



Worcester
CITY COUNCIL

Building a successful future on 2,000 years of history

Draft
STATEMENT OF ACCOUNTS
2022/23



**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2022/23**

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WELCOME TO THE STATEMENTS OF ACCOUNTS

The 2022/23 financial year proved to be a successful but challenging year. Income from local Fees and Charges continued to improve from the very low levels under Covid lockdown and most Council services have now returned to their pre-pandemic levels.

The Council's underlying funding remains challenging and the Council has therefore begun a new programme of efficiency savings with a target saving of £2.5m to address the future funding gap in the Council's budget.

Council Tax for a Band D property was set at £206.89, which was a £6.01 increase over the previous year, in line with the Government's expectations. Collection of the amount billed for Council Tax was 94.2% (2021/22 97.5%), while Business Rates collection was 92.5% (2021/22 94.8%). The collection rate for both Council Tax and Business Rates was lower than the previous year and remains below the average pre-pandemic of 98.0%. It is hoped that as businesses continue to recover from the covid-19 lockdowns these arrears will be paid in 2023.

During 2022/23 Worcester City Council's headline achievements include:

- Support for residents affected by the cost-of-living crisis;
- The investment of £19.6 million of Towns Fund money into a range of initiatives, including the new Severn Centre for Health and Wellbeing (training the next generation of health workers);
- an Active Travel programme to encourage walking and cycling, supporting healthier lifestyles, including the construction of a new walking and cycling bridge over the river Severn and the regeneration of the area around the historic Shrub Hill railway station to provide new homes and business opportunities;
- Welcoming and supporting Ukrainian families to live and work in the city following the Russian invasion, including the creation of a Homes for Ukraine support team entirely staffed by locally-settled Ukrainian nationals;
- Implementation of a £17.9 million Future High Streets Fund programme to regenerate the northern gateway to the city centre, including: a major programme of public realm improvements;
- grants to bring seven empty properties back into use and preparation of plans to revive two historic buildings as a new arts venue;
- The creation and opening of a Covid Memorial Garden at Astwood Cemetery;
- Staging of a major event to welcome the Queen's Baton Relay to the city as part of the Commonwealth Games, attracting tens of thousands of people and bringing a boost to the local economy;
- Securing a record five Green Flags in recognition of the high quality of the city's parks and open spaces including, for the first time, the grounds of Astwood Cemetery;

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- The implementation of an Environmental Sustainability Action Plan to reduce Worcester's CO₂ emissions, including the installation of more EV charging points in car parks;
- Launching a grants scheme offering £12,000 to support a business moving into an empty property or £6,000 for improvements to an existing premises.

WORCESTER CITY COUNCIL

STATEMENT OF RESPONSIBILITIES

The City Council's responsibilities

The City Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director, Finance and Resources. He is the Council's 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 2023.

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31 March 2023, 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 2023.

Shane Flynn
Corporate Director Finance and Resources

WORCESTER CITY COUNCIL NARRATIVE REPORT

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. Situated in the West Midlands, the city is 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 a busy annual programme of festivals and events. The city also has a strong sporting reputation, hosting top class venues including Worcestershire County Cricket Club's New Road ground, the 300-year-old Worcester Racecourse and international-standard hockey pitches.

Worcester has a population of 104,120 people and the City's age profile is generally younger than for England and the rest of the surrounding county, although it is similar to England. 29.2% of the population are aged under-25 compared to 26.2% in Worcestershire and 29.1% in England. The working age population (16-64) makes up 64.5% of the total population compared to 59.6% in Worcestershire and 62.9% in England.

Source: ONS mid-year population estimates 2022

The average house price in Worcester in March 2023 was £255,358 compared to the county average of £299,406 and £299,035 for England. Source: UK House Price Index, Land Registry.

The unemployment rate in Worcester is 4.3%, lower than the West Midlands (4.8%) and Great Britain (3.6%).

Source: NOMIS/ONS annual population survey (Apr 2022- Mar 2023)

**WORCESTER CITY COUNCIL
NARRATIVE REPORT**

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 had a majority of the seats. The subsequent elections in May 2022 and May 2023 have seen the Labour group now have the most seats but with no overall control.

Political Party	Number of Seats	Number of Seats	Number of Seats
	May 2021	May 2022	May 2023
Conservative	18	15	7
Labour	11	12	13
Green	4	6	11
Liberal Democrat	2	2	4

Under the Council’s constitution, a position of no overall control provides for the appointment of two co-leaders, who are the leaders of the Labour and Green groups.

From May 2023, elections will be held once every five years and all seats will be contested at the same time.

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 2022/23, CLT was made up of five members, the Managing Director and the three Corporate Directors, one of whom, is also the Council's Chief Monitoring Officer.

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NARRATIVE REPORT**

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.



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 13.3 days per employee in 2022/23 compared with 12.5 days in 2021/22.

Staff turnover for voluntary leavers for the City Council was 14.7% compared to 13.8% in 2021/22.

WORCESTER CITY COUNCIL NARRATIVE REPORT

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 £300m by:

- collecting £103.4m of Business Rates and Council Tax. 89.0% of this is passed onto central government and other agencies, with the Council retaining £11.4m for service delivery in 2022/23.
- administering over £21m 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.
- spending a total of approximately £33.3m each year on Council services.
- accounting for £29.1m p.a. of fees, charges, rents and grant funding, 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 long-term financial impact of Brexit and the CoviD-19 pandemic remain uncertain.

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.

The Council's Medium Term Financial Plan 2023-2028 was approved in February 2023 and can be viewed on the 'City Council Finances' page of www.Worcester.gov.uk. Against the continuing financial challenges faced by the Council, this shows a balanced budget for 2023/24 and a budget deficit for the subsequent years to 2027/28. The Council is currently reviewing options for addressing this deficit.

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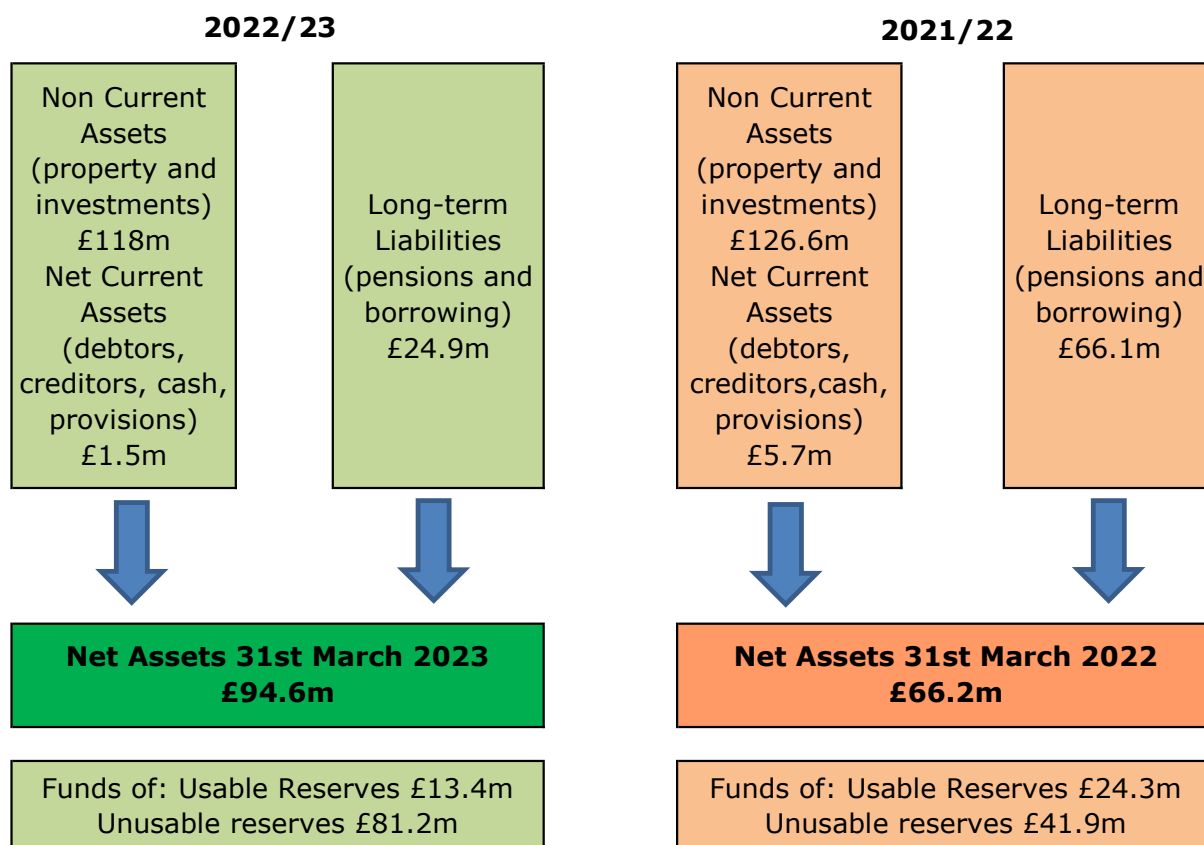
5. Financial Performance 2022/23

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

Comprehensive Income & Expenditure Statement	Movement in Reserves Statement
<p>A surplus of £10m on provision of services for 2022/23</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>An overall decrease of £11m in Useable Reserves.</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>
Cashflow Statement	Balance Sheet
<p>A net cash outflow of £11.1m in cash or cash equivalents</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>An increase in net assets of £28.4m as at 31 March 2023</p> <p>This shows the value of the Council's assets and liabilities at 31 March 2023.</p>

The major factors in the increase in net assets of £28.4m are the year-end budget deficit of £(0.2)m, the decrease in the value of land and buildings of £(8.8)m and the reduction in the pension liability of £39.8m.

5. Financial Performance 2022/23 cont'd



5. Budget Performance - Net Revenue and Capital Budgets

The 2022/23 budget was approved by Full Council in February 2022. This was a balanced budget achieved after transferring £1.706m from reserves. There was a 2.55% increase in Council Tax. The capital programme was approved with a budget of £22.0m. This included the demolition of the Sansome Walk site and provision of affordable housing, the acquisition of commercial property as part of the Future High Streets Fund and the development of sports facilities in the city.

For 2022/23 the Council has delivered a budget deficit of £0.205m.

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

- £(0.41)m overspend on operating expenditure against a budget of £29.5m;
- £(0.24)m shortfall on income against a budget of £16.9m;
- £0.75m surplus on net interest payments and Minimum Revenue Provision;
- £(0.46)m deficit on Housing Benefit Subsidy;
- £0.15m 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 deficit on operating budgets is £0.205m 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.

	2022/23		
	Budget	Actual	Variance
	£'000	£'000	£'000
Internal Audit	(7)	(7)	(0)
Policy & Strategy	1,694	1,682	(12)
Finance Service	1,053	1,119	66
Revs & Bens exc HB	592	741	149
Property and Assets	794	754	(39)
Corporate - Costs & Income	1,339	1,425	87
City Operations	244	518	274
Homes and Communities	3,002	3,082	79
Governance Services	1,599	1,647	48
Planning Services	635	890	254
Museums	673	451	(222)
Economic Development	394	342	(52)
CLT & Corporate Services	612	624	12
Equivalent Net Cost of Service	12,623	13,268	644
Capital Charges/Interest/MRP	1,079	330	(749)
Housing Benefit - net subsidy	(32)	431	463
General Fund transfer	150	150	0
Transfer from Risk Reserve	(558)	(558)	0
To Earmarked Reserves	1,642	1,641	(0)
From Earmarked Reserves	(8,820)	(8,820)	(0)
Other amounts reported	(6,540)	(6,826)	(286)
Total Net Expenditure	6,084	6,442	358

The deficit on operating budgets arose from over-spends on some of the expenditure budgets. Income was lower than budget and previous years.

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

Net revenue expenditure was financed by:

	2022/23		
	Budget £'000	Actual £'000	Variance £'000
Total Net Expenditure	6,084	6,442	358
New Homes Bonus	(890)	(891)	(1)
Council Tax	(6,566)	(6,570)	(4)
Business Rates	4,665	4,665	(0)
Section 31 Grants and other Govt. Grants	(3,292)	(3,440)	(148)
Total Funding	(6,084)	(6,236)	(153)
Net Budget Deficit / (Surplus)	0	205	205

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 25 July 2023. A copy can be found at 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:

Expenditure Type	2022/23 £000	2021/22 £000
Employee expenses	17,433	16,007
Other service expenses	15,913	15,486
Housing Benefit payments	21,161	21,373
Capital charges/gain on disposal	9,818	5,282
Interest paid/Parish Precepts	643	662
Gross Cost of Service Provision	64,969	58,811

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.

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

Income Type	2022/23	2021/22
	£000	£000
Grants and Contributions	(16,267)	(22,847)
Housing benefit grant	(20,510)	(20,805)
Fees, Charges and other service income	(11,867)	(11,087)
Income from Council Tax and Business Rates	(8,390)	(5,548)
(Increase)/Decrease in value of Investment Properties	2,463	(603)
Change in Fair Value Pooled Investment Funds	521	(472)
Impairment Losses on Financial Instruments	(20)	0
Interest & Investment Income	(945)	(280)
Total Income in Service Provision	(55,015)	(61,642)

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 £10.59m (2021/22 £8.2m). This compares with a final budget of £12.2m for the year (this included budgets carried forward from 2021/22 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 2023/24 to complete these items.

A summary of the capital expenditure in 2022/23 is shown below. Of the £10.59m Council spend, £4.2m was added to the value of the Council's own assets, and the balance of £6.4m was charged in year to the Comprehensive Income and Expenditure Statement as 'revenue expenditure funded from capital under statute'. This created assets which were owned by others - for example, grants to homeowners, or contributions to capital projects managed by other local authorities.

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

Capital Expenditure/Additions	£000	Source of Financing	£000
Housing and building grants	2,046	Usable capital receipts	723
City centre redevelopment	7,343	External Grants	8,213
Play Areas and Parks projects	467	Section 106 funds	190
Economic Development	47	Earmarked reserves	565
Heritage buildings	13	Direct Revenue Financing	3
Vehicles, ICT and other equipment	588	Borrowing	898
Other small capital items	88		
Total	10,591	Total	10,591

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9. Treasury Management

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

At 31 March 2023 the balance of cash and cash equivalents held was £13.3m. This is a decrease of £11.0m against the prior year. This was mainly due to the reduction in usable reserves of £10.9m.

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 £41.7m to £7.1m. Variations between years are 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 2021/22 was £1.11m. This has increased to £1.26m at 31st March 2023, including the reallocation from brought forward balances to earmarked reserves of £0.15m. 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 2021/22 were £17.4m. The balance at the year-end is £8.9m, a net decrease of £8.5m. Of this net decrease, £10.2m of existing earmarked reserves were utilised in year and a further £1.7m was added to earmarked reserve balances during the year. Of the £10.2m utilised during the year, £5.4m related to the partial use of the £9.3m Section 31 Grant received from Government in 2021/22 in respect of the Business Rates deficit declared in 2022/23.

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 2022/23 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>Business Rates 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>Adverse financial outcome(s) for the Council in future years</p>	<p>Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals. Continuing discussions with MHCLG and the Valuation Office on measures to resolve outstanding appeals.</p>
<p>General Data Protection Regulation The General Data Protection Regulation (GDPR) Act came into effect on 25th May 2018.</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 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>Reliance on Commercial Income Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents.</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>Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.</p>
<p>Major Incident Major incident impacting the city e.g. flooding from the river Severn.</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>Business continuity plan and a crisis communications plan is in place and all staff are aware of how to respond to an emergency situation.</p>

WORCESTER CITY COUNCIL NARRATIVE REPORT

12. Non-Financial Performance 2022/23

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 Committees at the meetings in May and June 2023 and a copy of these reports can be found on the Council's website at www.worcester.gov.uk. Of the 113 key performance indicators 81 were green, 8 were amber and 24 were red.

13. Corporate Plan

In 2022 the Council approved the update of its five year City Plan. Entitled '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 with a 21st Century culture
5. Enhancing and sustaining our beautiful city for future generations

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.

14. Events after the Balance Sheet Date

The Covid19 pandemic and the associated lockdown measures had a significant effect on the council's income particularly from car parking and the leisure centres. Now that these measures are behind us, car parking in the city centre has returned to pre-pandemic levels and leisure centre membership has also increased with swimming lessons at record levels.

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

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

1. General

The Statement of Accounts summarises the Council's transactions for the 2022/23 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 2022/23, 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

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

Disposals

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

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

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

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

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

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

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

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

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

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

6. Assets - Depreciation

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

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

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

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

7. Assets - Investment Properties

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

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

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

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

8. Revenue Expenditure Funded from Capital under Statute

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

9. Operating Leases

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

10. Reserves

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

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

11. Estimation Techniques

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

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

12. Inventories

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

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

13. Costs of Central Support Services

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

14. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

14. Employee Benefits (cont'd)

Post Employment Benefits

The Council participates in one defined benefits scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. An actuarial valuation is undertaken by the funds actuaries Mercer Human Resource Consulting Limited every 3 years. It was performed in 2022 and is due again in 2025. This includes revised contribution rates payable by the Council in future financial years.

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

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

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

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

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

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

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

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

14. Employee Benefits (cont'd)

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

Further information can be found in Worcestershire County Council's Pension Fund Annual Report, available on their website www.worcestershire.gov.uk.

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

Policies 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

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 2022/23 Worcester City was 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

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

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 2023

	General Fund Uncommitted	Earmarked Reserves	Total General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000s
Note								
Balance at 1 April 2022	1,112	17,434	18,545	3,164	2,631	24,340	41,898	66,239
<u>Movement in Reserves During 2022/23</u>								
Deficit on the provision of services	(9,954)		(9,954)			(9,954)		(9,954)
Other Comprehensive Income and Expenditure						-	38,308	38,308
Total Comprehensive Income and Expenditure	(9,954)	-	(9,954)		-	(9,954)	38,308	28,354
13 Adjustments between accounting basis and funding basis under regulations	1,613	-	1,613	(510)	(2,132)	(1,029)	1,029	-
Net Increase/(Decrease) before Transfer to Earmarked Reserve	(8,342)	-	(8,342)	(510)	(2,132)	(10,983)	39,338	28,354
14 Transfers to/(from) Earmarked Reserves	8,489	(8,489)	-	-		-	-	-
Increase/(Decrease) in 2022/23	148	(8,489)	(8,342)	(510)	(2,132)	(10,983)	39,338	(9,818)
Balance at 31 March 2023	1,260	8,944	10,204	2,654	499	13,357	81,236	94,593

WORCESTER CITY COUNCIL
MOVEMENT IN RESERVES STATEMENT
For the previous year ended 31 March 2022

Note	General Fund Uncommitted	Earmarked Reserves	Total General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000s
Balance at 1 April 2021	2,017	21,529	23,546	3,274	1,614	28,434	28,715	57,150
<u>Movement in Reserves During 2021/22</u>								
Deficit on the provision of services	2,832		2,832			2,832		2,832
Other Comprehensive Income and Expenditure						-	6,257	6,257
Total Comprehensive Income and Expenditure	2,832	-	2,832		-	2,832	6,257	9,088
13 Adjustments between accounting basis and funding basis under regulations	(7,832)	-	(7,832)	(110)	1,016	(6,926)	6,926	-
Increase in 2021/22	(5,001)	0	(5,001)	(110)	1,016	(4,094)	13,183	9,088
14 Transfers to/(from) Earmarked Reserves	4,095	(4,095)	0	0		0	0	0
Balance at 31 March 2022	1,112	17,434	18,545	3,164	2,631	24,340	41,898	66,238

WORCESTER CITY COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2023

Note	2022/23 Gross Expenditure £000s	2022/23 Gross Income £000s	2022/23 Net Expenditure £000s	2021/22 Net Expenditure £000s	
Directorate Analysis					
	Corporate and Managing Director	6,693	(4,189)	2,504	3,645
	Finance and Resources	8,481	(1,555)	6,925	5,676
	Homes and Communities	23,098	(15,005)	8,093	6,081
	Housing Benefit/Subsidy	20,941	(20,510)	431	456
	Planning and Governance	3,905	(716)	3,189	2,471
1	NET COST of SERVICES	63,118	(41,976)	21,142	18,329
3	Other operating expenditure			(12)	(196)
4	Financing and investment income and expenditure			2,590	(1,050)
5	Taxation and non-specific grant income			(13,765)	(19,915)
	DEFICIT/ (SURPLUS) ON PROVISION OF SERVICES			9,954	(2,832)
28	Surplus on revaluation of non current assets			6,172	(1,524)
26	Remeasurements of the net defined benefit liability (pension)			(44,480)	(4,733)
	Other Comprehensive (Income) and Expenditure			(38,308)	(6,257)
	TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE			(28,354)	(9,088)

Note: figures in brackets represent income or a surplus.

WORCESTER CITY COUNCIL
BALANCE SHEET
as at 31 March 2023

Note	2022/23 £'000	2021/22 £'000
Long term assets		
15 Property, plant & equipment	88,738	94,275
16 Heritage assets	9,190	9,208
15 Intangible Assets	157	223
17 Investment property	16,542	19,005
19 Long term Investments	3,409	3,934
	118,036	126,645
Current assets		
19 Short term investments	24	11
20 Assets held for sale	0	0
31 Inventories	82	80
21 Short term debtors	10,899	12,559
22 Cash and cash equivalents	13,239	24,301
	24,244	36,950
Current liabilities		
23 Short term creditors	(18,613)	(27,186)
25 Receipts in advance	(1,662)	(1,276)
24 Provisions	(1,106)	(1,273)
25 Short term borrowing	(1,367)	(1,485)
	(22,747)	(31,220)
Long term liabilities		
25 Receipts in advance	(1,741)	(1,923)
25 Long term borrowing	(16,132)	(17,429)
26 Pensions liability	(7,069)	(46,786)
	(24,941)	(66,138)
NET ASSETS	94,592	66,237
Financed by:		
27 Usable reserves	13,359	24,341
28 Unusable reserves	81,233	41,897
TOTAL RESERVES	94,592	66,237

WORCESTER CITY COUNCIL
CASH FLOW STATEMENT
For the year ended 31 March 2023

Note	2022/23	2021/22
	£'000	£'000
Net deficit/(surplus) on the provision of services	9,954	(2,832)
35 Adjustments to net surplus or deficit on the provision of services for non-cash movements	(5,393)	(22,428)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,054)	11,657
Net cash flows from:		
32 Operating activities	(35,492)	(13,602)
33 Investing activities	3,959	5,090
34 Financing activities	42,595	(1,716)
Net (increase)/decrease in cash and cash equivalents	11,063	(10,228)
Cash and cash equivalents at the beginning of the reporting period	24,301	14,073
Cash and cash equivalents at the end of the reporting period	13,238	24,301

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

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

Notes to the Comprehensive Income and Expenditure Statement

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

1. EXPENDITURE AND FUNDING ANALYSIS

2022/23

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	1,419	673	370	38	1,081	2,500
Finance and Resources	5,707	461	(453)	1,245	1,254	6,960
Homes and Communities	3,600	3,266	1,202	-	4,468	8,068
Housing Benefit/Subsidy	431	-	-	-	-	431
Planning and Governance	2,542	353	291	-	644	3,187
Net Cost of Services	13,699	4,753	1,411	1,283	7,447	21,146
Other Operating Expenditure	142	(154)	-	-	(154)	(12)
Financing & Inv inc and exp	886	1,104	1,334	(734)	1,703	2,589
Taxation & NSG	(6,387)	(1,043)	(6,334)	-	(7,378)	(13,765)
Other Income and Expenditure	(5,359)	(93)	(5,001)	(734)	(5,828)	(11,188)
(Surplus)/Deficit against GF balances in year	8,340	4,660	(3,589)	549	1,619	9,959
Opening General Fund Balances	(18,546)					
Less Deficit/(Surplus) on General Fund balances in year	8,340					
Closing General Fund Balances	(10,206)					
Opening Balances comprising:						
Unreserved General Fund	(1,113)					
Earmarked Reserves	(17,433)					
	(18,546)					
Closing Balances comprising:						
Unreserved General Fund	(1,263)					
Earmarked Reserves	(8,943)					
	(10,206)					

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 2023

1. EXPENDITURE AND FUNDING ANALYSIS

2021/22

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	1,998	1,291	322	34	1,647	3,645
Finance and Resources	4,792	216	(602)	1,269	884	5,676
Homes and Communities	2,402	2,486	1,193	-	3,679	6,081
Housing Benefit/Subsidy	456	-	-	-	-	456
Planning and Governance	2,118	111	242	-	354	2,471
Net Cost of Services	11,766	4,105	1,156	1,303	6,564	18,329
Other Operating Expenditure	155	(352)	-	-	(352)	(196)
Financing & Inv inc and exp	1,252	(1,621)	1,083	(1,763)	(2,301)	(1,050)
Taxation & NSG	(8,172)	(6,907)	-	(4,836)	(11,743)	(19,915)
Other Income and Expenditure	(6,765)	(8,880)	1,083	(6,599)	(14,396)	(21,161)
(Surplus)/Deficit against GF balances in year	5,001	(4,775)	2,239	(5,296)	(7,832)	(2,832)
Opening General Fund Balances	(23,546)					
Less Deficit/(Surplus) on General Fund balances in year	5,001					
Closing General Fund Balances	(18,546)					
Opening Balances comprising:						
Unreserved General Fund	(2,018)					
Earmarked Reserves	(21,528)					
	(23,546)					
Closing Balances comprising:						
Unreserved General Fund	(1,113)					
Earmarked Reserves	(17,433)					
	(18,546)					

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.

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 2023

2. Expenditure and Income analysed by nature

<u>Expenditure</u>	2022/23 £000's	2021/22 £000's
Employee Benefits Expenses	17,433	16,007
Other services expenses	15,913	15,486
Transfer Payments (Housing Benefit)	21,161	21,373
Depreciation, amortisation, impairment, downwards revaluations	9,981	5,627
Interest Payments	492	513
Precepts and Levies	151	149
Gain on disposal of assets	(163)	(345)
	64,969	58,811
<u>Income</u>		
Fees, charges and other service income	(11,867)	(11,087)
Interest and Investment Income	(945)	(280)
Change in Fair Value Pooled Investment Funds	521	(472)
Change in Fair Value of Investment Properties	2,463	(603)
Impairment Losses on Financial Instruments	(20)	0
Income from council tax and non domestic rates	(8,390)	(5,548)
Housing Benefit related grants	(20,510)	(20,805)
Grants and contributions - Other	(16,267)	(22,847)
	(55,015)	(61,642)
(Surplus)/Deficit on Provision of Services	9,954	(2,832)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

	2022/23	2021/22
	£000's	£000's
3. Other operating expenditure		
Precepts from Council Tax paid to parish councils	151	150
(Gains)/Losses on disposal of non-current assets	(163)	(345)
Total	(12)	(196)

4. Financing and investment income and expenditure

Interest payable and similar charges	492	513
Pensions interest cost and expected return on pensions assets	1,334	1,083
Interest receivable and similar income	(945)	(280)
Net (gains)/losses on financial assets at fair value through profit and loss	521	(472)
(Income) and expenditure in relation to investment properties	(1,256)	(1,291)
Impairment losses on financial instruments	(20)	-
Change in Fair Value of Investment Properties	2,463	(603)
Total	2,590	(1,050)

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.

	2022/23	2021/22
	£000's	£000's
Council tax income	(6,737)	(6,485)
Non-domestic (Business) rates (NDR)	(1,653)	937
Non-ringfenced government grants - NDR related*	(2,994)	(4,879)
Non-ringfenced government grants - Other*	(1,337)	(2,581)
Capital grants and contributions*	(854)	(6,803)
S106 Developer Contributions*	(190)	(104)
Total	(13,765)	(19,915)

* Further analysed in Note 6

	(5,374)	(14,367)
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WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

6. Grants and Contributions

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

Shown within 'Taxation and non specific grant income'	2022/23 £000's	2021/22 £000's
DLUHC New Homes Bonus	(891)	(446)
DLUHC Section 31 Grants (Business Rates Related)	(2,994)	(4,879)
DLUHC Covid Support/New Burdens	(44)	(829)
DLUHC Fees and Charges Support	-	(338)
DLUHC Tax Income Guarantee	-	(153)
DLUHC Levelling Up/Lower Tier Support/Local CTS	(300)	(521)
DLUHC Minor grants (each < £50k)	(22)	(67)
S106 Developer Contributions	(190)	(104)
Capital Grants and Contributions	(854)	(6,803)
Worcestershire County Council	(80)	(227)
Total	(5,374)	(14,367)
	2022/23 £000's	2021/22 £000's
Shown within the 'Service Expenditure Analysis' lines		
Department Work and Pensions (DWP)		
Housing Benefit Grants	(20,393)	(20,683)
Housing Benefit Admin	(253)	(257)
Discretionary Housing Payments	(117)	(122)
DWP Housinf Support Fund	(378)	(377)
DWP New Burdens Grants	(205)	(70)
Department for Levelling Up, Homes and Communities		
Disabled Facilities Grant	(735)	(780)
Rough Sleepers Bid	(420)	(1,137)
Flexible Housing Grant	(549)	(464)
Self Isolation Funding	-	(152)
Homelessness Reduction	-	(97)
Local Council Tax Admin Support Grant	(117)	(122)
Future High Streets Funding	(1,497)	(572)
Towns Funding	(3,489)	(8)
UK Shared Prosperity Fund	(367)	-
Covid Election Support	-	(35)
Reopening High Streets	-	(81)
Protect & Vaccinate	-	(168)
Worcestershire County Council		
Homes Ukraine	(189)	-
Dept. Business, Energy, Industrial Strategy (BEIS)		
Various Business Support Grants	-	(771)
Green Homes Grant	112	(162)
Other Grants/Contributions		
Dept. Health/Worc County - Covid Outbreak Manage	(112)	(365)
West Mercia Police Community Projects/CCTV	-	(186)
Cabinet Office Elections and Registration	-	(93)
Developer contributions (Other)	(44)	(20)
Other grants (each less than £50,000)	(406)	(402)
Total	(29,159)	(27,126)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2023

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 2022/23 was £254,580 (2021/22 £254,933).

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:

Remuneration Band	Number of employees	
	2022/23	2021/22
£50,000 - £54,999	2	1
£54,999 - £59,999	-	-
£60,000 - £64,999	1	1
£65,000 - £69,999	3	1
£70,000 - £74,999	2	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£105,000 - £109,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	2
	8	7

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 2023

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.

	2022/23				
Post Title	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director	122,006		122,006	35,162	157,168
Director of Resources	91,763		91,763	26,446	118,209
Director of Homes & Communities	91,737		91,737	26,439	118,176
Director of Planning & Governance	80,534		80,534	23,210	103,744
Deputy Director Policy & Strategy	90,279		90,279	26,018	116,297
Deputy Director Economic Development	74,219		74,219	21,390	95,609
	550,538		550,538	158,665	709,203

	2021/22				
Post Title	Salary, Allowances, Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director	117,767		117,767	35,271	153,038
Director of Resources	88,107		88,107	26,388	114,495
Director of Homes & Communities	86,731		86,731	25,976	112,707
Director of Place (Apr to June 21)	21,594		21,594	6,467	28,061
Deputy Director Policy & Strategy	77,094		77,094	23,090	100,184
Deputy Director Governance (Apr to July 21)	25,193		25,193	7,545	32,738
Director of Planning & Governance (Aug 21 to Mar 22)	57,407		57,407	17,194	74,601
Deputy Director Economic Development (Apr 21)	18,080		18,080	2,750	20,829
Deputy Director Economic Development (Feb/Mar 22)	15,052		15,052	4,508	19,560
	507,025		507,025	149,189	656,214

9. Exit Packages

Number of exit packages agreed:

	2022/23		2021/22	
	Number	£000's	Number	£000's
In the band £0-£20k	1	8	0	0
In the band £20k-£40k	0	0	1	21
In the band £40k-£60k	0	0	0	0
In the band £60k-£80k	0	0	1	65
In the band £80k-£100k	0	0	0	0
In the band £100k-£120k	1	111	0	0
In the band £120k-£140k	0	0	0	0
In the band £140k-£160k	0	0	0	0
	2	119	2	86

Includes compulsory redundancies:

2	119	1	65
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Exit packages include compulsory and voluntary redundancy costs and pension contributions in respect of added years. The cost of the 2022/23 exit packages have been recharged to Worcestershire County Council.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

10. Fees payable to auditors

Ernst Young are the Council's auditors for 2022/23. 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.

	2022/23 £000's	2021/22 £000's
External audit fees	90	23
Certification of grant claims fees	76	3
Total	<u>166</u>	<u>26</u>

The external audit fees for 2022/23 includes a charge of £30k in respect of prior year claims, pending confirmation by the Public Sector Auditing Appointments Limited (PSAA) of the agreed scale fee variations for 2020/21 and 2021/22.

The certification of grant claims fees for 2022/23 includes £51k in respect of prior year claims.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

11. Leases

Council as Lessor

Operating Leases

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:

	2022/23	2021/22
	£000's	£000's
Not later than one year	1,201	1,260
Later than one year and not later than five years	4,230	4,555
Later than five years	7,786	12,187
	<u>13,217</u>	<u>18,002</u>

The income for these operating leases has been credited to the Comprehensive Income and Expenditure Statement The amounts received in 2022/23 were £1.293m.

Council as Lessee

Operating Leases

The Council has a variety of assets such as office equipment and land and buildings by way of operating lease agreements. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2022/23	2021/22
	£000's	£000's
Lease payments made in the period	152	171
Sublease	(68)	(10)
	<u>84</u>	<u>161</u>

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

	2022/23	2021/22
	£000's	£000's
Not later than one year	89	82
Later than one year and not later than five years	133	223
Later than five years	200	314
	<u>423</u>	<u>619</u>

The reduction in Minimum Lease Payments in 2021/22 mainly relates to the termination of the lease of 56 Foregate Street, following the purchase of the leasehold of 54-56 Foregate Street, and the subsequent subleases of these properties.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

11. Leases (cont'd)

Council as Lessee (cont'd)

Finance Leases

In 2022/23 the Council acquired a Rigid Truck for use by the Tree Team under a finance lease. This asset acquired under the lease is above our de minimis level for capital spending and is carried in the Balance Sheet at the following net amounts.

	2022/23	2021/22
	£000's	£000's
Vehicles, Plant & Equipment	34	0

The Council is committed to making minimum payments made up of the settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable over the remainder of the lease term. The minimum lease payments, as cash amounts and present values, are made up of the following amounts:

2021/22			2022/23	
Cash	Net		Cash	Net
Amount	Present		Amount	Present
£000's	Value		£000's	Value
£000's	£000's		£000's	£000's
		Finance Lease Liabilities:		
0	0	Current	5	5
0	0	Non-current	25	22
0	0	Finance costs payable in future years	6	5
<u>0</u>	<u>0</u>	Total future lease minimum payments	<u>37</u>	<u>32</u>

The minimum lease payments and finance lease liabilities, in cash terms, will be payable over the following periods:

2021/22			2022/23	
Minimum	Finance		Minimum	Finance
Lease	Leases		Lease	Leases
Payments	Liabilities		Payments	Liabilities
£000's	£000's		£000's	£000's
		Not later than one year	7	5
		Later than one year and not later than		
		five years	29	25
<u>0</u>	<u>0</u>		<u>37</u>	<u>31</u>

The minimum lease payments and finance lease liabilities, stated as present values, will be payable over the following periods:

2021/22			2022/23	
Minimum	Finance		Minimum	Finance
Lease	Leases		Lease	Leases
Payments	Liabilities		Payments	Liabilities
£000's	£000's		£000's	£000's
		Not later than one year	7	5
		Later than one year and not later than		
		five years	25	22
<u>0</u>	<u>0</u>		<u>32</u>	<u>27</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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.

2022/23

	Revenue from external customers £000	Capital			Total Depreciation/ REFCUS/ Asset valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Corporate and Managing Director	(501)	199	2,192	-	2,391
Finance and Resources	(1,680)	295	-	166	461
Homes and Communities	(9,113)	2,794	4,231	(250)	6,775
Planning and Governance	(573)	135	-	218	353
	<u>(11,867)</u>	<u>3,424</u>	<u>6,423</u>	<u>134</u>	<u>9,981</u>

2021/22

	Revenue from external customers £000	Capital			Total Depreciation/ REFCUS/ Asset valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Corporate and Managing Director	(413)	199	1,665	-	1,864
Finance and Resources	(1,739)	216	-	-	216
Homes and Communities	(8,177)	2,587	1,072	(224)	3,436
Planning and Governance	(757)	111	-	-	111
	<u>(11,087)</u>	<u>3,114</u>	<u>2,738</u>	<u>(224)</u>	<u>5,627</u>

Notes to the Movement in Reserves Statement

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2022/23			Movements in unusable reserves £000s
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Changes for depreciation and impairment of non current assets	3,558			(3,558)
Amortisation of intangible assets	-			-
Changes in Fair value of Investment Properties	2,463			(2,463)
Revenue expenditure funded from capital under statute	6,423			(6,423)
Capital expenditure/REFCUS financed from revenue reserves/balances	(568)			568
Statutory Provision for repayment of Debt	(791)			791
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	59			(59)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Payments to Housing Capital Receipts Pool	-	-		-
Adjustments involving the Capital Grants Unapplied Account				
Grants received to fund REFCUS	(5,228)		5,228	-
Other Capital grants and contributions unapplied credited to the CIES	(1,043)		1,043	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(8,403)	8,403
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(213)	213		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(723)		723
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	5,434			(5,434)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,691)			2,691
Adjustments involving the Collection Fund adjustment account				
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.	(6,334)			6,334
Adjustments involving the Pooled Investment Funds adjustment account				
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	521			(521)
Adjustment primarily involving the Accumulated Absences Account				
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.	23			(23)
Total adjustments	1,613	(510)	(2,132)	1,029

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2021/22			Movements in unusable reserves £000s
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Changes for depreciation and impairment of non current assets	2,832			(2,832)
Amortisation of intangible assets	58			(58)
Changes in Fair value of Investment Properties	(603)			603
Revenue expenditure funded from capital under statute	2,738			(2,738)
Capital expenditure/REFCUS financed from revenue reserves/balances	(190)			190
Statutory Provision for repayment of Debt	(829)			829
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	15			(15)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Payments to Housing Capital Receipts Pool	-			-
Adjustments involving the Capital Grants Unapplied Account				
Grants received to fund REFCUS	(1,522)		1,522	-
Other Capital grants and contributions unapplied credited to the CIES	(6,907)		6,907	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(7,413)	7,413
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(367)	367		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(477)		477
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	4,609			(4,609)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,370)			2,370
Adjustments involving the Collection Fund adjustment account				
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.	(4,836)			4,836
Adjustments involving the Pooled Investment Funds adjustment account				
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	(472)			472
Adjustment primarily involving the Accumulated Absences Account				
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.	12			(12)
Total adjustments	(7,832)	(110)	1,016	6,927

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2022/23.

2022/23	Balance at 1 April 2022 £000's	Transferred			Balance at 31 March 2023 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	116	-	(33)	-	83	For regeneration/transformation/service delivery improvements
Income Generation	216	-	(7)	-	209	To fund projects for income generation
Small Projects	62	-	-	-	62	To fund small projects nominated by members
City Plan	2,545	-	(806)	513	2,252	To fund projects supporting the City Plan.
City Delivery fund	367	-	(202)	-	165	To further existing policy objectives
Other Revenue and Capital Reserves	14,126	1,713	(9,154)	(513)	6,173	To fund various specific service projects incl. External Grants (see below)
Total Earmarked Reserves	17,433	1,713	(10,202)	-	8,944	
Other Revenue and Capital Reserves						
Affordable Housing bid process	227	3	(60)	-	170	For expansion of affordable housing in the city
Localised Business Rates	3,533	-	-	(1,700)	1,833	For NNDR appeal costs and future collection fund deficits
Collection Fund timing difference**	5,003	-	(5,435)	-	(433)	** Refer to detailed note below; these are not available funds.
Income Contingency	495	-	(287)	-	208	To provide mitigation against a down-turn in income levels.
Public realm improvements	74	-	(24)	-	50	Contribution to the refurbishment of the Shambles
Crematorium Reserve	426	49	(14)	-	461	For funding of replacement Cremators
Capital Programme Reserve	51	-	-	-	51	For capital investment, replacement and maintenance of assets
Property Maintenance Fund	325	125	(394)	-	56	To support 5 year maintenance plan
Commandery Project	28	-	(24)	-	4	For funding of refurbishment
External Grants (housing)	1,681	682	(991)	-	1,372	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programme	98	100	-	-	198	Play area project delayed to 2023/24
Skills Strategy	3	-	(5)	-	(2)	To support Skills strategy & training
Tourism Strategy	59	-	-	-	59	To support Tourism Strategy & Events
Leisure Developments	32	11	(32)	-	10	Development of Leisure Facilities
Other Minor Projects	2,092	743	(1,888)	1,188	2,135	For various initiatives
Total Other Revenue & Capital Reserves	14,126	1,713	(9,154)	(513)	6,173	

** 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 2023

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

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.

2021/22	Balance at 1 April 2021 £000's	Transferred			Balance at 31 March 2022 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	297	-	(181)	-	116	For regeneration/transformation/service delivery improvements
Income Generation	226	-	(10)	-	216	To fund projects for income generation
Small Projects	66	-	(4)	-	62	To fund small projects nominated by members
City Plan	2,730	-	(494)	310	2,545	To fund projects supporting the City Plan.
City Delivery fund	-	565	(198)	-	367	To further existing policy objectives
Other Revenue and Capital Reserves	18,209	6,648	(10,421)	(310)	14,126	To fund various specific service projects incl. External Grants (see below)
Total Earmarked Reserves	21,528	7,213	(11,309)	-	17,433	
Other Revenue and Capital Reserves						
Affordable Housing bid process	332	-	(104)	-	227	For expansion of affordable housing in the city
Localised Business Rates	3,924	-	-	(391)	3,533	For NNDR appeal costs and future collection fund deficits
Collection Fund timing difference**	9,510	4,479	(8,987)	-	5,003	** Refer to detailed note below; these are not available funds.
Income Contingency	495	-	-	-	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	378	49	-	-	426	For funding of replacement Cremators
Capital Programme Reserve	51	-	-	-	51	For capital investment, replacement and maintenance of assets
Property Maintenance Fund	208	125	(7)	-	325	To support 5 year maintenance plan
Commandery Project	33	-	(5)	-	28	For funding of refurbishment
External Grants (housing)	1,552	659	(530)	-	1,681	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programme	80	78	(60)	-	98	Play area project delayed to 2021/22
Skills Strategy	19	-	(16)	-	3	To support Skills strategy & training
Tourism Strategy	59	-	-	-	59	To support Tourism Strategy & Events
Leisure Developments	35	-	(3)	-	32	Development of Leisure Facilities
Other Minor Projects	1,460	1,258	(708)	81	2,092	For various initiatives
Total Other Revenue & Capital Reserves	18,209	6,648	(10,421)	(310)	14,126	

Notes to the Balance Sheet

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2022/23 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
Cost or valuation												
At 1 April 2022	81,821	16,920	444	2,387	-	5,662	107,234	9,208	456	-	19,005	135,902
Additions	402	1,175	220			2,372	4,168					4,168
Revaluation increases/(decreases) to revaluation reserve	(10,236)				740		(9,495)	3				(9,492)
Revaluation (decreases) to surplus/deficit on provision of services	(791)				677		(114)	(20)			(2,463)	(2,597)
Derecognition - disposals		(405)					(405)					(405)
Derecognitions - other							-					-
Other movements - reclassifications	33	56	15		499	(610)	(7)		7			(0)
At 31 March 2023	71,229	17,746	679	2,387	1,916	7,424	101,382	9,190	463	-	16,542	127,577
Accumulated depreciation												
At 1 April 2022	2,424	10,067	-	469	-	-	12,960	-	232	-	-	13,192
Depreciation charge for year	1,966	1,311		73			3,350		73			3,424
Depreciation written out to the revaluation reserve	(3,321)						(3,321)					(3,321)
Depreciation written out to surplus/deficit on provision of services							-					-
Derecognition - disposals		(346)					(346)					(346)
Derecognition - other							-					-
Other movements -							-					-
At 31 March 2023	1,069	11,032	-	543	-	-	12,644	-	306	-	-	12,950
Net book value												
At 31 March 2023	70,160	6,714	679	1,845	1,916	7,424	88,738	9,190	157	-	16,542	114,627
At 31 March 2022	79,397	6,854	444	1,918	-	5,662	94,275	9,208	223	-	19,005	122,710

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2021/22 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
Cost or valuation												
At 1 April 2021	80,183	16,068	444	2,387	-	2,375	101,457	9,208	377	-	18,402	129,444
Additions	121	806				5,534	6,461		78			6,539
Revaluation increases/(decreases) to revaluation reserve	573						573					573
Revaluation (decreases) to surplus/deficit on provision of services	224						224				603	827
Derecognition - disposals		(389)					(389)					(389)
Derecognitions - other							-					-
Other movements - reclassifications	720	435				(2,247)	(1,093)					(1,093)
At 31 March 2022	81,821	16,920	444	2,387	-	5,662	107,234	9,208	456	-	19,005	135,902
Accumulated depreciation												
At 1 April 2021	1,677	9,155	-	396	-	-	11,228	-	175	-	-	11,402
Depreciation charge for year	1,698	1,285		73			3,056		58			3,114
Depreciation written out to the revaluation reserve	(950)						(950)					(950)
Depreciation written out to surplus/deficit on provision of services							-					-
Derecognition - disposals		(374)					(374)					(374)
Derecognition - other							-					-
Other movements -							-					-
At 31 March 2022	2,424	10,067	-	469	-	-	12,960	-	232	-	-	13,192
Net book value												
At 31 March 2022	79,397	6,854	444	1,918	-	5,662	94,275	9,208	223	-	19,005	122,710
At 31 March 2021	78,506	6,915	444	1,991	-	2,375	90,230	9,208	202	-	18,402	118,042

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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

Capital commitments

The Council had capital commitments of £4.372m as at 31 March 2023.

Asset valuations

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.

Bruton Knowles act as the Council's external valuer. The Council's property portfolio is valued by Louise Rymel, 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.

Revaluations and impairments were:	2022/23	2021/22
	Change	Change
	£000s	£000s
<u>Operational Properties</u>		
The Commandery	(3,759)	-
Lesiure Centres	(4,928)	-
Community Centres	(628)	-
Cinderella Ground	(599)	-
The Guildhall	1,099	-
Museum and Art Gallery	617	-
Swan Theatre	581	-
Car Parks	-	1,748
Other Properties	(89)	-
<u>Non-Operational Properties</u>		
Surplus Assets	1,417	-
Held for Sale	-	-
Buildings (Investment Properties)	(2,463)	603
Heritage Assets (see following page for detail)	(17)	-

Operational Property

The decrease in valuation for the Commandery is due to a change in method of valuation. The previous valuation was based on the build costs of a like for like replacement, it has now been based on the replacement of a modern equivalent asset rather than the existing.

The decrease in valuation for St Johns and Perdiswell Leisure Centres is due to a decrease in land values.

The remaining movements in value are either due to changes in building replacement costs, land values or estimated useful life of the buildings.

Non-operational Property, Plant and Equipment (Investment/Surplus Assets)

Investment Properties have declined in value during 2022-23 predominantly due to a decrease in market rental value for the properties at 2 and 3 Kings Court. This reflects the general office market decline in this area.

The former swimming pool at Sansome Walk is categorised as a Surplus Asset. It was previously held at a nominal value reflecting the expected cost of demolition prior to disposal. Now that this work has been completed, the latest valuation reflects the expected sale proceeds minus any remaining costs.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

16. Heritage Assets

Cost or Valuation	Memorials/ Sculptures			Total £'000
	£'000	Museums £'000	Guildhall £'000	
At 1 April 2021	44	6,898	2,266	9,208
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations/Impairments	-	-	-	0
Reclassifications	-	-	-	0
At 31 March 2022	44	6,898	2,266	9,208
At 1 April 2022	44	6,898	2,266	9,208
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations/Impairments	-	(17)	-	(17)
Reclassifications	-	-	-	0
At 31 March 2023	44	6,881	2,266	9,190

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. Referring to the revaluation adjustment above, a professional valuation was carried out on Elgar's Birthplace during 2022/23. The asset is leased out for a term of 99 years on a FRI basis (full repairing and insuring lease). This has been deemed as a finance lease and has therefore been written out of the Council's balance sheet.

Guildhall - The Guildhall collections are reported in the balance sheet based upon valuations provided in September 2019 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. These items are currently being re-valued, however this exercise was not completed before the 2022/23 accounts deadline, therefore revised valuations will be reflected in the 2023/24 accounts.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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:

	2022/23	2021/22
	£000s	£000s
Rental income from investment property	(1,293)	(1,308)
Direct operating expenses arising from investment property	38	17
Net (gain)/loss	<u>(1,256)</u>	<u>(1,291)</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:

	2022/23	2021/22
	£000s	£000s
Balance at the start of the year	19,005	18,402
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(2,463)	603
Transfers		
To/from inventories	-	-
To/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at the end of the year	<u>16,542</u>	<u>19,005</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

Our external valuers Bruton Knowles have carried out valuations on a desktop basis, relying on property data provided by the Council. Individual properties will only be physically inspected where there has been a material change since the last valuation was carried out or where there is a lack of sufficient data.

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 2023 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

18. Investments

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

	2022/23	2021/22
	£000's	£000's
CCLA Property Fund	2,640	3,162
Loans to third parties	769	773
	<u>3,409</u>	<u>3,934</u>

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

The Council's short term investments on 31st March were:

	2022/23	2021/22
	£000's	£000's
Bank/Building Society balances at amortised cost - invested:		
Over 3 months and up to 12 months	0	0
Loans to third parties	24	11
	<u>24</u>	<u>11</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 2021 and shows that the shareholders' deficit at that time (£6,067,833) was broadly similar to that of the previous year (£6,366,644). Therefore the Council has not revalued the fair value of the investment.

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

20. Assets held for sale

	2022/23	2021/22
	£000's	£000's
Current assets		
Opening balance	-	-
Assets newly classified as held for sale	-	-
Revaluations	-	-
Disposals	-	-
Closing balance	<u>-</u>	<u>-</u>

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

The Council does not currently hold any assets which fit into this category.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

21. Debtors

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

	2022/23	2021/22
	£000's	£000's
Council tax/NNDR/HB Overpayments	3,211	3,317
Government departments	2,672	646
Government departments - NNDR balances	(20)	4,979
Local authorities - Taxation/Non exchange	(4)	(4)
Local authorities - Exchange transactions*	3,998	2,901
Worcester Community Housing*	120	147
Payments in advance	605	398
Other debtors*	2,041	1,876
	12,623	14,260
Less: impairment allowance for doubtful debts		
Council tax/NNDR/ Housing Benefit		
Overpayments	(1,547)	(1,527)
Other*	(177)	(175)
	10,899	12,559

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 23% 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.

22. Cash and cash equivalents

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

	2022/23	2021/22
	£000's	£000's
Cash and bank held by the Council	139	(199)
Short term deposits	13,100	24,500
	13,239	24,301

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

23. Creditors

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

	2022/23	2021/22
	£000's	£000's
Government departments	9,642	21,013
Local Authorities - Taxation/Non exchange	588	0
Government departments - NNDR balances	1,962	0
Local Authorities - Other*	2,174	2,178
Council Taxpayers/NNDR prepayments	262	517
Other creditors*	3,986	3,478
	<u>18,613</u>	<u>27,186</u>

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

24. Provisions

	2022/23	2021/22
	£000's	£000's
Non Domestic Rates - Share of Appeals Provision (Pool)	1,106	1,273
	<u>1,106</u>	<u>1,273</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 2022/23.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

25. Borrowing

Short term borrowing

	2022/23	2021/22
	£000's	£000's
Lawn Tennis Association	0	108
P.W.L.B.	1,367	1,378
	<u>1,367</u>	<u>1,485</u>

This shows external borrowing payable within the next 12 months (principal and interest). Short term borrowing can also be undertaken to manage day to day cashflow fluctuations in accordance with treasury management policies, this is usually from other local authorities however there was no borrowing of this type reportable above. The small LTA loan was repaid in May 2022.

Long term borrowing

	2022/23	2021/22
	£000's	£000's
P.W.L.B.	11,061	12,357
Money market (LOBO)	5,071	5,072
	<u>16,132</u>	<u>17,429</u>
Maturing within one year	5,071	5,072
Maturing in 1-2 years	1,315	1,295
Maturing in 2-5 years	3,944	3,924
Maturing in 5-10 years	5,802	7,137
Maturing in more than 10 years	0	0
	<u>16,132</u>	<u>17,429</u>

The £5.071m shown above 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, for this reason it is categorised as maturing within one year.

25. Receipts in Advance

	2022/23	2021/22
	£000's	£000's
Short-term	1,661	1,276
Long-term	1,741	1,923
	<u>3,402</u>	<u>3,199</u>

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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% (16.58% 2021/22) of the total.

	Regulatory Services	
	(100%)	
	31 March	31 March
	2023	2022
	£'000	£'000
Present value of liabilities	(27,526)	(40,342)
Fair value of assets	27,411	27,670
Deficit in scheme	(115)	(12,672)
Worcester City Council share of deficit	(19)	(2,101)

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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

Included in the Comprehensive Income and Expenditure Account

	Worcester City (excluding WRS)		Share of WRS		Combined Total	
	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's
Net cost of service						
Current service cost	3,821	3,323	167	188	3,988	3,511
Past service and curtailment costs	115	15	0	0	115	15
Financing & Investment Income and Expenditure						
Net interest expense	1,275	1,037	56	44	1,331	1,081
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,211	4,375	223	232	5,434	4,607

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

	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's
<u>Remeasurement of the net defined benefit liability comprising:</u>						
Return on plan assets (excluding the amount included in the net interest)	(1,545)	(3,606)	172	(253)	(1,373)	(3,859)
<u>Remeasurements (Liabilities)</u>						
Change in business combination	-	-	-	5	-	5
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(40,717)	(718)	(2,390)	(161)	(43,107)	(879)
Experience (gains)/losses on liabilities	-	-	-	-	-	-
Total remeasurements included in Other Comprehensive Income & Expenditure	(42,262)	(4,324)	(2,218)	(409)	(44,480)	(4,733)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(37,051)	51	(1,995)	(177)	(39,046)	(126)

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	(5,211)	(4,375)	(223)	(232)	(5,434)	(4,607)
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Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to scheme	2,603	2,427	88	(57)	2,691	2,370
Retirement benefits payable to pensioners/Transfers Paid	3,889	4,086				

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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	
	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's
Present value of the defined benefit	103,838	140,014	4,565	6,689	108,403	146,703
Fair value of plan assets	(96,791)	(93,313)	(4,546)	(4,588)	(101,337)	(97,901)
Sub-total	7,047	46,701	19	2,101	7,066	48,802
Net liability arising from defined benefit obligation	7,047	46,701	19	2,101	7,066	48,802

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 for 2021/22 differs to the pension fund liability shown in the balance sheet by the remaining balance of £2.0m 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

	2022/23 £000s	2022/23 £000s	2022/23 £000s	2021/22 £000s	2021/22 £000s	2021/22 £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	140,014	6,689	146,703	138,081	6,571	144,652
Current Service Cost	3,821	167	3,988	3,323	188	3,511
Interest Cost	3,873	186	4,059	2,861	138	2,999
Contributions by scheme participants	621	29	650	538	31	569
Remeasurement (gain)/loss						
- Experience gain/Loss	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(40,717)	(2,390)	(43,107)	(718)	(161)	(879)
Benefits paid	(3,889)	(116)	(4,005)	(4,086)	(94)	(4,180)
Past service cost	-	-	-	-	-	-
Entity combinations	-	-	-	-	16	16
Curtailments	115	-	115	15	-	15
Closing balance at 31 March	103,838	4,565	108,403	140,014	6,689	146,703

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

26. Pension costs (cont'd)

Reconciliation of movement in the Fair Value of Scheme Assets

	2022/23			2021/22		
	£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	93,313	4,588	97,901	89,004	4,352	93,356
Interest Income	2,635	130	2,765	1,857	94	1,951
Contributions by employer - Current Year	2,603	88	2,691	2,427	(57)	2,370
Contributions by scheme participants	621	29	650	538	31	569
<u>Remeasurement gain/loss</u>						
Return on plan assets excluding the amount included in the net interest expense	1,545	(172)	1,373	3,606	253	3,859
Entity combinations	-	-	-	-	11	11
Benefits paid	(3,889)	(116)	(4,005)	(4,086)	(94)	(4,180)
Admin Expenses	(37)	(1)	(38)	(33)	(2)	(35)
Closing balance at 31 March	96,791	4,546	101,337	93,313	4,588	97,901

Pension Scheme Assets (Worcester City Only) Comprised:

	Fair value of scheme assets	
	2022/23	2021/22
	£000s	£000s
Cash and cash equivalents	1,428	-
Equity instruments by type:		
- UK quoted	100	106
- Overseas quoted	21,629	22,849
- PIV UK Managed Funds	12,172	12,859
- PV UK Managed Funds (Overseas equities)	35,310	37,302
- PIV Overseas Managed Funds	704	744
Sub-total equity	69,915	73,860
Bonds by sector:		
- Corporate	-	-
- UK Government Fixed	1,336	1,512
- Other Bonds	1,163	1,316
Sub-total bonds	2,499	2,828
Property by region:		
- European Property Funds	-	-
- UK Property Debt	1,040	649
- Overseas Property Debt	693	433
- UK Property Funds	6,584	4,113
Sub-total property	8,317	5,195
Alternatives		
- UK Infrastructure	5,628	4,396
- European Infrastructure	3,752	2,931
- US Infrastructure	3,126	2,442
- UK Stock Options	500	391
- Overseas Option/Corporate Debt	1,626	1,270
Sub-total Alternatives	14,632	11,430
Total assets	96,791	93,313

All scheme assets have quoted prices in active markets.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2022.

The principal assumptions used by the actuary are:

Local Government Pension Scheme & Unfunded Benefits Assumptions	2022/23	2021/22
Mortality rates		
Longevity at 65 for current pensioners		
Male	22.0	22.6
Female	24.2	25.0
Longevity at 65 for future pensioners		
Male	23.3	24.1
Female	26.1	27.0
Other		
Rate of inflation (CPI)	2.7%	3.4%
Rate of increase in salaries	4.2%	4.9%
Rate of increase in pensions	2.8%	3.5%
Rate for discounting scheme liabilities	4.8%	2.8%
Take up of option to convert annual pension into retirement lump sum	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

26. Pension Costs (cont'd)

Impact on the Defined Benefit Obligation in the Scheme	Increase / (Decrease) in Assumption £'000	
	2022/23 £000's	2021/22 £000's
Longevity (increase or decrease in 1 year)	2,145	4,226
Rate of inflation (increase or decrease by 0.25%)	3,890	2,128
Rate of increase in salaries (increase or decrease by 0.25%)	387	123
Rate of discounting scheme liabilities (increase by 0.5%)	(7,250)	(2,096)

Impact on the Council's Cash Flows

The actuarial estimate of contributions payable in 2023/24 is £2.138m.

The weighted average duration of the defined benefit obligation for scheme members is 15 years for 2022/23.

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).

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

27. Usable reserves	2022/23	2021/22
	£000's	£000's
Earmarked General Fund Reserves	8,943	17,433
Capital Grants Unapplied	499	2,631
Uncommitted General Fund Balance	1,263	1,113
Useable Capital Receipts	2,654	3,164
	<u>13,359</u>	<u>24,341</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.

28. Unusable reserves	2022/23	2021/22
	£000's	£000's
Revaluation Reserve	33,064	40,243
Capital Adjustment Account	54,746	55,757
Pensions Reserve	(7,069)	(48,805)
Pooled Investment Funds Adjustment Account	(360)	162
Accumulated Absences Adjustment Account	(368)	(344)
Collection Fund Adjustment Account	1,219	(5,115)
Balance at 31 March	<u>81,232</u>	<u>41,897</u>

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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.

	2022/23	2021/22
	£000's	£000's
Balance at 1 April	40,243	39,597
Upward revaluation of assets	5,448	4,636
Downward revaluation of assets	(11,620)	(3,112)
Difference between fair value depreciation and historical cost depreciation	(1,007)	(878)
Accumulated gains on assets sold or scrapped	-	-
Balance at 31 March	<u>33,064</u>	<u>40,243</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

28. Unusable Reserves (cont'd)

Capital Adjustment Account

	2022/23	2021/22
	£000's	£000's
Balance at 1st April	55,757	51,010
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment and revaluation losses of non current assets	(3,485)	(2,832)
Amortisation of intangible assets	(73)	(58)
Revenue expenditure funded from capital under statute (REFCUS)*	(6,423)	(2,738)
Statutory provision for repayment of debt (MRP)	791	829
Apply capital receipts from principal repaid in lieu of MRP	11	7
Write down long term debtor balance (principal repaid)	(11)	(7)
Current Cost_Historic Cost Depreciation Adjustment	1,007	878
Changes in Fair Value Investment Properties	(2,463)	603
Write out revaluations gains on disposal of assets	-	-
Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(59)	(15)
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	723	477
Capital contributions	190	104
Use of earmarked reserves	565	180
Direct Revenue Financing	3	10
Application of grants to capital financing	8,213	7,309
Balance at 31st March	<u>54,746</u>	<u>55,757</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

28. Unusable Reserves (cont'd)

Pensions Reserve

	2022/23	2021/22
	£000's	£000's
Balance at 1st April	(48,804)	(51,298)
Remeasurements of the net defined pension liability	44,480	4,733
Reversal of items relating to retirement benefits debited on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,434)	(4,609)
Employer's pension contributions and direct payments to pensioners payable in the year	2,691	2,370
Balance at 31st March	(7,067)	(48,804)

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)

	2022/23	2021/22
	£000's	£000's
Balance at 1st April	(162)	310
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	522	(472)
Balance at 31st March	360	(162)

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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.

	2022/23	2021/22
	£000's	£000's
Balance at 1st April	(344)	(333)
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	(24)	(12)
Balance at 31st March	(368)	(344)

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.

	2022/23	2021/22
	£000's	£000's
Balance at 1st April	(5,115)	(9,951)
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	16	79
- NNDR (Business rates)	6,318	4,757
Balance at 31st March	1,219	(5,115)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2023	31 March 2022	31 March 2023	31 March 2022
	£000s	£000s	£000s	£000s
Loans at amortised cost:				
- Principal sum borrowed	16,061	17,357	1,295	1,408
- Accrued interest	71	72	71	77
Total Borrowing	16,132	17,429	1,366	1,485
Liabilities at amortised cost:				
- Trade payables	0	0	6,159	5,655
Included in Creditors *	0	0	6,159	5,655
Total Financial Liabilities	16,132	17,429	7,526	7,140

* 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 23 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 2023	31 March 2022	31 March 2023	31 March 2022
	£000s	£000s	£000s	£000s
At amortised cost:				
- Principal	0	0	0	0
- Accrued interest	0	0	0	0
At fair value through profit & loss				
- Fair Value	3,409	3,935	24	11
Total Investments	3,409	3,935	24	11
At amortised cost:				
- Principal	0	0	13,239	24,301
At fair value through profit & loss				
- Fair Value	0	0	0	0
Total Cash and Cash Equivalents	0	0	13,239	24,301
At amortised cost:				
- Trade Receivables	0	0	6,159	4,925
- Loss allowance	0	0	-177	-175
Included in Debtors	0	0	5,982	4,750
Total Financial Assets	3,409	3,935	19,245	29,062

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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		2022/23 Total £'000	2021/22 Total £'000
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000		
Interest expense	492	-	-	492	513
Losses from changes in fair value and impairment	-	501	-	501	-472
Interest payable and similar charges	492	501	0	993	41
Interest income	-	-	-830	-830	-176
Dividend income	-	-114	-	-114	-104
Interest and investment income	0	-114	-830	-945	-280
Net impact on surplus/deficit on provision of services	492	387	-830	49	-239

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 2023, 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 31st 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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2023 £000s	Fair Value 31 March 2023 £000s	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	12,428	11,059	13,734	13,567
Long-term LOBO loans	2	5,071	5,873	5,072	7,606
TOTAL		17,499	16,932	18,806	21,173
Liabilities for which fair value is not disclosed *		6,159		5,655	
TOTAL FINANCIAL LIABILITIES		23,658		24,461	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		6,159		5,655	
Long-term borrowing		17,499		18,806	
TOTAL FINANCIAL LIABILITIES		23,658		24,461	

* 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 2023 £000s	Fair Value 31 March 2023 £000s	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	0		0	
Bond, equity and property funds	1	2,640		3,162	
<i>Financial assets held at amortised cost:</i>					
Bank deposits & repos	2	139	139	-199	-199
Loans to local authorities/DMADF	2	13,100	13,100	24,500	24,500
Long-term loans to companies	3	793	793	784	784
TOTAL		16,672	16,672	28,246	28,246
Assets for which fair value is not disclosed *		5,982		4,750	
TOTAL FINANCIAL ASSETS		22,654		32,996	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		769		773	
Long-term investments		2,640		3,162	
Short-term debtors		5,982		4,750	
Short-term investments		24		11	
Cash and cash equivalents		13,239		24,301	
TOTAL FINANCIAL ASSETS		22,654		32,996	

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

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2021.

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 2023		31 March 2022	
	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	13,100	0	24,500
Unrated local authorities	0	0	0	0
Unrated building societies	0	0	0	0
Unrated housing associations	0	0	0	0
Total	0	13,100	0	24,500
Credit risk not applicable *	3,000	0	3,000	0
Total Investments	3,000	13,100	3,000	24,500

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

Loss allowances on treasury investments at 31 March 2023 (and 31 March 2022) were immaterial.

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 21.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2023			31 March 2022		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	1,295	-13,100	-11,805	1,300	-24,500	-23,200
Over 1 but not over 2	1,315	0	1,315	1,295	0	1,295
Over 2 but not over 5	3,944	0	3,944	3,924	0	3,924
Over 5 but not over 10	5,802	0	5,802	7,137	0	7,137
Over 10 but not over 20	0	0	0	0	0	0
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
Total	17,357	-16,100	1,257	18,656	-27,500	-8,844

* The Council has £5m (2022: £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. In the event that the lender exercises its option, the Council is likely to repay these loans and re-finance with PWLB. 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
For the year ended 31 March 2023

29. Financial Instruments (cont'd)

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

	31 March 2023 £000	31 March 2022 £000
Increase in interest receivable on variable rate investments	-130	-245
Impact on Surplus or Deficit on the Provision of Services	-130	-245
Decrease in fair value of loans and investments at amortised cost *	0	0
Decrease in fair value of fixed rate borrowing *	-1,261	-1,427

*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 (2021/22: £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. The likelihood of the lender increasing the rate has risen during the past year to around 50% due to the rising interest rate environment.

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 31st March 2023 would result in a £0.132m (2021/22: £0.158m) 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 2023

30. Capital expenditure and financing

	2022/23	2021/22
	£000's	£000's
Capital expenditure adding to non-current asset valuation		
Land and buildings	402	121
Community/Infrastructure	220	0
Vehicles, plant and equipment	1,175	884
Work in progress	2,372	5,534
Additions to fixed assets	4,168	6,539
Additions - Investment Assets	0	0
Additions - Donated Assets	0	0
Loans for capital purpose	0	0
Capital expenditure not adding to fixed asset valuation		
Revenue expenditure funded from capital under statute*	6,423	1,645
Total Capital expenditure	10,591	8,184
Financed by:		
Usable capital receipts	723	477
Grants and other contributions	8,213	7,309
Section 106 funds	190	104
Earmarked reserves	565	180
Direct Revenue Financing	3	10
Borrowing (not immediately financed)**	898	105
Total capital financing	10,591	8,184

*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:

	2022/23	2021/22
	£000's	£000's
Opening Capital Financing Requirement	27,495	28,226
Capital Investment	10,591	8,184
Immediate financing of Capital	(9,693)	(8,079)
Principal repayments in lieu of MRP	(11)	(7)
Adjustment due to re-instatement of Kiln loan principal	20	0
Minimum revenue provision MRP (reduces underlying need to borrow)	(791)	(829)
Closing Capital Financing Requirement	27,611	27,495

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

31. Inventories

	2022/23	2021/22
	£000's	£000's
Environmental Operations	42	48
Tourist Information Centre	26	20
Museums Service	14	12
Total	82	80

Notes to the Cashflow Statement

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

32. Cash Flow Statement - operating activities

The cash flows from operating activities include:

	2022/23	2021/22
	£000's	£000's
Interest received	(945)	(280)
Interest paid	492	513
	<u>(453)</u>	<u>233</u>

33. Cash Flow Statement - investing activities

The cash flows for investing activities come from:

	2022/23	2021/22
	£000's	£000's
Purchase of property, plant and equipment	4,168	5,446
(Disposal)/Purchase of short-term investments	13	4
Proceeds from the sale of Property, Plant and Equipment and of Investment Property	(222)	(360)
Capital grants/Contributions received	-	-
Net cash flows from investing activities	<u>3,959</u>	<u>5,090</u>

34. Cash Flow Statement - financing activities

The cash flows for financing activities come from:

	2022/23	2021/22
	£000's	£000's
Receipts from short & long term borrowing	1,415	1,147
Other receipts from financing activities	41,181	(2,863)
Repayments of short and long-term borrowing	-	-
Other payments for financing activities	-	-
Net cash flow from financing activities	<u>42,595</u>	<u>(1,715)</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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:

	2022/23	2021/22
	£000's	£000's
Depreciation/Amortisation	(3,424)	(2,665)
Impairment and valuation changes	(134)	(224)
(Increase) in creditors	8,787	(8,594)
(Increase) in receipts in advance	170	(1,217)
Increase/ (decrease) in debtors	(6,339)	(9,084)
Increase in stock	2	(6)
Items relating to retirement benefits	(2,740)	(2,239)
Movements in the value of investment properties	(2,463)	603
Movements in the value of pooled investments	(525)	461
Adjustment to provisions	1,273	537
	<u>(5,393)</u>	<u>(22,428)</u>

Other Notes

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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

Of the commercial properties in the city owned by the Council, two are let to the NHS for an annual rent of £883k and the rent received in 2022/23 was £883k.

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

36. Related party transactions (cont'd)

Entities Controlled or Significantly Influenced by the Council

In 2022/23 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 £201k to the partnership in 2022/23.

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

Civica provided the Revenues and Benefits Shared Service in South Worcestershire until December 2022/23. The service has subsequently become a Shared Service hosted by Malvern Hills District Council.

Worcester City Council provide a skip service for Worcestershire County Council.

Malvern Hills District Council host the Building Control Shared Service in South Worcestershire.

Wychavon District Council host the South Worcestershire Procurement Shared Service.

Worcestershire County Council provide the fuel and maintenance of vehicles at the Warndon Depot.

Malvern Hills District Council provide Finance Systems support.

The South Worcestershire ICT Shared Service is hosted by Wychavon District Council.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

36. Related party transactions (cont'd)

Service	Wychavon District Council	Worcestershire County Council	Malvern Hills District Council	Bromsgrove District Council	Redditch Borough Council	HWFRS	Shropshire & Wrekin Fire Authority	Total Services	Payments from/to Worcester City outstanding at 31 March 2023	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	From £'000	To £'000
Revs and Bens Shared Service	1,327							1,327	390	
Long Haul		(49)						(49)		(12)
Contract & Fuel		676						676	136	
CCTV Monitoring	79							79		
County wide skip haulage to SITA		(142)						(142)		(36)
Land Drainage Partnership	14							14	4	
South Worcs Development Plan	14		128					142	42	
Worcestershire Regulatory Shared Service				592				592	12	
ICT Shared Service	655							655	186	
Financial system administration and transaction processing			174					174	19	
On Street Parking Services		(8)						(8)		(42)
Building Control Shared Service			83					83	3	
Procurement Service	61							61	2	
Joint Museums Shared Service		(145)						(145)	3	
Worcestershire Internal Audit Shared Service	(78)	(38)	(56)	(64)	(108)	(37)	(19)	(400)		(154)
Totals Partner Contributions	2,072	294	329	528	(108)	(37)	(19)	3,059	797	(244)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

36. Related party transactions (cont'd)

Service	Wychavon District Council	Worcestershire County Council	Malvern Hills District Council	Bromsgrove District Council	Redditch Borough Council	HWFRS	Shropshire & Wrekin Fire Authority	Total Services	Payments from/to Worcester City outstanding at 31 March 2022	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	From £'000	To £'000
Revs and Bens Shared Service	1,362							1,362	99	
Long Haul		(53)						(53)		(12)
Contract & Fuel		520						520	125	
CCTV Monitoring	48							48	12	
Countywide skip haulage		(131)						(131)		(27)
Land Drainage Partnership	14							14	4	
South Worcs Development Plan			87					87	42	
Worcestershire Regulatory Shared Service				501				501	27	
ICT Shared Service	596							596	149	
Financial system administration and transaction processing			184					184	41	
On Street Parking Services		(10)						(10)		(32)
Building Control Shared Service			72					72	2	

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

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 2023 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 further payments have been made and no provision has been made for either a refund or a payment during 2023/24.
- As a result of changes to the funding of local government, and specifically the introduction of the National Non Domestic Rates (NDR) 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 (£2.764m in 2022/23) 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 2023. 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.
- Compensation Claims - The Council has two Public Liability claims outstanding as at 31st March 2023, one being property damage due to tree subsidence and the other a slip/fall in a car park. The policy excess and therefore maximum liability to the Council in these cases is £10,000 each. There are also two Employers Liability claims outstanding - one personal injury due to grave digging and the other due to operation of a vehicle. The maximum liability in these cases are £5,000 and £10,000 respectively. In cases where liability has been admitted by the Council, the compensation amount will not yet have been agreed. Where liability has been denied, the claim may not have yet reached it's full conclusion. In summary, the total of these four claims is £35,000.

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 2023

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

	Uncertainties	Effect if actual results differ from assumptions
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 £2.36m . An impairment allowance is made depending on the age of the individual debts and at 31 March 2023 the allowance is £0.88m.	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.	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.

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 2027. 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.

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.

All valuations are dated 31st March 2023 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.

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 Council is faced with an increasing budget gap in its finances and in order to address this, a Savings Plan was launched in April 2023. To date £2.3m of savings have been identified and appropriate actions taken. This has included a voluntary redundancy programme at a cost of £0.5m.

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2023

42. Going Concern

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

Our recent reserves balances reported in these statements are as follows:

Date	General Fund	Reserves
31/03/2022	£1.1m	£17.43m
31/03/2023	£1.1m	£8.94m

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

A detailed cashflow forecast has also been prepared covering the period to 30th November 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 2023/24 has been delayed. However, to be prudent we have left our assumption for 2024/25 in line with our previous MTFP planning, which would show a deficit in 2024/25 on the provision of services of £0.5m 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 2024 is projected to be £6.5m, net of the projected out-turn for 2023/24. This still remains well above our required minimum level of General Fund balance of £1.1m.

Collection Fund Statement and Explanatory Notes

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

Reporting Year 2022/23	2022/23 Business Rates £000's	2022/23 Council Tax £000's	2022/23 Total £000's
Note			
INCOME			
2 Council Tax Payers	-	(63,959)	(63,959)
Transfer from General Fund in respect of S13A (1) (C) discounts		(18)	(18)
3 Income from Business Ratepayers	(39,377)	-	(39,377)
Amounts to be credited	<u>(39,377)</u>	<u>(63,976)</u>	<u>(103,353)</u>
EXPENDITURE			
Precepts, demands			
Central Government	19,048	-	19,048
Billing authority (Worcester City Council)	15,238	6,685	21,923
County Council	3,429	45,435	48,863
Fire Authority	381	2,908	3,289
Parishes	-	-	-
Police Authority	-	8,121	8,121
	<u>38,095</u>	<u>63,149</u>	<u>101,244</u>
Apportionment of previous year's estimated Collection Fund surplus:			
Central Government	(7,457)	-	(7,457)
Billing authority (Worcester City Council)	(5,965)	36	(5,929)
County Council	(1,342)	241	(1,101)
Fire Authority	(149)	16	(133)
Police Authority	-	45	45
	<u>(14,913)</u>	<u>338</u>	<u>(14,575)</u>
Amounts to be debited	<u>23,182</u>	<u>63,486</u>	<u>86,669</u>
Charges to Collection Fund			
Less:			
Losses in collection	-	-	-
5&6 Increase (decrease) in bad debt provision	690	329	1,019
7 Increase (decrease) in provision for appeals	(420)	-	(420)
Allowance for Cost of Collection	130	-	130
	<u>400</u>	<u>329</u>	<u>729</u>
Deficit or (surplus) for the year	(15,795)	(161)	(15,956)
Deficit (surplus) b/fwd at 1 April 2022	12,807	(74)	12,733
Deficit (surplus) c/fwd at 31 March 2023	<u>(2,988)</u>	<u>(234)</u>	<u>(3,223)</u>

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

	2021/22 Business Rates £000's	2021/22 Council Tax £000's	2021/22 Total £000's
Previous Year 2021/22			
Note			
Income			
2 Council Tax Payers	-	(60,629)	(60,629)
Transfer from General Fund in respect of S13A (1) (C) discounts		(47)	(47)
3 Income from Business Ratepayers	(31,212)		(31,212)
Amounts to be credited	(31,212)	(60,677)	(91,889)
EXPENDITURE			
Precepts, demands			
Central Government	21,387		21,387
Billing authority (Worcester City Council)	17,110	6,292	23,402
County Council	3,850	43,166	47,016
Fire Authority	428	2,816	3,244
Parishes	-	149	149
Police Authority	-	7,715	7,715
	42,775	60,139	102,914
Apportionment of previous year's estimated Collection Fund surplus:			
Central Government	(10,276)		(10,276)
Billing authority (Worcester City Council)	(8,987)	(35)	(9,022)
County Council	812	(235)	577
Fire Authority	(186)	(15)	(202)
Police Authority	0	(40)	(40)
	(18,637)	(326)	(18,963)
Amounts to be debited	24,138	59,813	83,951
Charges to Collection Fund			
Less:			
Losses in collection	-	-	-
5&6 Increase (decrease) in bad debt provision	226	128	355
7 Increase in provision for appeals	(1,343)		(1,343)
Allowance for Cost of Collection	128		128
	(988)	128	(859)
Deficit or (surplus) for the year	(8,062)	(735)	(8,797)
Deficit (surplus) b/fwd at 1 April 2021	20,870	661	21,531
Deficit (surplus) c/fwd at 31 March 2021	12,807	(74)	12,734

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

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 Rates are also known as Non-Domestic Rates (NDR) or National Non-Domestic Rates (NNDR). Surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

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 (**£1,936.72** in 2022/23, (£1,867.58 in 2021/22) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due. The taxbase for 2022/23 was calculated as follows:

Tax Band	Number of properties	Adjusted number of properties after discounts, new & deleted dwellings	Band D ratio	Band D equivalent taxbase 2022/23	Basic amount of Council Tax per Band
				£	£
A disabled	8	7.2	5/9	4.0	1,075.96
A	7,189	4,864.5	6/9	3,243.0	1,291.15
B	13,290	11,550.9	7/9	8,984.0	1,506.33
C	10,615	9,910.1	8/9	8,809.0	1,721.53
D	5,163	5,019.0	9/9	5,019.0	1,936.72
E	3,235	3,200.7	11/9	3,912.0	2,367.11
F	1,486	1,473.2	13/9	2,128.0	2,797.48
G	401	400.2	15/9	667.0	3,227.87
H	4	4.0	18/9	8.0	3,873.44
Total	41,391	36,430		32,774	
				Less assumed bad debt rate: 0.75%	-244
				Council Tax Base	32,530

3. Business Rates

NNDR is organised on a national basis with a Government specified rate of 49.9p for the 2022/23 financial year (49.9p 2021/22). 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 **£39.377m** (£31.212m for 2021/2022) was based on an average rateable value for the Council's area. The rateable value was **£105,493,490** at 31 March 2023 (£105,938,880 at 31 March 2022).

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

4. Collection Fund surpluses and deficits

Council Tax

The surplus on the Fund of £0.234 million at 31 March 2023 (31 March 2022 £0.074m deficit) 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:

	2022/23 £000's Share of Surplus	2021/22 £000's Share of Surplus	% Share
Worcestershire County Council	(168)	(51)	72%
West Mercia Police Authority	(32)	(12)	14%
Hereford and Worcester Fire and Rescue Authority	(10)	(8)	4%
Worcester City Council	(24)	(3)	10%
	<u>(234)</u>	<u>(74)</u>	<u>100%</u>

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 surplus on the fund in respect of business rates at 31 March 2023 is £2.98m (31 March 2022 £12.81m deficit).

	2022/23 £000's Share of (Surplus) / Deficit	2021/22 £000's Share of (Surplus)/ Deficit	19/20 Pilot shares
<u>Standard Pooling Shares</u>			
Worcestershire County Council (9%)	(269)	1,153	74%
Central Government (50%)	(1,493)	6,404	25%
Hereford & Worcester Fire & Rescue Authority (1%)	(30)	128	1%
Worcester City Council (40%)	(1,195)	5,123	0%
	<u>(2,987)</u>	<u>12,809</u>	<u>100%</u>

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

5. Allowance for Impairment of Debts and Write Offs

The provision for bad debts and write-offs as at 31 March is as follows:

Council Tax

	2022/23	2021/22
	£000's	£000's
Brought forward at 1 April	686	635
Write offs to provision in the year*	(121)	(77)
Contributions/(reductions) to provision during year	329	128
Net Increase/(Decrease) in provision	208	51
Carried forward at 31 March	<u>894</u>	<u>686</u>

* where this figure is positive it represents debts written back

NNDR

	2022/23	2021/22
	£000's	£000's
Brought forward at 1 April	1,173	1,007
Write offs to provision in the year	(136)	(61)
Contributions to provision during year	690	226
Net Increase/Decrease in provision	553	165
Carried forward at 31 March	<u>1,726</u>	<u>1,173</u>

6. Write Offs

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

	2022/23	2021/22
	£000's	£000's
Council Tax*	121	77
NNDR	136	61
	<u>258</u>	<u>138</u>

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

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

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2023

6. 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 2023.

	2022/23	2021/22
	£000's	£000's
Brought forward at 1 April	3,184	4,526
Changes in list Charged to Provision	0	0
Contributions to provision during year	(420)	(1,343)
Net (Decrease)/Increase in provision	(420)	(1,343)
Carried forward at 31 March	<u>2,764</u>	<u>3,184</u>

WORCESTER CITY COUNCIL ACCOUNTING DEFINITIONS

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.