6. Grants and Contributions**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

<b>Shown within 'Taxation and non specific grant income'</b>	<b>2017/18 £000's</b>	2016/17 £000's
MHCLG Revenue Support Grant (RSG)	<b>(653)</b>	(1,213)
MHCLG New Homes Bonus	<b>(2,188)</b>	(2,383)
MHCLG Section 31 Grants (Business Rates)	<b>(1,033)</b>	(465)
MHCLG Minor grants < £50,000	<b>(26)</b>	(81)
Council Tax Hardship Grant	<b>(28)</b>	(39)
S106 Developer Contributions	<b>(309)</b>	(531)
Capital Grants	<b>(172)</b>	(2,720)
<b>Total</b>	<b><u>(4,408)</u></b>	<b><u>(7,432)</u></b>

<b>Shown within the 'Service Expenditure Analysis' lines</b>	<b>2017/18 £000's</b>	2016/17R estimated £000's
DWP Housing Benefit Grants	<b>(30,505)</b>	(31,313)
DWP Housing Benefit Admin	<b>(337)</b>	(365)
MHCLG Disabled Facilities Grant	<b>(619)</b>	(464)
Cabinet Office Individual Electoral Reg	<b>(39)</b>	(52)
Arts Council	-	(20)
European Elections	-	(22)
Parliamentary Election	<b>(153)</b>	-
EU Referendum	-	(136)
DWP Discretionary Housing Payments	<b>(204)</b>	(166)
MHCLG Single Homelessness / Preventing Homelessness	<b>(300)</b>	(300)
MHCLG Preventing Homelessness	<b>(200)</b>	-
MHCLG Flexible Housing Grant	<b>(200)</b>	-
PCC Election Funding	<b>5</b>	(91)
DCLG Property Searches New Burdens	<b>(17)</b>	(5)
MHCLG Local Council Tax Admin Support Grant	<b>(115)</b>	(117)
Developer contributions (REFCUS)	<b>(264)</b>	-
Developer contributions (Other)*	<b>(55)</b>	(77)
Other grants of less than £50,000	<b>(119)</b>	(74)
<b>Total</b>	<b><u>(33,122)</u></b>	<b><u>(33,202)</u></b>

\* This category is a new addition compared to 2016/17 published accounts

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**7. Members' allowances**

Councillors (or Members) are not paid but do receive allowances. Part 6 of Worcester City Council's Constitution sets out the rules for the Members' Allowance Scheme, and is available on the Council's public website. The allowances paid are recommended by an independent remuneration panel and approved by full Council.

The amount paid to members for basic allowances, special responsibility allowances and attendance allowances, travel and subsistence and ICT allowance in 2017/18 was £222,137 (2016/17 £221,451).

**8. Employees' remuneration**

The Authority's other employees (excluding Corporate Leadership Team) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

<b>Remuneration Band</b>	<b>Number of employees</b>	
	<b>2017/18</b>	<b>2016/17</b>
£50,000 - £54,999	<b>1</b>	2
£54,999 - £59,999	<b>2</b>	1
£60,000 - £64,999	-	1
£65,000 - £69,999	<b>1</b>	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£105,000 - £109,999	-	-
£120,000 - £124,999	-	-
	<b>4</b>	<b>6</b>

Remuneration for these purposes means all amounts paid to or receivable by an employee except for pensions contributions, and includes any payments made on termination of employment, allowances and the money value of any other benefits received other than in cash.

The one employee listed in the band £90,000-£94,999 for 2016/17 received a payment on termination of their employment. The size of the termination payment reflected their length of service.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**8. Employees' remuneration (cont'd.)**

The total remuneration of senior management (including employer's pension contributions) earning between £50,000 and £150,000 per year is shown below. Senior management for the purposes of this note is the Corporate Leadership team of the Council.

	<b>2017/18</b>				
<b>Post Title</b>	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director	105,196	-	105,196	27,140	132,336
Director of Resources *	53,867	-	53,867	13,898	67,764
Director of Place **	20,200	-	20,200	5,212	25,412
Director of Commissioning & Delivery	77,166	-	77,166	19,696	96,863
Deputy Director Commissioning & Delivery	65,650	-	65,650	16,938	82,588
Deputy Director Governance	65,600	-	65,600	16,939	82,539
Deputy Director Economic Development	70,700	-	70,700	18,241	88,941
	<b>458,379</b>	<b>-</b>	<b>458,379</b>	<b>118,063</b>	<b>576,442</b>

\* from Aug 2017

\*\* from Jan 2018

	<b>2016/17</b>				
<b>Post Title</b>	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director *	100,220	-	100,220	23,329	123,550
Director of Resources **	43,141	-	43,141	10,268	53,408
Interim Director of Resources ^^	55,250	-	55,250	0	55,250
Director of Place ^	75,298	-	75,298	17,961	93,259
Director of Commissioning & Delivery ***	51,503	-	51,503	12,276	63,779
Deputy Director Cleaner & Greener	64,472	-	64,472	14,622	79,094
Deputy Director Governance	63,330	-	63,330	15,072	78,402
	<b>453,214</b>	<b>-</b>	<b>453,214</b>	<b>93,528</b>	<b>546,742</b>

\* MD - left Feb 17

\*\* Director of Resources - until Oct 2016

\*\*\* Director of Commissioning - from July 2016

^ Director of Place was acting Head of Paid Service for 1 month

^^ Interim Director of Resources from Oct 2016

**9. Exit Packages**

Number of exit packages agreed:

	<b>2017/18</b>		<b>2016/17</b>	
	<b>Number</b>	<b>£000's</b>	<b>Number</b>	<b>£000's</b>
In the band £0-£20k	1	14	4	39
In the band £20k-£40k	0	0	2	65
In the band £40k-£60k	0	0	1	46
In the band £60k-£80k	0	0	-	-
In the band £80k-£100k	0	0	-	-
	<b>1</b>	<b>14</b>	<b>7</b>	<b>150</b>

Includes compulsory redundancies:

0      0      0      0

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**10. Fees payable to auditors**

Ernst Young are the Council's auditors for 2017/18. The Council has incurred the following fees for the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non audit services provided by the Council's external auditor:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>Work relating to each financial year</b>		
Accrued external audit fees	<b>51</b>	51
Rebate from Audit Commission		
<b>Work carried out in each financial year</b>		
Statutory inspection fees and NFI		
Certification of grant claims fees	<b>8</b>	9
	<b>59</b>	60

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**11. Leases**

**Operating Leases (Council as lessor)**

The Council, in accordance with its statutory and discretionary responsibilities, leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Not later than one year	<b>245</b>	240
Later than one year and not later than five years	<b>824</b>	822
Later than five years	<b>5,799</b>	4,303
	<b><u>6,868</u></b>	<u>5,365</u>

The increase in the future minimum lease payments is due to the reduced discount rate applied to future payments due.

The income for these operating leases has been credited to the I&E. The amounts received in 2017/18 were £286k.

**Operating Leases (Council as lessee)**

The Council has acquired a variety of assets such as office equipment and land and buildings by way of operating lease agreements.

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Lease payments made in the period	<b><u>63</u></b>	<u>68</u>

No sub-lease payments or contingent rent payments were made or received. No material sublease income is expected as all assets held under operating lease agreements are used exclusively by the Council.

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Not later than one year	<b>58</b>	60
Later than one year and not later than five years	<b>160</b>	184
Later than five years	<b>78</b>	99
	<b><u>296</u></b>	<u>343</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**12. Segmental Income and Expenditure**

Note 2 to the accounts shows the Council's income and expenditure by type. The tables below provide an analysis of material items of income and expenditure by reporting segments.

**2017/18**

	Revenue from external customers £000	Capital			Depreciation / REFCUS/ Downward valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Commissioning and Delivery	(7,942)	1,949	24	642	2,614
Corporate and Managing Director	(1)	-	-	-	-
Place	(1,650)	12	1,399	-	1,411
Resources and Governance	(768)	168	-	80	248
	<u>(10,361)</u>	<u>2,129</u>	<u>1,423</u>	<u>722</u>	<u>4,274</u>

**2016/17**

	Revenue from external customers £000	Capital			Depreciation / REFCUS/ Downward valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Commissioning and Delivery	(7,631)	1,528	15	1,433	2,976
Corporate and Managing Director	-	-	-	-	-
Place	(1,250)	25	1,000	-	1,025
Resources and Governance	(866)	166	-	-	166
	<u>(9,747)</u>	<u>1,718</u>	<u>1,015</u>	<u>1,433</u>	<u>4,167</u>



# Notes to the Movement in Reserves Statement

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**13. Adjustments between accounting basis and funding basis under regulations**

The following table details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves 2017/18			Movements in unusable reserves £000s
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
<b>Adjustments involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>				
Changes for depreciation and impairment of non current assets	2,851			(2,851)
Changes in Fair value of Investment Properties	(1,619)			1,619
Revenue expenditure funded from capital under statute	1,423			(1,423)
Capital expenditure/REFCUS financed from revenue reserves/balances	(1,174)			1,174
Statutory Provision for repayment of Debt	(472)			472
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	196			(196)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Payments to Housing Capital Receipts Pool	-	-		-
<b>Adjustments involving the Capital Grants Unapplied Account</b>				
Grants received to fund REFUS	(884)		884	-
Other Capital grants and contributions unapplied credited to the CIES	(481)		481	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(1,364)	1,364
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(591)	591		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(880)		880
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	2,996			(2,996)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,407)			2,407
<b>Adjustments involving the Collection Fund adjustment account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	230			(230)
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
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.	(9)			9
<b>Total adjustments</b>	<b>60</b>	<b>(289)</b>	<b>-</b>	<b>230</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**13. Adjustments between accounting basis and funding basis under regulations**

The following table details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves 2016/17			Movements in unusable reserves £000s
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
<b>Adjustments involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>				
Changes for depreciation and impairment of non current assets	3,151			(3,151)
Changes in Fair value of Investment Properties	(659)			659
Revenue expenditure funded from capital under statute	1,015			(1,015)
Capital expenditure/REFCUS financed from revenue reserves/balances	(961)			961
Statutory Provision for repayment of Debt	(381)			381
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	1,215			(1,215)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Payments to Housing Capital Receipts Pool				-
<b>Adjustments involving the Capital Grants Unapplied Account</b>				
Grants received to fund REFUS	(480)		480	-
Other Capital grants and contributions unapplied credited to the CIES	(3,252)		3,252	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(3,744)	3,744
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,711)	1,711		-
Transfer from Deferred Capital Receipts Reserve		-		(1)
Use of the Capital Receipts Reserve to finance capital expenditure		(1,358)		1,358
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	2,873			(2,873)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,293)			2,293
<b>Adjustments involving the Collection Fund adjustment account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(2,027)			2,027
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
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.	32			(32)
<b>Total adjustments</b>	<b>(3,479)</b>	<b>353</b>	<b>(13)</b>	<b>3,137</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**14. Transfers to or from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2017/18.

2017/18	Balance at 1 April 2017 £000's	Transferred			Balance at 31 March 2018 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	1,331		(190)	(126)	1,015	For regeneration/transformation/service delivery improvements to fund projects for income generation To fund small projects nominated by members To fund projects supporting the City plan. To fund various specific service projects incl. External Grants (see below)
Income Generation (NHB)	451		(71)		380	
Small Projects	250		(30)	(52)	168	
City Plan	112	1,000	(152)	1,216	2,176	
Other Revenue and Capital Reserves	6,635	1,554	(1,662)	(769)	5,759	
<b>Total Earmarked Reserves</b>	<b>8,780</b>	2,554	<b>(2,106)</b>	<b>269</b>	<b>9,498</b>	
<b>Other Revenue and Capital Reserves</b>						
Affordable Housing bid process	820				820	For expansion of affordable housing in the city
Localised Business Rates	221	540			761	For NNDR appeal costs and collection fund deficit
Income Contingency	225			270	495	To provide mitigation against a down-turn in income levels.
Public realm improvements	400				400	Contribution to the scheme
Crematorium Reserve	262	65			327	For funding of replacement Cremators
Capital Programme Reserve	260	40	(104)		196	For capital investment, replacement and maintenance of assets
Gheluvelt Park Toilets	200		(38)		162	For funding of the refurbishment project
Worcester Technology Park	500		(500)		-	Contribution to the scheme
Property Maintenance Fund	50	80	(29)		101	To support 5 year maintenance plan
Environmental Warranty Res	959			(959)	-	For claims on former housing land now transferred to City Plan
Commandery Project	206		(155)		51	For funding of refurbishment
External Grants (housing) - incl. RHP	482	210	(210)		482	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programmed	156	73	(141)		88	Play area project delayed to 18/19
Skills Strategy	467	13	(138)		342	To support Skills strategy & Training
Tourism Strategy	184		(29)	(5)	150	To support Tourism Strategy & Events
Other Minor Projects	1,244	533	(318)	(75)	1,384	For various initiatives funded by underspends
<b>Total Other Revenue &amp; Capital Reserves</b>	<b>6,636</b>	<b>1,554</b>	<b>(1,662)</b>	<b>(769)</b>	<b>5,759</b>	

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**14. Transfers to or from Earmarked Reserves (cont'd.)**

For comparison, this note sets out the amounts set aside in the previous year from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2016/17

2016/17	Balance at 1 April 2016 £000's	Transferred			Balance at 31 March 2017 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	1,484	55	(37)	(170)	1,331	For regeneration/transformation/service delivery improvements
Income Generation (NHB)	0	500	(49)		451	to fund projects for income generation
Small Projects	0	250			250	To fund small projects nominated by members
City Plan	0	112			112	To fund projects supporting the City plan.
Other Revenue and Capital Reserves	7,262	1,730	(2,527)	170	6,635	To fund various specific service projects incl. External Grants (see below)
<b>Total Earmarked Reserves</b>	<b>8,746</b>	<b>2,647</b>	<b>(2,613)</b>	<b>-</b>	<b>8,780</b>	
<b>Other Revenue and Capital Reserves</b>						
Affordable Housing bid process	1,200		(30)	(350)	820	For expansion of affordable housing in the city
Localised Business Rates	1,051	112	(942)		221	For NNDR appeal costs and collection fund deficit
Income Contingency	0	225			225	To provide mitigation against a down-turn in income levels.
Public realm improvements	500			(100)	400	Contribution to the scheme
Crematorium Reserve	167	95			262	For funding of replacement Cremators
Capital Programme Reserve	600		(238)	(102)	260	For capital investment, replacement and maintenance of assets
Sons of Rest	200				200	For funding of the refurbishment project
Worcester Technology Park	500				500	Contribution to the scheme
Cathedral Place	400		(500)	100	-	To enhance the city centre environment
Property Maintenance Fund	0	50			50	To support 5 year maintenance plan
Environmental Warranty Res	959				959	For insurance premiums excesses and claims on former housing land
Commandery Project	180	67	(111)	70	206	For funding of refurbishment
External Grants (housing) - incl. RHP	583	45	(315)	171	484	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programmed	0	56		100	156	Play area project delayed to 2018/19
Skills Strategy	199		(34)	300	465	To support Skills strategy & Training
Tourism Strategy	25		(55)	214	184	To support Tourism Strategy & Events
Other	698	1,080	(302)	(233)	1,243	For various initiatives funded by underspends
<b>Total Other Revenue &amp; Capital Reserves</b>	<b>7,262</b>	<b>1,730</b>	<b>(2,527)</b>	<b>170</b>	<b>6,635</b>	

# Notes to the Balance Sheet

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**15. Movement in non-current assets**

The movements in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were used during 2017/18 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

Reporting Year	Land and Buildings £000s	Vehicles, Plant & Equipment £000s	Community Assets £000s	Infrastructure Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property Plant & Equipment £000s	Heritage Assets £000s	Assets Held for Sale	Investment Assets £000s	TOTAL £000s
<b>Cost or valuation</b>											
<b>At 1 April 2017</b>	<b>60,969</b>	<b>13,837</b>	<b>475</b>	<b>978</b>	<b>1,000</b>	<b>716</b>	<b>77,975</b>	<b>7,667</b>	-	<b>3,676</b>	<b>89,318</b>
Additions	443	1,268	-	18	-	383	2,112	-	-	-	2,112
Revaluation increases/(decreases) to revaluation reserve	6,711	-	-	-	-	-	6,711	-	969	-	7,680
Revaluation (decreases) to surplus/deficit on provision of services	(174)	-	-	-	-	-	(174)	-	(500)	1,618	944
Derecognition - disposals	(187)	(587)	-	-	-	-	(774)	-	-	-	(774)
Derecognitions - other	(88)	-	-	-	-	-	(88)	-	-	-	(88)
Other movements - reclassifications	(343)	(66)	(105)	906	(1,000)	(421)	(1,029)	29	1,000	-	-
<b>At 31 March 2018</b>	<b>67,332</b>	<b>14,452</b>	<b>370</b>	<b>1,902</b>	-	<b>678</b>	<b>84,734</b>	<b>7,696</b>	<b>1,469</b>	<b>5,294</b>	<b>99,193</b>
<b>Accumulated depreciation</b>											
<b>At 1 April 2017</b>	<b>912</b>	<b>8,911</b>	-	<b>96</b>	-	-	<b>9,919</b>	-	-	-	<b>9,919</b>
Depreciation charge for year	1,224	881	-	23	-	-	2,128	-	-	-	2,128
Depreciation written out to the revaluation reserve	(171)	-	-	-	-	-	(171)	-	-	-	(171)
Depreciation written out to surplus/deficit on provision of services	(1)	(576)	-	-	-	-	(577)	-	-	-	(577)
Derecognition - disposals	(4)	(12)	-	-	-	-	(16)	-	-	-	(16)
Derecognition - other	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>1,960</b>	<b>9,204</b>	-	<b>119</b>	-	-	<b>11,283</b>	-	-	-	<b>11,283</b>
<b>Net book value</b>											
<b>At 31 March 2018</b>	<b>65,371</b>	<b>5,248</b>	<b>370</b>	<b>1,783</b>	-	<b>678</b>	<b>73,450</b>	<b>7,696</b>	<b>1,469</b>	<b>5,294</b>	<b>87,909</b>
At 31 March 2017	60,057	4,926	475	882	1,000	716	68,056	7,667	-	3,676	79,399

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**15. Movement in non-current assets**

The movements in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were used during 2016/17 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

Reporting Year	Land and Buildings £000s	Vehicles, Plant & Equipment £000s	Community Assets £000s	Infrastructure Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property Plant & Equipment £000s	Heritage Assets £000s	Investment Assets £000s	TOTAL £000s
<b><u>Cost or valuation</u></b>										
<b>At 1 April 2016</b>	<b>55,002</b>	<b>13,829</b>	<b>447</b>	-	-	<b>2,305</b>	<b>71,583</b>	<b>7,667</b>	<b>3,017</b>	<b>82,267</b>
Additions	8,466	1,343	28	752	-	662	11,251	-	-	11,251
Revaluation increases to revaluation reserve	(1,924)	-	(3)	-	1,386	-	(541)	-	-	(541)
Revaluation (decreases) to surplus/deficit on provision of services	(686)	-	(647)	-	(100)	-	(1,433)	-	659	(774)
Derecognition - disposals	(100)	(1,398)	-	-	-	-	(1,498)	-	-	(1,498)
Derecognitions - other	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	211	63	650	226	(286)	(2,251)	(1,387)	-	-	(1,387)
<b>At 31 March 2017</b>	<b>60,969</b>	<b>13,837</b>	<b>475</b>	<b>978</b>	<b>1,000</b>	<b>716</b>	<b>77,975</b>	<b>7,667</b>	<b>3,676</b>	<b>89,318</b>
<b><u>Accumulated depreciation</u></b>										
<b>At 1 April 2016</b>	<b>1,738</b>	<b>9,483</b>	-	-	-	-	<b>11,221</b>	-	-	<b>11,221</b>
Depreciation charge for year	935	783	-	-	-	-	1,718	-	-	1,718
Depreciation written out to the revaluation reserve	(1,250)	-	-	-	-	-	(1,250)	-	-	(1,250)
Derecognition - disposals	(2)	(1,367)	-	-	-	-	(1,369)	-	-	(1,369)
Derecognition - other	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	(509)	12	-	96	-	-	(401)	-	-	(401)
<b>At 31 March 2017</b>	<b>912</b>	<b>8,911</b>	-	<b>96</b>	-	-	<b>9,919</b>	-	-	<b>9,919</b>
<b><u>Net book value</u></b>										
<b>At 31 March 2017</b>	<b>60,057</b>	<b>4,926</b>	<b>475</b>	<b>882</b>	<b>1,000</b>	<b>716</b>	<b>68,056</b>	<b>7,667</b>	<b>3,676</b>	<b>79,399</b>
At 31 March 2016	53,264	4,346	447	-	-	2,305	60,362	7,667	3,017	71,046



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**15. Movement in non-current assets (cont'd)**

**Capital commitments**

The Council had capital commitments of £0.664m as at 31 March 2018.

**Asset valuation**

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.

Place Partnership Limited act as the Council's external valuer. The Council's property portfolio is valued by Christopher Finch, a member of the Royal Institute of Chartered Surveyors (RICS). The valuations are carried out in accordance with the requirements of the RICS Appraisal and Valuation Manual and the Accounting Code of Practice. Asset valuations are reviewed on a regular basis having regard to use and type of asset. Plant and machinery are included in the valuation of buildings.

Revaluations and impairments were:	<b>2017/18 Change £000s</b>	2016/17 Change £000s
<u>Operational Properties</u>		
Shared Ownership Properties	-	285
Sports Facilities	-	(1,271)
Playing Fields	-	(1,111)
Community Centres	-	193
Other Properties	<b>6,708</b>	294
<u>Non-Operational Properties</u>		
Surplus Assets	-	886
Held for Sale	<b>469</b>	-
Buildings (Investment Properties)	<b>1,619</b>	659
	<b>8,796</b>	<b>(65)</b>

**Operational Property**

Within this category the Commandery is a grade 1 listed building located in the heart of the city and owned by the City Council. It is used as a museum with the focus on its role in the English Civil War. It was extensively refurbished in 2017 improving both the fabric of the building and the exhibits. In recognition of its specialist nature, the revaluation carried out in 2017/18 has been based on depreciated replacement cost (DRC) and has increased its value from £0.75m to £7.9m.

**Non-operational Property, Plant and Equipment (Held for Sale)**

The council is currently holding Perdiswell Park and Ride as an Asset Held for Sale. The site has been valued on a fair value basis at £1.469m.

In last year's balance sheet the former swimming pool was held as a Surplus Asset at a value of £1m. It has now been recategorised to Assets Held for Sale and has been revalued as at 31 March 2018 at a nominal value. This reflects the expected cost of demolition of the building prior to disposal.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**16. Heritage Assets**

<b>Cost or Valuation</b>	<b>Memorials/ Sculptures £'000</b>	<b>Museums £'000</b>	<b>Guildhall £'000</b>	<b>Total £'000</b>
At 1 April 2016	15	5,860	1,792	7,667
Additions	0	-	-	0
Disposals	-	-	-	-
Revaluations/Impairments	-	-	-	-
Reclassifications	-	-	-	-
At 31 March 2017	15	5,860	1,792	7,667
<b>At 1 April 2017</b>	<b>15</b>	<b>5,860</b>	<b>1,792</b>	<b>7,667</b>
Additions	29	-	-	29
Disposals	-	-	-	-
Revaluations/Impairments	-	-	-	-
Reclassifications	-	-	-	-
<b>At 31 March 2018</b>	<b>44</b>	<b>5,860</b>	<b>1,792</b>	<b>7,696</b>

**General**

Heritage assets are things of historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. They are rarely sold and are held at 'valuation' or, if valuation is impracticable, at historical cost.

St Andrew's Spire - In the opinion of the Council, St Andrew's Spire cannot be valued. This is a church spire of cultural value for which there is no alternative use that could be used to inform a valuation on market or fair value basis, and it is most unlikely that in the event of total destruction the spire would be rebuilt. Cost or valuation information is therefore not available and conventional valuation techniques are not reliable in these cases. The Council has decided that the costs of obtaining valuations for this item would be disproportionate in terms of the benefit derived.

**Memorials/Sculptures** - A memorial in memory of a former council employee, the Stuart McNidder Memorial, located on the Sidbury canal bridge, features helmets, breastplates and pikes to represent the opposing sides of the Civil War. The memorial is reported in the balance sheet at insurance valuation. Two Art Sculptures, funded by Section 106 developer contributions have been installed at Pitmaston Park and Cripplegate Park as part of an arts trail which depicts different aspects of Worcester's heritage. These are valued at historic cost.

**Museums** - The Council's museums collections are reported in the balance sheet at insurance valuations. The museums collections are managed as part of the Joint Museums Service shared service of the City and Worcestershire County Council. The collections include archaeology, social history, natural sciences, fine and decorative arts.

**Guildhall** - The Guildhall collections are reported in the balance sheet based upon valuations provided in April 2014 by Philip Serrell (Auctioneers and Valuers). The collection held at the Guildhall includes oil paintings, water colours, prints, antiques, furnishings, porcelain, silver and Civic Regalia.

There have been no significant acquisitions or disposals of Heritage Assets since 1 April 2010. The Joint Museums Service annual report identifies changes to the museums collections.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**17. Non current assets - Investment Property**

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:

	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Rental income from investment property	<b>(290)</b>	(326)
Direct operating expenses arising from investment property	<b>4</b>	64
Net (gain)/loss	<b><u>(286)</u></b>	<u>(262)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council 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 investment properties over the year:

	<b>2017/18</b>	2016/17
	<b>£000s</b>	£000s
Balance at the start of the year	<b>3,676</b>	3,017
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	1,619	659
Transfers		
To/from inventories	-	-
To/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at the end of the year	<b><u>5,295</u></b>	<u>3,676</u>

## **17: Non Current Assets - Investment Property (cont'd)**

### **Fair Value Hierarchy**

The fair value hierarchy prescribed in IFRS13 categorises the inputs to valuation techniques into three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly
- Level 3 - unobservable inputs for the asset

In the context of the Council's investment property assets there is an active market for most types of property although some adjustment of market data is usually required in the valuation process, and on that basis the valuation inputs are considered as Level 2. For specialised properties for which there is no recognised market the valuation inputs are classified as level 3.

### **Valuation techniques used to determine fair values for investment properties**

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have inspected the properties unless where valued on a desktop basis relying on data provided by Place Partnership Limited. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

### **Highest and best use of investment properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

### **Valuers**

The investment property portfolio has been valued at 31 March 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Place Partnership Limited.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**18. Long Term Debtors**

The money owed to the Council and due for payment in more than one year is:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Local Authority Mortgage Scheme Deposit	<b>0</b>	1,000
Housing Works	<b>0</b>	2
	<b><u>0</u></b>	<u>1,002</u>

The £1,000,000 bank deposit in respect of the City Council's indemnity under the Local Authority Mortgage Scheme (LAMS), was returned by the bank during 2017/18.

The indemnity remains in place for 2018/19 and is noted as a contingent liability for the City Council.

**19. Investments**

The Council does not have any long term investments. The Council's short term investments on 31st March were:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Bank/Building Society balances at amortised cost - invested:		
Over 3 months and up to 12 months	<b>4,000</b>	8,700
	<b><u>4,000</u></b>	<u>8,700</u>

**Joint ventures**

Worcester Racecourse Ltd (WRL) is a joint venture company owned 81% by Arena Leisure Racing Limited and 19% by Worcester City Council. The purpose of the venture is to operate National Hunt Racing at the Racecourse on Pitchcroft, an activity which is authorised by the Worcester City Council Act 1985. The Council has 19 £1 shares with voting rights. The latest available set of Audited Accounts is as at 31st December 2016 and shows that the shareholders' deficit at that time (£3,910,590) was broadly similar to that of the previous year (£3,835,603). Therefore the Council has not revalued the fair value of the investment.

WRL is a company with limited liability and so in the event of losses or deficits the Council's liability is restricted to the £19 value of its shareholding. Copies of the audited accounts for WRL are available from Companies House.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

---

**20. Assets held for sale**

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>Current assets</b>		
<b>Opening balance</b>	-	100
Assets newly classified as held for sale	<b>1,000</b>	985
Revaluations	<b>469</b>	
Disposals	-	(1,085)
<b>Closing balance</b>	<b><u>1,469</u></b>	<u>-</u>

Assets that are available for immediate sale in their present condition, and where a sale is highly probable, are shown separately from the assets that the Council uses to deliver its services or to provide future income.

The Council is currently holding the Perdiswell Park and Ride and Sansome Walk sites as Assets Held for Sale.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**21. Debtors**

The money owed to the Council and due for payment in less than one year is:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Council tax/NNDR/Housing Benefit Overpayments	<b>3,281</b>	2,911
Government departments	<b>1,672</b>	535
Local authorities*	<b>322</b>	155
Worcester Community Housing*	<b>232</b>	465
Payments in advance	<b>251</b>	232
Other debtors*	<b>1,235</b>	1,242
	<b>6,994</b>	5,541
Less: provision for doubtful debts		
Council tax/NNDR/Housing Benefit Overpayments	<b>(1,144)</b>	(1,013)
Other*	<b>(73)</b>	(73)
	<b>5,776</b>	4,455

Items marked with a \* are reflected as part of the financial instruments balances

The amount due from Worcester Community Housing is the City Council's share of the proceeds from the sale of former Council dwellings.

The provision for doubtful debts is based upon an age analysis of the arrears. 100% is provided on sundry debts that are over three months old, 100% is provided on Housing Benefit overpayments that are over two years old and 100% on Council Tax and National Non-Domestic Rates arrears that are over four years old. The percentage provision on debts that are more recent is based on a sliding scale according to the year due.

**22. Cash and cash equivalents**

Cash equivalents are investments that can be cashed within 3 months of deposit - the balances of cash and cash equivalents are:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Cash and bank held by the Council	<b>319</b>	484
Short term investments	<b>6,800</b>	5,800
	<b>7,119</b>	6,284

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**23. Creditors**

The money owed by the Council and due for payment in less than one year is:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Government departments	<b>2,807</b>	2,576
Local Authorities - Share of Council Tax and NNDR balances	<b>808</b>	854
Local Authorities*	<b>1,786</b>	1,503
Receipts in advance	<b>484</b>	480
Section 106 planning obligations*	<b>918</b>	1,514
Council Taxpayers/NNDR prepayments	<b>516</b>	337
Other creditors*	<b>1,261</b>	1,547
	<b><u>8,580</u></b>	<u>8,811</u>

Items marked with a \* are reflected as part of the financial instruments balances.

**24. Provisions**

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Non Domestic Rates - 40% Share of Appeals Provision (Pool)	<b>2,022</b>	1,489
	<b><u>2,022</u></b>	<u>1,489</u>

Due to the localisation of Business Rates, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability (shown above).

**25. Long term borrowing**

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
P.W.L.B.	<b>2,360</b>	3,393
Money market	<b>5,072</b>	5,071
	<b><u>7,432</u></b>	<u>8,464</u>
Maturing within one year	<b>5,138</b>	6,130
Maturing in 1-2 years	<b>41</b>	41
Maturing in 2-5 years	<b>172</b>	147
Maturing in 5-10 years	<b>81</b>	146
Maturing in more than 10 years	<b>2,000</b>	2,000
	<b><u>7,432</u></b>	<u>8,464</u>

£5m of the amount shown as 'Long term borrowing maturing within one year' is a 50-year LOBO loan that is due for repayment in 2054 but can be repaid without penalty on the specified 'call dates' 3rd June or 3rd December each year if the lender exercises their right to change the interest rate.



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**26. Pension costs**

As part of the terms and conditions of employment, the Council offers retirement benefits to its employees. Although these benefits will not be payable until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Worcestershire County Council Pension Fund, which is a defined benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The Council and employees pay contributions into the fund which are calculated at a level intended to balance pensions liabilities and investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yield and the performance of the equity investments held. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as highlighted in the Statement of Accounting Policies.

**Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Where applicable, the obligation relating to unfunded benefits is reflected in the Worcester City columns within this disclosure note.

**Pensions liability relating to the Regulatory Shared Service (WRS) & Place Partnership Limited (PPL)**

**WRS** - This Council transferred its staff to the host authority (Bromsgrove District Council) on a fully funded basis. The shared service was admitted to the pension fund as a ghost admitted body, any liability or surplus that accrues is the responsibility of the partners to the shared service.

The Council's share of assets and liabilities in the WRS scheme represents 16.76% (16.76% 2016/17) of the total.

**PPL** - The Council has a 4.7% share of the assets and liabilities of the scheme. At 31 March 2018 the scheme was fully funded.

	<b>Regulatory Services</b>		<b>Place Partnership (100%)</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Present value of liabilities	<b>(28,404)</b>	(28,798)	<b>(30,525)</b>	(29,858)
Fair value of assets	<b>21,774</b>	21,040	<b>30,525</b>	29,858
Deficit in scheme	<b>(6,630)</b>	(7,758)	<b>0</b>	0
Worcester City Council share of deficit	<b>(1,111)</b>	(1,017)	-	-

No provision is made to recover the deficits within this account. The deficit will be made good over time, either through improved fund performance or through higher contribution rates being paid into the fund as advised by the independent actuaries. The Council's share of transactions and net liability is reflected in the WRS/PPL columns within this disclosure note.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**26. Pension costs (cont'd)**

**Transactions Relating to Retirement Benefits**

The Council recognises the cost of retirement benefits 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

**Included in the Comprehensive Income and Expenditure Account**

	<b>Worcester City (excluding WRS)</b>		<b>Share of WRS/PPL</b>		<b>Combined Total</b>	
	<b>2017/18 £000's</b>	2016/17 £000's	<b>2017/18 £000's</b>	2016/17 £000's	<b>2017/18 £000's</b>	2016/17 £000's
<b>Net cost of service</b>						
Current service cost	<b>1,818</b>	1,196	<b>169</b>	117	<b>1,987</b>	1,313
Past service and curtailment costs	<b>0</b>	42	<b>47</b>	47	<b>47</b>	89
<b>Financing &amp; Investment Income and Expenditure</b>						
Net interest expense	<b>978</b>	1,425	<b>30</b>	45	<b>1,008</b>	1,470
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,796</b>	2,663	<b>247</b>	210	<b>3,043</b>	2,873

**Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**

	<b>2017/18 £000's</b>	2016/17 £000's	<b>2017/18 £000's</b>	2016/17 £000's	<b>2017/18 £000's</b>	2016/17 £000's
<u>Remeasurement of the net defined benefit liability comprising:</u>						
Return on plan assets (excluding the amount included in the net interest	<b>(908)</b>	(9,698)	<b>(14)</b>	(380)	<b>(922)</b>	(10,078)
<u>Remeasurements (Liabilities)</u>					-	-
Change in business combination			-	258	-	258
Actuarial gains and losses arising on changes in demographic assumptions	-	(1,517)	-	(87)	-	(1,604)
Actuarial gains and losses arising on changes in financial assumptions	<b>(3,725)</b>	20,410	<b>(278)</b>	1,678	<b>(4,003)</b>	22,088
Experience (gains)/losses on liabilities	-	(6,473)	-	(1,271)	-	(7,744)
Total remeasurements included in Other Comprehensive Income & Expenditure	<b>(4,633)</b>	2,722	<b>(292)</b>	198	<b>(4,925)</b>	2,920
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,837)</b>	5,385	<b>(45)</b>	408	<b>(1,882)</b>	5,793

**Movement in Reserves Statement**

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(2,796)</b>	(2,663)	<b>(247)</b>	(210)	<b>(3,043)</b>	(2,873)
---	----------------	---------	--------------	-------	----------------	---------

*Actual amount charged against the General Fund Balance for pensions in the year:*

Employers' contributions payable to scheme	<b>2,310</b>	2,168	<b>97</b>	125	<b>2,407</b>	2,293
Retirement benefits payable to pensioners	<b>2,922</b>	3,389				

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**26. Pension costs (cont'd)**

**Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	<b>Worcester City (excluding WRS)</b>		<b>Share of WRS/PPL</b>		<b>Combined Total</b>	
	<b>2017/18 £000's</b>	<b>2016/17 £000's</b>	<b>2017/18 £000's</b>	<b>2016/17 £000's</b>	<b>2017/18 £000's</b>	<b>2016/17 £000's</b>
Present value of the defined benefit	<b>108,835</b>	<b>110,573</b>	<b>5,083</b>	<b>5,116</b>	<b>113,918</b>	<b>115,689</b>
Fair value of plan assets	<b>(68,569)</b>	<b>(66,160)</b>	<b>(3,972)</b>	<b>(3,818)</b>	<b>(72,541)</b>	<b>(69,978)</b>
Sub-total	<b>40,266</b>	44,413	<b>1,111</b>	1,298	<b>41,377</b>	45,711
<b>Net liability arising from defined benefit obligation</b>	<b>40,266</b>	44,413	<b>1,111</b>	1,298	<b>41,377</b>	45,711

Statutory arrangements for funding the deficit mean that the financial position of the Council is consistent with previous financial years. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of the employees (i.e. before payments fall due), as assessed by the scheme actuary.

The net liability shown above differs to the pension fund liability shown in the balance sheet by the remaining balance of £4.0m from the pre-payment which was made in 2017/18. This pre-payment secured a reduction of £0.4m over the 3 years to 2019/20.

**Reconciliation of present value of the scheme liabilities**

	<b>2017/18 £000s</b>	<b>2017/18 £000s</b>	<b>2017/18 £000s</b>	2016/17 £000s	2016/17 £000s	2016/17 £000s
	<b>Worcester City (excluding WRS)</b>	<b>Share of WRS/ PPL</b>	<b>Combined Total</b>	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total
Opening balance at 1 April	110,573	5,117	<b>115,690</b>	96,635	4,288	100,923
Current Service Cost	1,818	169	<b>1,987</b>	1,196	117	1,313
Interest Cost	2,733	160	<b>2,893</b>	3,330	202	3,532
Contributions by scheme participants	358	36	<b>394</b>	339	35	374
<u>Remeasurement (gain)/loss</u>						
- Experience gain/Loss	-	-	-	(6,473)	(1,013)	(7,486)
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	(1,517)	(87)	(1,604)
- Actuarial gains/losses arising from changes in financial assumptions	(3,725)	(278)	<b>(4,003)</b>	20,410	1,678	22,088
Benefits paid	(2,922)	(122)	<b>(3,044)</b>	(3,389)	(150)	(3,539)
Past service cost	-	-	-	-	-	-
Curtailments	-	-	-	42	47	89
<b>Closing balance at 31 March</b>	<b>108,835</b>	<b>5,082</b>	<b>113,917</b>	110,573	5,117	115,690

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**26. Pension costs (cont'd)**

**Reconciliation of movement in the Fair Value of Scheme Assets**

	2017/18			2016/17		
	£000s	£000s	£000s	£000s	£000s	£000s
	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total
Opening balance at 1 April	66,160	3,817	<b>69,977</b>	55,439	3,271	58,710
Interest Income	1,776	133	<b>1,909</b>	1,925	158	2,083
Contributions by employer - Current Year	2,310	97	<b>2,407</b>	2,168	125	2,293
Contributions by scheme participants	358	36	<b>394</b>	339	35	374
<u>Remeasurement gain/loss</u>						
Return on plan assets excluding the amount included in the net interest expense	908	14	<b>922</b>	9,698	380	10,078
Benefits paid	(2,922)	(122)	<b>(3,044)</b>	(3,389)	(150)	(3,539)
Admin Expenses	(21)	(2)	<b>(23)</b>	(20)	(2)	(22)
<b>Closing balance at 31 March</b>	<b>68,569</b>	<b>3,972</b>	<b>72,541</b>	66,160	3,817	69,977

**Pension Scheme Assets (Worcester City Only) Comprised:**

	Fair value of scheme assets	
	2017/18	2016/17
	£000s	£000s
Cash and cash equivalents	<b>823</b>	1,515
Equity instruments by type:		
- UK quoted	<b>275</b>	345
- Overseas quoted	<b>19,611</b>	18,485
- PIV UK Managed Funds	<b>16,799</b>	17,837
- PV UK Managed Funds (Overseas equities)	<b>22,559</b>	19,788
- PIV Overseas Managed Funds	-	-
Sub-total equity	<b>59,244</b>	56,455
Bonds by sector:		
- Corporate	<b>3,291</b>	3,599
Sub-total bonds	<b>3,291</b>	3,599
Property by region:		
- European Property Funds	<b>1,714</b>	1,859
- UK Property Debt	<b>549</b>	615
- Overseas Property Debt	<b>343</b>	331
- UK Property Funds	<b>274</b>	-
Sub-total property	<b>2,880</b>	2,805
UK Infrastructure	<b>2,331</b>	1,786
<b>Total assets</b>	<b>68,569</b>	66,160

All scheme assets have quoted prices in active markets.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**26. Pension costs (cont'd)**

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including mortality rates and salary levels. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries. The last full valuation of the scheme was as at 1 April 2016.

The principal assumptions used by the actuary are:

<b>Local Government Pension Scheme &amp; Unfunded Benefits Assumptions</b>	<b>2017/18</b>	2016/17
<b>Mortality rates</b>		
Longevity at 65 for current pensioners		
Male	22.7	22.6
Female	25.7	25.6
Longevity at 65 for future pensioners		
Male	24.9	24.8
Female	28.0	27.9
<b>Other</b>		
Rate of inflation (CPI)	2.10%	2.30%
Rate of increase in salaries	3.60%	3.80%
Rate of increase in pensions	2.20%	2.30%
Rate for discounting scheme liabilities	2.60%	2.50%
Take up of option to convert annual pension into retirement lump sum	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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 assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. 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. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**26. Pension Costs (cont'd)**

<b>Impact on the Defined Benefit Obligation in the Scheme</b>	<b>Increase / (Decrease) in Assumption £'000</b>
Longevity (increase or decrease in 1 year)	2,208
Rate of inflation (increase or decrease by 0.1%)	1,724
Rate of increase in salaries (increase or decrease by 0.1%)	140
Rate of discounting scheme liabilities (increase by 0.1%)	(1,698)

**Impact on the Council's Cash Flows**

The actuarial estimate of contributions payable in 2018/19 is £2.301m. However, the Council has taken advantage of the discount available by paying three years contributions in advance in April 2017.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2017/18.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

---

<b>27. Usable reserves</b>	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Earmarked General Fund Reserves	<b>9,498</b>	8,780
Capital Grants Unapplied	<b>0</b>	0
Uncommitted General Fund Balance	<b>2,023</b>	1,400
Useable Capital Receipts	<b>3,078</b>	3,367
	<b><u>14,599</u></b>	<u>13,548</u>

The Council's 'usable reserves' represent money that can be used to pay for services or reduce the amounts that have to be raised from taxation.

Earmarked reserves have been set aside for specific spending in the future, and Note 14 lists all the earmarked reserves and shows the changes during the year.

There is no legal minimum or maximum level of reserves that a local authority is expected to keep: each Council chooses its own working balance to help smooth out uneven cash flows, avoid unnecessary temporary borrowing and be ready for any unexpected events or emergencies.

<b>28. Unusable reserves</b>	<b>2017/18</b>	2016/17
	<b>£000's</b>	Restated £000's
Revaluation Reserve	<b>25,603</b>	18,087
Capital Adjustment Account	<b>50,806</b>	49,432
Pensions Reserve	<b>(41,378)</b>	(45,712)
Accumulated Absences Adjustment Account	<b>(172)</b>	(181)
Collection Fund Adjustment Account	<b>(15)</b>	215
<b>Balance at 31 March</b>	<b><u>34,844</u></b>	<u>21,841</u>

The Council's 'unusable reserves' cannot be used to provide services or reduce the amounts that have to be raised by taxation. They are shown in more detail on the following pages.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**28. Unusable Reserves (cont'd)**

**Revaluation Reserve**

The revaluation reserve contains the gains made by the Council arising from increases in the notional 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 to provide 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.

	<b>2017/18</b>	2016/17
	<b>£000's</b>	Restated £000's
<b>Balance at 1 April</b>	<b>18,086</b>	18,736
Upward revaluation of assets	<b>8,398</b>	2,572
Downward revaluation of assets	<b>(546)</b>	(1,863)
Difference between fair value depreciation and historical cost depreciation	<b>(304)</b>	(327)
Accumulated gains on assets sold or scrapped	<b>(31)</b>	(1,031)
<b>Balance at 31 March</b>	<b><u>25,602</u></b>	<u>18,086</u>

**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 Council 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 Council.

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.

The figures on the next page show details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

---

**28. Unusable Reserves (cont'd)**

**Capital Adjustment Account**

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>49,433</b>	46,352
<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>		
Charges for depreciation and impairment and revaluation losses of non current assets	<b>(2,851)</b>	(3,151)
Revenue expenditure funded from capital under statute (REFCUS)*	<b>(1,423)</b>	(1,015)
Statutory provision for repayment of debt	<b>472</b>	381
Current Cost_Historic Cost Depreciation Adjustment	<b>304</b>	327
Changes in Fair Value Investment Properties	<b>1,619</b>	659
Write out revaluations gains on disposal of assets	<b>31</b>	1,031
Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	<b>(196)</b>	(1,215)
<b><i>Capital financing applied in the year:</i></b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	<b>880</b>	1,358
Capital contributions	<b>573</b>	547
Use of earmarked reserves	<b>983</b>	895
Direct Revenue Financing	<b>191</b>	67
Application of grants to capital financing	<b>791</b>	3,198
<b>Balance at 31<sup>st</sup> March</b>	<b><u>50,807</u></b>	<u>49,433</u>

\*The 2017/18 figure for REFCUS includes an adjustment of £24k relating to previous years capital expenditure on non owned assets. The in year REFCUS expenditure amounted to £1.399million as reflected in Note 30 Capital Expenditure.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

---

**28. Unusable Reserves (cont'd)**

**Pensions Reserve**

	<b>2017/18</b>	Restated
	<b>£000's</b>	2016/17
		£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>(45,713)</b>	(42,213)
Actuarial gains/(losses) or gains on pension assets and liabilities	<b>4,925</b>	(2,945)
Reversal of items relating to retirement benefits debited on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>(2,996)</b>	(2,817)
Employer's pension contributions and direct payments to pensioners payable in the year	<b>2,407</b>	2,262
<b>Balance at 31<sup>st</sup> March</b>	<b>(41,377)</b>	(45,713)

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 Council 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 Council makes employer's contributions to the pension fund 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 that the Council 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.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

---

**28. Unusable Reserves (cont)**

**Accumulated Absences Adjustment Account**

This account absorbs the differences that would otherwise show in the General Fund Balance from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement carried forward at 31 March. As this is not a cash charge to taxpayers, statutory arrangements require transfers to or from this account so that there is no impact on the General Fund Balance.

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>Balance at 1st April</b>	<b>(181)</b>	(149)
Amounts accrued at the end of the current year		
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>9</b>	<b>(32)</b>
<b>Balance at 31st March</b>	<u><b>(172)</b></u>	<u>(181)</u>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences from the council tax and business rates income shown in the Comprehensive Income and Expenditure Statement, as it falls due from council tax payers, compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>214</b>	(1,813)
Amount by which Collection Fund council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
- Council Tax	<b>(19)</b>	17
- NNDR (Business rates)	<b>(211)</b>	2,011
<b>Balance at 31<sup>st</sup> March</b>	<u><b>(16)</b></u>	<u>214</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**29. Financial Instruments**

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice, and has set treasury management indicators to control key financial instruments risks in accordance with CIPFA's Prudential Code

The Council's investments (financial assets) are detailed in note 19 with cash and cash equivalents explained in note 22. The Council has short term investments but no long term investments. The Council's borrowings (financial liabilities) are detailed in note 25. The Council has both short term and long term borrowings.

Financial assets and financial liabilities represented by loans and receivables are carried in the Balance Sheet at nominal value plus accrued interest. Their fair value has been assessed by calculating the net present value of the cash flows that will take place over the term of the instruments using the following assumptions:

- Interest is calculated using the most common market convention - actual over 365 days
- Where interest is paid/received every 6 months on a day basis, interest is rounded to 2 equal instalments
- For fixed term deposits it is assumed that interest is received on maturity
- Interest value and date has not been adjusted where a relevant date occurs on a non working day.

The discount rate used in the present value calculation is the rate applicable in the market on the date of valuation (31 March 2018) for an instrument with the same duration, same structure and terms (or as similar as possible).

Accrued interest to 31 March 2018 has been included in the fair value calculation in order to provide a comparison with the Balance Sheet carrying value. The interest rates quoted in the calculation were provided by Arlingclose, the Council's treasury management advisors, from the market on 31 March 2018 using bid prices where applicable.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**29 Financial Instruments (cont'd)**

Fair values of financial assets and liabilities as at 31 March 2018 are set out below:

	<b>Nominal Value £000</b>	<b>Balance Sheet £000</b>	<b>Fair Value £000</b>
Financial asset - Debtors	1,716	1,716	1,716
Financial asset - Investments reflected as short term investments in the balance sheet	4,000	4,000	4,021
Financial asset - Investments reflected as cash/cash equivalents in the balance sheet	6,800	6,800	6,802
Total Investments	10,800	10,800	10,823
Financial liability - Creditors	3,965	3,965	3,965
Financial liability at amortised cost- LOBO loan	5,000	5,071	8,234
Financial liability at amortised cost - PWLB loan	2,334	2,360	2,949

The fair value of the LOBO loan is higher than the carrying amount because it has been calculated over the remaining term of the loan.

The new borrowing rate has been used as the discount factor for PWLB loans. The fair value is higher than the carrying value because the Council's portfolio of PWLB loans include a number of fixed rate loans where the interest rate is lower than the new borrowing rate used in the fair value calculation.

**Risk Management**

The Council's financial instrument 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 Council might not have funds available to meet its commitments to make payments
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk- the possibility that a financial loss might arise from changes such as adverse interest rates and stock market movements

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are through a legal framework set out in the Local Government Act 2004 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

These procedures require the Council to manage risk in the ways explained on the next page.

## **29. Financial Instruments (cont'd)**

### **Risk Management**

The Council manages risk in the following ways:

- by formally adopting the requirements of the Code of Practice
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures to the maturity structure of its debt
  - Its maximum annual exposure to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparts in compliance with Government Guidance.

The Council's Treasury Management Strategy and Prudential Indicators are approved by Council annually prior to the start of the year to which they relate. This document outlines the detailed approach to managing risk in relation to the Council's treasury activity and any financial instrument exposure.

#### **i. Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with credit ratings from recognised credit rating agencies. The annual investment strategy also imposes a maximum amount and time to be invested within each category. Investments must be in sterling and have a maturity of no more than one year.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Council has no experience of default concerning its investments. The Council does not generally allow credit for its trade debtors. The Council's approach to determining appropriate provisions for bad and doubtful debts is outlined in note 21.

#### **ii. Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB provides access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## **29. Financial Instruments (cont'd)**

### **iii. Re-financing Risk**

The Council currently has long term debt and a limited investment portfolio, with all investments being in sterling and short term. Financial liabilities also includes operating leases and short-term creditors. Cash flow procedures are in place and the approved treasury and investment strategies address the main risks around re-financing and maturity. The Finance Service manage the operational risks within the treasury management portfolio through monitoring investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

### **iv. Market risk**

Interest rate risk - the Council is exposed to interest rate movements on its investments and borrowings (upon maturity). The Council has strategies in place for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The Finance Service monitor the market and forecast interest rates within the year to adjust exposures appropriately.

Price risk - the Council, excluding the pension fund, does not generally invest in equity shares but it does hold 19% of the issued share capital (19 shares at £1 each) in Worcester Racecourse Limited. The holding is generally illiquid but the Council is exposed to decreases in the value of shareholders funds.

Foreign exchange risk - the Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

**30. Capital expenditure and financing**

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
<b>Capital expenditure adding to non-current asset valuation</b>		
Land and buildings	<b>443</b>	8,466
Community/Infrastructure	<b>18</b>	780
Vehicles, plant and equipment	<b>1,269</b>	1,343
Work in progress	<b>383</b>	662
<b>Additions to fixed assets</b>	<b><u>2,111</u></b>	<u>11,251</u>
<b>Capital expenditure not adding to fixed asset valuation</b>		
Revenue expenditure funded from capital under statute*	<b>1,399</b>	1,015
<b>Total Capital expenditure</b>	<b><u>3,511</u></b>	<u>12,266</u>
<b>Financed by:</b>		
Usable capital receipts	<b>880</b>	1,358
Grants and other contributions	<b>791</b>	3,198
Section 106 funds	<b>573</b>	547
Earmarked reserves	<b>983</b>	895
Direct Revenue Financing	<b>191</b>	67
Borrowing (not immediately financed)**	<b>93</b>	6,203
<b>Total capital financing</b>	<b><u>3,511</u></b>	<u>12,266</u>

\*Revenue expenditure funded from capital under statute covers items that would not normally be treated as capital spend under the usual rules of accounting, but are set as 'capital' by law. This is usually items that create an asset which is not owned by the Council - for example, when the Council makes a Disabled Facilities Grant payment to a householder, or when the Council works in partnership with another local authority to improve community facilities owned by several authorities.

\*\* Where capital expenditure is to be financed in future years by charges to revenue (as assets are used by the Council), the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR movement is analysed below:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Opening Capital Financing Requirement	<b>12,881</b>	7,059
Capital Investment	<b>3,511</b>	12,266
Immediate financing of Capital	<b>(3,418)</b>	(6,063)
Minimum revenue provision (reduces underlying need to borrow)	<b>(472)</b>	(381)
LAMS (long term borrowing) repayment	<b>(1,000)</b>	0
Closing Capital Financing Requirement	<b><u>11,502</u></b>	<u>12,881</u>



# Notes to the Cashflow Statement

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2018

---

**31. Cash Flow Statement - operating activities**

The cash flows from operating activities include:

	<b>2017/18</b> <b>£000's</b>	2016/17 £000's
Interest received	<b>(134)</b>	(128)
Interest paid	<b>359</b>	363
	<u><b>224</b></u>	<u>235</u>

**32. Cash Flow Statement - investing activities**

The cash flows for investing activities come from:

	<b>2017/18</b> <b>£000's</b>	2016/17 £000's
Purchase of property, plant and equipment (Disposal)/Purchase of short-term investments	<b>2,112</b> <b>(4,700)</b>	11,251 (5,700)
Proceeds from the sale of Property, Plant and Equipment and of Investment Property	<b>(591)</b>	(1,710)
Capital grants/Contributions received	<b>(845)</b>	(3,256)
<b>Net cash flows from investing activities</b>	<u><b>(4,024)</b></u>	<u>585</u>

**33. Cash Flow Statement - financing activities**

The cash flows for financing activities come from:

	<b>2017/18</b> <b>£000's</b>	2016/17 £000's
Receipts from short & long term borrowing	-	-
Other receipts from financing activities	<b>(1,198)</b>	(3,675)
Repayments of short and long-term borrowing	<b>1,032</b>	43
Other payments for financing activities	-	-
<b>Net cash flow from financing activities</b>	<u><b>(166)</b></u>	<u>(3,632)</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**34. Cash Flow Statement – Adjustments for Non Cash Movements**

The adjustments for non cash movements within the net deficit on the provision of services include the following items:

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Depreciation	<b>(2,129)</b>	(1,719)
Impairment and downward valuation	<b>(746)</b>	(1,433)
(Increase) in creditors	<b>(343)</b>	(1,813)
Increase/ (decrease) in debtors	<b>4,345</b>	(392)
Increase in stock	<b>(1)</b>	3
Items relating to retirement benefits	<b>(588)</b>	(580)
Movements in the value of investment properties	<b>1,619</b>	659
Adjustment to provisions	<b>(533)</b>	117
	<b><u>1,624</u></b>	<u>(5,159)</u>

## Other Notes

### **35. Related party transactions**

The Council 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 Council.

#### Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and it prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government departments detailed in Note 8.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The Council maintains a register of interests for Councillors which is regularly updated and available for public inspection.

Some Council members are also members of Worcestershire County Council, St Peter's and Warndon Parish Councils, West Mercia Police & Crime Panel and Hereford and Worcester Fire and Rescue Authority. The Council collects and distributes precepts on behalf of these bodies.

The Council also has member representatives on various outside bodies, such as St Richard's Hospice, Worcester Racecourse, and Citizens Advice Bureau.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**35. Related party transactions (cont'd)**

Members also represent the Council on the Joint Museum Committee and Worcestershire Regulatory Shared Service Joint Committee. There are usually only one or two Member representatives on each outside body. Six Members of the Council are also Trustees of the Hopmarket Charity.

Entities Controlled or Significantly Influenced by the Council

The Council is a partner in the Joint Museums Shared Service and the Worcestershire Regulatory Shared Service Joint Committee.

During 2017/18 the Council paid £1.297m to Wychavon District Council to host the Revenues and Benefits Shared Service, £279k to Malvern Hills District Council (for South Worcestershire Building Control Service £103k and Financial Services £176k), £930k (net) to Worcestershire County Council for the Worcestershire Hub £434k, Fleet Maintenance Contract £239K and the supply of fuel £257k and £486k (net) to Wychavon District Council for the provision of the ICT Shared Service. Under the Worcestershire Regulatory Shared Service Joint Committee the Council paid £524k (net) to Bromsgrove District Council, the host authority. Under the Joint Museums Shared Service the Council paid £498k to Worcestershire County Council, the host authority.

Place Partnership Ltd is a single asset management company co-owned by Worcestershire County Council, Hereford & Worcester Fire Authority, Redditch Borough Council, Warwickshire Police, West Mercia Police and Worcester City Council, each party has equal shares and equal voting rights. Any profits made by Place Partnership Ltd would be distributed equally to members. Any loss distribution would be limited by shareholding. Place Partnership has been classified as a Joint Operation for the purpose of financial reporting, because there is joint control, and the activity of the arrangement is primarily to provide services to the parties within their boundary. In 2017/18, the operating cost for Worcester City Council was £1.483m and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into Worcester City Council's accounts as a Joint Operation, because any difference to the costs already reflected is not deemed to be material.

The Council provided administration support services to the Hopmarket Charity, for which it recovered costs of £16k in 2017/18. In 2016/17 the Council provided both management and administration support and received £35k but from 2017/18 the management has been provided by a third party.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**36. Contingent Assets and Liabilities**

Contingent assets or liabilities are possible benefits or obligations arising from past events and which depend on uncertain future events not wholly within the control of the Council.

At 31 March 2018 the Council had the following contingent liabilities:

- On 30 September 1992, the Council's then insurer, Municipal Mutual Insurance (MMI), announced that it had ceased taking new business or issuing renewals and placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. MMI have now fallen into insolvency and been placed into administration. A Scheme of Arrangement has now been triggered. This means a levy on all former customers of a proportion of claims paid on the councils behalf. Based upon information provided by the administrators potential liabilities may occur in future, but the timing and the amounts can not be defined. The Council has to date paid two amounts - £81,702 in January 2014 and £54,468 in April 2016 totalling £136,170. This may not be the final sum and the Council may receive a refund or be required to pay a further amount. No provision has been made for either a refund or a payment during 2018/19.
- As a result of changes to the funding of local government, and specifically the introduction of the National Non Domestic Rates (NNDR) Retention Scheme from 1 April 2013 councils assumed part of the liability for refunding rate payers who successfully appeal against the rateable value of their properties on the rating list. Under the revised regulations the Council is required to make a provision for its share of this liability. These accounts include a provision of £2.022m, set aside to cover the Council's share of the total estimated unpaid liability related to the settlement of all appeals received up to 31 March 2018. This estimate has been based on experience from current and historic rateable value appeals lodged and the impact of associated settlements, using information provided by the Valuations Office Agency (VOA). Whilst the provision reflects the forecast impact of appeals received to date, there remains uncertainty regarding the volume and timing of future appeals.
- In November 2012 the Council approved Worcester City Council to participate in the Local Authority Mortgage Scheme (LAMS), a scheme to provide help to first time buyers who can afford mortgage payments but not the initial deposit. The Scheme had a maximum indemnity value of £2,000,000 with a scheme take up of £966,328 actioned during 2013/14. There was a maximum loan size to each individual borrower of £171,000, and it was restricted to properties with postcodes falling within the district boundary. The Council deposited £1,000,000 with Lloyds Bank to cover the indemnity. As there have been no calls on the indemnity, the bank decided to return the deposit during 2017/18. However the indemnity remains in place until each of the mortgages reaches its five year anniversary, which will be during 2018/19.

### **36. Contingent Assets and Liabilities**

- The site of the former swimming pool at Sansome Walk that is owned by the City Council has been earmarked for housing development and a sale agreed, providing the site has been cleared. It has been included in the Council's assets at a nominal valuation on the basis that the proceeds will cover the cost of demolition. However the nature of the building is such that an accurate demolition cost will not be known until work has begun. Whilst the disposal proceeds will contribute towards the cost of demolition, this may not be sufficient to cover the full cost.

At 31 March 2018 the Council had the following contingent asset.

- In recognition of the significant cost of demolishing the former swimming pool (noted above), the Council has been offered a grant of £750,000 from the OPE land release fund which is receivable in two stages in 2018/19 and 2019/20. This grant is contingent on the site being made available for housing by 2020. It will be used as a contribution towards the demolition costs of the building.



**37. Assumptions made about the future and other major sources of estimation uncertainty**

	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Pensions Liability	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 rise, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured and are outlined in note 26
Bad debt provision	The council has balances due relating to sundry debtors and housing benefit. In total these are £3.1m. A provision is made depending on the age of the individual debts and at 31 March 2018 the provision balance is £1.0m	The recoverability of the debts could differ to the assumptions made for the provision resulting in a charge or gain to the council's income and expenditure.
Non-current assets - depreciation	Non-current assets held on the Balance Sheet have an estimated useful life. This is based on a professional judgement by the Valuer.	Depreciation is applied on a straight line basis over the useful life of the asset. Variations to the useful life will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by a review of the useful life of an asset being undertaken at each valuation.
Provision for backdated appeals - business rates	Localised business rates requires billing authorities to account for the estimated effect of business rate valuation appeals including any back-dating.  A provision for the costs of refunds has been made in the Collection Fund, based on the information available to date about the likely number and success of appeals.	If refunds are greater than the provision made in the Collection Fund then there will be a further loss to the Council; if refunds are less than the provision then the Council will receive more than provided for.

### **38. Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out in the Statement of Accounting Policies, the Council 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:

The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2022. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.

The Council revalues its property assets regularly and assesses each year whether or not there is anything that could have a material impact of the value of an asset. Where there is a potential material impact the assets are revalued. All revaluations are undertaken by the Council's RICS qualified valuer with specialist advice as appropriate. Investment properties are revalued annually and an impairment review is also undertaken annually. When assets are revalued their useful lives are re-assessed. During 2017/18 a number of assets were valued and the revised values are incorporated within the accounts.

The Council has identified components within long-term assets as being an individual component such as a boiler, air conditioning unit or lift with a value in excess of 20% of the total value of the asset or £100,000 (whichever is higher). Any components meeting this criteria will be accounted for in accordance with the requirements for component accounting. There are currently no components separately identified.

Investment properties have been assessed using the identifiable criteria under the international accounting standards as being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property such as regeneration.

The Council has considered in line with accounting standards and the Code of Practice on group accounts all significant relationships with companies and other entities. There are no material interests and no group accounts. Refer to Note 35 for arrangements the Council has with related parties.

Place Partnership Ltd is considered to be a joint operation and a going concern. On that basis the Council is required to reflect its operational share of transactions in these accounts (4.7%). The 4.7% share of Place Partnership's accounts is not materially different from the costs already reflected therefore no adjustment has been made.

The Council has not consolidated the Hopmarket Charity accounts under IAS27 Consolidated and separate financial statements as these balances are not material to the accounts as a whole.

The Council has made a provision for business rates appeals, based on various factors including the outcomes of previous appeals & indicative information from the valuation office.

### **39. Events after the Balance Sheet date**

On 30 April 2018 the Council invested £3 million into the CCLA Property Fund. Upon investment and, in accordance with paragraphs 5.7.5 and 7.2.8(b) of IFRS 9, the Council made an irrevocable election to present in other comprehensive income any changes in the fair values of the investment.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

---

**40. Accounting standards issued but not yet adopted**

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IFRS 9 Financial Instruments**

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. On 30 April 2018 ,upon investment into the CCLA Property Fund, the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds) and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables).

**IFRS15 Revenue from Contracts with Customers**

This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

**IFRS16 Leases**

This will require local authorities that are lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities. There are provisions for low-value and short-term leases.

**IAS7 Statement of Cash Flows (Disclosure Initiative)**

The amendments to IAS7 are narrow in scope but will potentially require additional analysis of Cash Flows from financing activities (disclosed at note 33) in future years.

# Collection Fund Statement and Explanatory Notes

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2018**

	<b>2017/18 Business Rates £000's</b>	<b>2017/18 Council Tax £000's</b>	<b>2017/18 Total £000's</b>
Reporting Year 2017/18			
Note			
<b>Income</b>			
1 Council Tax Payers	-	(50,679)	<b>(50,679)</b>
2 Income from Business Ratepayers	(40,287)	-	<b>(40,287)</b>
	<u><b>(40,287)</b></u>	<u><b>(50,679)</b></u>	<u><b>(90,967)</b></u>
<b>Expenditure</b>			
<b>Precepts, demands and shares of surplus/deficits</b>			
Central Government	19,563		<b>19,563</b>
Billing authority (Worcester City Council)	15,650	5,558	<b>21,208</b>
County Council	3,521	36,624	<b>40,145</b>
Parishes	-	136	<b>136</b>
Police Authority	-	6,014	<b>6,014</b>
Fire Authority	391	2,522	<b>2,913</b>
	<u><b>39,125</b></u>	<u><b>50,853</b></u>	<u><b>89,978</b></u>
<b>Charges to Collection Fund</b>			
<b>Less:</b>			
<b>Losses in collection</b>	-	-	-
4 Increase (decrease) in bad debt provision	225	(8)	<b>216</b>
6 Increase in provision for appeals	1,333	-	<b>1,333</b>
Allowance for Cost of Collection	133	-	<b>133</b>
	<u><b>1,690</b></u>	<u><b>(8)</b></u>	<u><b>1,682</b></u>
Deficit or (surplus) for the year	<b>529</b>	<b>165</b>	<b>693</b>
Deficit (surplus) b/fwd at 1 April 2017	<b>(223)</b>	<b>(1,124)</b>	<b>(1,351)</b>
Deficit (surplus) c/fwd at 31 March 2018	<u><b>305</b></u>	<u><b>(959)</b></u>	<u><b>(657)</b></u>

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Business Rates are also known as Non-Domestic Rates (NDR) or National Non-Domestic Rates (NNDR).

The notes on the following pages explain some of the detail behind the numbers above.

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2018**

	<b>2016/17 Business Rates £000's</b>	<b>2016/17 Council Tax £000's</b>	<b>2016/17 Total £000's</b>
Previous Year 2016/17			
Note			
<b>Income</b>			
1 Council Tax Payers	-	(48,753)	<b>(48,753)</b>
2 Income from Business Ratepayers Transitional Protection Payments	(42,312)	-	<b>(42,312)</b>
	<u>(42,312)</u>	<u>(48,753)</u>	<u>(91,066)</u>
<b>Expenditure</b>			
<b>Precepts, demands and shares</b>			
Central Government	18,286		<b>18,286</b>
Billing authority (Worcester City Council)	14,629	5,279	<b>19,908</b>
County Council	3,291	34,789	<b>38,080</b>
Parishes	-	130	<b>130</b>
Police Authority	-	5,879	<b>5,879</b>
Fire Authority	366	2,418	<b>2,784</b>
	<u>36,572</u>	<u>48,495</u>	<u>85,067</u>
<b>Charges to Collection Fund</b>			
<b>Less:</b>			
Losses in collection	-	-	-
4 Increase (decrease) in bad debt provision	189	108	<b>297</b>
6 Increase in provision for appeals	387	-	<b>387</b>
Allowance for Cost of Collection	137	-	<b>137</b>
	<u>713</u>	<u>108</u>	<u>821</u>
Deficit or (surplus) for the year	<b>(5,027)</b>	<b>(151)</b>	<b>(5,178)</b>
Deficit (surplus) b/fwd at 1st April 2016	<b>4,804</b>	<b>(973)</b>	<b>3,827</b>
Deficit (surplus) c/fwd at 31 March 2017	<u>(223)</u>	<u>(1,124)</u>	<u>(1,351)</u>

**1. Council Tax Base: basic principles**

The Council Tax is a tax set by local councils according to the value of residential properties.

Each local authority that issues Council Tax bills by law has to set a Council Tax Base every year. The Tax Base is the number of chargeable dwellings in the local area, assessed into one of eight bands according to the estimated or actual property value as at 1st April 1991. As each band is charged a proportion of the Band D charge for Council Tax, the total Tax Base is reported as a single number allowing for the different proportions and for discounts such as 'single persons'.

The Local Government Act 2012 replaced the national Council Tax Benefit scheme with local Council Tax Support (CTS) schemes intended to help people on low incomes. This new Council Tax reduction scheme has increased the 'discounts' taken off the Tax Base and so reduced the total Tax Base from 2013/14 onwards by around 4,000 Band D equivalents.

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2018**

**1. Council Tax Base: basic principles (cont'd)**

The basic amount of Council Tax for a Band D property (**£1,599.68** in 2017/18, £1,560.15 in 2016/17) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due. The taxbase for 2017/18 was calculated as follows:

<b>Tax Band</b>	<b>Number of properties</b>	<b>Adjusted number of properties after discounts, new &amp; deleted dwellings</b>	<b>Band D ratio</b>	<b>Band D equivalent taxbase 2017/18 £</b>	<b>Basic amount of Council Tax per Band £</b>
<b>A disabled</b>	6	5.0	5/9	2.8	888.71
<b>A</b>	8,555	4,620.9	6/9	3,080.6	1,066.46
<b>B</b>	15,036	11,236.6	7/9	8,739.5	1,244.20
<b>C</b>	11,412	9,461.6	8/9	8,410.3	1,421.94
<b>D</b>	5,432	4,840.0	9/9	4,840.0	1,599.68
<b>E</b>	3,347	3,104.3	11/9	3,794.1	1,955.17
<b>F</b>	1,417	1,345.8	13/9	1,943.9	2,310.65
<b>G</b>	409	380.3	15/9	633.8	2,666.15
<b>H</b>	8	5.0	18/9	10.0	3,199.37
<b>Total</b>	<b>45,621</b>	<b>34,999</b>		<b>31,455</b>	
				Less assumed bad debt rate: 1.0%	-314
				<b>Council Tax Base</b>	<b>31,141</b>

**2. Business Rates**

NNDR is organised on a national basis with a Government specified rate of 46.6p for the 2017/18 financial year (48.4p 2016/17). Subject to the effects of reliefs and provisions, local businesses pay rates calculated by multiplying their rateable value by that amount.

Following the localisation of business rates, the Council is responsible for collecting rates due from the ratepayers in its area. The Council then pays amounts over to the major preceptors – Central Government, Worcestershire County Council and Hereford & Worcester Fire & Rescue Service, in accordance with a payment schedule determined at the start of each financial year. The Council is also a member of the Worcestershire Business Rates Pool, meaning that levy and safety net payments are calculated on a pooled rather than individual authority basis.

The income shown in the Collection Fund statement is the income reported to Central Government in the City Council's "NNDR3" return: the 'precepts, demands and shares' are those paid out and reported to Central Government in the City Council's "NNDR1" return.

The Business Rates income (after reliefs) of £40.287m (£42.312m for 2016/2017) was based on an average rateable value for the Council's area. The rateable value was £105,207,476 at 31 March 2018 (£101,910,441 at 31 March 2017).

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2018**

**3. Collection Fund surpluses and deficits**

**Council Tax**

The surplus on the Fund of £959k at 31 March 2018 in respect of Council Tax transactions will be distributed in subsequent financial years to Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire and Rescue Authority and the City Council in proportion to the value of the respective precepts and demands made by the Councils on the Collection Fund. The allocations are as follows:

	<b>2017/18</b>	2016/17	
	<b>£000's</b>	£000's	% Share
	<b>Share of</b>	Share of	
	<b>Surplus</b>	Surplus	
Worcestershire County Council	<b>(692)</b>	(807)	72
West Mercia Police Authority	<b>(113)</b>	(136)	12
Hereford and Worcester Fire and Rescue Authority	<b>(47)</b>	(56)	5
Worcester City Council	<b>(107)</b>	(125)	11
	<b>(959)</b>	(1,124)	100

**NNDR**

Until 2013 all balances in relation to NNDR were attributable to Central Government. Following the localisation of business rates, balances are attributable to Central Government, preceptors and Worcester City Council in accordance with statutory proportions. The total deficit on the fund in respect of business rates at 31 March 2018 is £0.305 million (31 March 2017 £0.223 million surplus)

	<b>2017/18</b>	2016/17	
	<b>£000's</b>	£000's	% Share
	<b>Share of</b>	Share of	
	<b>Deficit</b>	Surplus	
Worcestershire County Council	<b>27</b>	(20)	9
Central Government	<b>153</b>	(112)	50
Hereford and Worcester Fire and Rescue Authority	<b>3</b>	(2)	1
Worcester City Council	<b>122</b>	(89)	40
	<b>305</b>	(223)	100



**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2018**

---

**4. Provision for Bad Debts and Write Offs**

The Provision for Bad Debts and Write Offs as at 31 March is as follows:

**Council Tax**

	<b>2017/18</b> <b>£000's</b>	2016/17 £000's
Brought forward at 1 April	481	496
Write offs* to provision in the year	7	(122)
Contributions/(reductions) to provision during year	(8)	108
<b>Net Increase/(Decrease) in provision</b>	<b>(1)</b>	<b>(15)</b>
<b>Carried forward at 31 March</b>	<b><u>480</u></b>	<b><u>481</u></b>

\* where this figure is positive it represents debts written back

**NNDR**

	<b>2017/18</b> <b>£000's</b>	2016/17 £000's
Brought forward at 1 April	294	294
Write offs to provision in the year	(225)	(189)
Contributions to provision during year	225	189
<b>Net Increase/Decrease in provision</b>	<b>0</b>	<b>0</b>
<b>Carried forward at 31 March</b>	<b><u>294</u></b>	<b><u>294</u></b>

**5. Write Offs**

The total amounts of Council Tax and Business Rates written off during the year were as follows:

	<b>2017/18</b> <b>£000's</b>	2016/17 £000's
Council Tax	<b>(7)</b>	122
NNDR	<b><u>225</u></b>	<u>189</u>
	<b><u>218</u></b>	<u>311</u>

The Council's Financial Regulation 11.10 allows for the writing off of debts deemed irrecoverable. Although written out of the accounts, the debts are still due in law and recovery action will continue.

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2018**

---

**6. NNDR - Provision for Appeals**

The Collection Fund account also provides for provision for appeals against rateable valuation set by the Valuation Office Agency (VAO) not settled as at 31 March 2018.

	<b>2017/18</b>	2016/17
	<b>£000's</b>	£000's
Brought forward at 1 April	3,723	3,335
Appeals Charged to Provision	(721)	(283)
Contributions to provision during year	2,053	670
<b>Net (Decrease)/Increase in provision</b>	<b>1,333</b>	<b>387</b>
<b>Carried forward at 31 March</b>	<b><u>5,055</u></b>	<b><u>3,723</u></b>

The City Council's share of this balance is £2.022 million (40%) and is shown in the Balance Sheet and note 24 to the Core Statements

## **WORCESTER CITY COUNCIL ACCOUNTING DEFINITIONS**

---

**The Code of Practice on Local Authority Accounting 2017/18** uses some technical terms that all readers may not be familiar with. Some of these are:

**Cash** comprises cash on 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.

**Cash flows** are inflows and outflows of cash and cash equivalents.

**Financing activities** are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

**Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

**Material.** Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

**Notes** contain information in addition to that presented in the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.

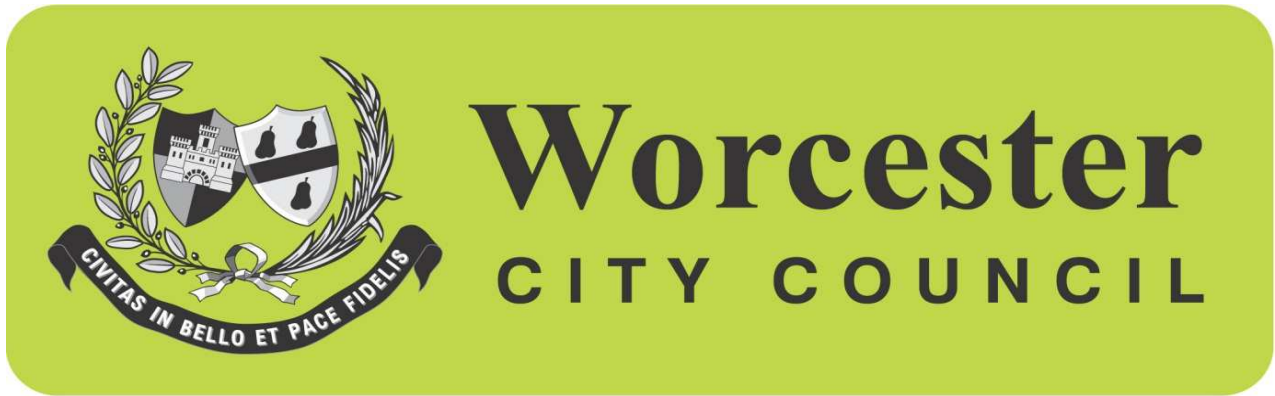
**Other Comprehensive Income and Expenditure** comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on remeasuring available-for-sale financial assets.

**Operating activities** are the activities of the authority that are not investing or financing activities.

**Reclassification adjustments** are amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.

**Surplus or Deficit on the Provision of Services** is the total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

**Total Comprehensive Income and Expenditure** comprises all components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.



*Building a successful future on 2,000 years of history*

### **Approval of Statement of Accounts 2017/18**

I confirm that this Statement of Accounts including the Annual Governance Statement were approved by the Audit Committee at its meeting held on 26 July 2018.

Signed on behalf of Worcester City Council

A handwritten signature in black ink, which appears to read 'Alan Amos', is written over a horizontal dotted line.

**Councillor Alan Amos**  
**Chair of the Audit Committee**

# **WORCESTER CITY COUNCIL INDEPENDENT AUDITOR'S REPORT TO WORCESTER CITY COUNCIL**

---

## **Opinion**

We have audited the financial statements of Worcester City Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority's Movement in Reserves Statement;
- Authority's Comprehensive Income and Expenditure Statement;
- Authority's Balance Sheet;
- Authority's Cash Flow Statement;
- The related notes to the Core Financial statements 1 to 40, including Note 1: the Expenditure & Funding Analysis;
- Authority's Collection Fund and the related notes 1 to 6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worcester City Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director Finance and Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt

**WORCESTER CITY COUNCIL**  
**INDEPENDENT AUDITOR'S REPORT TO WORCESTER CITY COUNCIL**

---

about the Authority 's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Corporate Director Finance and Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

## **WORCESTER CITY COUNCIL INDEPENDENT AUDITOR'S REPORT TO WORCESTER CITY COUNCIL**

---

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Responsibilities of the Corporate Director Finance and Resources**

As explained more fully in the Statement of Responsibilities set out on page 1, the Corporate Director Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director Finance and Resources is responsible for assessing the Council's "s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor

**WORCESTER CITY COUNCIL**  
**INDEPENDENT AUDITOR'S REPORT TO WORCESTER CITY COUNCIL**

---

General (C&AG) in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

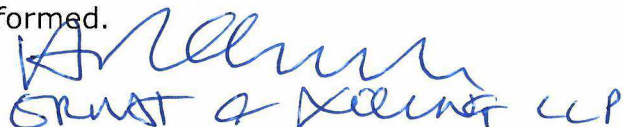
We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Certificate**

We certify that we have completed the audit of the accounts of the Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the Members of Worcester City Council, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of Worcester City Council, for our audit work, for this report, or for the opinions we have formed.



Hassan Rohimun, (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Birmingham  
31 July 2018



**WORCESTER CITY COUNCIL  
INDEPENDENT AUDITOR'S REPORT TO WORCESTER CITY COUNCIL**

---

The maintenance and integrity of the Worcester City Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.