



# Worcester

## CITY COUNCIL

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

# STATEMENT OF ACCOUNTS

## 2020/21



**WORCESTER CITY COUNCIL  
STATEMENT OF ACCOUNTS 2020/21**

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## **WORCESTER CITY COUNCIL**

### **WELCOME TO THE STATEMENTS OF ACCOUNTS**

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The 2020/21 financial year proved a successful but challenging year, with the Covid-19 pandemic having a significant effect on the Council's finances. There were additional costs and a large reduction in income. Faced with a potential large budget deficit, the Government responded with one-off grants of £4.58m. It remains to be seen how long it will be before the Council's income returns to the pre-pandemic levels.

The Council's underlying funding remains challenging and the Council therefore has an ongoing programme of efficiency savings. In 2020/21 the Council has achieved further efficiency savings of £150k, representing 0.7% of the annual budget.

The Council Tax for which Worcester City Council is responsible was set at £190.88 for a Band D property. This was a £5.00 increase over the previous year, in line with the Government's expectations. As the billing authority, the City Council also collects Council Tax on behalf of Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and the West Mercia Police and Crime Commissioner. The total amount payable for a Band D property was £1,813.12. Collection of the amount billed for Council Tax was 97.6% (2019/20 97.9%), while Business Rates collection was 91.7% (2019/20 97.9%). The collection rate for Council Tax remained high despite the pandemic. However with many businesses closed or operating below capacity and despite the significant extra reliefs made available by the Government, the collection of Business Rates reduced to 91.7%. The period post pandemic has seen a gradual recovery in the collection rate, although it is still currently slightly below the pre-pandemic level.

During 2020/21 our headline achievements include:

- Distributing over £38m in Covid grants to city businesses, supporting them through the national lockdowns;
- Awarding £0.3m in Self-Isolation Payments to residents on low incomes who were instructed by the national Test and Trace programme to go into self-isolation;
- Providing emergency accommodation for up to 30 rough sleepers under the national "Everybody In" programme, and working with them to find move-on accommodation;
- Securing £17.9m from the Government's Future High Streets Fund to deliver a major regeneration of the northern part of the city centre, including the creation of a new theatre;
- Preparing a Towns Investment Plan detailing six significant regeneration projects, which formed the basis of a bid to the Government's Towns Fund. In June 2021 it was announced that this bid had successfully secured £19.6m;
- Progressed the £4.5m refurbishment of The Arches Worcester– a Worcester partnership project, renovating the city's Victorian railway arches to create a new key gateway and cultural destination for the city, alongside a programme of innovative festivals;

## **WORCESTER CITY COUNCIL**

### **WELCOME TO THE STATEMENTS OF ACCOUNTS**

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- Secured the prestigious green flag award for all four of the city's premiere parks, for the second year in succession;
- Began the demolition of the former swimming pool site at Sansome Walk to make way for much-needed low-cost housing.

#### ***COVID-19 Pandemic***

In terms of business operations, the Council maintained its key services such as domestic refuse collection and street cleaning services and added considerable resources to ensure that rough sleepers were kept safe during this period.

Where possible staff worked from home and most of the offices were closed. However meetings continued as normal albeit on a virtual basis. This included all Council and committee meetings.

For 2020/21 the Council's finances were affected significantly by the pandemic. Additional costs were incurred, being mainly:

- £0.95m for accommodating rough sleepers
- £0.22m support for Council's leisure services operator as the leisure centres were forced to close and
- £0.2m for the purchase of extra IT equipment and PPE.

Income was also significantly reduced, being £3.65m lower than the previous year. This was due to:

- less car parking in the city centre £2.29m,
- a reduction in Trade Waste collections £0.1m
- no fee income from Leisure services £0.5m

As the lockdown restrictions are gradually being lifted, we are seeing an increase in income, but it is too early to predict the longer term trend and therefore the effect on the Council's future finances.

The Government responded to the financial pressure by providing the Council with one-off grants of £4.58m. Local businesses were also supported through increases in Business Rates relief and one-off support grants to the value of £38.17m. The Government also recognised the effect of the pandemic on individuals and families and allocated £1.19m in Council Tax Hardship and Self-isolation payments.

The values in these accounts attributed to property assets and investments held as part of the pension fund were arrived at during the lockdown. However these are not substantially different to the values used in previous years.

Moving forward, the Council will reset its Medium Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review its delivery models to ensure that the outcomes set out in the City Plan can continue to be delivered.

# **WORCESTER CITY COUNCIL STATEMENT OF RESPONSIBILITIES**

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## **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 Section 151 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 Section 151 Officer's responsibilities**

The Section 151 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 2021.

**As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31 March 2021, 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 2021.

Shane Flynn  
**Corporate Director Finance and Resources**

**30 July 2021**

# **WORCESTER CITY COUNCIL**

## **WELCOME TO THE STATEMENTS OF ACCOUNTS**

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### **1. Introduction**

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2021. 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 Statement of Accounts includes a narrative that provides an analysis of the development and performance of the authority in the financial year and its position at the end of the year. It also provides information regarding economy, efficiency and effectiveness in its use of resources over the financial year.

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

Worcester City is the county town of Worcestershire and covers an area of c.33 square kilometres (c.13 square miles) 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 boasts many attractive 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 – all of them popular tourist attractions.

The city enjoys a varied retail and leisure offer with major high street brands, unique boutiques and independent shops all trading in the city centre. The city has a growing night-time economy centred on the £20m Cathedral Square development and boosted by the programme of festivals arising from the Arches Worcester project. The city also has a strong sporting reputation, hosting top class sporting venues including Worcestershire County Cricket Club's New Road ground, Worcester Warriors Rugby Club's Sixways Stadium and the 300-year-old Worcester Racecourse and has invested in two new international standard hockey pitches at a new venue due to open in September 2021.

Worcester has a population of 100,265 people and the City's age profile is generally younger than for England and the rest of the surrounding county. 30.6% of the population are aged under-25 compared to 26.8% in Worcestershire, and 29.7% in England. The working age population (16-64) makes up 65.1% of the total population compared to 60.3% in Worcestershire and 63.4% in England.

*Source: ONS mid-year population estimates 2020*

The average house price in Worcester in April 2021 was £224,071 compared to the county average of £261,585 and £268,380 for England. Source: Land Registry

The unemployment rate in Worcester is 3.8%, which is lower than the West Midlands (5.3%) and Great Britain (4.6%).

Source: NOMIS/ONS annual population survey (Jan 2020-Dec 2020)

**WORCESTER CITY COUNCIL**  
**WELCOME TO THE STATEMENTS OF ACCOUNTS**

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**4. The City Council**

**Political Structure**

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 one third of wards in three of every four years. Up to May 2021 the Council had no overall control. However following the elections in May 2021, which were postponed from May 2020 due to the pandemic, the Conservative group now have a majority of the seats.

<b>Political Party</b>	<b>Number of Seats</b>	<b>Number of Seats</b>
	<b>May 2021</b>	<b>March 2020</b>
Conservative	18	16
Labour	11	15
Green	4	3
Liberal Democrat	2	1

Under the Council’s constitution, the group with the largest number of seats holds the leadership of the authority. The Leader and Deputy Leader are therefore from the Conservative group.

**Constitution**

The Council is governed by a Constitution which is based on the committee model. This comprises Policy Committees and Regulatory Committees.

The Policy Committees are responsible for implementing the budget and policy framework as agreed by full Council; their 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.

**Chief Officer Structure**

Councillors are supported by the Corporate Leadership Team (CLT), which is headed by the Council’s Managing Director, David Blake. CLT is responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. During 2020/21, CLT was made up of five members, the Managing Director, the three Corporate Directors and the Deputy Director - Governance, who is also the Council's Chief Monitoring Officer.

**WORCESTER CITY COUNCIL**  
**WELCOME TO THE STATEMENTS OF ACCOUNTS**

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**4. The City Council**

**Services**

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



Customer Services was brought back in-house with effect from 1st April 2020.

The Council has approximately 330 employees to manage and deliver services, making it one of the largest employers in the city.

Employee absence for the City Council was an average of 16.2 days per employee in 2020/21 compared with 11.5 days in 2019/20 and was affected by the Covid-19 outbreak for most of the year.

Staff turnover for voluntary leavers for the City Council was 10.6%: a small increase from 9.4% in 2019/20.



## **WORCESTER CITY COUNCIL**

### **WELCOME TO THE STATEMENTS OF ACCOUNTS**

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#### **5. 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 £280m by:

- collecting over £76m of Business Rates and Council Tax. 87% of this is passed onto central government and other agencies, with the Council retaining £9.5m for service delivery in 2020/21.
- administering over £23m of Housing Benefit claims
- managing over £118m 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 £31m each year on Council services.
- accounting for £39m p.a. 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:

- 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 and the Covid-19 pandemics remain uncertain. The Council's income from services such as car parking has been reduced significantly and it remains to be seen what level this will return to.

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 has updated its Commercial strategy and the Income Generation strategy in July 2021.

The Council's Medium Term Financial Plan 2021-2026 was approved in February 2021 and can be viewed on the 'City Council Finances' page of [www.Worcester.gov.uk](http://www.Worcester.gov.uk). Against the continuing financial challenges faced by the Council, this shows a balanced budget for 2021/22 and a budget deficit for the subsequent years to 2025/26. The Council is currently reviewing options for addressing this deficit.

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**WELCOME TO THE STATEMENTS OF ACCOUNTS**

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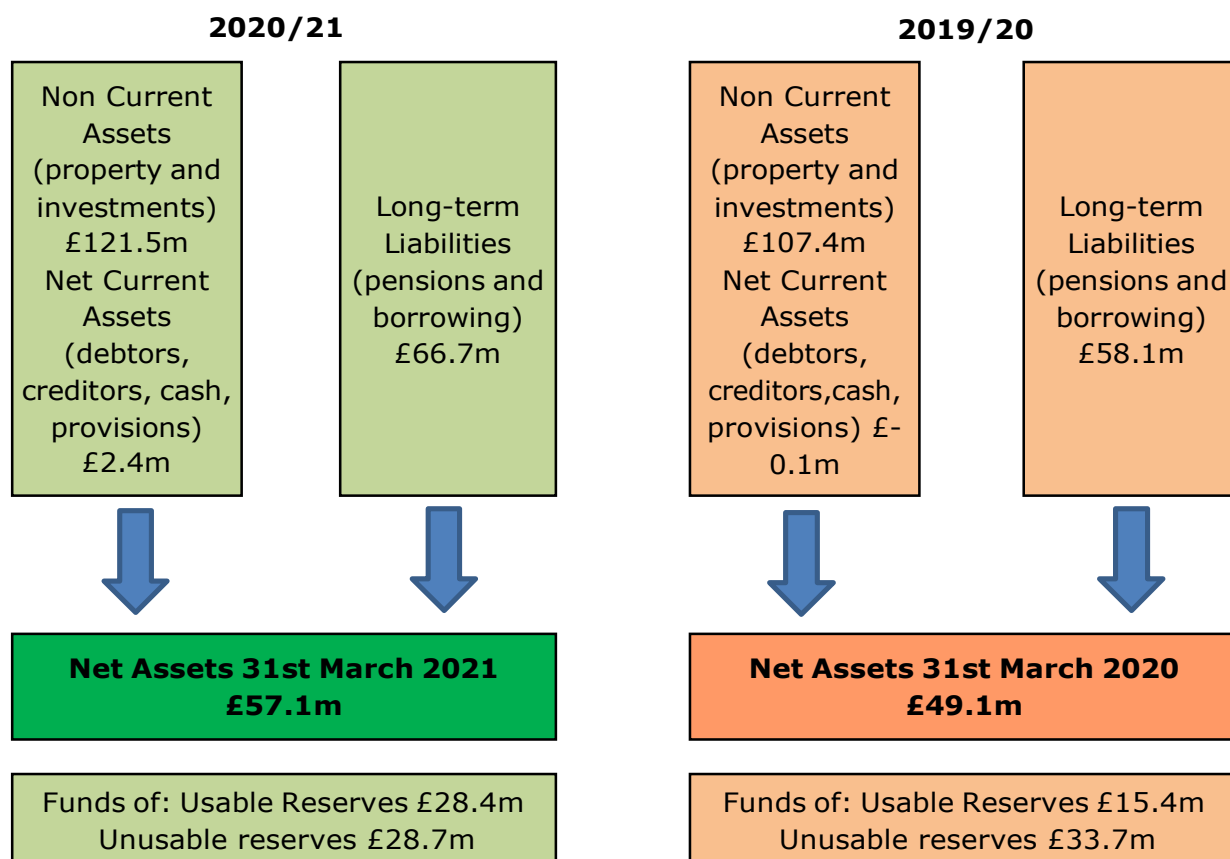
**5. Financial Performance 2020/21**

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 deficit of £1m on provision of services for 2020/21</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 £13m 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 outflow of £8.7m 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 £8m as at 31 March 2021</b></p> <p>This shows the value of the Council's assets and liabilities at 31 March 2021.</p>

The major factors in the increase in net assets of £8m are the year-end budget surplus of £0.9m, the increase in the value of land and buildings of £6.6m and the reduction in the pension liability of £3.0m offset by the increase in the Business Rates appeals provision of £1.8m

**5. Financial Performance 2020/21 cont'd**



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

The 2020/21 budget was approved by Full Council in February 2020. This was a balanced budget achieved after transferring £747k from reserves. It included combined cost savings and income increases of £1.0m as part of a programme of budget reduction. This is in addition to the £2.3m achieved from this programme in the previous five years. There was a 2.69% increase in Council Tax. The capital programme was approved with a budget of £12.0m. This included the demolition of the Sansome Walk site and provision of affordable housing, the acquisition of commercial property as part of the Council's Development Fund and the development of sports facilities in the city.

For 2020/21 the Council has delivered a budget surplus of £0.932m.

At a headline level, the main budget variances are comprised as follows:

- £0.44m underspend on operating expenditure against a budget of £30.9m;
- £3.65m shortfall on income against a budget of £22.03m;
- £0.20m surplus on net interest payments and Minimum Revenue Provision;
- £0.64m deficit on Housing Benefit Subsidy;
- £4.58m grants received from Central Government to alleviate the effects of the Covid-19 pandemic.

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

The budget surplus on operating budgets is £0.932m 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.

	2020/21		
	Budget £'000	Actual £'000	Variance £'000
Governance Services	1,538	1,511	(27)
Internal Audit Shared Service	52	65	13
Policy & Strategy	1,562	1,449	(113)
Finance Service	882	946	64
Revenues & Benefits Service	433	556	123
Property and Assets	494	537	43
Corporate Costs	1,130	1,388	258
Community Services	(2,805)	10	2,815
Strategic Housing Service	1,115	969	(146)
Environmental Operational Service	3,210	3,329	119
Museum Services	505	573	68
Dev't. Mgt, Economic Dev't and Planning Serv	73	80	7
Corporate Leadership Team	681	675	(6)
Housing Benefit - net subsidy	(45)	597	642
<b>Equivalent Net Cost of Service</b>	<b>8,824</b>	<b>12,685</b>	<b>3,861</b>
Capital Charges/Interest/MRP	998	877	(121)
General Fund transfer	(234)	(237)	(3)
To Earmarked Reserves	12,665	12,665	0
From Earmarked Reserves	(1,633)	(1,633)	0
<b>Other amounts reported</b>	<b>11,795</b>	<b>11,671</b>	<b>(124)</b>
<b>Total Net Expenditure</b>	<b>20,620</b>	<b>24,357</b>	<b>3,737</b>

The surplus on operating budgets mainly relates to:

- The effects of the Covid-19 pandemic and the resultant lockdowns caused a shortfall in income of £3.65m which was offset by one-off grants from central Government of £4.58m.
- The pandemic also caused a significant increase in expenditure (1) for providing temporary accommodation for rough sleepers and (2) temporary financial support for the Council's leisure services provider. These extra costs were also covered by one-off grant funding.

**WORCESTER CITY COUNCIL**  
**WELCOME TO THE STATEMENTS OF ACCOUNTS**

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

Net revenue expenditure was financed by:

<b>2020/21</b>			
	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
NET BUDGET	20,620	24,357	3,737
New Homes Bonus	(901)	(985)	(84)
Council Tax	(6,210)	(6,210)	0
Business rates	(3,082)	(3,083)	(1)
Revenue Support Grant	0	0	0
Section 31 Grants / Grants / Other Govt. Gra	(10,428)	(15,012)	(4,584)
<b>Total Funding</b>	<b>(20,620)</b>	<b>(25,289)</b>	<b>(4,669)</b>
Net Budget Surplus	0	(932)	(932)

Further details on the financial out-turn for the year and the variances to the budget can be found in the Finance report presented to the Council's Policy and Resources Committee on 8 June 2021. A copy can be found at [www.worcester.gov.uk](http://www.worcester.gov.uk)

**6. Comprehensive Income and Expenditure Statement**

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

<b>Expenditure Type</b>	<b>2020/21 £000</b>	2019/20 £000
Employee expenses	<b>14,311</b>	14,461
Other service expenses	<b>18,599</b>	13,289
Housing Benefit payments	<b>23,432</b>	24,747
Capital charges/gain on disposal	<b>2,082</b>	4,554
Interest paid/Parish Precepts	<b>596</b>	484
<b>Gross Cost of Service Provision</b>	<b>59,021</b>	57,536

**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  
WELCOME TO THE STATEMENTS OF ACCOUNTS**

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

<b>Income Type</b>	<b>2020/21</b>	2019/20
	<b>£000</b>	<b>£000</b>
Grants and Contributions	(30,289)	(6,904)
Housing benefit grant	(22,971)	(24,497)
Fees, Charges and other service income	(8,469)	(11,324)
Income from Council Tax and Business Rates	1,261	(12,601)
(Increase)/Decrease in value of Investment Properties	593	1,915
Change in Fair Value Pooled Investment Funds	19	100
Impairment Losses on Financial Instruments	20	0
Interest & Investment Income	(177)	(480)
<b>Total Income in Service Provision</b>	<b>(60,013)</b>	<b>(53,791)</b>

**Grants and Contributions** include the value of capital grants and contributions, in compliance with proper accounting practice. 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.

**8. Capital Expenditure and Financing**

Expenditure on assets which will provide benefits for more than one year was £11.4m (2019/20 £14.2m). This compares with a final budget of £13.7m for the year (this included budgets carried forward from 2019/20 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 2021/22 to complete these items.

A summary of the capital expenditure in 2020/21 is shown below. Of the £11.4m Council spend, £10.8m was added to the value of the Council's own assets, and the balance of £0.6m 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/Additions</b>	<b>£000</b>	<b>Source of Financing</b>	<b>£000</b>
Housing and building grants	709	Usable capital receipts	1,088
City centre redevelopment	2,271	External Grants	2,450
Play Areas and Parks projects	413	Section 106 funds	73
Economic Development	6	Earmarked reserves	517
Development Fund	6,516	Direct Revenue Financing	0
Vehicles, ICT and other equipment	1,296	Borrowing	7,285
Other small capital items	202		
<b>Total</b>	<b>11,413</b>	<b>Total</b>	<b>11,413</b>

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### **WELCOME TO THE STATEMENTS OF ACCOUNTS**

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#### **9. Treasury Management**

The Council borrows for cash flow purposes within specified limits or to fund capital expenditure. Note 24 (Long Term Borrowing) in the Notes to the Core Financial Statements shows details of the Council's outstanding loans and when they mature.

At 31 March 2021 the balance of cash and cash equivalents held was £14.1m. This is an increase of £8.7m against the prior year. Major contributors were the new 10 year loans taken out for £10.7m and the capital receipt for £1.8m from the sale of land less the £5.21m purchase of an investment property and a £6.11m pensions prepayment for the next 3 years employer contributions.

#### **10. 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 reduced by £3.0m to £47.2m. Variations between years were largely due to changes in assumptions by the actuary and include the possible impact on the Local Government Pension Scheme of the decisions of the Court of Appeal in respect of the McCloud case (in respect of age discrimination on the Public Service Pension Schemes). Further details on changes in the Council's pension assets and liabilities can be found in Note 26 to the Core Financial Statements.

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.

#### **11. Reserves**

The General Fund balance brought forward from 2019/20 was £1.03m. This has increased to £2.02m at 31st March 2021, including the reallocation from brought forward balances to earmarked reserves of £0.2m. 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 2019/20 were £12.8m. The balance at the year-end is £21.5m, a net increase of £8.69m. Of this net increase £2.3m of existing earmarked reserves were utilised in year and a further £11.0m was added to earmarked reserve balances during the year, including the receipt of £9.51m from Government in respect of Section 31 grants that are intended to cover the Business Rates deficit that we declared in 2021/22. Payment has been received in advance to cover the payments that will need to be made to preceptors during the year. It is therefore a cashflow issue and does not represent funds that are available to this council.

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

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

IFRS 16 Leases was originally scheduled for implementation on 1 April 2020. However, due to the Covid 19 pandemic, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This has since been extended by a further year and will mean the effective date for implementation is now 1 April 2024.

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**13. Risk Management**

Worcester City Council’s risk management strategy ensures 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 2020/21 was reported to the Policy and Resources Committee. A full copy of the report can be found on the Council's website.

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) Act came into effect on 25th May 2018.</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. Maintain a risk reserve of £1.4m to mitigate this impact.</p> <p>A data audit has been carried out and a review of the process for Privacy Impact Assessments. A data protection officer has been appointed in line with the requirements of the Act.</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**

### **WELCOME TO THE STATEMENTS OF ACCOUNTS**

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#### **12. Non-Financial Performance 2020/21**

Performance management across all the Council's services is measured using a series of key performance indicators that are reported quarterly using a RAG (red, amber, green) monitoring system. This includes comparisons with the prior year where appropriate.

The year-end performance was presented to the Policy and Resources Committee at its meeting of 8 June 2021 and a copy of this report can be found on the Council's website at [www.worcester.gov.uk](http://www.worcester.gov.uk). Of the 96 key performance indicators 51 were green, 11 were amber and 34 were red.

#### **13. Corporate Plan**

In February 2022 the Council approved the update of its 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 being recorded through the Council's performance monitoring system.

**WORCESTER CITY COUNCIL**  
**WELCOME TO THE STATEMENTS OF ACCOUNTS**

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

The lockdown measures introduced in 2020/21 to limit the spread of the Covid-19 pandemic have continued into 2021/22. In recognition of the additional costs and the loss of income incurred by the City Council, the Government has provided further one-off funding of £0.6m and has committed to compensating councils for 75% of losses above the first 5% of budgeted income in the first quarter of 2021/22. Restart grants for non- essential retail businesses totalling £6.01m have also been received as part of supporting the local economy in the recovery process.

In October 2020 the Government announced the creation of The Towns Fund, which is a £3.6 billion fund established to level up towns and cities around the country. The City Council, acting as the lead body in a group of 14 local organisations, submitted a bid and in June 2021 received confirmation that it had been allocated £19.6m for a series of projects focused on city regeneration that are intended to support long-term economic growth.

**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.

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

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### **Legal Framework**

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE publication 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.

The Annual Governance Statement adopted by the Council can be found on the Council's website at:

<http://www.worcester.gov.uk>

# **WORCESTER CITY COUNCIL**

## **STATEMENT OF ACCOUNTING POLICIES**

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### **1. General**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position as at 31 March 2021. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting 2020/21, 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 valued 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**

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### **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 for 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 £10,000 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 "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) and is charged to the relevant service revenue costs.

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

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*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**

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**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**

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**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**

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**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

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#### 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. It was performed in 2019 and is due again in 2022. 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**

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**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. Impairment Allowances**

An allowance is made for bad and doubtful debts in relation to council tax, business rates, housing benefit overpayments and sundry debts. These allowances reduce the value of total debtors shown on the Balance Sheet. The allowances have been estimated in accordance with recommended practice and past experience and where necessary, a charge is made to the Comprehensive Income and Expenditure Statement.

**16. Financial Instruments**

Polices adopted in relation to treatment of Financial Instruments are detailed in note 29.

**17. 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.

**18. 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**

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**19. 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 overpayments 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.

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

From 2013/14 the National Non-Domestic Rates scheme was changed to a localised Business Rates regime. For 2020/21 Worcester City is a member of a local Worcestershire Business Rates pool arrangement with Worcestershire County Council and the other Worcestershire districts. Under the pool arrangement, levy income which would have been payable to central government has been retained by the pool and distributed to the pool members.

Worcester City received a 40% share to its general fund of non domestic rating income arising in the collection fund. The general fund then paid a tariff to central government. Overall this meant the general fund reflected baseline funding set by central government together with the Council's share of growth in NNDR income since baselines were set. On this basis the Council reflected its 40% share of all year end balances relating to NNDR (including debtors/creditors/appeals provision).

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 34).

## **WORCESTER CITY COUNCIL**

### **STATEMENT OF ACCOUNTING POLICIES**

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#### **21. 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.

#### **22. 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 in respect of Building Control, ICT, Worcester Regulatory Services and a Joint Museum Service, 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.

#### **23. 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**

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**24. 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.

**25. 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 2021

	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>
	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000s
Note								
<b>Balance at 1 April 2020</b>	1,033	12,836	13,869	1,555	(0)	15,424	33,679	49,102
<b><u>Movement in Reserves During 2020/21</u></b>								
Deficit on the provision of services	992		992			<b>992</b>		<b>992</b>
Other Comprehensive Income and Expenditure						-	7,056	<b>7,056</b>
<b>Total Comprehensive Income and Expenditure</b>	992	-	992		-	<b>992</b>	7,056	<b>8,047</b>
13 Adjustments between accounting basis and funding basis under regulations	8,686	-	8,686	1,719	1,615	<b>12,019</b>	(12,019)	-
<b>Net Increase/(Decrease) before Transfer to Earmarked Reserve</b>	9,677	-	9,677	1,719	1,615	<b>13,011</b>	(4,964)	<b>8,047</b>
14 Transfers to/(from) Earmarked Reserves	(8,693)	8,693	-	-		-	-	-
<b>Increase/(Decrease) in 2020/21</b>	984	8,693	9,677	1,719	1,615	<b>13,011</b>	(4,964)	<b>8,047</b>
<b>Balance at 31 March 2021</b>	<b>2,017</b>	<b>21,529</b>	<b>23,546</b>	<b>3,274</b>	<b>1,614</b>	<b>28,435</b>	<b>28,715</b>	<b>57,150</b>



**WORCESTER CITY COUNCIL**  
**MOVEMENT IN RESERVES STATEMENT**  
For the previous year ended 31 March 2020

	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 2019</b>	<b>1,191</b>	<b>10,205</b>	<b>11,396</b>	<b>2,712</b>	<b>(0)</b>	<b>14,108</b>	<b>33,506</b>	<b>47,613</b>
<b><u>Movement in Reserves During 2019/20</u></b>								
Deficit on the provision of services	(3,744)		(3,744)			<b>(3,744)</b>		<b>(3,744)</b>
Other Comprehensive Income and Expenditure	-					-	5,233	<b>5,233</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,744)</b>	<b>-</b>	<b>(3,744)</b>	<b>-</b>	<b>-</b>	<b>(3,744)</b>	<b>5,233</b>	<b>1,489</b>
13 Adjustments between accounting basis and funding basis under regulations	6,217	-	6,217	(1,157)	-	<b>5,060</b>	(5,060)	-
<b>Increase in 2019/20</b>	<b>2,473</b>	<b>0</b>	<b>2,473</b>	<b>(1,157)</b>	<b>0</b>	<b>1,316</b>	<b>173</b>	<b>1,489</b>
14 Transfers to/(from) Earmarked Reserves	(2,630)	2,630	0					
<b>Balance at 31 March 2020</b>	<b>1,033</b>	<b>12,836</b>	<b>13,869</b>	<b>1,555</b>	<b>(0)</b>	<b>15,424</b>	<b>33,679</b>	<b>49,102</b>

**WORCESTER CITY COUNCIL**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
For the year ended 31 March 2021

Note	2020/21 Gross Expenditure £000s	2020/21 Gross Income £000s	2020/21 Net Expenditure £000s	2019/20 Net Expenditure £000s	
				<b>Restated *</b>	
	<b>Directorate Analysis</b>				
	Corporate and Managing Director	2,538	(61)	2,477	2,612
	Finance and Resources	7,948	(2,503)	5,445	6,363
	Homes and Communities	16,828	(10,936)	5,892	4,839
	Housing Benefit/Subsidy Place	23,568	(22,971)	597	325
		7,311	(4,996)	2,315	2,238
1	<b>NET COST of SERVICES</b>	<b>58,193</b>	<b>(41,468)</b>	<b>16,725</b>	<b>16,377</b>
3	Other operating expenditure			(1,107)	114
4	Financing and investment income and expenditure			835	1,855
5	Taxation and non-specific grant income			(17,445)	(14,602)
	<b>DEFICIT/ (SURPLUS) ON PROVISION OF SERVICES</b>			<b>(992)</b>	<b>3,744</b>
28	Surplus on revaluation of non current assets			(6,914)	(5,610)
26	Remeasurements of the net defined benefit liability (pension)			(142)	377
	Other Comprehensive (Income) and Expenditure			(7,056)	(5,233)
	<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>			<b>(8,047)</b>	<b>(1,489)</b>

\* The Council has restated its 2019/20 Comprehensive Income and Expenditure Statement Net Cost of Services comparatives to reflect changes in the Directorate reporting structure.

Note: figures in brackets represent income or a surplus.

**WORCESTER CITY COUNCIL**  
**BALANCE SHEET**  
**As at 31 March 2021**

Note	2020/21 £'000	2019/20 £'000	
<b>Long term assets</b>			
15	Property, plant & equipment	90,230	81,938
16	Heritage assets	9,208	9,208
15	Intangible Assets	203	179
17	Investment property	18,402	13,229
18	Long term Investments	3,473	2,827
		<b>121,515</b>	107,381
<b>Current assets</b>			
18	Short term investments	7	4,008
19	Assets held for sale	0	1,430
31	Inventories	86	79
20	Short term debtors	19,603	8,399
21	Cash and cash equivalents	14,073	5,385
		<b>33,770</b>	19,301
<b>Current liabilities</b>			
22	Short term creditors	(27,041)	(16,218)
25	Receipts in advance	(1,208)	(1,050)
23	Provisions	(1,811)	0
24	Short term borrowing	(1,332)	(2,173)
		<b>(31,392)</b>	(19,440)
<b>Long term liabilities</b>			
25	Receipts in advance	(774)	(679)
24	Long term borrowing	(18,729)	(7,180)
26	Pensions liability	(47,241)	(50,281)
		<b>(66,744)</b>	(58,140)
	<b>NET ASSETS</b>	<b>57,149</b>	49,102
<b>Financed by:</b>			
27	Usable reserves	28,435	15,424
28	Unusable reserves	28,714	33,678
	<b>TOTAL RESERVES</b>	<b>57,149</b>	49,102

**WORCESTER CITY COUNCIL**  
**CASH FLOW STATEMENT**  
**For the year ended 31 March 2021**

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	<b>2020/21</b>	2019/20
Note	<b>£'000</b>	£'000
<b>Net deficit/(surplus) on the provision of services</b>	<b>(992)</b>	3,744
35 Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>(740)</b>	(7,051)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>(5,615)</b>	1,453
<b>Net cash flows from:</b>		
32 Operating activities	<b>(7,346)</b>	(1,854)
33 Investing activities	<b>(1,675)</b>	4,488
34 Financing activities	<b>333</b>	(2,384)
Net (increase)/ <b>decrease</b> in cash and cash equivalents	<b>(8,688)</b>	250
Cash and cash equivalents at the beginning of the reporting period	<b>5,385</b>	5,635
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>14,073</b>	5,385

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.

**WORCESTER CITY COUNCIL  
 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (2019/20)  
 For the year ended 31 March 2021**

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The Council has restated its 2019/20 Comprehensive Income and Expenditure Statement Net Cost of Services comparatives to reflect changes in the Directorate reporting structure.

<b>Directorate Analysis</b>	<b>As reported 2019/20 CIES £000</b>	<b>Changes in Directorate Structure £000</b>	<b>Restated 2019/20 £000</b>
Corporate and Managing Director	2,149	463	2,612
Finance and Resources	6,826	(463)	6,363
Homes and Communities	217	4,622	4,839
Housing Benefit/Subsidy Place	325		325
	6,860	(4,622)	2,238
Net Cost of Services	<u>16,377</u>	<u>0</u>	<u>16,377</u>

# Notes to the Comprehensive Income and Expenditure Statement

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**1. EXPENDITURE AND FUNDING ANALYSIS**

2020/21

**Adjustments between the Funding and Accounting basis**

	Expenditure Reported Q4 Management £000	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Net Expenditure in the CIES £000
Corporate and Managing Director	2,186	107	184	-	290	2,477
Finance and Resources	4,941	258	(838)	1,085	504	5,445
Homes and Communities	4,308	1,057	527	-	1,584	5,892
Housing Benefit/Subsidy	597	-	-	-	-	597
Place	652	153	202	1,307	1,662	2,315
<b>Net Cost of Services</b>	<b>12,685</b>	<b>1,574</b>	<b>74</b>	<b>2,392</b>	<b>4,040</b>	<b>16,725</b>
Other Operating Expenditure	113	(1,220)	-	-	(1,220)	(1,107)
Financing & Inv inc and exp	1,430	(567)	1,085	(1,113)	(596)	835
Taxation & NSG	(25,038)	(2,372)	-	9,966	7,593	(17,445)
Other Income and Expenditure	(23,495)	(4,160)	1,085	8,853	5,777	(17,717)
<b>(Surplus)/Deficit against GF balances in year</b>	<b>(10,809)</b>	<b>(2,586)</b>	<b>1,159</b>	<b>11,244</b>	<b>9,818</b>	<b>(992)</b>
Opening General Fund Balances	(13,869)					
Less Deficit/(Surplus) on General Fund balances in year	(10,809)					
Closing General Fund Balances	(24,678)					
Opening Balances comprising:						
Unreserved General Fund	(1,034)					
Earmarked Reserves	(12,835)					
	(13,869)					
Closing Balances comprising:						
Unreserved General Fund	(2,018)					
Earmarked Reserves	(21,528)					
	(23,546)					

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 2021**

**1. EXPENDITURE AND FUNDING ANALYSIS**

2019/20

**Adjustments between the Funding and Accounting basis**

	Expenditure Reported Q4 Management £000	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Net Expenditure in the CIES £000
Corporate and Managing Director	2,114	263	235	-	498	2,612
Finance and Resources	5,689	225	(673)	1,121	674	6,363
Homes and Communities	1,173	2,892	774	-	3,666	4,839
Housing Benefit/Subsidy	325	-	-	-	-	325
Place	1,396	519	259	65	842	2,238
<b>Net Cost of Services</b>	<b>10,697</b>	<b>3,899</b>	<b>596</b>	<b>1,186</b>	<b>5,680</b>	<b>16,377</b>
Other Operating Expenditure	115	(1)	-	-	(1)	114
Financing & Inv inc and exp	1,357	413	1,137	(1,052)	498	1,855
Taxation & NSG	(14,643)	(255)	-	295	40	(14,602)
Other Income and Expenditure	(13,171)	157	1,137	(757)	538	(12,633)
<b>(Surplus)/Deficit against GF balances in year</b>	<b>(2,474)</b>	<b>4,056</b>	<b>1,733</b>	<b>429</b>	<b>6,218</b>	<b>3,744</b>
Opening General Fund Balances	(11,395)					
Less Deficit/(Surplus) on General Fund balances in year	(2,474)					
Closing General Fund Balances	(13,869)					
Opening Balances comprising:						
Unreserved General Fund	(1,191)					
Earmarked Reserves	(10,205)					
	(11,395)					
Closing Balances comprising:						
Unreserved General Fund	(1,034)					
Earmarked Reserves	(12,835)					
	(13,869)					

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.



## **1. EXPENDITURE AND FUNDING ANALYSIS Continued**

### **Adjustments for Capital purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### **Net change for the pensions adjustments**

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### **Other differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For services, this represents removal of the annual leave accrual adjustment. For financing and investment income and expenditure the Other Differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

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

<b><u>Expenditure</u></b>	<b>2020/21 £000's</b>	2019/20 £000's
Employee Benefits Expenses	14,311	14,461
Other services expenses	18,599	13,289
Transfer Payments (Housing Benefit)	23,432	24,747
Depreciation, amortisation, impairment, downwards revaluations	3,339	4,588
Interest Payments	447	336
Precepts and Levies	150	148
Gain on disposal of assets	( 1,257)	( 34)
	<b>59,021</b>	57,536
<b><u>Income</u></b>		
Fees, charges and other service income*	( 8,469)	( 11,324)
Interest and Investment Income	( 177)	( 480)
Change in Fair Value Pooled Investment Funds	19	100
Change in Fair Value of Investment Properties	593	1,915
Impairment Losses on Financial Instruments	20	0
Income from council tax and non domestic rates	1,261	( 12,601)
Housing Benefit related grants	( 22,971)	( 24,497)
Grants and contributions - Other*	( 30,289)	( 6,904)
	<b>( 60,013)</b>	( 53,791)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>( 992)</b>	3,744

\* Please note the 2019/20 comparative figures have been updated to reflect a move between the starred categories in the amount of £50k

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>3. Other operating expenditure</b>		
Precepts from Council Tax paid to parish councils	<b>150</b>	148
(Gains)/Losses on disposal of non-current assets	<b>(1,257)</b>	(34)
Total	<b>(1,107)</b>	114
<b>4. Financing and investment income and expenditure</b>		
Interest payable and similar charges	<b>447</b>	336
Pensions interest cost and expected return on pensions assets	<b>1,085</b>	1,137
Interest receivable and similar income	<b>(177)</b>	(480)
Net (gains)/losses on financial assets at fair value through profit and loss	<b>19</b>	100
(Income) and expenditure in relation to investment properties	<b>(1,152)</b>	(1,153)
Impairment losses on financial instruments	<b>20</b>	-
Change in Fair Value of Investment Properties	<b>593</b>	1,915
Total	<b>835</b>	1,855

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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Council tax income	<b>(6,233)</b>	<b>(6,111)</b>
Non-domestic (Business) rates (NDR)	<b>7,494</b>	<b>(6,491)</b>
Non-ringfenced government grants - NDR related*	<b>(10,739)</b>	<b>(84)</b>
Non-ringfenced government grants - Other*	<b>(5,594)</b>	<b>(1,662)</b>
Capital grants and contributions*	<b>(2,299)</b>	<b>(215)</b>
S106 Developer Contributions*	<b>(73)</b>	<b>(40)</b>
Total	<b>(17,444)</b>	<b>(14,602)</b>
* Further analysed in Note 6	(18,706)	(2,001)

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

**6. Grants and Contributions**

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

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Shown within 'Taxation and non specific grant income'</b>		
MHCLG New Homes Bonus	<b>(985)</b>	(1,528)
MHCLG Section 31 Grants (Business Rates Related)	<b>(10,403)</b>	(84)
MHCLG Covid Support/New Burdens	<b>(1,819)</b>	(46)
MHCLG Fees and Charges Support	<b>(2,459)</b>	-
MHCLG Tax Income Guarantee	<b>(395)</b>	-
MHCLG Minor grants (each < £50k)	<b>(21)</b>	(64)
BEIS New Burdens	<b>(167)</b>	-
S106 Developer Contributions	<b>(73)</b>	(40)
Capital Grants and Contributions	<b>(2,299)</b>	(215)
Worcestershire County Council	<b>(85)</b>	(25)
<b>Total</b>	<b><u>(18,706)</u></b>	<u>(2,001)</u>
	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Shown within the 'Service Expenditure Analysis' lines</b>		
<b>Department Work and Pensions (DWP)</b>		
Housing Benefit Grants	<b>(22,756)</b>	(24,331)
Housing Benefit Admin	<b>(269)</b>	(278)
Discretionary Housing Payments	<b>(215)</b>	(166)
DWP New Burdens Grants	<b>(85)</b>	(117)
<b>Ministry Housing, Communities, Local Government (MHCLG)</b>		
Disabled Facilities Grant	<b>(843)</b>	(665)
Towns and High Streets Funds	-	(323)
Emergency Flooding	-	(131)
Rough Sleepers Bid	<b>(672)</b>	(217)
Flexible Housing Grant	<b>(319)</b>	(319)
Self Isolation Funding	<b>(262)</b>	-
Next Steps Accommodation	<b>(130)</b>	-
Homelessness Reduction	<b>(67)</b>	-
LA Compliance & Enforcement (Covid)	<b>(51)</b>	-
Rapid Rehousing (Phases 1 & 2)	-	(508)
Local Council Tax Admin Support Grant	<b>(104)</b>	(101)
Council Tax Hardship Grant	<b>(869)</b>	-
<b>Worcestershire County Council</b>		
Emergency Assistance Food and Essentials	<b>(115)</b>	-
Covid 19 Housing Contribution	<b>(500)</b>	-
One Public Estate	-	(50)
<b>Dept. Business, Energy, Industrial Strategy (BEIS)</b>		
Retail, Hospitality & Leisure Discretionary Scheme	<b>(877)</b>	-
Additional Restrictions Grant Funding	<b>(2,924)</b>	-
Green Homes Grant	<b>(922)</b>	-
<b>Other Grants/Contributions</b>		
Wychavon DC - Covid 19 Housing	<b>(77)</b>	-
Wyre Forest DC - Covid 19 Housing	<b>(46)</b>	-
West Mercia Police Community Projects/CCTV	<b>(136)</b>	-
Sport England National Leisure Recovery	<b>(202)</b>	-
Cabinet Office Elections and Registration	<b>(15)</b>	(338)
Arts Council	<b>(87)</b>	(120)
Developer contributions (REFCUS)	-	(24)
Developer contributions (Other)	<b>(33)</b>	(50)
Other grants (each less than £50,000)	<b>(413)</b>	(116)
<b>Total</b>	<b><u>(32,987)</u></b>	<u>(27,853)</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**6. Grants and Contributions - Capital Grants Unapplied (usable reserve)**

Included in the previous analysis are capital grants and contributions for which the Council has met the conditions required to recognise the income in its income and expenditure statement. These grants are applied to finance capital expenditure. Where qualifying expenditure has not yet been incurred balances remain on the capital grants unapplied account. This can be seen in the movement in reserves statement.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**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 2020/21 was £232,233 (2019/20 £230,124).

**8. Employees' remuneration**

The Authority's other employees (excluding Corporate Directors) 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>2020/21</b>	<b>2019/20</b>
£50,000 - £54,999	-	1
£54,999 - £59,999	<b>1</b>	1
£60,000 - £64,999	<b>3</b>	4
£65,000 - £69,999	<b>2</b>	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£105,000 - £109,999	-	-
£120,000 - £124,999	-	-
	<b>6</b>	<b>7</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.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

**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>Post Title</b>	<b>2020/21</b>				
	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
	Managing Director	115,465	-	115,465	33,369
Director of Resources	86,385	-	86,385	24,965	111,350
Director of Homes & Communities	83,686	-	83,686	24,185	107,871
Director of Place	86,385	-	86,385	24,965	111,350
Deputy Director Policy & Strategy	74,237	-	74,237	21,454	95,691
Deputy Director Governance	75,587	-	75,587	21,845	97,431
Deputy Director Economic Development	75,587	-	75,587	21,845	97,431
	<b>597,330</b>		<b>597,330</b>	<b>172,629</b>	<b>769,959</b>

<b>Post Title</b>	<b>2019/20</b>				
	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
	Managing Director	112,363	-	112,363	28,990
Director of Resources	84,064	-	84,064	21,688	105,752
Director of Homes & Communities	79,796	-	79,796	20,587	100,383
Director of Place	84,064	-	84,064	21,688	105,752
Deputy Director Policy & Strategy	70,929	-	70,929	18,300	89,229
Deputy Director Governance	72,135	-	72,135	18,611	90,746
Deputy Director Economic Development	73,556	-	73,556	18,977	92,533
	<b>576,907</b>		<b>576,907</b>	<b>148,842</b>	<b>725,748</b>

**9. Exit Packages**

Number of exit packages agreed:

	<b>2020/21</b>		<b>2019/20</b>	
	<b>Number</b>	<b>£000's</b>	<b>Number</b>	<b>£000's</b>
In the band £0-£20k	8	109	1	10
In the band £20k-£40k	3	93	0	0
In the band £40k-£60k	0	0	1	49
In the band £60k-£80k	2	133	0	0
In the band £80k-£100k	0	0	0	0
In the band £100k-£120k	0	0	0	0
In the band £120k-£140k	0	0	0	0
In the band £140k-£160k	0	0	0	0
	<b>13</b>	<b>335</b>	<b>2</b>	<b>59</b>

Includes compulsory redundancies:

0	0	0	0
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Exit packages include compulsory and voluntary redundancy costs and pension contributions in respect of added years .

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**10. Fees payable to auditors**

Ernst & Young are the Council's auditors for 2020/21. 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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
External audit fees	<b>104</b>	39
Certification of grant claims fees	<b>30</b>	15
Total	<u><b>134</b></u>	<u>54</u>

The external audit fees for 2020/21 includes £45k in respect of prior year claims.

The certification of grant claims fees for 2020/21 includes £10k in respect of prior year claims.



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Not later than one year	<b>1,244</b>	800
Later than one year and not later than five years	<b>4,678</b>	3,006
Later than five years	<b>15,113</b>	11,470
	<b><u>21,035</u></b>	<u>15,276</u>

The increase in the future minimum lease payments is mainly due to the impact of rent reviews settled in 2020/21 and an additional lease relating to a property purchased in 2020/21.

The income for these operating leases has been credited to the I&E. The amounts received in 2020/21 were £1.149m

**Operating Leases (Council as lessee)**

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

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Lease payments made in the period	<b><u>166</u></b>	<u>107</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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Not later than one year	<b>172</b>	167
Later than one year and not later than five years	<b>423</b>	508
Later than five years	<b>74</b>	25
	<b><u>669</u></b>	<u>700</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**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.

**2020/21**

	Revenue from external customers £000	Capital			Total Depreciation/ REFCUS/ Asset valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Corporate and Managing Director	(39)	97	-	10	107
Finance and Resources	(1,480)	247	11	-	258
Homes and Communities	(6,223)	2,556	571	(305)	2,822
Place	(727)	145	7	-	153
	<u>(8,469)</u>	<u>3,045</u>	<u>589</u>	<u>(295)</u>	<u>3,339</u>

**2019/20**

	Revenue from external customers £000	Capital			Total Depreciation/ REFCUS/ Asset valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Corporate and Managing Director	(126)	68	-	195	263
Finance and Resources	(1,591)	225	-	-	225
Homes and Communities	(7,120)	1,182	665	451	2,298
Place	(2,538)	1,234	378	191	1,802
	<u>(11,375)</u>	<u>2,708</u>	<u>1,043</u>	<u>837</u>	<u>4,588</u>

## Notes to the Movement in Reserves Statement

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

**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 2020/21			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	2,705			(2,705)
Amortisation of intangible assets	45			(45)
Changes in Fair value of Investment Properties	593			(593)
Revenue expenditure funded from capital under statute	589			(589)
Capital expenditure/REFCUS financed from revenue reserves/balances	(517)			517
Statutory Provision for repayment of Debt	(643)			643
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	1,587			(1,587)
<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 REFUCUS	(1,765)		1,765	-
Other Capital grants and contributions unapplied credited to the CIES	(2,372)		2,372	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(2,523)	2,523
<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	(2,807)	2,807		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(1,088)		1,088
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	4,010			(4,010)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,851)			2,851
<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.	9,966			(9,966)
<b>Adjustments involving the Pooled Investment Funds adjustment account</b>				
Amount by which changes in the fair value of pooled investment funds differs from amounts chargeable to the general fund in accordance with statutory requirements	19			(19)
<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.	127			(127)
<b>Total adjustments</b>	<b>8,686</b>	<b>1,719</b>	<b>1,614</b>	<b>(12,018)</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

**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 2019/20			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	3,507			(3,507)
Amortisation of intangible assets	38			(38)
Changes in Fair value of Investment Properties	1,915			(1,915)
Revenue expenditure funded from capital under statute	1,043			(1,043)
Capital expenditure/REFCUS financed from revenue reserves/balances	(1,042)			1,042
Statutory Provision for repayment of Debt	(459)			459
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	178			(178)
<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 REFUCUS	(689)		689	-
Other Capital grants and contributions unapplied credited to the CIES	(255)		255	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(944)	944
<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	(179)	179		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(1,337)		1,337
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	4,453			(4,453)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,721)			2,721
<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.	295			(295)
<b>Adjustments involving the Pooled Investment Funds adjustment account</b>				
Amount by which changes in the fair value of pooled investment funds differs from amounts chargeable to the general fund in accordance with statutory requirements	100			(100)
<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.	33			(33)
<b>Total adjustments</b>	<b>6,217</b>	<b>(1,157)</b>	<b>-</b>	<b>(5,059)</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**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 2020/21.

2020/21	Balance at 1 April 2020 £000's	Transferred			Balance at 31 March 2021 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	285	-	(488)	500	297	For regeneration/transformation/service delivery improvements
Income Generation	324	-	(98)	-	226	To fund projects for income generation
Small Projects	80	-	(14)	-	66	To fund small projects nominated by members
City Plan	3,018	88	(476)	100	2,730	To fund projects supporting the City Plan.
Other Revenue and Capital Reserves	9,128	10,909	(1,228)	(600)	18,209	To fund various specific service projects incl. External Grants (see below)
<b>Total Earmarked Reserves</b>	<b>12,835</b>	10,997	(2,303)	-	<b>21,528</b>	
<b>Other Revenue and Capital Reserves</b>						
Affordable Housing bid process	575	-	(243)	-	332	For expansion of affordable housing in the city
Localised Business Rates	4,929	-	-	(1,005)	3,924	For NNDR appeal costs and future collection fund deficits
Collection Fund timing difference**	-	9,510	-	-	9,510	** Refer to detailed note below; these are not available funds.
Income Contingency	114	-	-	381	495	To provide mitigation against a down-turn in income levels.
Public realm improvements	74	-	-	-	74	Contribution to the refurbishment of the Shambles
Crematorium Reserve	364	49	(35)	-	378	For funding of replacement Cremators
Capital Programme Reserve	101	-	(50)	-	51	For capital investment, replacement and maintenance of assets
Property Maintenance Fund	224	50	(66)	-	208	To support 5 year maintenance plan
Commandery Project	34	-	(1)	-	33	For funding of refurbishment
External Grants (housing)	1,289	546	(285)	2	1,552	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programme	53	90	(63)	-	80	Play area project delayed to 2021/22
Skills Strategy	105	-	(86)	-	19	To support Skills strategy & training
Tourism Strategy	69	-	(10)	-	59	To support Tourism Strategy & Events
Leisure Developments	35	-	-	-	35	Development of Leisure Facilities
Other Minor Projects	1,162	664	(387)	22	1,460	For various initiatives
<b>Total Other Revenue &amp; Capital Reserves</b>	<b>9,128</b>	10,909	(1,228)	(600)	<b>18,209</b>	

\*\* The government granted business rates relief to retail, hospitality and leisure businesses during 2020/21 and compensated councils for the loss of income with a Section 31 grant. These reliefs must be shown as a deficit on the Council's share of income in the Collection Fund Adjustment Account (CFAA) (see note 28) while the grant income has to be shown in the Council's General Fund. Exceptional further deficits arising during 2020/21 have also been partially compensated via S31 grants (Tax Income Guarantee). During 2021/22 to 2023/24 accounting years amounts will be transferred from the CFAA to the General Fund in accordance with statute and this will be funded from the Section 31 grants effectively transferred to this reserve.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**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 2019/20.

2019/20 Restated	Balance at 1 April 2019 £000's	Transferred			Balance at 31 March 2020 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	436	-	(127)	(24)	285	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	374	-	(50)	-	324	
Small Projects	119	-	(6)	(33)	80	
City Plan	2,759	594	(368)	33	3,018	
Other Revenue and Capital Reserves	6,517	4,566	(1,979)	24	9,128	
<b>Total Earmarked Reserves</b>	<b>10,205</b>	5,160	(2,530)	-	<b>12,835</b>	
<b>Other Revenue and Capital Reserves</b>						
Affordable Housing bid process	820	39	(284)		575	For expansion of affordable housing in the city
Localised Business Rates	1,548	3,381			4,929	For NNDR appeal costs and collection fund deficit
Income Contingency	495		(381)		114	To provide mitigation against a down-turn in income levels.
Public realm improvements	400		(326)		74	Contribution to the refurbishment of the Shambles
Crematorium Reserve	432	49	(117)		364	For funding of replacement Cremators
Capital Programme Reserve	156		(55)		101	For capital investment, replacement and maintenance of assets
Property Maintenance Fund	96	165	(37)		224	To support 5 year maintenance plan
Commandery Project	51		(17)		34	For funding of refurbishment
External Grants (housing)	1,015	469	(193)	(2)	1,289	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programmed	108	44	(99)		53	Play area project delayed to 20/21
Skills Strategy	208		(103)		105	To support Skills strategy & training
Tourism Strategy	109		(40)		69	To support Tourism Strategy & Events
Leisure Developments	43		(8)		35	Development of Leisure Facilities
Other Minor Projects	1,036	419	(319)	26	1,162	For various initiatives
<b>Total Other Revenue &amp; Capital Reserves</b>	<b>6,517</b>	4,566	(1,979)	24	<b>9,128</b>	

# Notes to the Balance Sheet



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**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 2020/21 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

Reporting Year	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Assets under Construction	Total Property Plant & Equipment	Heritage Assets	Intangible Assets	Assets Held for Sale	Investment Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation</b>												
<b>At 1 April 2020</b>	<b>74,675</b>	<b>14,316</b>	<b>392</b>	<b>2,339</b>	<b>-</b>	<b>1,768</b>	<b>93,490</b>	<b>9,208</b>	<b>309</b>	<b>1,430</b>	<b>13,229</b>	<b>117,666</b>
Additions	131	1,693	14			2,402	4,240		68		5,766	10,074
Revaluation increases/(decreases) to revaluation reserve	4,166						4,166					4,166
Revaluation (decreases) to surplus/deficit on provision of services	295						295				(593)	(298)
Derecognition - disposals		(734)					(734)			(1,430)		(2,164)
Derecognitions - other							-					-
Other movements - reclassifications	915	794	38	48		(1,795)	-					-
<b>At 31 March 2021</b>	<b>80,183</b>	<b>16,069</b>	<b>444</b>	<b>2,387</b>	<b>-</b>	<b>2,375</b>	<b>101,457</b>	<b>9,208</b>	<b>377</b>	<b>-</b>	<b>18,402</b>	<b>129,444</b>
<b>Accumulated depreciation</b>												
<b>At 1 April 2020</b>	<b>2,715</b>	<b>8,513</b>	<b>-</b>	<b>324</b>	<b>-</b>	<b>-</b>	<b>11,552</b>	<b>-</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>11,682</b>
Depreciation charge for year	1,709	1,218		72			2,999		45			3,044
Depreciation written out to the revaluation reserve	(2,747)						(2,747)					(2,747)
Depreciation written out to surplus/deficit on provision of services							-					-
Derecognition - disposals		(577)					(577)					(577)
Derecognition - other							-					-
Other movements - reclassifications							-					-
<b>At 31 March 2021</b>	<b>1,677</b>	<b>9,154</b>	<b>-</b>	<b>396</b>	<b>-</b>	<b>-</b>	<b>11,227</b>	<b>-</b>	<b>175</b>	<b>-</b>	<b>-</b>	<b>11,402</b>
<b>Net book value</b>												
<b>At 31 March 2021</b>	<b>78,506</b>	<b>6,915</b>	<b>444</b>	<b>1,991</b>	<b>-</b>	<b>2,375</b>	<b>90,230</b>	<b>9,208</b>	<b>202</b>	<b>-</b>	<b>18,402</b>	<b>118,043</b>
At 31 March 2020	71,960	5,803	392	2,015	-	1,768	81,938	9,208	179	1,430	13,229	105,984

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

**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 2019/20 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	Intangible Assets £000s	Assets Held for Sale £000s	Investment Assets £000s	TOTAL £000s
<b>Cost or valuation</b>												
<b>At 1 April 2019</b>	<b>71,253</b>	<b>13,159</b>	<b>392</b>	<b>2,241</b>	-	<b>1,095</b>	<b>88,140</b>	<b>9,134</b>	<b>251</b>	<b>800</b>	<b>4,934</b>	<b>103,259</b>
Additions	385	1,334	-	93	-	973	2,785	-	58	-	10,210	13,053
Revaluation increases to revaluation reserve	3,796	-	-	-	-	-	3,796	74	-	630	-	4,500
Revaluation (decreases) to surplus/deficit on provision of services	(837)	-	-	-	-	-	(837)	-	-	-	(1,915)	(2,752)
Derecognition - disposals	-	(394)	-	-	-	-	(394)	-	-	-	-	(394)
Derecognitions - other	-	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	78	217	-	5	-	(300)	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>74,675</b>	<b>14,316</b>	<b>392</b>	<b>2,339</b>	-	<b>1,768</b>	<b>93,490</b>	<b>9,208</b>	<b>309</b>	<b>1,430</b>	<b>13,229</b>	<b>117,666</b>
<b>Accumulated depreciation</b>												
<b>At 1 April 2019</b>	<b>2,333</b>	<b>7,620</b>	-	<b>255</b>	-	-	<b>10,208</b>	-	<b>92</b>	-	-	<b>10,300</b>
Depreciation charge for year	1,492	1,109	-	69	-	-	2,670	-	38	-	-	2,708
Depreciation written out to the revaluation reserve	(1,110)	-	-	-	-	-	(1,110)	-	-	-	-	(1,110)
Depreciation written out to surplus/deficit on provision of services	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	(216)	-	-	-	-	(216)	-	-	-	-	(216)
Derecognition - other	-	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>2,715</b>	<b>8,513</b>	-	<b>324</b>	-	-	<b>11,552</b>	-	<b>130</b>	-	-	<b>11,682</b>
<b>Net book value</b>												
<b>At 31 March 2020</b>	<b>71,960</b>	<b>5,803</b>	<b>392</b>	<b>2,015</b>	-	<b>1,768</b>	<b>81,938</b>	<b>9,208</b>	<b>179</b>	<b>1,430</b>	<b>13,229</b>	<b>105,984</b>
At 31 March 2019	68,920	5,539	392	1,986	-	1,095	77,932	9,134	159	800	4,934	92,959

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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

**Capital commitments**

The Council had capital commitments of £1.746m as at 31 March 2021.

**Asset valuation**

The Council 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 Kelly Saunders, 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>2020/21 Change £000s</b>	2019/20 Change £000s
<u>Operational Properties</u>		
Allotments	<b>(82)</b>	-
Leisure Centres	<b>6,866</b>	-
Warndon Depot	<b>527</b>	-
Pitchcroft Changing Rooms	<b>(258)</b>	-
Built for Sale Properties	-	263
Car Parks	-	3,178
Pitchcroft Racecourse	-	535
145 Bromyard Road	-	314
Other Properties	<b>155</b>	(221)
	-	
<u>Non-Operational Properties</u>		
Surplus Assets	-	-
Held for Sale	-	630
Buildings (Investment Properties)	<b>(593)</b>	(1,915)
	-	
Heritage Assets (see following page for detail)	-	74

**Operational Property**

Community Centres were valued in 2018/19 on a DRC basis and reflect general increases in building prices and land values since their previous valuation.

Car Parks - Valuations are based on net car park income and reflect changes in income and expenditure since the previous valuation.

Pitchcroft Racecourse - the valuation is based on the terms of the new lease that was agreed in 2020.

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

At 31 March 2020 the Council held Perdiswell Park and Ride as an Asset Held for Sale. The sale completed during 2020/21.

The former swimming pool at Sansome Walk is reflected as a Surplus Asset and has been valued at 31 March 2021 at nominal value. This reflects the expected cost of demolition of the building prior to disposal.

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**16. Heritage Assets**

Cost or Valuation	Memorials/ Sculptures	Museums	Guildhall	Total
	£'000	£'000	£'000	£'000
At 1 April 2019	44	6,898	2,192	9,134
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations/Impairments	-	-	74	74
Reclassifications	-	-	-	0
At 31 March 2020	44	6,898	2,266	9,208
<b>At 1 April 2020</b>	<b>44</b>	<b>6,898</b>	<b>2,266</b>	<b>9,208</b>
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations/Impairments	-	-	-	0
Reclassifications	-	-	-	0
<b>At 31 March 2021</b>	<b>44</b>	<b>6,898</b>	<b>2,266</b>	<b>9,208</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 with the City and Worcestershire County Council. The collections include archaeology, social history, natural sciences, fine and decorative arts.

A collection previously on loan from the Arts Council was gifted to the City and was reflected in the museum additions in 2018/19.

**Guildhall** - The Guildhall collections are reported in the balance sheet based upon valuations provided in 2019/20 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.

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**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>2020/21</b>	2019/20
	<b>£000s</b>	£000s
Rental income from investment property	<b>(1,164)</b>	(1,178)
Direct operating expenses arising from investment property	<b>11</b>	26
Net (gain)/loss	<b><u>(1,153)</u></b>	<u>(1,153)</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>2020/21</b>	2019/20
	<b>£000s</b>	£000s
Balance at the start of the year	<b>13,229</b>	4,934
Additions:		
Purchases	5,766	10,210
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(593)	(1,915)
Transfers		
To/from inventories	-	-
To/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at the end of the year	<b><u>18,402</u></b>	<u>13,229</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 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

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**18. Investments**

The Council has long term investments at 31st March as shown:

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
CCLA Property Fund	<b>2,690</b>	2,709
Loans to third parties	<b>784</b>	118
	<b><u>3,474</u></b>	<u>2,827</u>

The Council has made loans to local sports organisations to fund infrastructure projects.

The Council has short term investments at 31st March as shown:

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Bank/Building Society balances at amortised cost - invested:		
Over 3 months and up to 12 months	<b>0</b>	4,008
Loans to third parties	<b>7</b>	0
	<b><u>7</u></b>	<u>4,008</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 2019 and shows that the shareholders' deficit at that time (£5,235,869) was broadly similar to that of the previous year (£4,544,675). 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.

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**19. Assets held for sale**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Current assets</b>		
<b>Opening balance</b>	<b>1,430</b>	800
Assets newly classified as held for sale	-	630
Revaluations	-	-
Disposals	<u><b>(1,430)</b></u>	<u>-</u>
<b>Closing balance</b>	<u>-</u>	<u>1,430</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 was holding the former Perdiswell Park and Ride site as an Asset Held for Sale at £800k and land at Hopton Street at £630k at the start of the financial year. These were both disposed of during the year as expected.



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**20. Debtors**

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

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Council tax/NNDR/HB Overpayments	<b>3,571</b>	2,744
Government departments	<b>1,789</b>	513
Government departments - NNDR balances	<b>9,277</b>	0
Local authorities - Taxation/Non exchange	<b>3,807</b>	3,181
Local authorities - Exchange transactions*	<b>772</b>	361
Worcester Community Housing*	<b>116</b>	151
Payments in advance	<b>591</b>	1,040
Other debtors*	<b>1,418</b>	1,579
	<b>21,341</b>	9,569
Less: impairment allowance for doubtful debts		
Council tax/NNDR/ Housing Benefit		
Overpayments	<b>(1,563)</b>	(1,010)
Other*	<b>(175)</b>	(160)
	<b>19,603</b>	8,399

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 impairment allowance for doubtful debts is based upon an age analysis of the arrears with a provision made where payment is considered to be unlikely. The provision represents 32% of the debt outstanding. 100% is provided on Housing Benefit overpayments that are over two years old. For Council Tax and National Non-Domestic Rates arrears the percentage allowance for debts is based on a sliding scale according to the year due up to a maximum of 100%. For sundry debts no allowance is provided where the counter party is central or local government.

The NNDR balance of £9.2m is the Council's share of the 2020/21 Collection Fund deficit. In 2019/20 the Collection Fund was in surplus and the equivalent figure is included in Creditors Note 22.

**21. 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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Cash and bank held by the Council	<b>(927)</b>	385
Short term deposits	<b>15,000</b>	5,000
	<b>14,073</b>	5,385

**WORCESTER CITY COUNCIL**  
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**22. Creditors**

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

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Government departments	<b>19,318</b>	5,474
Local Authorities - Taxation/Non exchange	<b>992</b>	6,785
Local Authorities - Other*	<b>1,551</b>	1,938
Section 106 planning obligations	<b>0</b>	0
Council Taxpayers/NNDR prepayments	<b>584</b>	129
Other creditors*	<b>4,596</b>	1,891
	<b><u>27,041</u></b>	<u>16,217</u>

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

**23. Provisions**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Non Domestic Rates - Share of Appeals Provision (Pool)	<b>1,811</b>	0
	<b><u>1,811</u></b>	<u>0</u>

Within the Collection Fund the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council's statutory share of this liability is usually 40% and has reverted to that percentage for 2020/21. However, in accordance with proper accounting practice, 2019/20 reflected the share of the pilot scheme in operation for the county in 2019/20. All business rates related balances as at 31 March 2020 were attributable to Central Government, Worcestershire County Council and Herefordshire and Worcestershire Fire and Rescue Authority. The balances formed part of the Government Departments and Local Authority taxation figures shown in Note 22 Creditors above.

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**24. Borrowing**

**Short term borrowing**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Local Authority Counterparty	<b>0</b>	2,074
P.W.L.B.	<b><u>1,332</u></b>	<u>99</u>
	<b><u>1,332</u></b>	<u>2,173</u>

Short term borrowing is undertaken to manage day to day cashflow fluctuations in accordance with treasury management policies. There was no short-term borrowing as at 31st March 2021. The short-term borrowing noted above is the element of PWLB loans repayable in the next 12 months.

**Long term borrowing**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
P.W.L.B.	<b>13,657</b>	2,107
Money market	<b><u>5,072</u></b>	<u>5,073</u>
	<b><u>18,729</u></b>	<u>7,180</u>
Maturing within one year	<b>5,072</b>	5,000
Maturing in 1-2 years	<b>1,300</b>	33
Maturing in 2-5 years	<b>3,905</b>	147
Maturing in 5-10 years	<b>8,452</b>	0
Maturing in more than 10 years	<b><u>0</u></b>	<u>2,000</u>
	<b><u>18,729</u></b>	<u>7,180</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.

**25. Receipts in Advance**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Short-term	<b>1,208</b>	1,050
Long-term	<b><u>774</u></b>	<u>679</u>
	<b><u>1,208</u></b>	<u>1,729</u>

These represents amounts received from developers in respect of Section 106 planning agreements. Short-term is where expenditure is planned in the next 12 months.

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**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 a planned 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 an 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 16.54% (16.76% 2019/20) of the total.

	<b>Regulatory Services</b>	
	<b>(100%)</b>	
	<b>31 March</b>	31 March
	<b>2021</b>	2020
	<b>£'000</b>	£'000
Present value of liabilities	<b>(39,730)</b>	(33,066)
Fair value of assets	<u><b>26,312</b></u>	<u>23,344</u>
Deficit in scheme	<u><b>(13,418)</b></u>	<u>(9,722)</u>
Worcester City Council share of deficit	<b>(2,219)</b>	(1,629)

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 column within this disclosure note.

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**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 required to be made 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</b>		<b>Combined Total</b>	
	<b>2020/21 £000's</b>	2019/20 £000's	<b>2020/21 £000's</b>	2019/20 £000's	<b>2020/21 £000's</b>	2019/20 £000's
<b>Net cost of service</b>						
Current service cost	<b>2,698</b>	2,579	<b>118</b>	111	<b>2,816</b>	2,690
Past service and curtailment costs	<b>110</b>	600	<b>0</b>	26	<b>110</b>	626
<b>Financing &amp; Investment Income and Expenditure</b>						
Net interest expense	<b>1,049</b>	1,101	<b>34</b>	35	<b>1,083</b>	1,136
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,857</b>	4,280	<b>152</b>	172	<b>4,009</b>	4,452

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

	<b>2020/21 £000's</b>	2019/20 £000's	<b>2020/21 £000's</b>	2019/20 £000's	<b>2020/21 £000's</b>	2019/20 £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>(15,817)</b>	5,210	<b>(261)</b>	(20)	<b>(16,078)</b>	5,190
<u>Remeasurements (Liabilities)</u>						
Change in business combination	-	-	(21)	-	(21)	-
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	<b>15,037</b>	(4,908)	<b>921</b>	95	<b>15,958</b>	(4,813)
Experience (gains)/losses on liabilities	-	-	-	-	-	-
Total remeasurements included in Other Comprehensive Income & Expenditure	<b>(780)</b>	302	<b>639</b>	75	<b>(141)</b>	377
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,077</b>	4,582	<b>790</b>	247	<b>3,867</b>	4,829

**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>(3,857)</b>	(4,280)	<b>(152)</b>	(172)	<b>(4,009)</b>	(4,452)
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*Actual amount charged against the General Fund Balance for pensions in the year:*

Employers' contributions payable to scheme	<b>2,650</b>	2,645	<b>202</b>	76	<b>2,852</b>	2,721
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Retirement benefits payable to pensioners/Transfers Paid	<b>3,232</b>	69 4,264
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**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
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**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:

	Worcester City (excluding WRS)		Share of WRS		Combined Total	
	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's	2020/21 £000's	2019/20 £000's
Present value of the defined benefit	<b>138,081</b>	120,072	<b>6,571</b>	5,541	<b>144,652</b>	125,613
Fair value of plan assets	<b>(89,004)</b>	(71,421)	<b>(4,352)</b>	(3,912)	<b>(93,356)</b>	(75,333)
Sub-total	<b>49,077</b>	48,651	<b>2,218</b>	1,629	<b>51,295</b>	50,280
<b>Net liability arising from defined benefit obligation</b>	<b>49,077</b>	48,651	<b>2,218</b>	1,629	<b>51,295</b>	50,280

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 2020/21. This pre-payment secured a reduction of £0.4m over the 3 years to 2022/23.

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

	2020/21 £000s	2020/21 £000s	2020/21 £000s	2019/20 £000s	2019/20 £000s	2019/20 £000s
	Worcester City (excluding WRS)	Share of WRS	Combined Total	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total
Opening balance at 1 April	120,071	5,541	<b>125,612</b>	122,664	5,754	128,418
Current Service Cost	2,698	118	<b>2,816</b>	2,579	111	2,690
Interest Cost	2,851	131	<b>2,982</b>	2,898	131	3,029
Contributions by scheme participants	546	24	<b>570</b>	502	23	525
<u>Remeasurement (gain)/loss</u>						
- Experience gain/Loss	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	15,037	921	<b>15,958</b>	(4,908)	95	(4,813)
Benefits paid	(3,232)	(91)	<b>(3,323)</b>	(4,264)	(113)	(4,377)
Past service cost	-	-	-	576	26	602
Entity combinations	-	(73)	<b>(73)</b>	-	(485)	(485)
Curtailments	110	-	<b>110</b>	24	-	24
<b>Closing balance at 31 March</b>	<b>138,081</b>	<b>6,571</b>	<b>144,652</b>	120,071	5,541	125,612

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

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

	2020/21			2019/20		
	£000s	£000s	£000s	£000s	£000s	£000s
	Worcester City (excluding WRS)	Share of WRS	Combined Total	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total
Opening balance at 1 April	71,421	3,912	<b>75,333</b>	75,951	4,298	80,249
Interest Income	1,836	97	<b>1,933</b>	1,827	96	1,923
Contributions by employer - Current Year	2,650	202	<b>2,852</b>	2,645	76	2,721
Contributions by scheme participants	546	24	<b>570</b>	502	23	525
Remeasurement gain/loss						
Return on plan assets excluding the amount included in the net interest expense	15,817	261	<b>16,078</b>	(5,210)	20	(5,190)
Entity combinations	-	(51)	<b>(51)</b>	-	(486)	(486)
Benefits paid	(3,232)	(91)	<b>(3,323)</b>	(4,264)	(113)	(4,377)
Admin Expenses	(34)	(2)	<b>(36)</b>	(30)	(1)	(31)
<b>Closing balance at 31 March</b>	<b>89,004</b>	<b>4,352</b>	<b>93,356</b>	71,421	3,912	75,333

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

	Fair value of scheme assets	
	2020/21 £000s	2019/20 £000s
Cash and cash equivalents	-	429
Equity instruments by type:		
- UK quoted	<b>110</b>	143
- Overseas quoted	<b>27,870</b>	17,284
- PIV UK Managed Funds	<b>12,363</b>	8,999
- PV UK Managed Funds (Overseas equities)	<b>35,136</b>	23,926
- PIV Overseas Managed Funds	<b>108</b>	71
Sub-total equity	<b>75,587</b>	50,423
Bonds by sector:		
- Corporate	-	3,571
- UK Government Fixed	-	5,142
- Other Bonds	<b>79</b>	-
- Overseas Government	-	71
Sub-total bonds	<b>79</b>	8,784
Property by region:		
- European Property Funds	<b>1,701</b>	1,643
- UK Property Debt	<b>340</b>	500
- Overseas Property Debt	<b>255</b>	357
- UK Property Funds	<b>1,786</b>	1,500
- Overseas REITs	<b>85</b>	143
Sub-total property	<b>4,167</b>	4,143
Alternatives		
- UK Infrastructure	<b>3,468</b>	3,500
- European Infrastructure	<b>2,466</b>	1,928
- US Infrastructure	<b>1,850</b>	1,286
- UK Stock Options	<b>308</b>	500
- Overseas Option/Corporate Debt	<b>1,079</b>	428
Sub-total Alternatives	<b>9,171</b>	7,642
<b>Total assets</b>	<b>89,004</b>	<b>71,421</b>

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**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 2019.

The principal assumptions used by the actuary are:

<b>Local Government Pension Scheme &amp; Unfunded Benefits Assumptions</b>	<b>2020/21</b>	2019/20
<b>Mortality rates</b>		
Longevity at 65 for current pensioners		
Male	22.7	22.6
Female	25.1	25.0
Longevity at 65 for future pensioners		
Male	24.4	24.2
Female	27.1	27.0
<b>Other</b>		
Rate of inflation (CPI)	2.70%	2.10%
Rate of increase in salaries	4.20%	3.60%
Rate of increase in pensions	2.80%	2.20%
Rate for discounting scheme liabilities	2.10%	2.40%
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.



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

<b>Impact on the Defined Benefit Obligation in the Scheme</b>	<b>Increase / (Decrease) in Assumption</b>	
	<b>2020/21 £000's</b>	<b>2019/20 £000's</b>
Longevity (increase or decrease in 1 year)	4,211	3,278
Rate of inflation (increase or decrease by 0.1%)	2,098	1,825
Rate of increase in salaries (increase or decrease by 0.1%)	145	145
Rate of discounting scheme liabilities (increase by 0.1%)	(2,067)	(1,797)

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

The actuarial estimate of contributions payable in 2021/22 is £2.576m. However, the Council has taken advantage of the discount available by paying three years contributions in advance in April 2020.

The weighted average duration of the defined benefit obligation for scheme members is 15 years for 2020/21.

**Accounting for the McCloud Judgement/GMP equalisation**

The preceding pensions notes include the impact of increased pension liabilities in relation to the impact on the LGPS of the decisions of the Court of Appeal in the Sargeant/McCloud cases (i.e. that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination) and the impact of GMP equalisation following the Barber judgment (i.e. that UK and European Law requires pension schemes to provide equal benefits to men and women, including those benefits accrued from the date of the judgement).

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<b>27. Usable reserves</b>	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Earmarked General Fund Reserves	<b>21,528</b>	12,835
Capital Grants Unapplied	<b>1,615</b>	0
Uncommitted General Fund Balance	<b>2,018</b>	1,034
Useable Capital Receipts	<b>3,274</b>	1,555
	<b><u>28,435</u></b>	<u>15,424</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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Revaluation Reserve	<b>39,597</b>	34,792
Capital Adjustment Account	<b>51,010</b>	49,649
Pensions Reserve	<b>(51,299)</b>	(50,281)
Pooled Investment Funds Adjustment Account	<b>(310)</b>	(291)
Accumulated Absences Adjustment Account	<b>(333)</b>	(205)
Collection Fund Adjustment Account	<b>(9,951)</b>	14
<b>Balance at 31 March</b>	<b><u>28,714</u></b>	<u>33,678</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.

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**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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Balance at 1 April</b>	<b>34,792</b>	29,691
Upward revaluation of assets	<b>7,307</b>	6,122
Downward revaluation of assets	<b>(393)</b>	(512)
Difference between fair value depreciation and historical cost depreciation	<b>(679)</b>	(508)
Accumulated gains on assets sold or scrapped	<u><b>(1,430)</b></u>	-
<b>Balance at 31 March</b>	<u><b>39,598</b></u>	<u>34,792</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.

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

**Capital Adjustment Account**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>49,650</b>	52,040
<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>(2,705)</b>	(3,507)
Amortisation of intangible assets	<b>(45)</b>	(38)
Revenue expenditure funded from capital under statute (REFCUS)*	<b>(589)</b>	(1,043)
Statutory provision for repayment of debt (MRP)	<b>643</b>	459
Apply capital receipts from principal repaid in lieu of MRP	<b>57</b>	-
Write down long term debtor balance (principal repaid)	<b>(57)</b>	-
Current Cost_Historic Cost Depreciation Adjustment	<b>679</b>	508
Changes in Fair Value Investment Properties	<b>(593)</b>	(1,915)
Write out revaluations gains on disposal of assets	<b>1,430</b>	-
Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	<b>(1,587)</b>	(178)
<b><i>Capital financing applied in the year:</i></b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	<b>1,088</b>	1,337
Capital contributions	<b>73</b>	64
Use of earmarked reserves	<b>517</b>	1,016
Direct Revenue Financing	<b>-</b>	17
Application of grants to capital financing	<b>2,450</b>	890
<b>Balance at 31<sup>st</sup> March</b>	<b><u>51,010</u></b>	<u>49,650</u>

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

**Pensions Reserve**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>(50,280)</b>	(48,171)
Remeasurements of the net defined pension liability	<b>142</b>	(377)
Reversal of items relating to retirement benefits debited on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>(4,010)</b>	(4,453)
Employer's pension contributions and direct payments to pensioners payable in the year	<b>2,851</b>	2,721
<b>Balance at 31<sup>st</sup> March</b>	<b><u>(51,298)</u></b>	<u>(50,280)</u>

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.

**Pooled Investment Funds Adjustment Account (PIFAA)**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>291</b>	191
Amount by which changes in the fair value of pooled investment funds differs from amounts chargeable to the general fund in accordance with statutory requirements	<b>19</b>	100
<b>Balance at 31<sup>st</sup> March</b>	<b><u>310</u></b>	<u>291</u>

The PIFAA is a statutory non useable reserve which mitigates the impact of fair value movements on pooled investment funds on taxpayer funds. The adjustment does not apply to impairment losses, sale or disposals related to pooled investment funds.

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**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>2020/21</b> <b>£000's</b>	2019/20 £000's
<b>Balance at 1st April</b>	<b>(205)</b>	(172)
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>(127)</b>	(33)
<b>Balance at 31st March</b>	<u><b>(333)</b></u>	<u>(205)</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>2020/21</b> <b>£000's</b>	2019/20 £000's
<b>Balance at 1<sup>st</sup> April</b>	<b>14</b>	310
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>(126)</b>	(59)
- NNDR (Business rates)	<u><b>(9,839)</b></u>	<u>(237)</u>
<b>Balance at 31<sup>st</sup> March</b>	<u><b>(9,951)</b></u>	<u>14</u>

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**29. Financial Instruments - Classifications**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

**Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- trade payables for goods and services received.

**Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

**Amortised cost** (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with HSBC bank,
- fixed term deposits and reverse repurchase agreements with banks and building societies,
- loans to other local authorities,
- certificates of deposit and covered bonds issued by banks and building societies,
- trade receivables for goods and services provided.

**Fair value through other comprehensive income** (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category). The Council did not hold any instruments matching this classification.

**Fair value through profit and loss** (all other financial assets) comprising:

- various money market funds ,
- property funds managed by CCLA fund managers,

Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

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**29 Financial Instruments (balances)**

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s
Loans at amortised cost:				
- Principal sum borrowed	18,574	7,180	1,249	2,073
- Accrued interest	155	0	83	99
Total Borrowing	18,729	7,180	1,332	2,173
Liabilities at amortised cost:				
- Trade payables	0	0	6,148	3,830
Included in Creditors *	0	0	6,148	3,830
Total Financial Liabilities	18,729	7,180	7,480	6,003

\* The creditors line on the balance sheet includes items that do not meet the definition of a financial liability as they relate to non exchange transactions. Note 22 provides more detail.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s
At amortised cost:				
- Principal	0	0	0	4,000
- Accrued interest	0	0	0	8
- Loss allowance	0	0		
At fair value through profit & loss				
- Fair Value	3,474	2,827	7	0
Total Investments	3,474	2,827	7	4,008
At amortised cost:				
- Principal	0	0	14,073	385
At fair value through profit & loss:				
- Fair Value			0	5,000
Total Cash and Cash Equivalents	0	0	14,073	5,385
At amortised cost:				
- Trade Receivables	0	0	2,306	2,090
- Loss allowance	0	0	-175	-160
Included in Debtors	0	0	2,131	1,930
Total Financial Assets	80 3,474	2,827	16,211	11,323



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**29 Financial Instruments (Gains and Losses)**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities	Financial Assets		2020/21 Total £'000	2019/20 Total £'000
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000		
Interest expense	447	-	-	447	336
Losses from changes in fair value and impairment	-	39	-	39	100
<b>Interest payable and similar charges</b>	<b>447</b>	<b>39</b>	<b>0</b>	<b>486</b>	<b>437</b>
Interest income	-	-	-59	-59	-359
Dividend income	-	-117	-	-117	-121
<b>Interest and investment income</b>	<b>0</b>	<b>-117</b>	<b>-59</b>	<b>-177</b>	<b>-480</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>447</b>	<b>-78</b>	<b>-59</b>	<b>309</b>	<b>-44</b>

**Financial Instruments - Fair Values**

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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**29 Financial Instruments (Fair Values Cont'd)**

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow

	Fair Value Level	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	13,657	15,848	2,107	2,818
Long-term LOBO loans	2	5,072	8,512	5,073	8,566
<b>TOTAL</b>		<b>18,729</b>	<b>24,360</b>	<b>7,180</b>	<b>11,384</b>
Liabilities for which fair value is not disclosed *		6,148		3,830	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>24,877</b>		<b>11,010</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		6,148		3,830	
Long-term borrowing		18,729		7,180	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>24,877</b>		<b>11,010</b>	

\* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	0		5,000	
Bond, equity and property funds	1	3,473		2,827	
<i>Financial assets held at amortised cost:</i>					
Bank deposits & repos	2	-927	-927	385	385
Loans to local authorities/DMADF	2	15,000	15,000	4,008	4,008
Long-term loans to companies	3	0	0	0	0
<b>TOTAL</b>		<b>17,547</b>	<b>17,547</b>	<b>12,220</b>	<b>12,220</b>
Assets for which fair value is not disclosed *		2,131		1,930	
<b>TOTAL FINANCIAL ASSETS</b>		<b>19,678</b>		<b>14,150</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		0		0	
Long-term investments		3,473		2,827	
Short-term debtors		2,131		1,930	
Short-term investments		7		4,008	
Cash and cash equivalents		14,073		5,385	
<b>TOTAL FINANCIAL ASSETS</b>		<b>19,685</b>		<b>14,150</b>	

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

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**29. Financial Instruments - Risks**

**Risk Management**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

*Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

*Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.

*Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

**Credit Risk: Treasury Investments**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £3m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2m applies. The Council also sets limits on investments in certain sectors. No more than £3m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2021		31 March 2020	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	0	0	0
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	0
A-	0	0	0	0
BBB+	0	0	0	0
Uk Government	0	15,000	0	2,000
Unrated local authorities	0	0	0	2,000
Unrated building societies	0	0	0	0
Unrated housing associations	0	0	0	0
<b>Total</b>	<b>0</b>	<b>15,000</b>	<b>0</b>	<b>4,000</b>
Credit risk not applicable *	3,000	0	3,000	5,000
<b>Total Investments</b>	<b>3,000</b>	<b>15,000</b>	<b>3,000</b>	<b>9,000</b>

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Credit risk also arises on credit exposure to the Council's customers. 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 20.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

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

**Liquidity risk**

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board (PWLB) and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. During 2020/21 additional borrowing was undertaken from the PWLB on a 10 year annuity basis.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31 March 2021			31 March 2020		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	1,404	-15,000	-13,596	172	-9,000	-8,828
Over 1 but not over 2	1,300	0	1,300	33	0	33
Over 2 but not over 5	3,905	0	3,905	147	0	147
Over 5 but not over 10	8,452	0	8,452	0	0	0
Over 10 but not over 20	0	0	0	2,000	0	2,000
Over 20 but not over 40	0	0	0	0	0	0
Over 40	0	0	0	0	0	0
Uncertain date *	5,000	-3,000	2,000	5,000	-3,000	2,000
<b>Total</b>	<b>20,061</b>	<b>-18,000</b>	<b>2,061</b>	<b>7,352</b>	<b>-12,000</b>	<b>-4,648</b>

\* The Council has £5m (2019: £5m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

**Market risk: Interest Rate Risk**

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
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**29. Financial Instruments (cont'd)**

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>31 March 2021</b> <b>£000</b>	<b>31 March 2020</b> <b>£000</b>
Increase in interest receivable on variable rate investments	-150	-84
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>-150</b>	<b>-84</b>
Decrease in fair value of loans and investments at amortised cost *	0	6
Decrease in fair value of fixed rate borrowing *	-2,589	-1,499

\*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The Council has £5m (2019/20: £5m) of "Lender's option, borrower's option" (LOBO) loans with dates half yearly where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low. However, the likelihood will increase in later years should market interest rates rise.

**Market Risks: Price Risk**

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31<sup>st</sup> March 2021 would result in a £0.134m (2019/20: £0.135m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

**Market Risks: Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to losses arising from movements in exchange rates.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**30. Capital expenditure and financing**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
<b>Capital expenditure adding to non-current asset valuation</b>		
Land and buildings	<b>131</b>	385
Community/Infrastructure	<b>14</b>	93
Vehicles, plant and equipment	<b>1,761</b>	1,392
Work in progress	<b>2,402</b>	973
<b>Additions to fixed assets</b>	<b>4,308</b>	2,843
Additions - Investment Assets	<b>5,766</b>	10,210
Additions - Donated Assets	<b>0</b>	0
Loans for capital purpose	<b>750</b>	98
<b>Capital expenditure not adding to fixed asset valuation</b>		
Revenue expenditure funded from capital under statute*	<b>589</b>	1,043
<b>Total Capital expenditure</b>	<b>11,413</b>	14,194
<b>Financed by:</b>		
Usable capital receipts	<b>1,088</b>	1,337
Grants and other contributions	<b>2,450</b>	890
Section 106 funds	<b>73</b>	64
Earmarked reserves	<b>517</b>	1,016
Direct Revenue Financing	<b>0</b>	17
Borrowing (not immediately financed)**	<b>7,285</b>	10,871
<b>Total capital financing</b>	<b>11,413</b>	14,194

\*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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Opening Capital Financing Requirement	<b>21,642</b>	11,230
Capital Investment	<b>11,413</b>	14,194
Immediate financing of Capital	<b>(4,128)</b>	(3,323)
Principal repayments in lieu of MRP	<b>(57)</b>	0
Minimum revenue provision MRP (reduces underlying need to borrow)	<sup>86</sup> <b>(643)</b>	(459)
Closing Capital Financing Requirement	<b>28,226</b>	21,642

**WORCESTER CITY COUNCIL  
NOTES TO THE CORE FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

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**31. Inventories**

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Environmental Operations	<b>47</b>	36
Tourist Information Centre	<b>20</b>	23
Museums Service	<b>17</b>	17
Guildhall Bar Stock	<b>2</b>	4
Total	<b>86</b>	79

# Notes to the Cashflow Statement



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

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

The cash flows from operating activities include:

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Interest received	<b>(177)</b>	(480)
Interest paid	<b>447</b>	336
	<b><u>270</u></b>	<u>(144)</u>

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

The cash flows for investing activities come from:

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Purchase of property, plant and equipment (Disposal)/Purchase of short-term investments	<b>10,074</b>	13,053
Proceeds from the sale of Property, Plant and Equipment and of Investment Property	<b>(4,001)</b>	(6,700)
Capital grants/Contributions received	<b>(2,843)</b>	(212)
	<b><u>(4,904)</u></b>	<u>(1,653)</u>
<b>Net cash flows from investing activities</b>	<b><u>(1,675)</u></b>	<u>4,488</u>

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

The cash flows for financing activities come from:

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Receipts from short & long term borrowing	<b>(10,709)</b>	(1,960)
Other receipts from financing activities	<b>11,041</b>	(425)
Repayments of short and long-term borrowing	-	-
Other payments for financing activities	-	-
<b>Net cash flow from financing activities</b>	<b><u>333</u></b>	<u>(2,384)</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**35. 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>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Depreciation/Amortisation	<b>(3,045)</b>	(2,708)
Impairment and valuation changes	<b>295</b>	(837)
(Increase) in creditors	<b>(10,090)</b>	(5,661)
(Increase) in receipts in advance	<b>(253)</b>	(234)
Increase/ (decrease) in debtors	<b>15,927</b>	735
Increase in stock	<b>7</b>	10
Items relating to retirement benefits	<b>(1,159)</b>	976
Movements in the value of investment properties	<b>(593)</b>	(1,915)
Movements in the value of pooled investments	<b>(19)</b>	(100)
Adjustment to provisions	<b>(1,811)</b>	2,682
	<b><u>(740)</u></b>	<u>(7,051)</u>

# Other Notes

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**36. 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 some 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 are detailed in Note 6.

NHS

During 2020/21 the Council purchased its second commercial property in the city. Both of the properties are let to the NHS for an annual rent of £883k and the rent received in 2020/21 was £882k.

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.

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.

One of the Members is a director of the company from which the City Council has leased a building as part of the return of the Customer Services function to be an in-house operation. The member concerned took no part in the negotiation of the lease.

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

Entities Controlled or Significantly Influenced by the Council

In 2020/21 the following transactions were made in relation to shared services agreement and partnership contributions.

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee, which is a jointly controlled operation.

Worcester City Council provides On Street Parking Services within the City on behalf of Worcestershire County Council, which results in a net payment to the County of parking fees and fines less the cost of providing the service.

The Joint Museum Shared Partnership was previously hosted by Worcestershire County Council. From 1 April 2018 the partnership has been hosted by Worcester City Council and Worcestershire County Council paid a contribution of £185k to the partnership in 2020/21.

The Worcestershire Internal Audit Shared Service is hosted by Worcester City Council.

**WORCESTER CITY COUNCIL**  
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For the year ended 31 March 2021

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

2020/21 Service	Wychavon District Council	Worcestershire County Council	Malvern Hills District Council	Bromsgrove District Council	Redditch Borough Council	HWFRS	Total Services	Payments from/to Worcester City outstanding at 31 March 2021	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	From £'000	To £'000
Revs and Bens Shared Service	1,330						1,330	101	
Fleet Maintenance Contract & Fuel		398					398	84	
Worcestershire Regulatory Shared Service				550			550	15	
ICT Shared Service	549						549	172	
Financial system administration and transaction processing			182				182	6	
On Street Parking Services		(25)					(25)		(25)
Building Control Shared Service			64				64		(18)
Procurement Service	37						37		
Emergency Planning		15					15		
Joint Museums Shared Service		(131)					(131)	1	
Worcestershire Internal Audit Shared Service	(70)	(10)	(51)	(46)	(66)	(32)	(275)		(41)
<b>Totals Partner Contributions</b>	<b>1,846</b>	<b>248</b>	<b>195</b>	<b>503</b>	<b>(66)</b>	<b>(32)</b>	<b>2,694</b>	<b>379</b>	<b>(84)</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

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

<b>2019/20</b>	<b>Wychavon District Council</b>	<b>Place Partnership Ltd</b>	<b>Worcestershire County Council</b>	<b>Malvern Hills District Council</b>	<b>Bromsgrove District Council</b>	<b>Redditch Borough Council</b>	<b>HWFRS</b>	<b>Total Services</b>
<b>Service</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revs and Bens Shared Service	1,375							<b>1,375</b>
Property Services		12						<b>12</b>
Fleet Maintenance Contract & Fuel			476					<b>476</b>
Worcestershire Regulatory Shared Service					540			<b>540</b>
ICT Shared Service	533							<b>533</b>
Worcestershire HUB			413					<b>413</b>
Financial system administration and transaction processing				159				<b>159</b>
Payroll Service	26							<b>26</b>
On Street Parking Services			53					<b>53</b>
Building Control Shared Service				74				<b>74</b>
Procurement Service	33							<b>33</b>
Emergency Planning			15					<b>15</b>
Joint Museums Shared Service			(125)					<b>(125)</b>
Worcestershire Internal Audit Shared Service	(64)		(23)	(49)	(52)	(91)	(31)	<b>(310)</b>
<b>Totals Partner Contributions</b>	<b>1,903</b>	<b>12</b>	<b>809</b>	<b>184</b>	<b>488</b>	<b>(91)</b>	<b>(31)</b>	<b>3,274</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**37. 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 2021 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 subsequently fell into insolvency and was 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 Council's 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 2020/21.
- 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. The Collection Fund reports the 100% provision made (£4.526m in 2020/21) and these accounts report a provision of 40% of that figure, set aside to cover the Council's share of the total estimated unpaid liability related to the settlement of all appeals and checks/challenges received up to 31 March 2021. In accordance with the pilot shares in operation during 2019/20, the Council did not reflect a share of the year end balances, but they were reflected in an increased creditor figure as the balances accrued to the other pilot partners at the year end date. For 2020/21 the Council resumed its usual 40% share of balances. The appeals provision 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.
- The Council has two Public Liability compensation claims outstanding, one of these is in relation to tree subsidence affecting the foundations of a wall. The other is in connection to an injury sustained by a member of the public in Copenhagen Street car park. Position on liability has yet to be established in both cases as the claims are under investigation. Our insurers estimated as at 31st March 2021 that the maximum liability to the Council is £11,564.



**37. Contingent Assets and Liabilities continued**

- 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 been completed. Whilst the disposal proceeds will contribute towards the cost of demolition, this may not be sufficient to cover the full cost.
- In recognition of the significant cost of demolishing the former swimming pool (noted above), the Council has received a grant of £750,000 from the OPE land release fund. This grant is contingent on the site being made available for housing. It will be used as a contribution towards the demolition costs of the building.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31 March 2021

**38. 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
Impairment Allowances	The council has balances due relating to sundry debtors and housing benefit. In total these are £2.76m. An impairment allowance is made depending on the age of the individual debts and at 31 March 2021 the allowance is £1.21m	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 using assessments of future income streams. These are considered in the context of longer term income rather than short term fluctuations in values as are being experienced at present due to the effects of the Covid-19 pandemic.	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.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**39. 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 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 2026. 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 a RICS qualified valuer with specialist advice as appropriate.

The Covid-19 pandemic has affected global financial markets significantly. Valuers have been faced with an unprecedented set of circumstances on which to base valuation judgements. However, the Council has a varied asset base and not all asset valuations will have been affected by Covid-19.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuers have issued a standard clause that has declared a 'material valuation uncertainty' in the valuation report. However, the Council's officers consider that the uncertainty associated with valuing the Council's property assets is low.

Asset types which our valuers have determined have valuations which may be affected by Covid-19, and therefore have been reported on the basis of material uncertainty, are as follows:

1. Assets valued by DRC: where the valuation method is Depreciated Replacement Cost (DRC) using BCIS Tender Price Index. Build costs are influenced by various economic factors, such as availability of labour, materials, Covid compliance and competition. The current economic upheaval is going to affect BCIS inputs but it is too early to say what the full effect might be or how long this might last. Assets valued in this way include the following:

- Community Centres
- Leisure Centres
- Guildhall
- Public Conveniences
- Theatres
- Museums
- Crematoriums

These types of asset make up 34% of the Council's asset base.

2. Car Parks: where the valuation method is the net income/profit method. The practical effects of lockdown and slow return to High Streets will reduce the income received from car parks in 2020-21. As a result, the valuation of the car parks for that period will be less than the 2019-20 assessment. It is not possible at this stage to assess to what extent or what the longer-term trend may be. Car Parks represent 18% of the Council's total asset base.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**39. Critical Judgements in applying Accounting Policies continued**

3. Investment Properties (Offices): these are currently let to part of a large public sector body. One of the two properties has a break clause in the lease and this has been allowed for in the valuation. For these reasons, the valuations are unlikely to be affected by the current economic uncertainty. These represent 11% of the Council's total asset base.

4. Investment Properties (Industrial Units): These properties are let to a number of small businesses across several different economic sectors. The risk of business failure for these tenants is therefore well spread and the potential impact to the Council reduced. These represent 3% of the Council's total asset base.

Asset types which our valuers have determined have valuations which have not been affected by Covid-19 are:

5. Heritage Assets: Valued based on sums insured and representing 7% of the Council's total asset base.

6. Asset Held for Sale and Surplus Assets: No affect expected given nature of the assets is all land. These represent 0% of the Council's total asset base.

The following categories of asset are accounted for at historic cost and are not therefore re-valued:

- Infrastructure Assets
- Vehicles, Plant and Equipment
- Assets Under Construction
- Intangible Assets
- Community Assets

The types of asset listed above cumulatively represent 17% of the Council's total asset base.

All valuations are dated 31st March 2021 but for practical purposes the valuation exercise is started in January each year. Any changes to valuations are reflected as necessary between January and March.

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 £200,000 (which ever 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.

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 36 for arrangements the Council has with related parties.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
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**39. Critical Judgements in applying Accounting Policies continued**

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

**40. Events after the Balance Sheet date**

The lockdown measures introduced in 2020/21 to limit the spread of the Covid-19 pandemic have continued into 2021/22. In recognition of the additional costs and the loss of income incurred by the City Council in 2021/22, the Government has provided further one-off funding of £0.6m and has agreed to fund 75% of losses over the first 5% of income budgets for quarter 1 of 2020/21. Restart grants for non-essential retail businesses totalling £6.01m have also been received as part of supporting the local economy in the recovery process.

In October 2020 the Government announced the creation of The Towns Fund, which is a £3.6 billion fund established to level up towns and cities around the country. The City Council, acting as the lead body in a group of 14 local organisations, submitted a bid and in June 2021 received confirmation that it had been allocated £19.6m for a series of projects focused on city regeneration that are intended to support long-term economic growth.

**41. 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:

**IFRS16 Leases** 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. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024.

Other standards that have been issued but not yet adopted by the CIPFA Code of Practice include:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Any impact on the Statement of Accounts will be assessed at the time of adoption by the CIPFA Code of Practice.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**42. Going Concern**

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The restrictions arising from the Covid-19 pandemic have created significant issues for many businesses and residents and, as a result, from April 2020, the Council's income was affected detrimentally as its services were either closed or suffered a marked reduction in usage. This has continued into 2021/22 and the government has provided further support for lost income and additional costs borne by authorities because of the crisis. In this regard the Council has received £0.8m and expects to receive a further £0.4m.

<b>Date</b>	<b>General Fund</b>	<b>Reserves</b>
31/03/2020	£1.0m	£12.8m
31/03/2021	£2m	£21.5m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to going concern.

Through our assessment we have identified that we expect in 2021/22:

Reductions in revenue relating to:

1. Car Parking – where we have assumed a gradual return to 90% of the income received in previous years by the end of 2021/22. This represents a projected income reduction in 2021/22 of £0.6m.
2. Bereavement Services - 12% fall for 2021/22 relating to the accelerated number of deaths during 2020/21 and increased local competition.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2021**

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**42. Going Concern continued**

Additional costs relating to Covid-19 are assumed to be £0.2m which comprises minor cost increases relating to overtime or agency payments and homeless families and individuals having being found temporary accommodation during the pandemic at an additional forecast cost of £0.15m. Most of this has already been incurred.

Based on the above, the Council is forecasting a £0.9m budget deficit in 2021-22, of which £0.5m will be funded by the COVID-19 grants received from the Ministry of Housing, Communities and Local Government. This is a net deficit of £0.4 million and would be funded from the Council's Risk Reserves – which would then have a predicted balance of £3.6m at 31 March 2022.

A detailed cashflow forecast has also been prepared covering the period to 31st March 2024. This demonstrates the Council has sufficient liquidity throughout the period to meet requirements without any additional borrowing. The modelling undertaken has used best and worst-case scenarios as well as a reasonable estimate which show that collection rates for income, Council Tax and Business Rates would have to decrease significantly below the worst case scenarios to cause liquidity or going concern issues.

The Fair Funding Review for 2021/22 has been delayed. However, to be prudent we have left our assumption for 2022/23 in line with our previous MTFP planning, which would show a deficit in 2022/23 on the provision of services of £1.1m and we are reviewing plans for how this can be addressed. If necessary, a deficit will draw on the Risk Reserves and related reserves or result in the delay of projects to free up other earmarked reserves, as necessary.

Our General Fund and Earmarked Reserves balance at 31 March 2022 was £18.5m. This remains well above our required minimum level of General Fund balance of £1.0m.

# Collection Fund Statement and Explanatory Notes



**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
For the year ended 31 March 2021

	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>
Reporting Year 2020/21	<b>Business</b>	<b>Council</b>	<b>Total</b>
Note	<b>Rates</b>	<b>Tax</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>INCOME</b>			
2 Council Tax Payers	-	(57,248)	<b>(57,248)</b>
Transfer from General Fund in respect of S13A (1) (C) discounts		(824)	<b>(824)</b>
3 Income from Business Ratepayers	(18,122)	-	<b>(18,122)</b>
<b>Amounts to be credited</b>	<b><u>(18,122)</u></b>	<b><u>(58,072)</u></b>	<b><u>(76,194)</u></b>
<b>EXPENDITURE</b>			
<b>Precepts, demands</b>			
Central Government	20,008	-	<b>20,008</b>
Billing authority (Worcester City Council)	16,007	6,155	<b>22,161</b>
County Council	3,602	42,272	<b>45,873</b>
Fire Authority	400	2,773	<b>3,173</b>
Parishes	-	150	<b>150</b>
Police Authority	-	7,261	<b>7,261</b>
	<u>40,017</u>	<u>58,609</u>	<b><u>98,626</u></b>
<b>Apportionment of previous year's estimated Collection Fund surplus:</b>			
Central Government	560	-	<b>560</b>
Billing authority (Worcester City Council)	(41)	55	<b>14</b>
County Council	1,799	364	<b>2,163</b>
Fire Authority	23	24	<b>48</b>
Police Authority	-	63	<b>63</b>
	<u>2,341</u>	<u>506</u>	<b><u>2,847</u></b>
<b>Amounts to be debited</b>	<b><u>42,358</u></b>	<b><u>59,115</u></b>	<b><u>101,473</u></b>
<b>Charges to Collection Fund</b>			
<b>Less:</b>			
<b>Losses in collection</b>			
	-	-	<b>-</b>
5 Increase (decrease) in bad debt provision	726	125	<b>851</b>
7 Increase (decrease) in provision for appeals	1,948	-	<b>1,948</b>
Allowance for Cost of Collection	131	-	<b>131</b>
	<u>2,805</u>	<u>125</u>	<b><u>2,930</u></b>
Deficit or (surplus) for the year	<b>27,041</b>	<b>1,169</b>	<b>28,209</b>
Deficit (surplus) b/fwd at 1 April 2020	<b>(6,170)</b>	<b>(507)</b>	<b>(6,677)</b>
Deficit (surplus) c/fwd at 31 March 2021	<b><u>20,870</u></b>	<b><u>661</u></b>	<b><u>21,532</u></b>

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2021**

Previous Year 2019/20	<b>2019/20 Business Rates</b>	<b>2019/20 Council Tax</b>	<b>2019/20 Total</b>
Note	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Income</b>			
2 Council Tax Payers	-	(56,278)	<b>(56,278)</b>
3 Income from Business Ratepayers	(40,877)	-	<b>(40,877)</b>
<b>Amounts to be credited</b>	<b><u>(40,877)</u></b>	<b><u>(56,278)</u></b>	<b><u>(97,155)</u></b>
<b>EXPENDITURE</b>			
<b>Precepts, demands</b>			
Central Government	9,574	-	<b>9,574</b>
Billing authority (Worcester City Council)	-	5,929	<b>5,929</b>
County Council	28,340	40,215	<b>68,556</b>
Fire Authority	383	2,690	<b>3,073</b>
Parishes	-	148	<b>148</b>
Police Authority	-	6,911	<b>6,911</b>
	<b><u>38,298</u></b>	<b><u>55,894</u></b>	<b><u>94,192</u></b>
<b>Apportionment of previous year's estimated Collection Fund surplus:</b>			
Central Government	296	0	<b>296</b>
Billing authority (Worcester City Council)	237	92	<b>329</b>
County Council	53	604	<b>657</b>
Fire Authority	6	41	<b>47</b>
Police Authority	0	98	<b>98</b>
	<u>592</u>	<u>835</u>	<b><u>1,427</u></b>
<b>Amounts to be debited</b>	<b><u>38,889</u></b>	<b><u>56,729</u></b>	<b><u>95,619</u></b>
<b>Charges to Collection Fund</b>			
<b>Less:</b>			
Losses in collection	-	-	-
5 Increase (decrease) in bad debt provision	302	77	<b>379</b>
7 Increase in provision for appeals	(4,127)	-	<b>(4,127)</b>
Allowance for Cost of Collection	132	-	<b>132</b>
	<b><u>(3,693)</u></b>	<b><u>77</u></b>	<b><u>(3,615)</u></b>
Deficit or (surplus) for the year	<b>(5,680)</b>	<b>528</b>	<b>(5,152)</b>
Deficit (surplus) b/fwd at 1st April 2019	<b>(490)</b>	<b>(1,035)</b>	<b>(1,525)</b>
Deficit (surplus) c/fwd at 31 March 2020	<b><u>(6,170)</u></b>	<b><u>(507)</u></b>	<b><u>(6,677)</u></b>

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2021**

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**1. Collection Fund - General**

The Collection Fund shows the transactions of the billing authority in relation to the collection of Council Tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and Council Tax belong to the bodies concerned (i.e. major preceptors, the billing authority and the Government). The Council's share of Council Tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code. The Council's share of Council Tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an agency basis in line with the Code. However, the amount to be reflected in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

The Council, as a billing authority, is statutorily required to maintain a separate Collection Fund account as agent into which all transactions relating to collection of business rate and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund. Surpluses or deficits on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount. Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

Business Rates are also known as Non-Domestic Rates (NDR) or National Non-Domestic Rates (NNDR). In 2020/21 payments out of the collection fund to the relevant bodies were based on income estimates made in January 2020 (NNDR1). During 2020/21 businesses received COVID related reliefs significantly reducing the amounts billed to ratepayers and giving rise to the in year deficit of circa £27million on the NDR element of the collection fund. Due to regulation this deficit will be recognised in the general funds of the billing authority and major preceptors in forthcoming years. S31 grant income has been received into the General Fund to compensate.

During 2019/20 Worcester City Council participated in a business rates pilot and did not receive a direct share from the collection fund of business rates income arising in the year. The Council received compensatory income to its general fund. The £237k reported for the Council in 2019/20 relates to the distribution of its share of surplus arising in previous years.

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2021**

**2. 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.

The basic amount of Council Tax for a Band D property (**£1,813.12** in 2020/21, £1,747.63 in 2019/20) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due. The taxbase for 2020/21 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 2020/21 £</b>	<b>Basic amount of Council Tax per Band £</b>
<b>A disabled</b>	7	5.7	5/9	3.2	1,007.29
<b>A</b>	8,653	4,851.2	6/9	3,234.1	1,208.74
<b>B</b>	15,208	11,598.8	7/9	9,021.3	1,410.20
<b>C</b>	11,646	9,781.6	8/9	8,694.8	1,611.66
<b>D</b>	5,555	4,972.9	9/9	4,972.9	1,813.12
<b>E</b>	3,377	3,149.2	11/9	3,849.0	2,216.03
<b>F</b>	1,485	1,415.1	13/9	2,044.0	2,618.95
<b>G</b>	419	394.3	15/9	657.2	3,021.86
<b>H</b>	6	5.0	18/9	10.0	3,626.23
<b>Total</b>	<b>46,355</b>	<b>36,174</b>		<b>32,486</b>	
					-244
					<b>32,243</b>

**3. Business Rates**

NNDR is organised on a national basis with a Government specified rate of 49.9p for the 2020/21 financial year (49.1p 2019/20). 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 **£18.122m** (£40.877m for 2019/2020) was based on an average rateable value for the Council's area. The significant reduction from the previous year is due to the size of the one-off reliefs granted to businesses by the Government to alleviate the economic effects of the Covid-19 pandemic. The rateable value was **£106,249,362** at 31 March 2021 (£105,868,087 at 31 March 2020).

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2021**

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**4. Collection Fund surpluses and deficits**

**Council Tax**

The deficit on the Fund of £0.661 million at 31 March 2021 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>2020/21</b> <b>£000's</b> <b>Share of</b> <b>Deficit</b>	2019/20 £000's Share of Surplus	% Share
Worcestershire County Council	<b>478</b>	(365)	72%
West Mercia Police Authority	<b>81</b>	(63)	12%
Hereford and Worcester Fire and Rescue Authority	<b>31</b>	(24)	5%
Worcester City Council	<b>71</b>	(55)	11%
	<b>661</b>	(507)	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 2021 is £20.87m (31 March 2020 £6.17m surplus)

	<b>2020/21</b> <b>£000's</b> <b>Share of</b> <b>(Surplus)</b> <b>/ Deficit</b>	2019/20 £000's Share of (Surplus)/ Deficit	19/20 Pilot shares
<b>Standard Pooling Shares</b>			
Worcestershire County Council (9%)	<b>(611)</b>	(4,632)	74%
Central Government (50%)	<b>11,393</b>	(1,517)	25%
Hereford & Worcester Fire & Rescue Authority (1%)	<b>209</b>	(62)	1%
Worcester City Council (40%)	<b>9,880</b>	41	0%
	<b>20,870</b>	(6,170)	100%

During 2019/20 Worcestershire authorities participated in a business rates pilot whereby the districts did not share directly in the income arising but were rather compensated through their general fund. The share of surplus for 2019/20 reflects the pilot percentages but includes a residual adjustment for over distribution of surplus arising in previous year. Residual undistributed surpluses in relation to the 2019/20 pilot scheme are contained within the 2020/21 year end balances.

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
For the year ended 31 March 2021

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**5. Allowance for Impairment of Debts and Write Offs**

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

<b>Council Tax</b>	<b>2020/21</b> <b>£000's</b>	2019/20 £000's
Brought forward at 1 April	542	474
Write offs to provision in the year*	(32)	(9)
Contributions/(reductions) to provision during year	125	77
<b>Net Increase/(Decrease) in provision</b>	<b>93</b>	<b>68</b>
<b>Carried forward at 31 March</b>	<b>635</b>	<b>542</b>

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

<b>NNDR</b>	<b>2020/21</b> <b>£000's</b>	2019/20 £000's
Brought forward at 1 April	368	294
Write offs to provision in the year	(87)	(229)
Contributions to provision during year	726	302
<b>Net Increase/Decrease in provision</b>	<b>639</b>	<b>73</b>
<b>Carried forward at 31 March</b>	<b>1,007</b>	<b>368</b>

**6. Write Offs**

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

	<b>2020/21</b> <b>£000's</b>	2019/20 £000's
Council Tax*	<b>32</b>	9
NNDR	<b>87</b>	229
	<b>119</b>	<b>238</b>

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.

\* Where this figure is negative it represents debts written back.

**WORCESTER CITY COUNCIL**  
**COLLECTION FUND**  
**For the year ended 31 March 2021**

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**7. NNDR - Provision for Appeals**

The Collection Fund account also provides for provision for appeals and other changes to rateable values set by the Valuation Office Agency (VAO) not settled as at 31 March 2021.

	<b>2020/21</b>	2019/20
	<b>£000's</b>	£000's
Brought forward at 1 April	2,578	6,705
Changes in list Charged to Provision	(211)	(814)
Contributions to provision during year	2,159	(3,313)
<b>Net (Decrease)/Increase in provision</b>	<b>1,948</b>	<b>(4,127)</b>
<b>Carried forward at 31 March</b>	<b><u>4,526</u></b>	<b><u>2,578</u></b>

In accordance with the pilot percentages in operation for 2019/20, the City Council did not reflect a share of the 2019/20 amounts in its own provision allowance on the balance sheet. Please refer to accounting policies point 20 for further details of the pilot arrangements.

## **WORCESTER CITY COUNCIL ACCOUNTING DEFINITIONS**

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**The Code of Practice on Local Authority Accounting** 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.

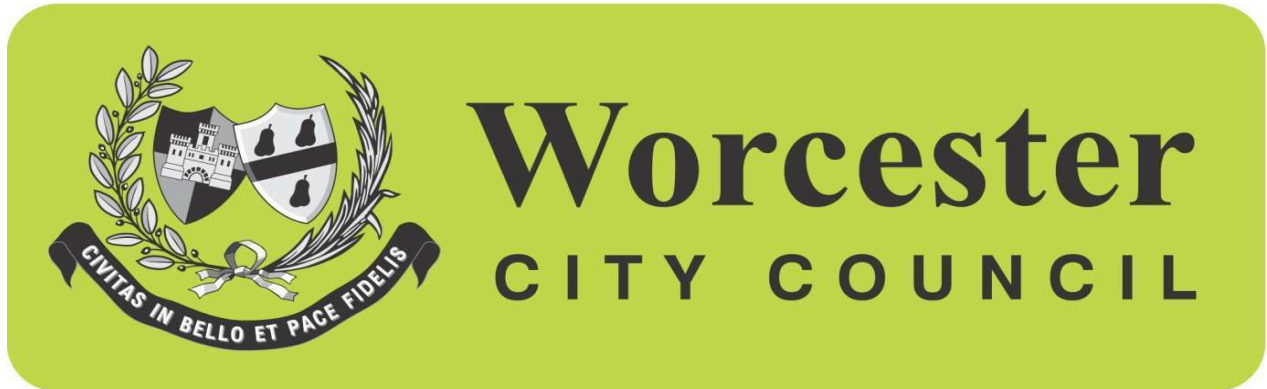
**Operating activities** are the activities of the authority that are not investing or financing activities.

**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.





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## **Approval of Statement of Accounts 2020/21**

I confirm that, following delegation by the Audit and Governance Committee at its meeting held on 7 December 2022, this Statement of Accounts including the Annual Governance Statement were approved by me on 18 March 2023.

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**

**Chairman of the Audit Committee**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTER CITY COUNCIL**

### **Opinion**

We have audited the financial statements of Worcester City Council ('the Council') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement
- the related notes 1 to 42
- Collection Fund and the related notes 1 to 7

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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Worcester City Council as at 31 March 2021 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

### **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. 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 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**

In auditing the financial statements, we have concluded that the Corporate Director Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance and Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the Statement of Accounts set out on pages 1 to 19, other than the financial statements and our auditor's report thereon. The Corporate Director

Finance and Resources is responsible for the other information contained within the Statement of Accounts.

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.

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 course of 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 themselves. 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.

### **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 Council
- 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
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

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

As explained more fully in the Statement of the Corporate Director Finance and Resources Responsibilities set out on page 5, 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance and Resources is responsible for assessing the Council'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 has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Worcester City Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through incorrect capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of incorrect capitalisation of revenue expenditure, we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the Worcester City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Worcester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 Worcester City 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 Authority has made 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.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) 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, as a body, 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 Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.



Hassan Rohimun  
Ernst & Young LLP  
Manchester  
24 March 2023