



**Worcester**  
CITY COUNCIL

**Worcester - Proud of our past, focused on our future**

# **STATEMENT OF ACCOUNTS 2015/16**



**WORCESTER CITY COUNCIL  
STATEMENT OF ACCOUNTS 2015/16**

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# **WORCESTER CITY COUNCIL STATEMENT OF RESPONSIBILITIES**

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

The City Council is required:

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

## **The Corporate Director - Resources responsibilities**

The Corporate Director Resources 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 Corporate Director Resources is required to present the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2016.

## **As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31st March 2016, I have:**

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- 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 2016.

Lesley Meagher  
**Corporate Director - Resources**

**14 September 2016**

# **WORCESTER CITY COUNCIL NARRATIVE REPORT**

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## **1. Introduction**

This Draft Statement of Accounts present the financial position of the Council for the year ended 31 March 2016. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice under the terms of section 21(2) of the Local Government Act 2003.

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

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

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

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

The City's history spans more than 1,500 years and features the 12th Century Cathedral, the Guildhall, Commandery and the site of the final battle of the Civil War.

Worcester has strong education links with Worcester University, Heart of Worcestershire College and Worcester Sixth Form College having campuses located in the City.

The City offers a wide selection of shopping experiences from large high street brands to a variety of boutiques and independent shops and host to a number of top class sporting venues including Worcestershire County Cricket Ground, Worcester Warriors Rugby Club and Worcester Racecourse.

Worcester City has a population of approximately 99,600 people and the City's age profile is generally younger than for England and the rest of the County. 32.4% of the population are aged under-25 compared to 27.9% in Worcestershire, and 30.3% in England. The working age population between 16-64 makes up 65.5% of the total population compared to 61.3% in Worcestershire and 63.5% in England.

*Source: mid year population estimates 2014*

A survey of resident satisfaction and perception carried out in Spring 2015 indicated that there are relatively high satisfaction levels from residents of Worcester City about their local area as a place to live (80%).

The average house price in Worcester in 2014 was £201,294 compared to the County average of £221,772 and £259,617 in England. *Source: Land Registry*

The unemployment rate in Worcester is 4.7% which is lower than the national average of 5.2%. *Source: ONS annual population survey, Jan - Dec 2015*

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

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

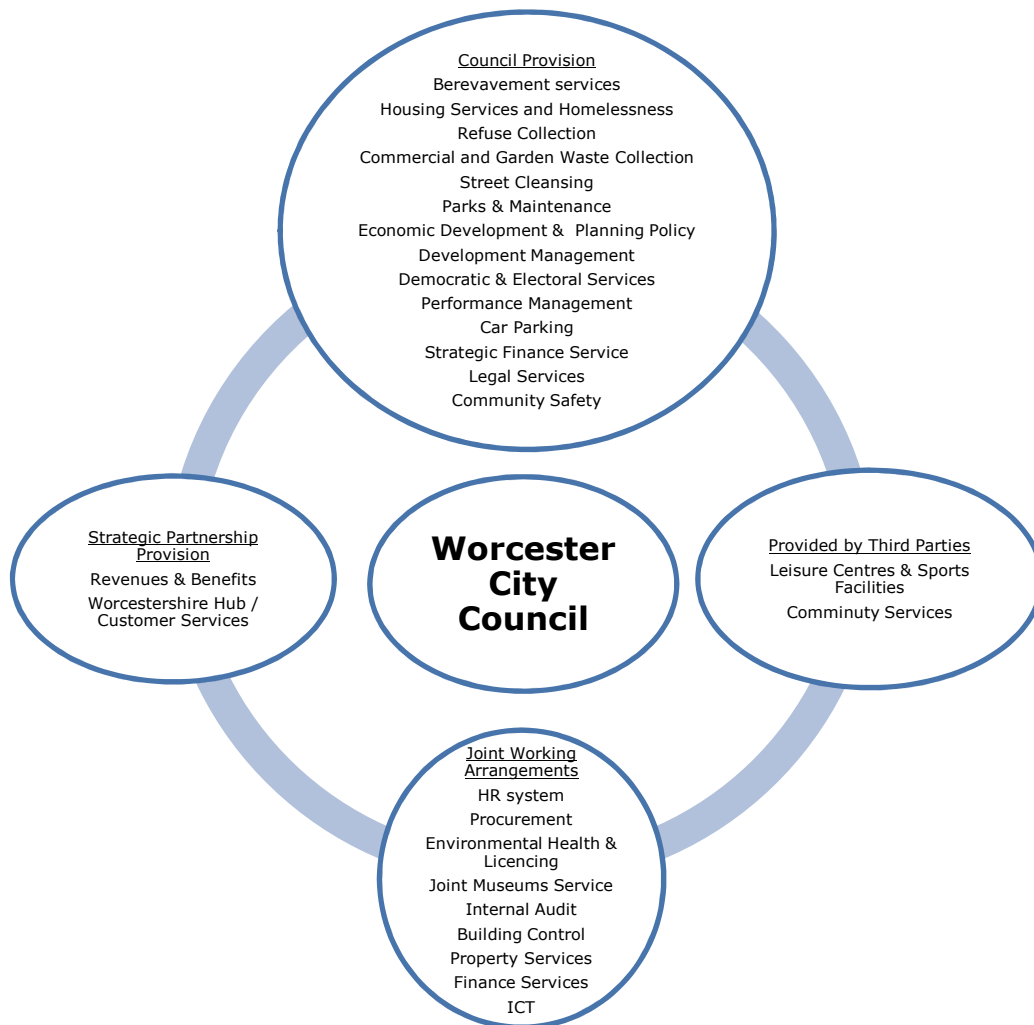
Average household income in Worcester in 2013 was £35,641 compared to £36,357 in England.

**3. The City Council**

Residents are represented by 35 councillors from 15 wards in the city. Each one is elected for a term of four years, with annual elections held in three of every four years. From 7 May 2015 to 31 March 2016 the Council was split along party political lines as shown below with the leadership undertaken by the Conservative Group.

<b>Political Party</b>	<b>Seats</b>
Conservative Group	19
Labour Group	15
Green Group	1

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

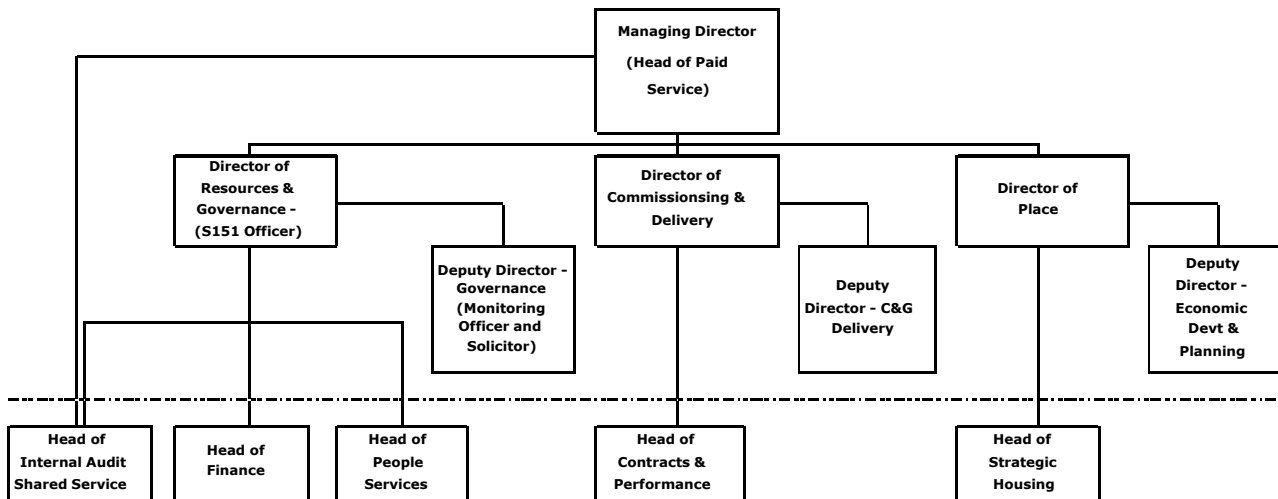


# WORCESTER CITY COUNCIL NARRATIVE REPORT

## 3. The City Council cont'd

The council has approximately 350 employees to manage and deliver services making it one of the largest employers in the city.

A new Managing Director was appointed on 19th June 2015. Following a 'fit for purposes' review a revised senior management structure was approved by the Personnel and General Purposes Committee on 31st March 2016. This is shown below with the Managing Director, Directors and Deputy Directors forming the Corporate Management Team.



**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

**4. Financial Performance 2015/16**

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

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>Movement in Reserves Statement</b>
<p><b>A deficit of £0.11m on provision of services for 2015/16.</b></p> <p>This records all of the Council's income and expenditure for the year. Expenditure is a combination of the cost of services the council is required to carry out by law (statutory duties) and discretionary expenditure focused on local needs. Income is a combination of the Council's Fees and Charges and other Income.</p>	<p><b>An overall decrease of £2.6m in Useable Reserves.</b></p> <p>This is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'useable' which can be invested in capital projects or service improvements and 'unusable' reserves which are technical accounting adjustments.</p>
<b>Cashflow Statement</b>	<b>Balance Sheet</b>
<p><b>A net cash outflow of £2.9m in 2015/16 in cash or cash equivalents</b></p> <p>This shows the reasons for the changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.</p>	<p><b>An increase in net assets of £5.1m as at 31 March 2016</b></p> <p>This shows the value of the Council's assets and liabilities at 31 March 2016</p>

**5. Budget Performance - Net Revenue Budget**

The 2015/16 budget was approved by Full Council in February 2015. This was a balanced budget achieved after a reduction in funding of 15.4% mainly due to a reduced Revenue Support Grant . It included combined cost savings and income increases of £1.2m as part of a programme of budget reduction. This is in addition to the £1.8m achieved from this programme in the previous two years. There was no increase in Council Tax.

The capital programme was approved with a budget of £8.3m. This included the first element of the costs for the new swimming pool and continuing the programme of vehicle replacement in the Cleaner and Greener service.

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

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

For 2015/16 the Council has delivered a budget surplus of £(0.5)m on operational budgets, despite the challenging financial climate and year-on-year budget savings. At a headline level, the budget surplus is comprised as follows:

- £0.4m overspend on operating expenditure against a budget of £22m;
- £(0.7)m surplus on income against a budget of £11.5m;
- £(0.1)m surplus on net Housing Benefit subsidy of £32m.

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.

	2015/16		
	Budget £'000	Actual £'000	Variance £'000
Human Resources Service	437	446	9
Internal Audit (Shared Service)	43	36	(7)
Strategy & Transformation Service	1,619	1,575	(44)
Finance and Corporate Services	2,627	2,697	70
Revenues and Benefits Service	415	355	(60)
Property & Facilities Services	1,167	1,269	102
Cleaner and Greener Service	(119)	(447)	(328)
Development Management Service	51	(16)	(66)
Community Activity & Strategic Housing	1,184	1,197	14
Museums Service	536	592	56
Leisure Services	458	454	(4)
CMT and Democratic Services	1,121	1,083	(37)
Economic Development & Planning Policy	769	770	2
Capital Charges/Interest/MRP	870	808	(62)
Housing Benefit - net subsidy	(132)	(258)	(126)
To Earmarked Reserves	2,142	2,579	437
From Earmarked Reserves	(2,685)	(2,685)	0
<b>Total Net Expenditure by Service</b>	<b>10,503</b>	<b>10,455</b>	<b>(48)</b>

The favourable surplus to budget mainly relates to increased income particularly from car parking and planning fees.



**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

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

Net revenue expenditure was financed by:

	2015/16		
	Budget £'000	Actual £'000	Variance £'000
New Homes Bonus	(1,774)	(1,774)	0
Council Tax	(4,994)	(4,994)	0
Business rates	(1,039)	(1,039)	(0)
Revenue Support Grant	(1,856)	(1,856)	(0)
Section 31 Grants / Other Govt. Grants	(791)	(791)	0
General Fund transfer	(48)	0	48
<b>Total Funding</b>	<b>(10,503)</b>	<b>(10,455)</b>	<b>48</b>

**6. Comprehensive Income and Expenditure Statement**

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

Expenditure Type	2015/16 £000	2014/15 £000
Employee expenses	<b>8,913</b>	9,026
Premises related expenses	<b>1,846</b>	1,773
Transport related expenses	<b>646</b>	715
Supplies and services	<b>2,298</b>	2,269
Third party (including shared service payments)	<b>7,658</b>	8,255
Housing Benefit and Council Tax payments	<b>31,911</b>	32,444
Capital charges	<b>2,526</b>	2,583
<b>Gross Cost of Services</b>	<b>55,798</b>	57,066

**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.

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

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

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

**WORCESTER CITY COUNCIL  
NARRATIVE REPORT**

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

<b>Income Type</b>	<b>2015/16</b>	2014/15
	<b>£000s</b>	£000s
Grants and Contributions	35,517	37,398
Rent Income	60	293
Fees and Charges	8,250	8,210
Other Income	657	1,907
<b>Total Income</b>	<b>44,484</b>	<b>47,808</b>

**Grants and Contributions** includes £32.214m towards the cost of Housing Benefits and administering those payments.

**Rent income** is mainly rents from industrial and commercial properties.

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

**7. Capital Expenditure and Financing**

Capital expenditure for 2015/16 was £3.868m (2014/15 £3.089m). This compares with a budget of £6.334m for the year, and the difference largely relates to delayed expenditure on capital projects managed in partnership with other local authorities. Funding will be carried forward to 2016/17 to complete these items.

A summary of the capital expenditure in 2015/16 is shown below. Of the £3.868m spend, £3.500m was added to the value of the Council's own assets, and the balance of £0.368m was charged in year to the Comprehensive Income and Expenditure Statement as 'revenue expenditure funded from capital under statute'. This created assets which were owned by others - for example, grants to homeowners, or contributions to capital projects managed by other local authorities.

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

<b>Capital Expenditure</b>	<b>£000</b>	<b>Source of Financing</b>	<b>£000</b>
Housing and building grants	356	Usable capital receipts	2,576
Crematorium improvements	339	External Grants	376
Play Areas and Parks projects	308	Section 106 funds	188
Swimming Pool and Sports Centre	1,855	Earmarked reserves	243
Vehicles, ICT and other equipment	913	Direct Revenue Financing	123
Other small capital items	97	Borrowing	362
<b>Total</b>	<b>3,868</b>	<b>Total</b>	<b>3,868</b>

## **8. Treasury Management**

The Council borrows for cash flow purposes within specified limits or to fund capital expenditure. Note 19 (Long Term Borrowing) in the Notes to the Core Financial Statements shows details of the Council's outstanding loans and when they mature.

The total cash and short-term investments balances at 31 March 2016 were £16.8m, which is a reduction of £1.3m against the prior year. This is due to the £0.8m increase in capital expenditure and the business rates refunds relating to the valuation appeals on GP surgeries.

## **9. Pension Fund**

The Council's share of the assets and liabilities in the Local Government Pension Fund, as administered by Worcester County Council, is a net liability, and has been calculated in accordance with International Accounting Standard 19. The net liability has decreased by £1.449m to £42.213m (in 2014/15 it increased by £9,277m to £43.662m). A further explanation can be found in Note 20 to the Core Financial Statements.

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

## **10. Reserves**

The General Fund balance brought forward from 2014/15 was £1.266m. This remained static in 2015/16 following confirmation of the Cabinet decision to move the budget surplus achieved (£0.437m) to Earmarked Reserves.

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 2014/15 were £9.101m. The balance at the year-end is £8.746m, a net decrease of £0.356m. Of this net decrease £2.934m of existing earmarked reserves were utilised in year and a further £2.579m was added to earmarked reserve balances during the year. The main addition relates to New Homes Bonus grant £1.276m. Further details are provided in note 3.

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

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

## **12. Non Financial Performance 2015/16**

Performance management across all the council's services is measured using a series of key performance indicators that are reported quarterly. Copies of these reports can be found on the council's website.

Key performance achievements during 2015/16 include:

- The adoption of the South Worcestershire Development Plan by the three South Worcestershire district councils.
- The new swimming pool and leisure centre development is underway and is due to open in December 2016. The scheme cost is £10.5m and financing is secured from external grants, capital receipts and new borrowing. This includes a grant from Sport England of £2m.
- The city centre has been the subject of two regeneration projects. Angel Place has been completed and phase one of Cathedral Square is also complete with phase two underway.
- A major fleet replacement for Cleaner and Greener Service is underway with 6 new vehicles acquired in 2015/16.
- Successful transfer of leisure services provision to an independent third party which is generating an annual cost reduction and management fee to the Council.
- Refurbishment of the Astwood Crematorium was completed in January 2016.
- One of the sponsors to the Worcester 10k run and European Wheelchair Basketball Championships, which were held in the city.
- All annual targets have been exceeded for the clean streets surveys which assess if streets are of an acceptable standard with regards to detritus, litter, grass cutting and hedge maintenance. Performance has improved or been maintained for all elements compared to 2014/15.
- Gheluvelt Park was named one of the three best parks in the UK by the national Fields In Trust charity.
- The national requirement for a five years housing land supply has been achieved with 5.9 years now identified.
- Collection of the amount billed for Business Rates of 99% and for Council Tax of 98% are both above target and are improvements on 2014/15 performance.

### **13. Corporate Plan**

In February 2015 the Council approved a five year Corporate Plan for the City: 'Proud of our past, focused on our future'. It can be viewed on the City Council website. It is focused on improving the city and includes five themes, each with supporting goals, strategies and measures:

1. Increasing prosperity through successful businesses and great jobs
2. Growing a vibrant city with sports, leisure and retail
3. Making the most of our history and heritage
4. Continuing to enhance our city centre and riverside
5. Ensuring our city is clean, green and safe

Actions taken to achieve the goals of the Corporate Plan during the year are reported to Performance Management Budget Scrutiny Committee and Cabinet.

The Council is working on an organisational Business Plan which is focused on the City Council. It will set out how we respond to the significant financial challenges the Council faces whilst continuing to deliver high quality services to residents and maintaining

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

The local elections held in May 2016 resulted in a change of leadership for the City Council. Although the Conservative Group continues to hold the largest number of seats, the Labour Group and Green Group councillors voted to change the leadership of the council from the Conservative Group to the Labour Group.

The impact of the result of the EU referendum on the Council is under review. However, given the current degree of uncertainty it is too early to draw any conclusions.

### **15. Further Information**

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

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

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

**WORCESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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**1. Scope of Responsibility**

- 1.1 Worcester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Worcester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Worcester City Council has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE guidance. The Code of Corporate Governance is available on the Council's website at [www.worcester.gov.uk](http://www.worcester.gov.uk) or can be obtained from the Monitoring Officer, Worcester City Council, The Guildhall, High Street, Worcester, WR1 2EY.
- 1.4 This statement explains how Worcester City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

**2. The purpose of the Governance Framework**

- 2.1 The governance framework comprises the cultural values, systems and processes by which the Council is directed and its activities through which it accounts to, engages with and leads its communities. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, but can provide reasonable, though not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Worcester City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The Council's approach to corporate governance is underpinned by our values of delivering the results people want; one Council; challenge to improve and empowerment with accountability. The revised governance framework is built around the following core principles:
- Focus on the outcomes for Worcester City and create a vision for the area which the Council can play a leadership role in helping to implement.
  - Members and officers working together to achieve a common purpose with clearly defined roles.
  - Promoting values for the Council and demonstrating values of good governance through upholding high standards of conduct.

## **2. The purpose of the Governance Framework (cont'd)**

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engage with local people to ensure robust public accountability.

2.4 A Governance framework has been in place at Worcester City Council for the year ended 31<sup>st</sup> March 2016 and up to the date of approval of the 2015/16 report and Statement of Accounts.

## **3. The Governance Framework**

3.1 The key elements of the systems and processes that comprise the Council's governance framework are described below.

3.2 In 2014/15 the Council approved the Worcester City Council Corporate Plan 2015-2020.. It sets out Worcester City Council's vision for shaping Worcester's future – "Proud of our past, focused on our future", and sets out five key themes that will deliver this vision. The five key themes are:

- Increasing prosperity through successful businesses and great jobs;
- Growing a vibrant city with sports, leisure and retail;
- Making the most of our history and heritage;
- Continuing to enhance our city centre and riverside; and
- Ensuring our city is clean green and safe.

The Corporate Plan 2015-2020 also identifies the goals, strategies and measures that will address these themes through continued effective and efficient management of resources and the development of innovative and flexible service delivery. The Corporate Plan 2015-20 sets out the various approaches we will take for example, becoming an enabling authority which sets clear outcomes and identifies the services that it wants to deliver. The Council will continue to focus on core projects as part of the existing transformation plan, to deliver cumulative revenue savings, to deliver co-ordinated business improvement reviews, to ensure that the technology the Council uses is fit for the future and to develop an Organisational Development Plan to identify the skills, knowledge and attributes that will be required in the Council's workforce to enable the Council to deliver its priorities.

3.3 **The Council Constitution** – The Council constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure these are transparent and accountable to local people. The agendas and minutes of all the public meetings of the Council and its committees are available on our website.

3.4 **Council Structure** – The Council operates a Leader and Cabinet model with Cabinet members responsible for individual portfolios.

3.5 **Policy development and Scrutiny**- The Council has two Scrutiny committees:

- Scrutiny Committee
- Performance Management and Budget Scrutiny Committee

In 13/14 it was agreed that in line with CIPFA guidance the Council would review the role of the Audit Committee with a view to it being a Committee of the Council rather than an overview and scrutiny committee. Work to deliver on this has taken

**3.5 Policy development and Scrutiny (cont'd)**

place in 14/15 and the Audit Committee is now a committee of the Council.

- 3.6 The Standards Committee** - This committee's role is to promote and maintain high standards of conduct by Members and to monitor the operation of the Members Code of Conduct.
- 3.7 Head of Paid Service** – The Managing Director is designated Head of Paid Service and has overall corporate management and operational responsibility. She provides professional advice to all parties in the decision making process and together with the Monitoring Officer is responsible for the system of record keeping for all Council decisions. The previous Managing Director left the authority at the end of May 2015 and the Corporate Director Resources was the Acting Head of Paid Service until the new Managing Director took up post in August 2015.
- 3.8 Monitoring Officer** - The Council has designated the Legal Services Manager as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 3.9 Chief Finance Officer** – The Corporate Director Resources is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules. The Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010).
- 3.10 Code of Corporate Governance** – The local code sets out the Council's definition of Corporate Governance, the values it stands for and the key principles of corporate governance that it has adopted.
- 3.11 Anti Fraud and Corruption Arrangements** – The Council continues to review and update its Anti Fraud and Corruption Policy to ensure it demonstrates a commitment to tackling fraud and corruption whether within or external to the Council.
- 3.12 Corporate Complaints** – The Council has a complaints policy and procedure which describes how complaints can be made and how they will be monitored.
- 3.13 Stakeholder Communication** – The following main methods are used to communicate the Council's objectives and achievements to local people:
- City Life, a quarterly newsletter sent to all households
  - The Council Website
  - Social media including Facebook and Twitter
  - The annual Council Tax leaflet

The Council also undertakes consultation exercises for example, the Viewpoint satisfaction survey and budget consultation.

- 3.14 Partnership Governance** – Partnerships are a key component of service delivery. The Council is engaged in a wide range of partnerships including shared service arrangements with other Councils. a public private partnership for Revenues and Benefits and the Hub (Customer Services) as well as the creation of the Place Partnership Limited property management company with other Councils, the police and the fire authority.



**WORCESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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- 3.15 **Performance Management** - Performance Management - The Council's approach to performance management and the Performance Management Framework was reviewed in 15/16, however more work is required to cover the Corporate Plan and organisational improvement objectives. The framework will be aligned with the Council's priorities as set out in the Corporate Plan 2015-2020 and the Council's Mind the Gap Programme as these themes become embedded across the Council.
- 3.16 **Risk Management** - Worcester City Council's risk management strategy was reviewed in 2014/15. The Corporate Risk Register is monitored by management on a quarterly basis; with Cabinet asked to review the register on a six monthly basis, Audit Committee also receive a risk management report on a six monthly basis. Cabinet approves the Management Action Plan each year, with risks and progress to date reassessed in all the areas. The Corporate Risk Register is designed to be a live document, therefore any risks that are brought to CMT's attention as being strategically important will be added to the register. The Strategy and Transformation Service Manager has responsibility for corporate risk management.
- 3.17 **Internal Audit** - Worcester City Council's responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2015.
- 3.18 **External Audit** - The Council has new external auditors for the 2015/16 financial reporting year onwards.

**4. The Review of Effectiveness**

- 4.1 Worcester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Service Manager of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review has been carried out through the Council's Corporate Governance Assurance Board and has incorporated a review of progress against the areas of continuous improvement and the improvement initiatives identified in last year's annual governance statement.
- 4.2 The Council has identified two categories of actions to strengthen its governance arrangements. These were divided into five areas of continuous improvement as well as five improvement initiatives. These are summarised as follows:

**Improvement Initiatives**

- 1) Mind the Gap
- 2) Pay review
- 3) S.106 decision making processes
- 4) Grant award processes
- 5) Committee report writing procedures

#### **4. The Review of Effectiveness (cont'd)**

##### **Continuous Improvement**

- 6) Contract and Client management
- 7) Improving Business Continuity Planning
- 8) Value for Money
- 9) Implementing the scrutiny review action plan
- 10) New Partnership arrangements

Overall, the review found that the Council had made progress in all of the areas identified in the 14/15 annual governance statement.

#### **4.3 Mind the Gap**

The target for this improvement initiative in 2015/16 was "To deliver savings targets against Service Plans in 2015-16 financial year."

The overall savings target for 2015-16 was £1.0m. By the end of the 4<sup>th</sup> quarter, the transformation plan had achieved savings of £0.9m. 2016-17 Mind the Gap projects have been incorporated into the service planning process and will be kept under review through quarterly reporting to the Performance Management and Budget Scrutiny Committee and Cabinet. Mind the Gap will continue as an improvement initiative for the year 2016-17.

#### **4.4 Pay Matters**

The target for this improvement initiative in 2015/16 was "To implement a new pay structure in January 2016".

A Project Board, which includes the Head of Paid Service, the S.151 Officer, the Monitoring Officer, the Service Manager Finance and the Service Manager Human Resources has continued to have oversight of the Pay Matters Project.. The Project Board is also supported by a project officer from West Midlands Employers. Work has continued throughout 2015-16 to identify a suitable job evaluation scheme. Communication with staff has continued through Wider Management Team and via the Council's staff publication "In the Know". The detailed proposal has been passed to the unions and they expect to be in a position to ballot their members with a recommendation to accept in June 2016. The timetable for implementation of the new pay structure is now programmed for September 2016. Pay Matters will continue as an improvement initiative for the year 2016-17.

#### **4.5 S.106 decision making processes**

The target for this improvement initiative in 2015/16 was "To establish robust decision making processes for identifying suitable s.106 projects and for allocating s.106 monies".

The S106 Programme Board is a quarterly meeting of Service Managers with responsibility for agreeing S106 spending priorities, approving projects to ensure S106

**4.5 S.106 decision making processes (cont'd)**

delivery of projects and inputting into the development of planning policy to secure developer agreements.

Officers are working to identify how we deal with the changing regulatory landscape. Work is on-going through the Corporate Governance Board to reassess procedures in light of The Community Infrastructure Levy Regulations 2010 (as amended) and issues emerging from the Housing and Planning Bill.

S.106 decision making processes will continue as an improvement initiative for the 2016/17 year.

**4.6 Grant award processes**

The target for this improvement initiative in 2015/16 was "To establish criteria and transparent processes for the allocation of grant funding".

A Project Group is meeting regularly. Report prepared for CMT to consider the findings of the review and what the next steps should be to developing the transparent process to awarding the grants.

Grant award processes will continue as an improvement initiative for the 2016/17 year.

**4.7 Committee report writing procedures**

The target for this improvement initiative in 2015/16 was "To implement quality standards for committee report writing".

The main objectives of the review have been addressed and appropriate support mechanisms for report authors have been established. The new report template and standards were implemented with effect from the March 2016 Cabinet cycle. The report templates and guidance have been well publicised and the new arrangements will be monitored by Democratic and Electoral Services. This improvement initiative has been completed and this will now become business as usual activity.

**4.8 Implementing the scrutiny review action plan**

The target for this continuous improvement initiative in 2015/16 was "To complete all outstanding actions in the scrutiny review action plan during the 2015-16 financial year".

The remaining actions in the scrutiny review action plan have been completed. In particular, a Scrutiny toolkit has been developed and will be signed off by Corporate Management Team in quarter one 2016/17. A version of the toolkit will also be available to Members. This area of continuous improvement has been completed and this will now become business as usual activity.

**4.9 New Partnership arrangements**

The target for this continuous improvement initiative in 2015/16 was "To embed best practice in respect of the recording and management of partnership arrangements through the monitoring of the effectiveness of the partnership register and the communication with relevant services during the 2015-16 financial year"

The Partnership Register and framework will be finalised during quarter one 2016-17 by the Senior Management Team and guidance will be rolled out to managers so that they are able to focus on those partnerships/ relationships which have the greatest impact on the Council's

#### **4.9 New Partnership Arrangements (cont'd)**

This area of continuous improvement will continue for the 2016/17 year.

#### **4.10 Contract and Client management**

The target for this continuous improvement initiative in 2015/16 was "To publish on a quarterly basis a contract register, to monitor the register to ensure that is up to date and to develop staff guidance and provide training on contract management."

The new e-procurement software is now live and training with each service has begun. The existing records are being transferred. The new system will enhance our e-procurement capability and make contract management more efficient. There remains further work to be done in terms of the development of staff guidance and training on contract management which will be progressed during 2016/17 following the approval of a new senior management structure by the Personnel and General Purposes Committee, the appointment of a new Corporate Director for Commissioning and Delivery and the creation of a new post of Head of Contracts and Performance.

This area of continuous improvement will continue for the 2016/17 year.

#### **4.11 Improving business continuity planning**

The target for this continuous improvement initiative in 2015/16 was "To achieve final sign off on the BCP during the first half of the 2015-16 financial year."

Training provided to Service managers and identified staff within the organisation. Training for all staff currently being developed on the Learning Lounge to undertake as a mandatory part of induction but then with a requirement to be updated annually.

A training exercise is being prepared by the Emergency Planning Unit for Sept/Oct 2016 to exercise both the Business Continuity and Major Emergency Plan. Work continues to ensure there is ownership of identified Worcestershire risks within the Worcester City Corporate Risk Register.

This area of continuous improvement will continue for the 2016/17 year.

#### **4.12 Value for Money**

The target for this continuous improvement initiative in 2015/16 was "To monitor Value for Money performance measures in Service Plans during the 2015-16 financial year."

During 2015-16 the Council introduced a Balanced Scorecard approach to the monitoring of service performance measures. This provides an overview of the position of each service with regards to finance, satisfaction, efficiency and employees. The content is under review and some developments are being considered for 2016/17.

This area of continuous improvement will continue for the 2016/17 year.

**4.12 Value for Money (cont'd)**

4.13 In addition to the areas for improvement identified in the Council's AGS action plan the Council has also ensured the effectiveness of governance arrangements through continued improvements in project management arrangements. The Strategic Programme Board has supported effective project delivery through robust overview of delivery of corporate projects. Project delivery has also been incorporated into quarterly performance reporting to ensure there is visibility of delivery against key corporate plan projects. The Council has successfully delivered a range of projects and has ensured that where there have been delays or issues in project delivery that officers have focussed on capturing lessons learned to ensure the Council can continue to improve its approach.

**4.14 Internal Audit**

The Internal Audit function has operated as a shared service since 2010/11. It is hosted by Worcester City, and provides the Internal Audit function for five district councils as well as the Hereford and Worcester Fire and Rescue Service. The shared service operates in accordance with the Institute of Internal Auditors International Standards and the United Kingdom Public Sector Internal Audit Standards (PSIAS) and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources as well as ensuring there is protection of the public purse.

The Internal Audit Plan for 2015/2016 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system, which is embedded in the methodology, and was approved by the Audit Committee. It included: a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion'; other corporate systems for example governance and a number of operational systems for example procurement, planning enforcement and economic development  
Audits across the corporate spectrum have been undertaken, the outcomes of which have been reported to Audit Committee where appropriate. Core financial audits provided overall reasonable assurance.

Based on the audits performed in accordance with the audit plan the Worcester Internal Audit Shared Services Service Manager concludes that the Council's governance framework arrangements during 2015/2016 have not always provided full assurance but are satisfactory in many areas with any identified issues being addressed by the management team as part of the process of continuous improvement.

**5. Significant Governance Issues**

5.1 The statutory duties of the Monitoring Officer and the Section 151 Officer require them to draw to members' attention any improper practices, financial imprudence or problems with the systems of internal control. No significant weaknesses or issues have been identified.

**5. Significant Governance Issues (cont'd)**

5.2 However, Worcester City Council seeks to strengthen its governance arrangements by monitoring internal and external assurance gathering throughout the year as outlined in paragraph 2. Some of the improvement initiatives for 2015/16 will carry forward to 2016/17. Other improvement initiatives have also been identified, as well as areas for continuous improvement. Under each area, outcomes, measurable targets and any key milestones have been identified, where appropriate, to ensure that future improvement initiatives and areas for continuous improvement achieve the required results. These can be summarised as follows:

**Improvement Initiatives**

1) Mind the Gap

To deliver savings targets against Business Service Plans in 2016-17 financial year

2) Pay review

To implement a new pay structure in September 2016

3) S.106 decision making processes

To establish robust decision making processes for identifying suitable s.106 projects and for allocating s.106 monies

4) Grant award processes

To establish criteria and transparent processes for the allocation of grant funding

5) Health and Safety compliance

To undertake a review of the governance of health and safety processes during the 2016/17 financial year.

6) Safeguarding compliance

To undertake a review of the governance of safeguarding processes during the 2016/17 financial year.

7) Business Plan

To embed organisational priorities and management competencies across the Council.

**5. Significant Governance Issues (cont'd)**

**Continuous Improvement**

7) Contract and Client management

To develop staff guidance and provide training on contract management

8) Improving Business Continuity Planning

To test the Council's business continuity plans during the first half of the 2016-17 financial year.

9) Value for Money

To monitor Value for Money performance measures in Service Business Plans during the 2016-17 financial year.

10) New Partnership arrangements

To finalise the partnership register and to roll out to managers to enable them to effectively manage partnership arrangements

Signed:

Sheena Ramsey  
Managing Director

Signed:

Councillor Adrian Gregson  
Leader of the Council

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

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**1. General**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position as at 31st March 2016. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting 2015/16, relevant International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP). The accounts generally use 'historical cost' figures, except for certain categories of non-current assets and financial instruments which are revalued differently as required by accounting rules.

**2. Accruals of Income and Expenditure**

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

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

**3. Government Grants**

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

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

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

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



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

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

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

#### *Recognition*

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

#### *Measurement*

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

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

- Community assets (mainly open land) – 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;
- All other assets – fair value, which means the amount that would be paid for the asset in

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

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

#### *Impairment*

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

Other impairments 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.

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

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### *Disposals*

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

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

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

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

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

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

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

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

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

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

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### **6. Assets - Depreciation**

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

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

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

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

### **7. Assets - Investment Properties**

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

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

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

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

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

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

### **9. Operating Leases**

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

### **10. Reserves**

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

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

### **11. Estimation Techniques**

In line with FRS18, a distinction is made between accounting policies and estimation techniques. Accounting policies set out how things should be included and recorded; estimation techniques concern using expertise and information to attribute a financial value for assets, liabilities, gains, losses and changes in reserves where exact figures are not available - for example, in valuing an asset that accounting policies say should be recorded at 'fair value' but is not actually on the market. Where estimation techniques are used, the notes to the accounts explain when and how this has been done.

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

### **12. Inventories**

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

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

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### **13. Costs of Central Support Services**

When readers are comparing the costs of front-line services provided by different councils or other providers, it is essential that the elements of costs are all treated the same way. Worcester City Council follows the costing principles of the CIPFA SeRCOP, and so fully charges the cost of central support services and overheads to the services that receive the supply or service, with the exception of certain costs that cannot be charged to front-line services and so stay shown within Corporate and Democratic Core and Non Distributed Costs.

These are more fully explained in note 28 'Amounts reported for resource allocation decisions'.

### **14. Employee Benefits**

#### Benefits Payable During Employment

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

#### Termination Benefits

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

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

## WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

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

#### Post Employment Benefits

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

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

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

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

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

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

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

Note 20 gives the details of assumptions, changes and costs for the current year and comparatives for the previous year.

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

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

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

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

**15. Bad debt provisions**

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

**16. Financial Liabilities (loans)**

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

**17. Financial Assets (investments)**

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

**18. VAT**

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

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

In considering the requirement to prepare Group Accounts, the Council has adopted FRS2 and the CIPFA Code of Practice. The Council is of the opinion that it does not have any material interests in companies and other entities and need not prepare group accounts.

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

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**20. Accounting for Council Tax**

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

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

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

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

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

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

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

The cash received in respect of cost of collection allowance is included within Revenue Activities in the Cash Flow Statement. The difference between the amount of cash collected from NNDR taxpayers and the amount paid over to central government and other parties is included in the analysis of financing activities (see note 25).

**22. Cash and Cash Equivalents**

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



### **23. Accounting for Jointly Controlled Operations**

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

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

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

Worcester City Council hosts the Internal Audit Shared Service as a jointly controlled operation and so accounts for the costs incurred for Malvern Hills District Council, Bromsgrove District Council, Redditch Borough Council and Wychavon District Council, its partners in the arrangement.

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

### **24. Heritage Assets**

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

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

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

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

**25. Other Accounting Matters**

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

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

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

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

**WORCESTER CITY COUNCIL**  
**MOVEMENT IN RESERVES STATEMENT**  
**For the year ended 31st March 2016**

Note	General Fund Balance £'000s	Earmarked Reserves £'000s	Capital Receipts Reserve £'000s	Capital Grants Unapplied £'000	Total Usable Reserves £'000s	Total Unusable Reserves £'000s	Total Authority Reserves £'000s
<b>Balance at 1st April 2014</b>	<b>1,266</b>	<b>6,150</b>	<b>3,273</b>	<b>0</b>	<b>10,688</b>	<b>23,713</b>	<b>34,400</b>
<b><u>Movement in Reserves During 2014/15 - Restated</u></b>							
Deficit on the provision of services	266				<b>266</b>		<b>266</b>
Other Comprehensive Income and Expenditure	-				-	(5,824)	<b>(5,824)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>266</b>			<b>-</b>	<b>266</b>	<b>(5,824)</b>	<b>(5,558)</b>
Adjustments between accounting basis and funding basis under regulations	2,686	-	1,979	-	<b>4,665</b>	(4,665)	<b>(0)</b>
<b>Net Increase before Transfer to Earmarked Reserve</b>	<b>2,951</b>	<b>-</b>	<b>1,979</b>	<b>-</b>	<b>4,930</b>	<b>(10,489)</b>	<b>(5,558)</b>
Transfers to/(from) Earmarked Reserves	(2,952)	2,952	-		-	-	-
<b>Increase in 2014/15</b>	<b>(1)</b>	<b>2,952</b>	<b>1,979</b>	<b>0</b>	<b>4,930</b>	<b>(10,489)</b>	<b>(5,558)</b>
<b>Balance at 31st March 2015</b>	<b>1,265</b>	<b>9,102</b>	<b>5,252</b>	<b>-</b>	<b>15,618</b>	<b>13,223</b>	<b>28,841</b>
<b>Balance at 1st April 2015</b>	<b>1,266</b>	<b>9,102</b>	<b>5,252</b>	<b>-</b>	<b>15,618</b>	<b>13,223</b>	<b>28,841</b>
<b><u>Movement in Reserves During 2015/16</u></b>							
Surplus on the provision of services	(111)				<b>(111)</b>		<b>(111)</b>
Other Comprehensive Income and Expenditure					-	5,222	<b>5,222</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(111)</b>			<b>-</b>	<b>(111)</b>	<b>5,222</b>	<b>5,110</b>
2 Adjustments between accounting basis and funding basis under regulations	(245)	-	(2,237)	13	<b>(2,469)</b>	2,469	-
<b>Net Increase/(Decrease) before Transfer to Earmarked Reserve</b>	<b>(356)</b>	<b>-</b>	<b>(2,237)</b>	<b>13</b>	<b>(2,581)</b>	<b>7,691</b>	<b>5,110</b>
3 Transfers to/(from) Earmarked Reserves	356	(356)	-		-	-	-
<b>Increase/(Decrease) in 2015/16</b>	<b>(0)</b>	<b>(356)</b>	<b>(2,237)</b>	<b>13</b>	<b>(2,581)</b>	<b>7,691</b>	<b>5,110</b>
<b>Balance at 31st March 2016</b>	<b>1,265</b>	<b>8,746</b>	<b>3,014</b>	<b>13</b>	<b>13,038</b>	<b>20,914</b>	<b>33,952</b>

**WORCESTER CITY COUNCIL**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**For the year ended 31st March 2016**

Note	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s	Restated 2014/15 Net Expenditure £000s
<b>27 Service Expenditure Analysis</b>				
Central services to the public	2,676	(1,271)	1,406	2,002
Cultural and related services	7,345	(1,105)	6,240	5,605
Environmental and Regulatory Services	5,473	(3,536)	1,938	1,239
Planning Services	1,730	(755)	975	897
Highways and transport services	2,350	(3,805)	(1,455)	(2,230)
Housing services	35,439	(34,009)	1,430	387
Corporate and democratic core	744	(4)	740	1,248
Non-distributed costs	41	-	41	112
<b>27 NET COST of SERVICES</b>	<b>55,798</b>	<b>(44,484)</b>	<b>11,314</b>	<b>9,258</b>
4 Other operating expenditure			(174)	(288)
5 Financing and investment income and expenditure			908	1,612
6 Taxation and non-specific grant income			(11,937)	(10,848)
<b>28 DEFICIT/ (SURPLUS) ON PROVISION OF SERVICES</b>			<b>111</b>	<b>(266)</b>
22 Surplus on revaluation of non current assets			(3,204)	(3,048)
20 Remeasurements of the net defined benefit liability (pension)*			(2,019)	8,871
Reduction in long term loans relating to house purchases			1	1
Other Comprehensive (Income) and Expenditure			(5,222)	5,824
<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>			<b>(5,110)</b>	<b>5,558</b>

\* In 14/15 the pension fund fell in value, this financial year it rose in value. Note 20 contains the detail.

The Council has identified the need for a prior period adjustment and as a result has restated the affected comparative figures for 2014/15 . Details of the restatement can be found in Note 1.

**WORCESTER CITY COUNCIL**  
**BALANCE SHEET**  
**as at 31st March 2016**

Note	2015/16 £000s	2014/15 Restated £000s	2013/14 Restated £000s	
<b>Long term assets</b>				
9	Property, plant & equipment	60,363	55,659	54,244
10	Heritage assets	7,667	7,667	6,883
11	Investment property	3,017	2,791	4,302
12	Long term debtors	1,000	1,001	1,002
		<b>72,046</b>	67,118	66,431
<b>Current assets</b>				
13	Short term investments	14,400	12,750	6,000
14	Assets held for sale	100	100	8
	Inventories	22	23	16
15	Short term debtors	4,850	4,236	5,534
16	Cash and cash equivalents	2,365	5,301	8,895
		<b>21,736</b>	22,410	20,453
<b>Current liabilities</b>				
17	Short term creditors	7,506	5,768	7,383
18	Provisions	1,606	2,708	2,128
		<b>9,111</b>	8,476	9,511
<b>Long term liabilities</b>				
19	Long term borrowing	8,507	8,548	8,588
20	Pensions liability	42,213	43,663	34,385
		<b>50,720</b>	52,211	42,973
	<b>NET ASSETS</b>	<b>33,952</b>	28,841	34,400
<b>Financed by:</b>				
21	Usable reserves	13,038	15,618	10,687
22	Unusable reserves	20,914	13,223	23,713
	<b>TOTAL RESERVES</b>	<b>33,952</b>	28,841	34,400

The Council has identified the need for a prior period adjustment and as a result has restated the affected comparative figures for prior years . Details of the restatement can be found in Note 1.

**WORCESTER CITY COUNCIL**  
**CASH FLOW STATEMENT**  
**For the year ended 31st March 2016**

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Note	<b>2015/16</b>	2014/15
	<b>£000s</b>	Restated £000s
<b>Net deficit/(surplus) on the provision of services</b>	<b>111</b>	(266)
26 Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>(1,763)</b>	(5,127)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>1,430</b>	3,896
<b>Net cash flows from:</b>		
23 Operating activities	<b>(222)</b>	(1,497)
24 Investing activities	<b>3,604</b>	4,618
25 Financing activities	<b>(446)</b>	473
Net decrease in cash and cash equivalents	<b>2,936</b>	3,594
Cash and cash equivalents at the beginning of the reporting period	<b>5,301</b>	8,895
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,365</b>	5,301

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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31st March 2016

**1. Prior period adjustment**

The authority has identified errors in the 2014/15 accounts in relation to the revaluation of assets and the share of the net pension liability. This requires a prior period adjustment and has resulted in the following changes being made to the 2014/15 financial statements:

**Balance Sheet - Summary of Changes**

Description	Fixed Assets	Long Term Liabilities	Net Assets	Revaluation Reserve	CAA	Pensions Reserve	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property revaluations based on gross asset value pre depreciation, rather than net book value 2014/15	1,493		<b>1,493</b>	1,493			<b>1,493</b>
Investment properties upward revaluations included in the Revaluation Reserve but should be in the Capital Adjustment Account (2013/14 & prior transactions)				(420)	420		-
Adjust for downward valuations charged to the CIES				(161)	161		-
Write down revaluation reserve for difference in depreciation on current cost basis minus historic cost model				(298)	298		-
Investment properties upward revaluations included in the Revaluation Reserve but should be reflected in CIES then reversed via movement in reserves to Capital Adjustment Account 2014/15				(42)	42		-
Revaluation reserve includes 3 properties disposed of in prior years (13/14 & prior)				(377)	377		-
Capital Expenditure in 14/15; treated as an addition and as part of the revaluation.	(290)		<b>(290)</b>	(290)			<b>(290)</b>
Worcestershire Regulatory Services - Reflect share of net pension liability in balance sheet (shown previously in disclosure notes to the core statements)		(884)	<b>(884)</b>			(884)	<b>(884)</b>
	1,202	(884)	<b>318</b>	(96)	1,298	(884)	<b>318</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31st March 2016

**1. Prior period adjustment (cont'd)**

<b>Balance Sheet Restatement</b>	Opening Balance Sheet 1 April 2014 £000s	Adjustments (13/14 & prior) £000s	Restated 1 April 2014 £000s	<b>Adjustments</b>			<b>Restated 31 March 2015 £000s</b>
				Published Balance Sheet 31 March 2015 £000s	13/14 & Prior £000s	2014/15 £000s	
<b>Long term assets</b>							
Property, plant & equipment	54,244	-	<b>54,244</b>	54,457	-	1,202	<b>55,659</b>
Heritage assets	6,883	-	<b>6,883</b>	7,667	-	-	<b>7,667</b>
Investment property	4,302	-	<b>4,302</b>	2,791	-	-	<b>2,791</b>
Long term debtors	1,002	-	<b>1,002</b>	1,001	-	-	<b>1,001</b>
	<u>66,432</u>	<u>-</u>	<u><b>66,432</b></u>	<u>65,916</u>	<u>-</u>	<u>1,202</u>	<u><b>67,118</b></u>
<b>Current assets</b>							
Short term investments	6,000	-	<b>6,000</b>	12,750	-	-	<b>12,750</b>
Assets held for sale	8	-	<b>8</b>	100	-	-	<b>100</b>
Inventories	16	-	<b>16</b>	23	-	-	<b>23</b>
Short term debtors	5,534	-	<b>5,534</b>	4,236	-	-	<b>4,236</b>
Cash and cash equivalents	8,895	-	<b>8,895</b>	5,301	-	-	<b>5,301</b>
	<u>20,453</u>	<u>-</u>	<u><b>20,453</b></u>	<u>22,410</u>	<u>-</u>	<u>-</u>	<u><b>22,410</b></u>
<b>Current liabilities</b>							
Short term creditors	7,383	-	<b>7,383</b>	6,040	-	-	<b>6,040</b>
Provisions	2,128	-	<b>2,128</b>	2,436	-	-	<b>2,436</b>
Bank overdraft	-	-	<b>-</b>	-	-	-	<b>-</b>
	<u>9,511</u>	<u>-</u>	<u><b>9,511</b></u>	<u>8,476</u>	<u>-</u>	<u>-</u>	<u><b>8,476</b></u>
<b>Long term liabilities</b>							
Long term borrowing	8,588	-	<b>8,588</b>	8,548	-	-	<b>8,548</b>
Pensions liability	33,924	461	<b>34,385</b>	42,779	461	423	<b>43,663</b>
	<u>42,512</u>	<u>461</u>	<u><b>42,973</b></u>	<u>51,327</u>	<u>461</u>	<u>423</u>	<u><b>52,211</b></u>
<b>NET ASSETS</b>	<u>34,861</u>	<u>-</u>	<u><b>34,400</b></u>	<u><b>28,523</b></u>	<u><b>(461)</b></u>	<u><b>779</b></u>	<u><b>28,841</b></u>
<b>Financed by:</b>							
Usable reserves	10,687	-	<b>10,687</b>	15,618	-	-	<b>15,618</b>
Unusable reserves							
- Revaluation Reserve	13,814	(797)	<b>13,017</b>	15,863	(797)	701	<b>15,767</b>
- Capital Adjustment Account	45,565	797	<b>46,362</b>	42,978	797	501	<b>44,276</b>
- Pensions Reserve	(33,924)	(461)	<b>(34,385)</b>	(42,779)	(461)	(423)	<b>(43,663)</b>
- Deferred Capital Receipts	2	-	<b>2</b>	1	-	-	<b>1</b>
- Accumulated Absences Reserve	(191)	-	<b>(191)</b>	(229)	-	-	<b>(229)</b>
- Collection Fund Adjustment Account	(1,092)	-	<b>(1,092)</b>	(2,930)	-	-	<b>(2,930)</b>
	<u>24,174</u>	<u>(461)</u>	<u><b>23,713</b></u>	<u>12,905</u>	<u>(461)</u>	<u>779</u>	<u><b>13,223</b></u>
<b>TOTAL RESERVES</b>	<u>34,861</u>	<u>(461)</u>	<u><b>34,400</b></u>	<u>28,523</u>	<u>(461)</u>	<u>779</u>	<u><b>28,841</b></u>



**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31st March 2016

**1. Prior period adjustment (cont'd)**

<b>Comprehensive Income &amp; Expenditure Statement - Extracts</b>	Published 2014/15	Adjustment (valuation of assets) 2014/15	Adjustment (WRS Pension share) 2014/15	Transfer grant from NCS to T&NSG	<b>Restated 2014/15</b>
	£000s	£000s			<b>£000s</b>
<b><u>Within Net Cost of Services</u></b>					
Environmental & Regulatory Services	1,399	(161)	1		<b>1,239</b>
Corporate & Democratic Core	(241)			1,489	<b>1,248</b>
Non Distributed Costs	110		2		<b>112</b>
<b>Restated Net cost of services</b>	7,928	(161)	3	1,489	<b>9,258</b>
Financing and investment income and expenditure - adjustment to reflect the upward revaluation of investment properties	1,634	(42)	20		<b>1,612</b>
Taxation and non-specific grant income -Grant shown originally in Corporate & Democratic Core within NCS	(9,359)			(1,489)	<b>(10,848)</b>
Surplus on revaluation of non current assets	(2,049)	(999)	-		<b>(3,048)</b>
		<u>(1,202)</u>	<u>23</u>		

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31st March 2016

**2. 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 Authority to meet future capital and revenue expenditure.

	Usable Reserves 2015/16			Movements in unusable reserves £000s
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	
<b>Adjustments involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>				
Changes for depreciation and impairment of non current assets	2,209			(2,209)
Changes in Fair value of Investment Properties	(474)			474
Revenue expenditure funded from capital under statute	368			(368)
Capital expenditure/REFCUS financed from revenue reserves/balances	(367)			367
Statutory Provision for repayment of Debt	(479)			479
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	40			(40)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Payments to Housing Capital Receipts Pool	1	(1)		-
<b>Adjustments involving the Capital Grants Unapplied Account</b>				
Grants received to fund REFUCUS	(335)		335	-
Other Capital grants and contributions unapplied credited to the CIES	(241)		241	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(563)	563
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(338)	338		-
Transfer from Deferred Capital Receipts Reserve		1		(1)
Use of the Capital Receipts Reserve to finance capital expenditure		(2,576)		2,576
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	2,843			(2,843)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,274)			2,274
<b>Adjustments involving the Collection Fund adjustment account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(1,117)			1,117
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the CIES on an	(80)			80
<b>Total adjustments</b>	<b>(245)</b>	<b>(2,238)</b>	<b>13</b>	<b>2,469</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**For the year ended 31st March 2016**

**2. Adjustments between accounting basis and funding basis under regulations (cont'd)**

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

	<b>Usable Reserves 2014/15</b>			
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movements in unusable reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Adjustments involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Changes for depreciation and impairment of non current assets	<b>1,491</b>			<b>(1,491)</b>
Revenue expenditure funded from capital under statute	<b>(40)</b>			<b>40</b>
Change in fair value investment properties	<b>(42)</b>			<b>42</b>
Statutory Provision for repayment of Debt	<b>(455)</b>			<b>455</b>
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	<b>2,776</b>			<b>(2,776)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Payments to Housing Capital Receipts Pool	<b>1</b>	<b>(1)</b>		<b>-</b>
<b>Adjustments involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the CIES	<b>(147)</b>			<b>147</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	<b>6</b>	<b>(6)</b>		<b>0</b>
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(3,187)</b>	<b>3,187</b>		<b>-</b>
Transfer from Deferred Capital Receipts Reserve				<b>-</b>
Use of the Capital Receipts Reserve to finance capital expenditure		<b>(1,201)</b>		<b>1,201</b>
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	<b>2,663</b>			<b>(2,663)</b>
Employers' pension contributions and direct payments to pensioners payable in the year	<b>(2,256)</b>			<b>2,256</b>
<b>Adjustments involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	<b>1,838</b>			<b>(1,838)</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the CIES Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>38</b>			<b>(38)</b>
<b>Total adjustments</b>	<b>2,686</b>	<b>1,979</b>	<b>-</b>	<b>(4,665)</b>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
For the year ended 31st March 2016

**3. 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 2015/16.

	<b>Balance at 31st March 2015 £000's</b>	Transferred in £000's	Transferred out £000's	Transferred Between £000's	<b>Balance at 31st March 2016 £000's</b>	<b>Purpose of reserve</b>
<b><u>Revenue Reserves</u></b>						
Regeneration and Economic Development	<b>237</b>	37	(57)	-	<b>217</b>	For regeneration and economic development schemes
Land Charges	<b>124</b>	-	(31)	-	<b>93</b>	For ring-fenced risk reserve, pending Government changes
Recreational Improvements	<b>36</b>	-	-	(36)	-	For recreational improvements and equipment replacement
Three Choir/Elgar Choral Festivals	-	8	-	-	<b>8</b>	For agreed contribution on 3 year cycle
Elections Reserve	<b>56</b>	-	(18)	-	<b>38</b>	For equalising the cost of elections over a four year period
Art & Museum Specimens	<b>13</b>	-	-	(13)	-	For acquisition of exhibits and initiatives
Housing & Planning Delivery Grant	<b>249</b>	-	(70)	(179)	-	For support to various SWDP, staffing and ICT developments
Pension Backfunding	<b>491</b>	-	(377)	-	<b>114</b>	For funding pensions deficit, cash payments from April 2014
Change Programme Reserve	<b>765</b>	249	(158)	(38)	<b>818</b>	For transformation, new burdens and outsourcing costs
Cleaner and Greener Outsourcing	-	-	(92)	250	<b>158</b>	For costs associated with outsourcing
LAMS	<b>12</b>	6	-	-	<b>18</b>	For potential mortgage defaults on LAMS
External Grants (other)	<b>257</b>	66	(150)	-	<b>173</b>	For various ringfenced initiatives funded by external grants
External Grants (housing)	<b>699</b>	282	(399)	(33)	<b>549</b>	For ringfenced grant funded housing schemes including homelessness
VAT Risk Reserve	<b>48</b>	-	-	-	<b>48</b>	For a risk reserve if VAT decision is challenged and reversed
Environment Warranty Insurance	<b>959</b>	-	-	-	<b>959</b>	For insurance premiums excesses and claims on former housing land
Service improvement	<b>176</b>	10	-	-	<b>186</b>	For service delivery improvements
Subtotal Revenue Reserves	<b>4,121</b>	658	(1,352)	(49)	<b>3,378</b>	
<b><u>Capital/Other Reserves</u></b>						
Asset Reserve - General	<b>595</b>	-	(43)	49	<b>601</b>	For capital investment, replacement and maintenance of assets
Asset Reserve - Crematorium Filters/Burners	<b>168</b>	99	(100)	-	<b>167</b>	For investment in crematorium facilities and burners
Asset Reserve - Car Park Infrastructure	<b>175</b>	128	(176)	-	<b>127</b>	For investment in car park and parking infrastructure
Nunnery Lane Deposits	<b>18</b>	-	-	-	<b>18</b>	For developer deposits towards making up road for adoption
New Homes Bonus	<b>2,468</b>	1,276	(339)	-	<b>3,405</b>	For investments from the New Homes Bonus grant funding
Localised Business Rates	<b>1,556</b>	418	(924)	-	<b>1,050</b>	For NNDR appeal costs and collection fund deficit
Subtotal Capital/Other Reserves	<b>4,980</b>	1,921	(1,582)	49	<b>5,368</b>	
<b>Total Earmarked Reserves</b>	<b>9,101</b>	<b>2,579</b>	<b>(2,934)</b>	-	<b>8,746</b>	

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

For comparison, this note sets out the amounts set aside in the previous year from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance at 31st March 2014 £000's	Transferred in £000's	Transferred out £000's	Balance at 31st March 2015 £000's	Purpose of reserve
<b>Revenue Reserves</b>					
Regeneration and Economic Development	90	147	-	<b>237</b>	For town centre improvement scheme
Cleaner & Greener Operations	55	-	(55)	-	For investment in road sweeping and play areas
HMO Reserve	26	-	(26)	-	For risk reserve, HMO licensing for 1st year of operation
Land Charges	90	34	-	<b>124</b>	For ring-fenced risk reserve, pending Government changes
Recreational Improvements	36	-	-	<b>36</b>	For improvements, including sports equipment replacement
Three Choir/Elgar Choral Festivals	16	-	(16)	-	For agreed contribution on 3 year cycle
Elections Reserve	74	-	(18)	<b>56</b>	For equalising the cost of elections over a four year period
Art & Museum Specimens	13	-	-	<b>13</b>	For acquisition of exhibits and initiatives
Housing & Planning Delivery Grant	346	-	(97)	<b>249</b>	For support to various SWDP, staffing and ICT developments
Climate Change Initiatives	17	-	(17)	-	For initiatives to improve climate change performance
Pension Backfunding	861	-	(370)	<b>491</b>	For funding pensions deficit, cash payments to start April 2014
Change Programme Reserve	442	430	(113)	<b>759</b>	For transformation and commissioning costs
LAMS	6	6	-	<b>12</b>	For potential mortgage defaults on LAMS
External Grants (other)	-	164	-	<b>164</b>	For various ringfenced initiatives funded by external grants
External Grants (housing)	-	722	-	<b>722</b>	For ringfenced grant funded housing schemes including homelessness
Licensing (Taxi)	-	6	-	<b>6</b>	For transformation, new burdens
VAT Risk Reserve	-	48	-	<b>48</b>	For a risk reserve if VAT decision is challenged and reversed
Environment Warranty Insurance	985	-	(26)	<b>959</b>	For insurance premiums excesses and claims on former housing land
Corporate Plan priority projects	224	18	(242)	-	For projects
Service improvement	100	76	-	<b>176</b>	For service delivery improvements
<b>Subtotal Revenue Reserves</b>	<b>3,380</b>	<b>1,650</b>	<b>(979)</b>	<b>4,051</b>	
<b>Capital/Other Reserves</b>					
Asset Reserve - General	80	515	-	<b>595</b>	For urgent capital replacement and maintenance
Asset Reserve - Swimming Pool	46	-	(46)	-	For swimming pool business case and implementation
Asset Reserve - Crematorium Filters/Burners	69	99	-	<b>168</b>	For required investment in crematorium facilities
Asset Reserve - Car Park Infrastructure	57	118	-	<b>175</b>	For required investment in car park infrastructure
Nunnery Lane Deposits	18	-	-	<b>18</b>	For developer deposits towards making up road for adoption
Guildhall Floodlights & Tourism	30	-	(30)	-	For Guildhall improvements
New Homes Bonus	1,478	1,489	(499)	<b>2,468</b>	For investments from the New Homes Bonus grant funding
Localised Business Rates	578	978	-	<b>1,556</b>	For economic growth/risk reserve, pending review of recurring impact
Regional Housing Pot Allocation	413	7	(350)	<b>70</b>	For ringfenced grant payments for home improvements
<b>Subtotal Capital/Other Reserves</b>	<b>2,769</b>	<b>3,207</b>	<b>(925)</b>	<b>5,050</b>	
<b>Total Earmarked Reserves</b>	<b>6,148</b>	<b>4,857</b>	<b>(1,904)</b>	<b>9,101</b>	

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	<b>2015/16</b>	<b>2014/15</b>
	<b>£000's</b>	<b>£000's</b>
<b>4. Other operating expenditure</b>		
Precepts from Council Tax paid to parish councils	<b>124</b>	122
Gains/Losses on disposal of non-current assets	<b>(299)</b>	(411)
Payments to the Government Housing Capital Receipts Pool	<b>1</b>	<b>1</b>
Total	<u><b>(174)</b></u>	<u>(288)</u>

**5. Financing and investment income and expenditure**

Interest payable and similar charges	<b>367</b>	371
Pensions interest cost and expected return on pensions assets	<b>1,390</b>	1,464
Interest receivable and similar income	<b>(161)</b>	(126)
Income and expenditure in relation to investment properties	<b>(214)</b>	(90)
Change in Fair Value of Investment Properties	<b>(474)</b>	<b>(7)</b>
Total	<u><b>908</b></u>	<u>1,612</u>

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

**6. 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.

Council tax income	<b>(5,171)</b>	(5,077)
Non-domestic rates	<b>(2,104)</b>	(789)
Revenue Support Grant*	<b>(1,856)</b>	(2,673)
Non-ringfenced government grants*	<b>(2,565)</b>	(2,163)
Capital grants and contributions*	<b>(53)</b>	(10)
S106 Developer Contributions*	<b>(188)</b>	(136)
Total	<u><b>(11,937)</b></u>	<u>(10,848)</u>

* Further analysed in Note 8	(4,663)	(4,982)
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**7. Material items of income and expenditure**

There were no material items of income and expenditure that have not already been highlighted in these notes.

**8. Grants and Contributions**

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

<b>Shown within 'Taxation and non specific grant income'</b>	<b>2015/16 £000's</b>	2014/15 £000's
Revenue Support Grant (RSG)	<b>(1,856)</b>	(2,673)
New Homes Bonus	<b>(1,774)</b>	(1,489)
Section 31 Grants (Business Rates)	<b>(690)</b>	(598)
Flood relief/Transparency grants	<b>(31)</b>	(63)
Business Rates New Burden Admin Costs	<b>11</b>	(11)
Council Tax Freeze Grant	<b>(57)</b>	
Council Tax Hardship Grant	<b>(25)</b>	
Council Tax Annexe Grant 14-15		(2)
S106 Developer Contributions	<b>(188)</b>	(136)
Capital Grants	<b>(53)</b>	(10)
<b>Total</b>	<b><u>(4,663)</u></b>	<b><u>(4,982)</u></b>

<b>Shown within the 'Service Expenditure Analysis' lines</b>	<b>2015/16 £000's</b>	2014/15 £000's
DWP Housing Benefit Grants	<b>(32,075)</b>	(32,591)
DWP Housing Benefit Admin	<b>(408)</b>	(514)
DCLG Disabled Facilities Grant	<b>(335)</b>	(254)
Cabinet Office Individual Electoral Reg	<b>(97)</b>	-
Arts Council	<b>(20)</b>	-
European Elections	-	(90)
Parliamentary Election	<b>(115)</b>	-
DCLG Local Council Tax New Burdens	-	(163)
DWP Discretionary Housing Payments	<b>(135)</b>	(161)
Sports England Grant	<b>(357)</b>	(580)
Single Homelessness / Preventing Homelessness	<b>(152)</b>	(264)
Welfare Assistance Grant	<b>(212)</b>	(708)
Specialist Domestic Abuse Service	<b>(112)</b>	-
AOHN grants	-	(260)
DCLG Property Searches New Burdens	<b>(63)</b>	-
Local Council Tax Admin Support Grant	<b>(104)</b>	(117)
DEFRA Repairs and Renewals	<b>(175)</b>	(61)
Other grants of less than £50,000	<b>(52)</b>	(213)
<b>Total</b>	<b><u>(34,412)</u></b>	<b><u>(35,977)</u></b>

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**9. 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 2015/16 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Total Property Plant & Equipment	Heritage Assets	Investment Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Cost or valuation</u></b>								
<b>At 1 April 2015</b>	<b>52,651</b>	<b>13,038</b>	<b>412</b>	<b>352</b>	<b>66,453</b>	<b>7,667</b>	<b>2,791</b>	<b>76,911</b>
Additions	192	1,354	-	1,953	3,499	-	-	3,499
Revaluation increases to revaluation reserve	2,696	-	-	-	2,696	-	-	2,696
Revaluation (decreases) to surplus/deficit on provision of services	(709)	-	-	-	(709)	-	473	(236)
Derecognition - disposals	(40)	(563)	-	-	(603)	-	-	(603)
Derecognitions - other	-	-	-	-	-	-	-	-
Other movements - reclassifications	212	-	35	-	247	-	(247)	-
<b>At 31 March 2016</b>	<b>55,002</b>	<b>13,829</b>	<b>447</b>	<b>2,305</b>	<b>71,583</b>	<b>7,667</b>	<b>3,017</b>	<b>82,267</b>
<b><u>Accumulated depreciation</u></b>								
<b>At 1 April 2015</b>	<b>1,437</b>	<b>9,356</b>	-	-	<b>10,793</b>	-	-	<b>10,793</b>
Depreciation charge for year	809	691	-	-	1,500	-	-	1,500
Depreciation written out to the revaluation reserve	(508)	-	-	-	(508)	-	-	(508)
Other movements	-	-	-	-	-	-	-	-
Derecognition - disposals	-	(564)	-	-	(564)	-	-	(564)
Derecognition - other	-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>1,738</b>	<b>9,483</b>	-	-	<b>11,221</b>	-	-	<b>11,221</b>
<b><u>Net book value</u></b>								
<b>At 31 March 2016</b>	<b>53,264</b>	<b>4,346</b>	<b>447</b>	<b>2,305</b>	<b>60,362</b>	<b>7,667</b>	<b>3,017</b>	<b>71,046</b>
At 31 March 2015	51,214	3,682	412	352	55,660	7,667	2,791	66,118



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

The table below shows the changes in the Council's non-current asset base that happened in 2014/15.

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Total Property Plant & Equipment	Heritage Assets	Investment Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
<b><u>Cost or valuation</u></b>								
<b>At 1 April 2014</b>	<b>52,985</b>	<b>11,853</b>	<b>406</b>	<b>2</b>	<b>65,246</b>	<b>6,883</b>	<b>4,302</b>	<b>76,431</b>
Additions	38	1,282	-	350	<b>1,670</b>	-	-	<b>1,670</b>
Revaluation increases to revaluation reserve	982	-	-	-	<b>982</b>	764	-	<b>1,746</b>
Revaluation (decreases) to surplus/deficit on provision services	(34)	-	-	-	<b>(34)</b>	-	7	<b>(27)</b>
Derecognition - disposals	(1,300)	(97)	-	-	<b>(1,397)</b>	-	(1,510)	<b>(2,907)</b>
Derecognition - other	-	-	-	-	-	-	-	<b>0</b>
Other reclassifications	(20)	-	6	-	<b>(14)</b>	20	(8)	<b>(2)</b>
<b>At 31 March 2015</b>	<b>52,651</b>	<b>13,038</b>	<b>412</b>	<b>352</b>	<b>66,453</b>	<b>7,667</b>	<b>2,791</b>	<b>76,911</b>
<b><u>Accumulated depreciation</u></b>								
<b>At 1 April 2014</b>	<b>2,039</b>	<b>8,963</b>	-	-	<b>11,002</b>	-	-	<b>11,002</b>
Depreciation charge for year	957	465	-	-	<b>1,422</b>	-	-	<b>1,422</b>
Depreciation written out to revaluation reserve	(1,493)	-	-	-	<b>(1,493)</b>	-	-	<b>(1,493)</b>
Derecognition - disposals	-	-	-	-	-	-	-	<b>0</b>
Derecognition - other	(66)	(72)	-	-	<b>(138)</b>	-	-	<b>(138)</b>
<b>At 31 March 2015</b>	<b>1,437</b>	<b>9,356</b>	-	-	<b>10,793</b>	-	-	<b>10,793</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2015</b>	<b>51,214</b>	<b>3,682</b>	<b>412</b>	<b>352</b>	<b>55,660</b>	<b>7,667</b>	<b>2,791</b>	<b>66,118</b>
At 31 March 2014	50,946	2,890	406	2	<b>54,244</b>	6,883	4,302	65,429

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

**Capital commitments**

The Council had capital commitments of £7.285m relating to construction of the swimming pool as at 31 March 2016.

**Asset valuation**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years.

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>Change</b>	<b>Change</b>
	<b>£000s</b>	<b>£000s</b>
Revaluations and impairments were:		
<u>Operational Properties</u>		
Community centres	-	394
Sports facilities	-	3
Car parks	<b>2,468</b>	5
Allotments	<b>(41)</b>	-
Offices	-	400
Museums	-	325
Others	<b>68</b>	(179)
<u>Non-Operational Properties</u>		
Buildings (Investment Properties)	<b>473</b>	105
	<b>2,968</b>	1,053

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

The authority does not have material surplus assets.

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**10. Heritage Assets**

<b>Cost or Valuation</b>	<b>Memorials £'000</b>	<b>Museums £'000</b>	<b>Guildhall £'000</b>	<b>Total £'000</b>
1 April 2014	15	5,840	1,028	6,883
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations/Impairments	-	-	764	764
Reclassifications	-	20	-	20
31 March 2015	15	5,860	1,792	7,667
<b>1 April 2015</b>	<b>15</b>	<b>5,860</b>	<b>1,792</b>	<b>7,667</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations/Impairments	-	-	-	-
Reclassifications	-	-	-	-
<b>31 March 2016</b>	<b>15</b>	<b>5,860</b>	<b>1,792</b>	<b>7,667</b>

**General**

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

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

**Memorials** - 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.

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

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

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

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

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2015/16</b> <b>£000s</b>	2014/15 £000s
Rental income from investment property	(267)	(90)
Direct operating expenses arising from investment property	53	
Net (gain)/loss	<u><b>(214)</b></u>	<u>(90)</u>

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

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2015/16</b> <b>£000s</b>	2014/15 £000s
Balance at the start of the year	<b>2,791</b>	4,302
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	(1,510)
Net gains/(losses) from fair value adjustments	474	7
Transfers		
To/from inventories	-	-
To/from Property, Plant & Equipment	(247)	(6)
Other changes	-	(2)
Balance at the end of the year	<u><b>3,017</b></u>	<u>2,791</u>

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

### **Fair Value Hierarchy**

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

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

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

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

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

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

In estimating the fair value of the Authority'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 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Mark D Weller BSc (Hons) MRICS assisted by Sarah R Overall BSc (Hons) MA, MRICS and Luke Sutton BSC (Hons) MRICS all of Lambert Smith Hampton who were engaged by Place Partnership Limited for the purposes of investment property valuations.

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**12. Long Term Debtors**

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Local Authority Mortgage Scheme Deposit	<b>1,000</b>	1,000
Deferred Capital Receipts	0	1
	<u><b>1,000</b></u>	<u>1,001</u>

In November 2012 the Council approved Worcester City Council to participate in the Local Authority Mortgage Scheme (LAMS), a scheme to provide help to first time buyers who can afford mortgage payments but not the initial deposit. The Scheme has a maximum indemnity value of £2,000,000 with a scheme take up of £1,000,000 actioned in 2012/13. There is a maximum loan size to each individual borrower of £171,000, and is restricted to properties with postcodes falling within the district

**13. Investments**

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Bank/Building Society balances at amortised cost - invested:		
Over 3 months and up to 12 months	<b>14,400</b>	12,750
	<u><b>14,400</b></u>	<u>12,750</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 2014 and shows that the shareholders' deficit at that time (£3,694,571) was broadly similar to that of the previous year (£3,652,226). 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**  
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For the year ended 31st March 2016

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**14. Assets held for sale**

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
<b>Current assets</b>		
<b>Opening balance</b>	<b>100</b>	8
Assets newly classified as held for sale	-	100
Revalued on re-classification		
Property, Plant & Equipment disposals	-	(8)
<b>Closing balance</b>	<b>100</b>	100

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 asset shown in this category was sold after the balance sheet date (completion date 1 June 2016).

**WORCESTER CITY COUNCIL**  
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**15. Debtors**

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	<b>£000's</b>
Council taxpayers	<b>479</b>	265
Government departments	<b>1,291</b>	1,013
Local authorities*	<b>445</b>	971
Worcester Community Housing*	<b>246</b>	267
Payments in advance	<b>179</b>	332
Other debtors*	<b>3,240</b>	2,476
	<b><u>5,880</u></b>	<u>5,324</u>
Less: provision for doubtful debts		
Council taxpayers	<b>(55)</b>	(59)
Other*	<b>(975)</b>	(1,029)
	<b><u>4,850</u></b>	<u>4,236</u>

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

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

The provision for doubtful debts is based upon an age analysis of the arrears. 100% is provided on sundry debts that are over 6 months old, and 100% is provided on Council Tax arrears, Housing Benefit overpayments and National Non-Domestic Rates arrears that are over four years old. The percentage provision on debts that are more recent is based on a sliding scale according to the year due.

**16. Cash and cash equivalents**

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Cash and bank held by the Council	<b>(135)</b>	(299)
Short term investments	<b>2,500</b>	5,600
	<b><u>2,365</u></b>	<u>5,301</u>



**WORCESTER CITY COUNCIL**  
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**17. Creditors**

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Government departments	<b>522</b>	540
Local Authorities*	<b>2,556</b>	1,153
Receipts in advance	<b>505</b>	1,006
Section 106 planning obligations*	<b>1,850</b>	1,220
Council Taxpayers prepayments	<b>116</b>	111
Other creditors*	<b>1,957</b>	1,738
	<b><u>7,506</u></b>	<u>5,768</u>

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

**18. Provisions**

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Non Domestic Rates - 40% Share of Appeals Provision (Pool)	<b>1,334</b>	2,436
Local Provision Non Domestic Rates	<b>272</b>	272
	<b><u>1,606</u></b>	<u>2,708</u>

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

**19. Long term borrowing**

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
P.W.L.B.	<b>3,434</b>	3,475
Money market	<b>5,073</b>	5,073
	<b><u>8,507</u></b>	<u>8,548</u>
Maturing within one year	<b>5,140</b>	5,140
Maturing in 1-2 years	<b>1,032</b>	41
Maturing in 2-5 years	<b>155</b>	1,114
Maturing in 5-10 years	<b>180</b>	253
Maturing in more than 10 years	<b>2,000</b>	2,000
	<b><u>8,507</u></b>	<u>8,548</u>

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

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**20. Pension costs**

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

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

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

**Discretionary Post-retirement Benefits**

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

**Pensions liability relating to the Regulatory Shared Service (WRS)**

The Regulatory Shared Service is governed by a Joint Committee; this Council transferred its staff to the host authority (Bromsgrove District Council) on a fully funded basis. The shared services was admitted to the pension fund as a ghost admitted body, any liability or surplus that accrues is the responsibility of the partners to the shared services.

The council's share of assets and liabilities in this scheme represents 13.37% (11.11% 2014/15) of the total.

	<b>Regulatory Services</b>	
	<b>As at 31</b>	As at 31
	<b>March</b>	March
	<b>2016</b>	2015
	<b>£'000</b>	£'000
Present value of liabilities	<b>(27,242)</b>	(27,790)
Fair value of assets	<b>19,638</b>	19,841
Deficit in scheme		
	<b>(7,604)</b>	(7,949)
Worcester City Council share of deficit	<b>(1,017)</b>	(883)

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 columns within this disclosure note.

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

**Transactions Relating to Retirement Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/ retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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

	<b>Worcester City (excluding WRS)</b>		<b>Share of WRS</b>		<b>Combined Total</b>	
	<b>2015/16 £000's</b>	<b>2014/15 £000's</b>	<b>2015/16 £000's</b>	<b>2014/15 £000's</b>	<b>2015/16 £000's</b>	<b>2014/15 £000's</b>
<b>Net cost of service</b>						
Current service cost	<b>1,334</b>	1,010	<b>78</b>	56	<b>1,412</b>	1,066
Past service and curtailment costs	<b>0</b>	110	<b>41</b>	2	<b>41</b>	112
<b>Financing &amp; Investment Income and Expenditure</b>						
Net interest expense	<b>1,355</b>	1,464	<b>35</b>	21	<b>1,390</b>	1,485
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,689</b>	2,584	<b>154</b>	79	<b>2,843</b>	2,663
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>						
<u>Remeasurement of the net defined benefit liability comprising:</u>						
Return on plan assets (excluding the amount included in the net interest	<b>2,861</b>	(4,202)	<b>140</b>	(156)	<b>3,001</b>	(4,358)
<u>Remeasurements (Liabilities)</u>						
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	<b>(4,953)</b>	12,673	<b>(246)</b>	556	<b>(5,199)</b>	13,229
Experience (gains)/losses on liabilities	-	-	<b>180</b>	-	<b>180</b>	-
Total remeasurements included in Other Comprehensive Income & Expenditure	<b>(2,092)</b>	8,471	<b>74</b>	400	<b>(2,018)</b>	8,871
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>597</b>	<b>11,055</b>	<b>228</b>	479	<b>825</b>	11,534
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(2,689)</b>	(2,584)	<b>(154)</b>	(79)	<b>(2,843)</b>	(2,663)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
Employers' contributions payable to schemes	<b>2,180</b>	2,200	<b>94</b>	56	<b>2,274</b>	2,256
Retirement benefits payable to pensioners	<b>3,200</b>	3,441				

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

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

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

	<b>Worcester City (excluding WRS)</b>		<b>Share of WRS</b>		<b>Combined Total</b>	
	<b>2015/16 £000's</b>	<b>2014/15 £000's</b>	<b>2015/16 £000's</b>	<b>2014/15 £000's</b>	<b>2015/16 £000's</b>	<b>2014/15 £000's</b>
Present value of the defined benefit	<b>96,635</b>	99,958	<b>3,195</b>	3,088	<b>99,830</b>	103,046
Fair value of plan assets	<b>(55,439)</b>	(57,179)	<b>(2,178)</b>	(2,205)	<b>(57,617)</b>	(59,384)
Sub-total	<b>41,196</b>	42,779	<b>1,017</b>	883	<b>42,213</b>	43,662
<b>Net liability arising from defined benefit obligation</b>	<b>41,196</b>	42,779	<b>1,017</b>	883	<b>42,213</b>	43,662

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.

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

	<b>2015/16 £000s</b>	<b>2015/16 £000s</b>	<b>2015/16 £000s</b>	<b>2014/15 £000s</b>	<b>2014/15 £000s</b>	<b>2014/15 £000s</b>
	<b>Worcester City (excluding WRS)</b>	<b>Share of WRS</b>	<b>Combined Total</b>	<b>Worcester City (excluding WRS)</b>	<b>Share of WRS</b>	<b>Combined Total</b>
Opening balance at 1 April	99,958	3,088	<b>103,046</b>	85,571	2,394	87,965
Current Service Cost	1,334	78	<b>1,412</b>	1,010	56	1,066
Interest Cost	3,153	125	<b>3,278</b>	3,697	109	3,806
Contributions by scheme participants	343	21	<b>364</b>	338	21	359
<u>Remeasurement (gain)/loss</u>						
- Experience gain/Loss	-	180	<b>180</b>	-	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(4,953)	(246)	<b>(5,199)</b>	12,673	556	13,229
Benefits paid	(3,200)	(92)	<b>(3,292)</b>	(3,441)	(50)	(3,491)
Past service cost	-	-	-	-	-	-
Curtailments	-	41	<b>41</b>	110	2	112
<b>Closing balance at 31 March</b>	<b>96,635</b>	<b>3,195</b>	<b>99,830</b>	<b>99,958</b>	<b>3,088</b>	<b>103,046</b>

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

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

	2015/16 £000s	2015/16 £000s	2015/16 £000s	2014/15 £000s	2014/15 £000s	2014/15 £000s
	Worcester City (excluding WRS)	Share of WRS	Combined Total	Worcester City (excluding WRS)	Share of WRS	Combined Total
Opening balance at 1 April	57,179	2,205	59,384	51,647	1,933	53,580
Interest Income	1,819	91	1,910	2,253	90	2,343
Contributions by employer	2,180	94	2,274	2,088	56	2,144
Contributions by scheme participants	343	21	364	338	21	359
<u>Remeasurement gain/loss</u>						-
Return on plan assets excluding the amount included in the net interest expense	(2,861)	(140)	(3,001)	4,202	156	4,358
Benefits paid	(3,200)	(92)	(3,292)	(3,329)	(50)	(3,379)
Admin Expenses	(21)	(1)	(22)	(20)	(1)	(21)
<b>Closing balance at 31 March</b>	<b>55,439</b>	<b>2,178</b>	<b>57,617</b>	57,179	2,205	59,384

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

	Fair value of scheme assets	
	2015/16 £000s	2014/15 £000s
Cash and cash equivalents	1,175	915
Equity instruments by type:		
- UK quoted	404	12,694
- Overseas quoted	18,934	21,900
- PIV UK Managed Funds	15,525	5,832
- PV UK Managed Funds (Overseas equi	11,029	11,665
- PIV Overseas Managed Funds	408	457
Sub-total equity	46,300	52,548
Bonds by sector:		
- Corporate	3,399	3,716
Sub-total bonds	3,399	3,716
Property by region:		
- European Property Funds	1,735	-
- UK Property Debt	649	-
- Overseas Property Debt	124	-
Sub-total property	2,508	-
UK Infrastructure	2,057	-
<b>Total assets</b>	<b>55,439</b>	<b>57,179</b>

All scheme assets have quoted prices in active markets.

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**20. 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 2013.

The principal assumptions used by the actuary are:

<b>Local Government Pension Scheme &amp; Unfunded Benefits Assumptions</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Mortality rates</b>		
Longevity at 65 for current pensioners		
Male	23.5	23.4
Female	25.9	25.8
Longevity at 65 for future pensioners		
Male	25.8	25.6
Female	28.2	28.1
<b>Other</b>		
Rate of inflation (CPI)	2.00%	2.00%
Rate of increase in salaries	3.50%	3.50%
Rate of increase in pensions	2.00%	2.00%
Rate for discounting scheme liabilities	3.50%	3.20%
Take up of option to convert annual pension into re	n/a	n/a

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

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

<b>Impact on the Defined Benefit Obligation in the Scheme</b>	<b>Increase / (decrease) in Assumption £'000</b>
Longevity (increase or decrease in 1 year)	1,931
Rate of inflation (increase or decrease by 0.1%)	1,624
Rate of increase in salaries (increase or decrease by 0.1%)	249
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(1,596)

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates payment of £2.150m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2015/16.

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<b>21. Usable reserves</b>	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Earmarked Reserves	<b>8,746</b>	9,101
Capital Grants Unapplied	<b>13</b>	-
General Fund Balance	<b>1,265</b>	1,266
Useable Capital Receipts	<b>3,014</b>	5,251
	<b><u>13,038</u></b>	<u>15,618</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 3 lists all the earmarked reserves and shows the changes during the year.

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

<b>22. Unusable reserves</b>	<b>2015/16</b>	2014/15
	<b>£000's</b>	Restated £000's
Revaluation Reserve	<b>18,737</b>	15,767
Capital Adjustment Account	<b>46,351</b>	44,275
Pensions Reserve	<b>(42,213)</b>	(43,663)
Deferred Capital Receipts	-	1
Accumulating Compensated Absences Adjustment Account	<b>(149)</b>	(229)
Collection Fund Adjustment Account	<b>(1,813)</b>	(2,930)
<b>Balance at 31<sup>st</sup> March</b>	<b><u>20,914</u></b>	<u>13,222</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**  
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**22. Unusable Reserves (cont'd)**

**Revaluation Reserve**

The revaluation reserve contains the gains made by the Council arising from increases in the notional value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired, and the gains are lost;
- used to provide services, and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	<b>2015/16</b>	2014/15
	<b>£000's</b>	Restated £000's
<b>Balance at 1<sup>st</sup> April</b>	<b>15,767</b>	13,017
Upward revaluation of assets	<b>3,333</b>	3,184
Downward revaluation of assets	<b>(129)</b>	(136)
Difference between fair value depreciation and historical cost depreciation	<b>(232)</b>	(298)
Accumulated gains on assets sold or scrapped	<b>(2)</b>	-
<b>Balance at 31<sup>st</sup> March</b>	<b><u>18,737</u></b>	<u>15,767</u>

**Capital Adjustment Account**

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

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

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

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

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**NOTES TO THE CORE FINANCIAL STATEMENTS**  
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**22. Unusable Reserves (cont'd)**

**Capital Adjustment Account**

	<b>2015/16</b>	2014/15
	<b>£000's</b>	Restated £000's
<b>Balance at 1<sup>st</sup> April</b>	<b>44,275</b>	46,361
<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>		
Charges for depreciation and impairment of non current assets	<b>(2,209)</b>	(1,491)
Revenue expenditure funded from capital under statute	<b>(368)</b>	(1,128)
Statutory provision for repayment of debt	<b>479</b>	455
Current Cost_Historic Cost Depreciation Adjustment	<b>232</b>	298
Changes in Fair Value Investment Properties	<b>474</b>	42
Write out revaluations gains on disposal of assets	<b>2</b>	-
Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	<b>(40)</b>	(2,776)
<b><i>Capital financing applied in the year:</i></b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	<b>2,576</b>	1,201
Capital contributions	<b>-</b>	11
Use of earmarked reserves	<b>243</b>	195
Direct Revenue Financing	<b>123</b>	-
Application of grants to capital financing	<b>564</b>	1,107
<b>Balance at 31<sup>st</sup> March</b>	<b><u>46,351</u></b>	<u>44,275</u>

**WORCESTER CITY COUNCIL**  
**NOTES TO THE CORE FINANCIAL STATEMENTS**  
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**22. Unusable Reserves (cont'd)**

**Pensions Reserve**

	<b>2015/16</b>	2014/15
	<b>£000's</b>	Restated £000's
<b>Balance at 1<sup>st</sup> April</b>	<b>(43,663)</b>	(34,385)
Actuarial gains/(losses) or gains on pension assets and liabilities	<b>2,019</b>	(8,871)
Reversal of items relating to retirement benefits debited on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>(2,843)</b>	(2,663)
Employer's pension contributions and direct payments to pensioners payable in the year	<b>2,274</b>	2,256
<b>Balance at 31<sup>st</sup> March</b>	<b><u>(42,213)</u></b>	<u>(43,663)</u>

**Deferred Capital Receipts**

These are debts being repaid and relating to loans for the purchase and improvement of Council House dwellings. Loans are no longer given for these purposes.

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
<b>Opening Balance</b>	<b>1</b>	2
Council house purchaser payments	<b><u>(1)</u></b>	<u>(1)</u>
<b>Closing Balance</b>	<b><u>-</u></b>	<u>1</u>

## 22. Unusable Reserves (cont)

### Accumulating Compensated Absences Adjustment Account

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
<b>Balance at 1st April</b>	<b>(229)</b>	(191)
Amounts accrued at the end of the current year		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>80</b>	(38)
<b>Balance at 31st March</b>	<b>(149)</b>	(229)

### Collection Fund Adjustment Account

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
<b>Balance at 1<sup>st</sup> April</b>	<b>(2,930)</b>	(1,092)
Amount by which Collection Fund council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
- Council Tax	<b>52</b>	24
- NNDR (Business rates)	<b>1,065</b>	(1,862)
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,813)</b>	(2,930)

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

The cash flows from operating activities include:

	<b>2015/16</b> <b>£000's</b>	2014/15 £000's
Interest received	<b>(161)</b>	(126)
Interest paid	<b>367</b>	371
	<b>206</b>	245

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

The cash flows for investing activities come from:

	<b>2015/16</b> <b>£000's</b>	2014/15 £000's
Purchase of property, plant and equipment	<b>3,499</b>	1,670
Purchase of short-term investments	<b>1,650</b>	6,750
Payments to capital receipts pool	<b>1</b>	1
Proceeds from the sale of Property, Plant and Equipment and of Investment Property	<b>(339)</b>	(3,187)
Capital grants/Contributions received	<b>(1,207)</b>	(616)
<b>Net cash flows from investing activities</b>	<b>3,604</b>	4,618

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

The cash flows for financing activities come from:

	<b>2015/16</b> <b>£000's</b>	2014/15 £000's
Receipts from short & long term borrowing	-	-
Other receipts from financing activities	<b>(487)</b>	-
Repayments of short and long-term borrowing	<b>41</b>	40
Other payments for financing activities	-	433
<b>Net Cash Flow from financing activities</b>	<b>(446)</b>	473

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

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Depreciation	<b>(1,500)</b>	(1,457)
Impairment and downward valuation	<b>(709)</b>	(34)
(Increase) in creditors	<b>(863)</b>	817
Increase/ (decrease) in debtors	<b>614</b>	(1,298)
Increase in stock	<b>(1)</b>	7
Items relating to retirement benefits	<b>(569)</b>	(407)
Movements in the value of investment properties	<b>474</b>	7
Adjustment to provisions	<b>830</b>	(308)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	<b>(40)</b>	(2,776)
Other non cash movements	<b>1</b>	322
	<b><u>(1,763)</u></b>	<b><u>(5,127)</u></b>

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**27. Amounts reported for resource allocation decisions - segmental analysis**

The Comprehensive Income and Expenditure Statement (CIES) shows how the Council has used its resources to deliver services to the public. This shows the cost in the year of providing services, and the income and expenditure against each service.

The following tables detail the Council's net revenue expenditure by service as it was reported to management, and show how this reconciles to the Comprehensive Income and Expenditure Statement and the subjective analysis within the explanatory forward.

<b>Segmental analysis</b>	<b>Managing Director</b>	<b>Corporate Director - Service Delivery</b>	<b>Corporate Director - Resources</b>	<b>Non-Directorate (incl net Housing Benefit)</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>2015/16</b>					
Fees, charges and other service income	(56)	(8,306)	(927)		(9,289)
Grants & Contributions	(240)	(1,641)	(1,088)		(2,969)
Employee expenses	1,189	5,371	3,254		9,814
Other expenses	960	6,355	5,140	7	12,462
Management Reporting	<b>1,854</b>	<b>1,780</b>	<b>6,378</b>	<b>7</b>	<b>10,018</b>
Support service recharges	466	4,363	(4,828)		0
Amounts not reported in-year					1,347
Amounts not included in net cost of service					(51)
<b>Net cost of services CIES</b>					<b>11,314</b>

<b>2014/15</b>	<b>Managing Director</b>	<b>Corporate Director - Service Delivery</b>	<b>Corporate Director - Resources</b>	<b>Non-Directorate (incl net Housing Benefit)</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Fees, charges and other service income	(19)	(8,777)	(1,069)		(9,866)
Grants & Contributions	(137)	(2,977)	(2,785)		(5,899)
Employee expenses	1,099	5,619	3,328		10,046
Other expenses	997	6,945	4,916	2,408	15,266
Management Reporting	<b>1,940</b>	<b>810</b>	<b>4,390</b>	<b>2,408</b>	<b>9,548</b>
Support service recharges	397	3,722	(4,119)		0
Amounts not reported in-year					603
Amounts not included in net cost of service					(893)
<b>Net cost of services CIES</b>					<b>9,258</b>

Non Directorate amounts reported to management in year include interest payable and receivable, minimum revenue provision and net transfers to/(from) earmarked reserves

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**28. Amounts reported for resource allocation decisions**

**Reconciliation to surplus or deficit on CIES provision of services**

The table below shows income and expenditure that applies to the whole Council and not just its operating segments.

On the next page is the comparative table for the previous year.

<b>Subjective analysis - type of income and expenditure 2015/16</b>	<b>Segmental Analysis</b>	<b>Not reported in-year to Management/ Not part of NCS</b>	<b>Net Cost of Services (NCS)</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	(8,250)	-	<b>(8,250)</b>	-	<b>(8,250)</b>
Interest and investment income	(161)	161	-	(161)	<b>(161)</b>
Change in Fair Value of Investment Properties	-		-	(474)	<b>(474)</b>
Rents	(327)	267	<b>(60)</b>	(267)	<b>(327)</b>
Income from council tax	-	-	-	(5,171)	<b>(5,171)</b>
Income from business rates	-		-	(2,104)	<b>(2,104)</b>
Housing benefits	(32,214)	-	<b>(32,214)</b>	-	<b>(32,214)</b>
Benefits administration	-	-	-	-	-
Other grants & contributions	(2,969)	(335)	<b>(3,304)</b>	(4,475)	<b>(7,779)</b>
S106 Contributions	-		-	(188)	<b>(188)</b>
Other income	(657)	(0)	<b>(657)</b>	-	<b>(657)</b>
<b>Total income</b>	<b>(44,578)</b>	<b>94</b>	<b>(44,484)</b>	<b>(12,839)</b>	<b>(57,324)</b>
Employee expenses	9,814	(901)	<b>8,913</b>	1,390	<b>10,303</b>
Premises related expenses	1,849	(3)	<b>1,846</b>	3	<b>1,849</b>
Transport related expenses	646	-	<b>646</b>	-	<b>646</b>
Supplies and services	2,298	-	<b>2,298</b>	-	<b>2,298</b>
Third party payments	7,651	7	<b>7,658</b>	-	<b>7,658</b>
Transfer payments	31,911	-	<b>31,911</b>	-	<b>31,911</b>
Gain/Loss on disposal of non-current assets	-		-	(299)	<b>(299)</b>
Interest Payments	367	(367)	-	367	<b>367</b>
Precepts & Levies	-		-	124	<b>124</b>
Payments to Housing Pool	-		-	1	<b>1</b>
Capital charges	602	1,924	<b>2,526</b>	51	<b>2,577</b>
Trf to/(from) earmarked reserves	(106)	106	-	-	-
<b>Gross cost of services</b>	<b>55,033</b>	<b>766</b>	<b>55,798</b>	<b>1,637</b>	<b>57,435</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>10,455</b>	<b>859</b>	<b>11,314</b>	<b>(11,203)</b>	<b>111</b>



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**28. Amounts reported for resource allocation decisions (cont'd.)**

The table below shows comparative figures for the previous year.

	<b>Segmental Analysis</b>	<b>Not reported in-year to Management/ Not part of NCS</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2014/15</b>					
Fees, charges & other service income	(8,210)	-	<b>(8,210)</b>	-	<b>(8,210)</b>
Interest and investment income	(126)	126	-	(126)	<b>(126)</b>
Change in Fair Value of Investment Properties	-	-	-	-	-
Rents	(383)	90	<b>(293)</b>	-	<b>(293)</b>
Income from council tax	-	-	-	(5,077)	<b>(5,077)</b>
Income from business rates	-	-	-	(789)	<b>(789)</b>
Housing benefits	(32,109)	-	<b>(32,109)</b>	-	<b>(32,109)</b>
Benefits administration	(643)	-	<b>(643)</b>	-	<b>(643)</b>
Other grants & contributions	(5,900)	1,253	<b>(4,646)</b>	(4,846)	<b>(9,492)</b>
S106 Contributions	-	-	-	(136)	<b>(136)</b>
Other income	(1,201)	(707)	<b>(1,907)</b>	(97)	<b>(2,004)</b>
<b>Total income</b>	<b>(48,571)</b>	<b>763</b>	<b>(47,808)</b>	<b>(11,071)</b>	<b>(58,879)</b>
Employee expenses	10,046	(1,020)	<b>9,026</b>	1,464	<b>10,490</b>
Premises related expenses	1,773	-	<b>1,773</b>	-	<b>1,773</b>
Transport related expenses	715	-	<b>715</b>	-	<b>715</b>
Supplies and services	2,269	-	<b>2,269</b>	-	<b>2,269</b>
Third party payments	8,255	-	<b>8,255</b>	-	<b>8,255</b>
Gain/Loss on disposal of non-Interest Payments	-	-	-	(411)	<b>(411)</b>
Precepts & Levies	371	(371)	-	371	<b>371</b>
Payments to Housing Pool	-	-	-	123	<b>123</b>
Transfer payments	-	-	-	1	<b>1</b>
Capital charges	32,444	-	<b>32,444</b>	-	<b>32,444</b>
Trf to/(from) earmarked reserves	477	2,106	<b>2,583</b>	-	<b>2,583</b>
	1,769	(1,769)	-	-	-
<b>Gross cost of services</b>	<b>58,120</b>	<b>(1,054)</b>	<b>57,066</b>	<b>1,548</b>	<b>58,613</b>
<b>Deficit on the provision of services</b>	<b>9,548</b>	<b>(291)</b>	<b>9,258</b>	<b>(9,523)</b>	<b>(266)</b>

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**29. 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 2015/16 was £209,226 (2014/15 £205,456).

**30. Employees' remuneration**

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

<b>Remuneration Band</b>	<b>Number of employees</b>	
	<b>2015/16</b>	<b>2014/15</b>
£50,000 - £54,999	<b>4</b>	3
£54,999 - £59,999	-	1
£60,000 - £64,999	-	1
£65,000 - £69,999	<b>2</b>	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£105,000 - £109,999	-	-
£120,000 - £124,999	-	-
	<b>6</b>	<b>5</b>

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

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

The total remuneration of senior management (including employers 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 Management team of the Council, which was expanded in size, from existing managers, following the departure of the previous Managing Director in May 2015.

<b>Post Title</b>	Salary, Allowances, Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director *	88,010	-	88,010	20,972	108,982
Corporate Director - SD **	46,817	-	46,817	11,046	57,862
Corporate Director - Resources ***	86,803	-	86,803	20,664	107,467
Corporate Director - Place ^	61,641	-	61,641	14,670	76,311
Service Manager-Cleaner and Greener ^	51,056	-	51,056	12,151	63,207
Legal Services Manager ^	44,694	-	44,694	10,637	55,331
	<b>379,019</b>	<b>-</b>	<b>379,020</b>	<b>90,141</b>	<b>469,161</b>

\* MD - post vacant part of year, new postholder from August 2015

\*\* Corporate Director - Service Delivery - left November 2015

\*\*\* Corporate Director - Resources was acting Head of Paid Service for 2 months

^ appointed to CMT from June 15

The Legal Services Manager also acts as the Council's Monitoring Officer

<b>Post Title</b>	<b>2014/15</b>				
	Salary, Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director	106,635	-	106,635	25,422	132,057
Corporate Director - SD *	73,023	-	73,023	17,379	90,402
Corporate Director - Resources	73,164	-	73,164	17,413	90,577
PIE Service Manager **	26,681	-	26,681	6,142	32,823
	<b>279,504</b>	<b>-</b>	<b>279,504</b>	<b>66,356</b>	<b>345,859</b>

\* SD - Corporate Director - Service Delivery

\*\* PIE Service Manager is also the Council's Monitoring Officer

**31. Exit Packages**

Number of exit packages agreed:

	<b>2015/16</b>		<b>2014/15</b>	
	<b>Number</b>	<b>£000's</b>	<b>Number</b>	<b>£000's</b>
In the band £0-£20k	<b>4</b>	<b>48</b>	12	95
In the band £20k-£40k	<b>1</b>	<b>23</b>	-	-
In the band £40k-£60k	-	-	-	-
In the band £60k-£80k	-	-	-	-
In the band £80k-£100k	-	-	1	90
	<b>5</b>	<b>71</b>	<b>13</b>	<b>185</b>
Includes compulsory redundancies:	1	14	12	166

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**32. Fees payable to auditors**

Ernst Young are the Council's auditors for 2015/16. The Council has incurred the following fees for the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non audit services provided by the Council's external auditor:

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
<b>Work relating to each financial year</b>		
Accrued external audit fees	<b>45</b>	68
Rebate from Audit Commission		(7)
<b>Work carried out in each financial year</b>		
Statutory inspection fees and NFI		2
Certification of grant claims fees	<b>13</b>	11
	<b>58</b>	75

**33. Related party transactions**

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and it prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 and in detail in Note 8.

Members

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

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

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

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

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

Entities Controlled or Significantly Influenced by the Council

The Council is a partner in the South Worcestershire Shared Services Joint Committee, the Joint Museums Shared Service and the Worcestershire Regulatory Shared Service Joint Committee. All of these partnerships are jointly controlled operations. Under the South Worcestershire Shared Services Joint Committee, Revenues and Benefits, Customer Services (through the Worcestershire Hub), Building Control, and ICT are provided as shared services by the partner Councils.

During 2015/16 the Council paid £1.331m to Wychavon District Council the host of the Revenues and Benefits Shared Service, £103k to Malvern Hills District Council for South Worcestershire Building Control Service, £455k (net) to Worcestershire County Council for the Worcestershire Hub and £533k (net) to Wychavon District Council for the provision of the ICT Shared Service and £563k to Worcestershire County Council for provision of Property services (part year charge - further amounts for the provision of property services were paid to Place Partnership Limited following its inception in September 2015). Under the Worcestershire Regulatory Shared Service Joint Committee the Council paid £537k (net) to Bromsgrove District Council, the host authority. Under the Joint Museums Shared Service the Council paid £479k to Worcestershire County Council, the host authority.

Place Partnership Ltd is a single asset management company co-owned by Worcestershire County Council, Hereford & Worcester Fire Authority, Redditch Borough Council, Warwickshire Police, West Mercia Police and Worcester City Council, each party has equal shares and equal voting rights. Any profits made by Place Partnership Ltd would be distributed equally to members. Any loss distribution would be limited by shareholding. Place Partnership has been classified as a Joint Operation for the purpose of financial reporting, because there is joint control, and the activity of the arrangement is primarily to provide services to the parties within their boundary. In 2015/16, the operating cost for Worcester City Council was £610K and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into Worcester City Council's accounts as a Joint Operation, because any difference to the costs already reflected is not deemed to be material.

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**34. Leases**

**Operating Leases (Council as lessor)**

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

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

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

	<b>2015/16</b>	Restated
	<b>£000's</b>	2014/15
		£000's
Not later than one year	<b>251</b>	262
Later than one year and not later than five years	<b>821</b>	859
Later than five years	<b>4,241</b>	4,275
	<b><u>5,313</u></b>	<u>5,396</u>

The Council leases out Land and Buildings on operating leases. The income for these have been credited to the I&E. The amounts received in 2015/16 were £271k.

**Operating Leases (Council as lessee)**

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

	<b>2015/16</b>	Restated
	<b>£000's</b>	2014/15
		£000's
Minimum lease payments	<b><u>360</u></b>	<u>417</u>

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

	<b>2015/16</b>	Restated
	<b>£000's</b>	2014/15
		£000's
Not later than one year	<b>56</b>	69
Later than one year and not later than five years	<b>209</b>	229
Later than five years	<b>95</b>	119
	<b><u>360</u></b>	<u>417</u>

### **35. Financial Instruments**

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

The Council's investments (financial assets) are detailed in note 13 with cash and cash equivalents explained in note 16. The Council has short term investments but no long term investments. The Council's borrowings (financial liabilities) are detailed in note 19. The Council has both short term and long term borrowings.

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

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

The discount rate used in the present value calculation is the rate applicable in the market on the date of valuation (31 March 2015) for an instrument with the same duration, same structure and terms (or as similar as possible).

Accrued interest to 31 March 2016 has been included in the fair value calculation in order to provide a comparison with the Balance Sheet carrying value. The interest rates quoted in the calculation were provided by Capita Asset Services, the Council's treasury management advisors, from the market on 31 March 2016 using bid prices where applicable.

**WORCESTER CITY COUNCIL**  
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**35. Financial Instruments (cont'd)**

Fair values of financial assets and liabilities as at 31 March 2016 are set out below:

	<b>Nominal Value £000</b>	<b>Balance Sheet £000</b>	<b>Fair Value £000</b>
Financial asset - Debtors	2,956	2,956	2,956
Financial asset - Investments reflected as short term investments in the balance sheet	14,400	14,400	14,455
Financial asset - Investments reflected as	2,500	2,500	2,502
Total Investments	16,900	16,900	16,957
Financial liability - Creditors	6,363	6,363	6,363
Financial liability at amortised cost- LOBO loan	5,000	5,073	6,749
Financial liability at amortised cost - PWLB loan	3,408	3,434	3,962

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

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

**Risk Management**

The Council's financial instrument activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk- the possibility that a financial loss might arise from changes such as adverse interest rates and stock market movements

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

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



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

### **Risk Management**

The Council manages risk in the following ways:

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

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

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

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

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Council has no experience of default concerning its investments. The Council does not generally allow credit for its trade debtors. The Council's approach to determining appropriate provisions for bad and doubtful debts is outlined in note 16.

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

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

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

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

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

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

#### **iv. Market risk**

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

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

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

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**36. Capital expenditure and financing**

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
<b>Capital expenditure adding to non-current asset valuation</b>		
Land and buildings	<b>192</b>	328
Vehicles, plant and equipment	<b>1,354</b>	1,283
Work in progress	<b>1,953</b>	350
<b>Additions to fixed assets</b>	<b>3,500</b>	1,961
<b>Capital expenditure not adding to fixed asset valuation</b>		
Revenue expenditure funded from capital under statute*	<b>368</b>	1,128
<b>Total Capital expenditure</b>	<b>3,868</b>	3,089
<b>Financed by:</b>		
Usable capital receipts	<b>2,576</b>	1,201
Grants and other contributions	<b>376</b>	265
Section 106 funds	<b>188</b>	843
Earmarked reserves	<b>243</b>	177
Direct Revenue Financing	<b>123</b>	29
Borrowing (not immediately financed)**	<b>362</b>	574
<b>Total capital financing</b>	<b>3,868</b>	3,089

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

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

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Opening Capital Financing Requirement	7,176	7,057
Capital Investment	3,868	3,089
Immediate financing of Capital	(3,506)	(2,515)
Minimum revenue provision (reduces underlying need to borrow)	(479)	(455)
Closing Capital Financing Requirement	<b>7,059</b>	7,176

### **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 2016 the Council had no contingent assets.

As at 31 March 2016 the Council had the following contingent liabilities:

- At 31 March 2013 a group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised this as a contingent liability.
- On 30 September 1992, the Council's then insurer, Municipal Mutual Insurance (MMI), announced that it had ceased taking new business or issuing renewals and placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. MMI have now fallen into insolvency and been placed into administration. A Scheme of Arrangement has now been triggered. This means a levy on all former customers of a proportion of claims paid on the councils behalf. Based upon information provided by the administrators potential liabilities may occur in future, but the timing and the amounts can not be defined. The Council has to date paid two amounts - £81,702 in January 2014 and £54,468 in April 2016 totalling £136,170. This may not be the final sum and the Council may receive a refund or be required to pay a further amount. No provision has been made for either a refund or a payment during 2016/17.
- As a result of changes to the funding of local government, and specifically the introduction of the National Non Domestic Rates (NNDR) Retention Scheme from 1 April 2014 councils assumed part of the liability for refunding rate payers who successfully appeal against the rateable value of their properties on the rating list. Under the revised regulations the Council is required to make a provision for its share of this liability. These accounts include a provision of £1.606m, set aside to cover the Council's share of the total estimated unpaid liability related to the settlement of all appeals received up to 31 March 2016. This estimate has been based on experience from current and historic rateable value appeals lodged and the impact of associated settlements, using information provided by the Valuations Office Agency (VOA). Whilst the provision reflects the forecast impact of appeals received to date, there remains uncertainty regarding the volume and timing of future appeals.

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

	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to rise, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured, and used to inform judgements. As an example, for 2015/16, a 0.1% increase in the discount rate (the value today of assets in the future) would reduce the pension liability by £1.596m, while the same increase in the rate of inflation would raise the liability by £1.624m and an increase of 1 year in life expectancy of pensioners would raise the pension liability by £1.931m. However the assumptions interact in complex ways, and the overall effect of changes in all the various elements of pension cost and investment return is impossible to predict with any certainty.
Non-current assets - depreciation	Non-current assets held on the Balance Sheet have an estimated useful life. This is based on a professional judgement by the Valuer.	Depreciation is applied on a straight line basis over the useful life of the asset. Variations to the useful life will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by a review of the useful life of an asset being undertaken at each valuation.
Provision for backdated appeals - business rates	Localised business rates requires billing authorities to account for the estimated effect of business rate valuation appeals including any back-dating.  A provision for the costs of refunds has been made in the Collection Fund, based on the information available to date about the likely number and success of appeals.	If refunds are greater than the provision made in the Collection Fund then there will be a further loss to the Council; if refunds are less than the provision then the Council will receive more than provided for.

### **39. Impact of future Accounting Standards to be introduced after 1 January 2016**

#### **Accounting Standards that have been issued but not yet been adopted**

The following issued accounting standards have not yet been adopted:

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions). The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If employee contributions are not linked to length of service, contributions can be deducted from the cost of benefits earned in the period. This is unlikely to have a material impact on the Statement of Accounts.

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations). The amendments apply prospectively and impact the accounting for newly acquired interests in joint operations or newly formed joint operations. Joint operators will be required to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognise deferred taxes;
- recognising any goodwill or bargain purchase gain;
- perform impairment tests for the cash generating units to which goodwill has been allocated;
- disclose information required relevant for business combinations.

Amendment to IAS 16 Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation and Amortisation). Revenue based methods of depreciation are no longer appropriate and therefore cannot be used. The amendment is applied prospectively so no prior period adjustments will be necessary. There is no impact for the Council as depreciation is calculated using time-based methods. This is not expected to impact on the Statement of Accounts.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative). The changes are presentational, including improvements to materiality, disaggregation and sub-totals, notes structure and accounting policies.

Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS) and the introduction of the Expenditure and Funding Statement. The CIES will be placed before the MiRS and will reflect the way in which the Council reports financial performance and will no longer be based on SeRCOP. The MiRS will be simplified with a single line for Total Comprehensive Income and Expenditure and no separate line for Earmarked reserves necessary. The Segmental Reporting note will be removed and an Expenditure and Funding Analysis included to reconcile the net expenditure charged to taxation to the CIES service lines.

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

In applying the accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2019. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.

The Council revalues its property assets regularly and assesses each year whether or not there is anything that could have a material impact of the value of an asset. Where there is a potential material impact the assets are revalued. All revaluations are undertaken by the Council's RICS qualified valuer with specialist advice as appropriate. Investment properties are revalued annually and an impairment review is also undertaken annually. When assets are revalued their useful lives are re-assessed. During 2015/16 a number of assets were valued and the revised values are incorporated within the accounts.

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

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

The Council has considered in line with accounting standards and the Code of Practice on group accounts all significant relationships with companies and other entities. There are no material interests and no group accounts. Refer to Note 33 for arrangements the County Council has with related parties.

Place Partnership Ltd is considered to be a joint operation but will not have a material impact on the accounts.

The Council has determined that the South Worcestershire Shared Services Joint Committee meets the definition of Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.

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

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

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

There are no adjusting post balance sheet events to report. The narrative report provides details of the change in leadership of the City Council following the local elections held in May 2016.

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Note	2015/16 Business Rates £000's	2015/16 Council Tax £000's	2015/16 Total £000's
	<b>Income</b>		
1	-	(46,223)	<b>(46,223)</b>
2	(40,629)	-	<b>(40,629)</b>
	<b>(40,629)</b>	<b>(46,223)</b>	<b>(86,852)</b>
	<b>Expenditure</b>		
	<b>Precepts, demands and shares</b>		
	18,615		<b>18,615</b>
	14,892	4,994	<b>19,887</b>
	3,351	32,632	<b>35,983</b>
	-	124	<b>124</b>
	-	5,618	<b>5,618</b>
	372	2,312	<b>2,684</b>
	<b>37,230</b>	<b>45,681</b>	<b>82,911</b>
	<b>Charges to Collection Fund</b>		
	<b>Less:</b>		
	157	-	<b>157</b>
4	295	68	<b>363</b>
6	146	-	<b>146</b>
	138	-	<b>138</b>
	<b>736</b>	<b>68</b>	<b>804</b>
	<b>(2,664)</b>	<b>(474)</b>	<b>(3,138)</b>
	<b>7,464</b>	<b>(499)</b>	<b>6,965</b>
	<b>4,800</b>	<b>(973)</b>	<b>3,827</b>

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

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

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



**WORCESTER CITY COUNCIL**  
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Comparative with last year 2014/15	<b>2014/15 Business Rates £000's</b>	<b>2014/15 Council Tax £000's</b>	<b>2014/15 Total £000's</b>
Note			
<b>Income</b>			
1 Council Tax Receivable	-	(44,489)	<b>(44,489)</b>
2 Business Rates receivable	(39,994)	-	<b>(39,994)</b>
Transitional Protection Payments	189	-	<b>189</b>
	<b>(39,805)</b>	<b>(44,489)</b>	<b>(84,294)</b>
<b>Expenditure</b>			
<b>Precepts, demands and shares</b>			
Central Government	20,096		<b>20,096</b>
Billing authority (Worcester City Council)	16,077	4,930	<b>21,007</b>
County Council	3,617	31,602	<b>35,219</b>
Parishes	-	123	<b>123</b>
Police Authority	-	5,438	<b>5,438</b>
Fire Authority	402	2,239	<b>2,641</b>
	<b>40,192</b>	<b>44,332</b>	<b>84,524</b>
<b>Charges to Collection Fund</b>			
<b>Less:</b>			
Losses in collection	-	-	-
4 Increase (decrease) in bad debt provision	168	(55)	<b>113</b>
6 Increase in provision for appeals	3,961	-	<b>3,961</b>
Allowance for Cost of Collection	139	-	<b>139</b>
	<b>4,268</b>	<b>(55)</b>	<b>4,213</b>
Deficit or (surplus) for the year	<b>4,655</b>	<b>(212)</b>	<b>4,443</b>
Deficit (surplus) b/fwd at 1 April 2014	<b>2,809</b>	<b>(287)</b>	<b>2,522</b>
Deficit (surplus) c/fwd at 31 March 2015	<b>7,464</b>	<b>(499)</b>	<b>6,965</b>

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

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

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

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

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

The basic amount of Council Tax for a Band D property (£1,507.41 in 2015/16, £1,481.80 in 2014/15) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due. The taxbase for 2015/16 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 2015/16 £	Basic amount of Council Tax per Band £
<b>A disabled</b>	4	2.54	5/9	1.41	837.45
<b>A</b>	8,350	4,295.49	6/9	2,863.66	1,004.94
<b>B</b>	14,663	10,843.81	7/9	8,434.07	1,172.43
<b>C</b>	11,158	9,188.85	8/9	8,167.87	1,339.92
<b>D</b>	5,288	4,727.26	9/9	4,727.26	1,507.41
<b>E</b>	3,232	2,993.66	11/9	3,658.91	1,842.39
<b>F</b>	1,358	1,289.75	13/9	1,862.97	2,177.37
<b>G</b>	392	361.30	15/9	602.17	2,512.35
<b>H</b>	7	4.00	18/9	8.00	3,014.82
<b>Total</b>	<b>44,451</b>	<b>33,706.66</b>		<b>30,326.33</b>	
				Less assumed bad debt rate: 1.0%	-303.26
				<b>Council Tax Base</b>	<b>30,023.07</b>

**2. Business Rates**

NNDR is organised on a national basis with a Government specified rate of 48.0p for the financial year (47.1p 2014/15). Subject to the effects of reliefs and provisions, local businesses pay rates calculated by multiplying their rateable value by that amount.

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

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

The Business Rates income (after reliefs) of £40.629m (£39.805m for 2014/2015) was based on an average rateable value for the Council's area. The rateable value was £101,470,670 at 31st March 2016 (£101,457,569 at 31st March 2015).

**WORCESTER CITY COUNCIL  
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**3. Collection Fund surpluses and deficits**

**Council Tax**

The surplus on the Fund of £973k at 31st March 2016 in respect of Council Tax transactions will be distributed in subsequent financial years to Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire and Rescue Authority and the City Council in proportion to the value of the respective precepts and demands made by the Councils on the Collection Fund. The allocations are as follows:

	<b>2015/16 £000's Surplus</b>	2014/15 £000's Surplus
Worcestershire County Council	<b>696</b>	356
West Mercia Police Authority	<b>119</b>	61
Hereford and Worcester Fire and Rescue Authority	<b>49</b>	25
Worcester City Council	<b>109</b>	57
	<b><u>973</u></b>	<u>499</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 deficit on the fund in respect of business rates at 31 March 2016 is £4.803 million.

	<b>2015/16 £000's Deficit</b>	2014/15 £000's Deficit	% Share
Worcestershire County Council	<b>432</b>	672	9
Central Government	<b>2,402</b>	3,733	50
Hereford and Worcester Fire and Rescue Authority	<b>48</b>	75	1
Worcester City Council	<b>1,921</b>	2,986	40
	<b><u>4,803</u></b>	<u>7,466</u>	<u>100</u>

**WORCESTER CITY COUNCIL  
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**4. Provision for Bad Debts and Write Offs**

The Provision for Bad Debts and Write Offs as at 31 March 2016 is as follows:

**Council Tax**

	<b>2015/16 £000's</b>	2014/15 £000's
Brought forward at 1 April	527	654
Write offs to provision in the year	(99)	(103)
Contributions to provision during year	68	(24)
<b>Net Increase/Decrease in provision</b>	<b>(31)</b>	<b>(127)</b>
<b>Carried forward at 31 March</b>	<b>496</b>	<b>527</b>

**NNDR**

	<b>2015/16 £000's</b>	2014/15 £000's
Brought forward at 1 April	294	294
Write offs to provision in the year	(294)	(168)
Contributions to provision during year	294	168
<b>Net Increase/Decrease in provision</b>	<b>0</b>	<b>0</b>
<b>Carried forward at 31 March</b>	<b>294</b>	<b>294</b>

**5. Write Offs**

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

	<b>2015/16 £000's</b>	2014/15 £000's
Council Tax	<b>99</b>	103
NNDR	<b>452</b>	168
	<b>551</b>	271

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

**WORCESTER CITY COUNCIL**  
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**For the year ended 31st March 2016**

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**6. NNDR - Provision for Appeals**

The Collection Fund account also provides for provision for appeals against rateable valuation set by the Valuation Office Agency (VAO) not settled as at 31 March 2016.

	<b>2015/16</b>	2014/15
	<b>£000's</b>	£000's
Brought forward at 1 April	6,090	2,128
Appeals Charged to Provision	(2,900)	0
Contributions to provision during year	146	3,961
<b>Net (Decrease)/Increase in provision</b>	<b>(2,754)</b>	<b>3,961</b>
<b>Carried forward at 31 March</b>	<b><u>3,335</u></b>	<b><u>6,090</u></b>

## WORCESTER CITY COUNCIL ACCOUNTING DEFINITIONS

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**The Code of Practice on Local Authority Accounting 2015/16** uses some technical terms that all readers may not be familiar with. Some of these are:

**Cash** comprises cash on hand and demand deposits.

**Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

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

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

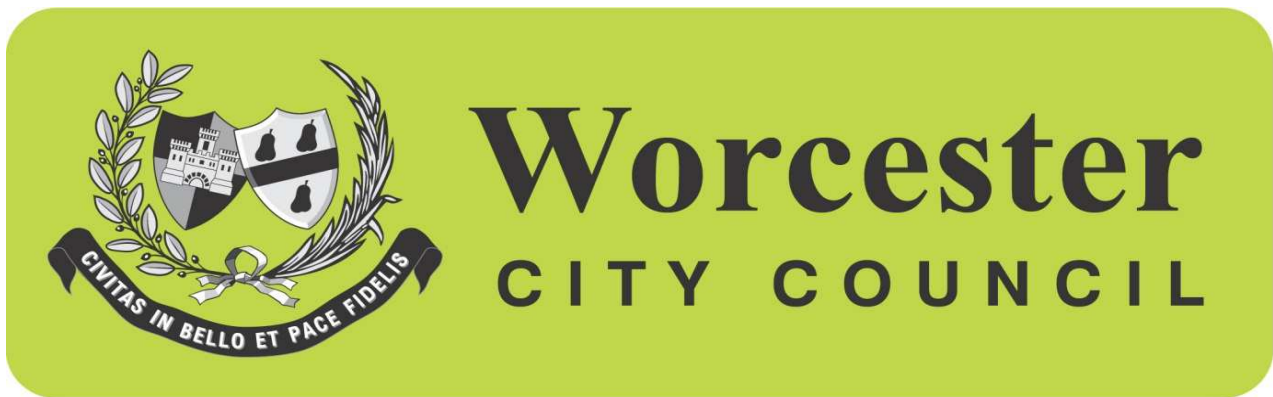
**Other Comprehensive Income and Expenditure** comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial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

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

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

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

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



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### **Approval of Statement of Accounts 2015/16**

I confirm that this Statement of Accounts including the Annual Governance Statement were approved by Council at its meeting held on 29th September 2016.

Signed on behalf of Worcester City Council

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**Councillor Paul Denham  
Mayor and Chair of the Council**

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

### **Opinion on the Council's financial statements**

We have audited the financial statements of Worcester City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Movement in Reserves Statement;
- Council Comprehensive Income and Expenditure Statement;
- Council Balance Sheet;
- Council Cash Flow Statement;
- Collection Fund; and
- related notes, numbers 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### **Respective responsibilities of the Corporate Director - Resources and auditor**

As explained more fully in the Statement of Responsibilities set out on page 1, the Corporate Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director - Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Worcester City Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Opinion on other matters**

In our opinion, the other information given in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on Worcester City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Council's responsibilities***

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

### ***Auditor's responsibilities***

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Worcester City Council had proper arrangements

to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Worcester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

**Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Worcester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Certificate**

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

Stephen Clark

30 September 2016

*Stephen Clark (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Birmingham*