

# Worcestershire County Council

## Statement of Accounts 2015/16

Year ended 31 March 2016

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## **Statement of Responsibilities of the County Council**

The County Council is required to:

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

## **Responsibilities of the Chief Financial Officer**

The Chief Financial Officer is responsible for the preparation of the County 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 the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting

The Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **Issue Date**

The date that the Statement of Accounts is authorised for issue is 19 May 2016. All known material events that have occurred up to and including this date which relate to 2015/16 or before have been reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015 I certify that the Statement of Accounts 2015/16 provides a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year 2015/16.

**Sean Pearce**  
**Chief Financial Officer**

## **Approval of Accounts**

In accordance with Regulation 9(2) b of the Accounts and Audit Regulations 2015 I certify that the Audit & Governance Committee approved the Statement of Accounts 2015/16 on 2016.

**Councillor Nathan Desmond**  
**Chairman of the Audit & Governance Committee**  
**21 July 2016**

## Personal Assurance Statement of the Chief Financial Officer

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Worcestershire County Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2016. All representations cover both the Council's accounts and Pension Fund accounts included within the financial statements.

I believe that I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the County Council, for the completeness of information provided to you and making accurate representations to you.

### Supporting records

I believe that all the accounting records and access to persons within Worcestershire County Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Worcestershire County Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you in accordance with your requests.

### Related party transactions

I confirm that I am not aware of any information provided regarding the identification of Worcestershire County Council related parties and all the related party relationships and transactions which is incomplete or inaccurate and that the identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### Contingent Liabilities

I am unaware of any contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular, I am not aware of:-

- any pending or threatened litigation and claims, which is not properly recorded and disclosed in the financial statements;
- commitments or contractual issues, which are not properly recorded and disclosed in the financial statements; and
- any financial guarantees being given to third parties.

### Law, regulations, contractual arrangements and codes of practice

I am not aware of any instances of non-compliance or suspected non-compliance with laws, regulations and codes of practice, except as disclosed in the notes to the financial statements.

All expenditure and income disclosed in the financial statements is in respect of services properly operated by the Authority under Acts and regulations made by Parliament.

I am not aware of any instance in which the Council has failed to comply with its contractual arrangements with third parties or with the requirements of Regulatory Bodies.

### Accounting estimates

I believe that the assumptions used in making any accounting estimates, including those measured at face value, are reasonable.

### Assets

I believe that the following have been both properly recorded and disclosed in the financial statements:-

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

## **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

I am not aware of any:-

- irregularities involving management or employees who are responsible for the system of internal accounting control;
- irregularities involving other employees that could have an effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that:

- I have disclosed my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on financial statements; and
- I have disclosed my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others
- I am unaware of any allegations or suspicions of fraud or actual fraud which may lead to a material misstatement of the financial statements.

## **Post balance sheet events**

Since the date of the financial statements of the Council, I am aware of no post balance sheet events that have occurred which have not been adjusted or disclosed in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

## **Compensating arrangements**

I am unaware of any compensating balancing arrangements with any of our cash and investment accounts.

## **Pension Provisions**

I am unaware of any material amounts relating to unfunded liabilities, curtailments of settlement of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

## **Pension Fund Investment**

I am unaware of

- any restrictions affecting the ability of the Fund to realise its investments. The realisable value however may be more or less than the purchase price depending upon the movement in the markets.
- any investments which are not shown as quoted market value. Fund managers use "pooled vehicles" but they are valued by aggregating the market value of their underlying assets.

**Sean Pearce**

**Chief Financial Officer**

# Narrative Statement by the Chief Financial Officer

## Introduction

I am pleased to introduce our Final Accounts pack for 2015/16. The pack includes the Financial Statements for Worcestershire County Council and Worcestershire County Council Pension Fund. My statement gives an analysis of the performance of the County Council for 2015/16 and our position over the medium term.

The County Council spends around £500 million each year to deliver high quality services and outcomes to our residents. In the past 5 years we have delivered £120 million in savings through an ambitious transformation plan alongside a focus on continuing to improve the services that we provide:

- Worcestershire having the third fastest growing economy in the country;
- Nine out of ten schools in Worcestershire being rated as good or outstanding by Ofsted;
- More money being invested in highways and improvement projects in Worcestershire now than at any time in the last three decades

## A review of 2015/16

The County Council has spent £325 million for 2015/16 in support of our Corporate Plan – FutureFit. The plan covers the period to 2017 and for 2016/17 the following key outcomes have been delivered:

- Shaping the economy and environment to drive prosperity through increasing the value of goods and services produced in Worcestershire to £11.9 billion and supporting our progress towards the creation of an additional 25,000 jobs by 2025
- Enabling our growing population of frail elderly residents to live independently. Worcestershire's population of over 85 year olds is 2.8% compared with an average across England of 2.3%
- Working with families to develop and embed a whole-system response to overcoming challenges that prevent and / or delay positive outcomes for children, families and vulnerable individuals, including turning around the lives of 3,200 families as part of our contribution to the national Troubled Families programme
- Making decisions about how best to safeguard children with the aim of reducing our 700+ Looked After Children by providing support at the lowest level of intervention to meet their needs
- Supporting nearly 2,500 residents with disabilities to live independently where possible
- Developing proposals about how best to improve the infrastructure alongside central government funding received as part of the Strategic Economic Plan submissions; and
- Working with partners around the county, regionally and nationally to ensure that we are making the best use of the Worcestershire pound, with more than £3 billion spent across the public sector in Worcestershire.

The County Council has successfully managed a significant financial challenge for 2015/16 by delivering £27.5 million of savings whilst managing additional cost pressures, the most significant of which is £5.7 million Children's Social Care Placements. The local forecast demand pressure within the Children's Social Care Placements service is one that is being experienced by councils across the country and the latest forecast of the financial impact of this demand if reflected in the County Council's approved Medium Term Financial Plan (MTFP). As with all services, robust management is in place to ensure costs are contained whilst all appropriate safeguarding measures are in place.

The cost pressures in 2015/16 have largely been met from a favourable variance on money market activity following an active strategy to defer external borrowing whilst internal cash balances remain strong and the spread between investment yield and interest on borrowing remains high. The ability of the County Council to manage revenue spending within cash limits enables general balances to be maintained at £13 million.

Income from Business Rates totalled £55.9 million for the year, a reduction of £3.1 million against budget. This largely arises from reduced collection rates across District Councils and the impact of business rates appeals. We maintain a Business Rates Risk Reserve to cover the risk of temporary reductions in business rates income and will be withdrawing from this reserve to cover the shortfall in 2015/16. The County Council continues to work alongside District Councils to understand the impact of potential future appeals and their impact on forecast income levels that are currently reflected in the MTFP.

The County Council spent £141.7 million on capital expenditure in 2015/16. Significant capital investments have been delivered on the following projects:

- £6.4 million Superfast Broadband

- £7.9 million Hoobrook Link Road
- £17.0 million Highways Structural Maintenance
- £4.0 million Worcester Transport Strategy
- £3.1 million Stourport Burlish Park School

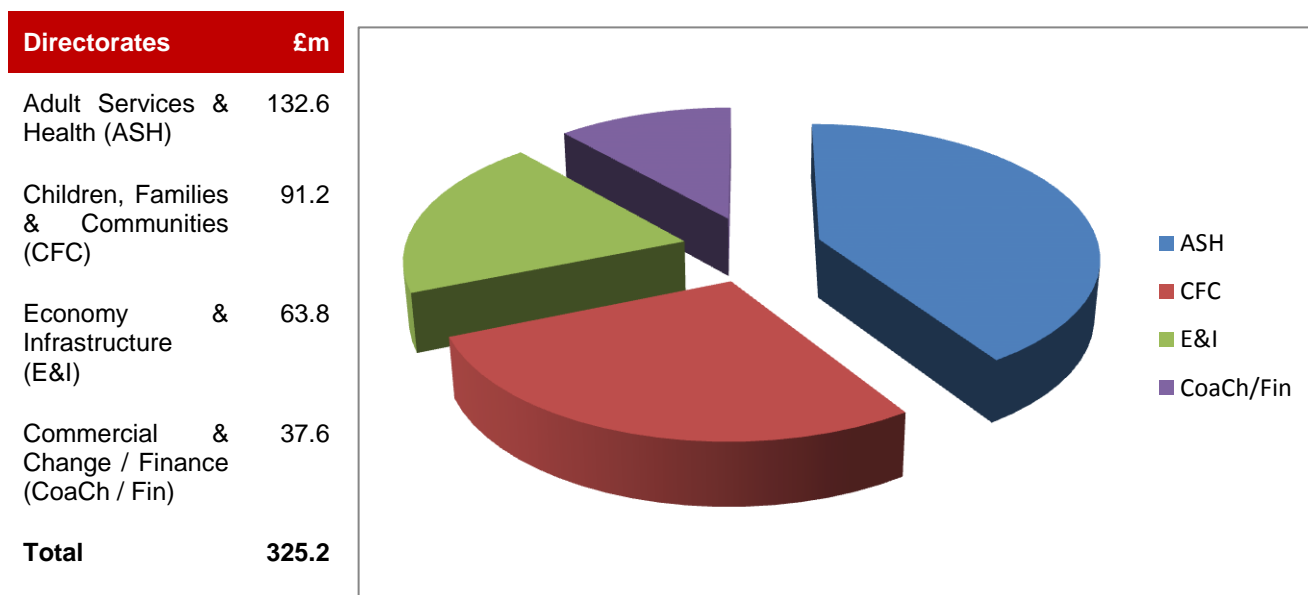
Three maintained schools have converted to academies during 2015/16 resulting in a total net book value of £10 million removed from the Balance Sheet.

The County Council continues to manage its cash position through a robust Treasury Management Strategy. The key points to note in 2015/16 are:

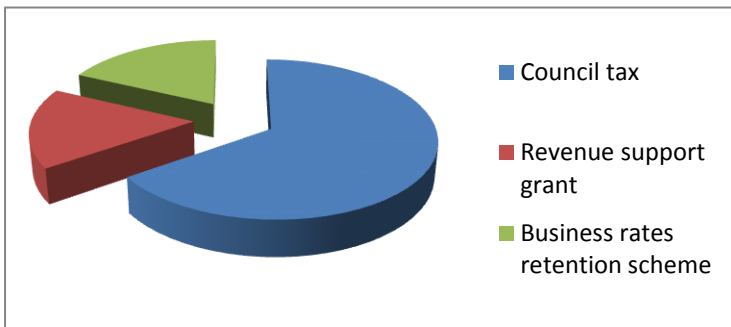
- The County Council's treasury activities were managed successfully within the approved Prudential Indicator limits
- Base Rate has remained stable at 0.5% during 2015/16
- Investments prudently made to UK Debt Management Office, other local authorities and Money Market Funds are in line with the existing County Council Treasury Management Policy
- £6.5 million of existing loans have been repaid during the year
- New loans of £84.5 million have been taken out during 2015/16. This was planned activity and of this £54.5 million was raised to support the approved Energy from Waste scheme, and £30 million to support the approved Capital Programme, and
- Total debt outstanding is within plan and stands at £334.7 million at 31 March 2016, the average rate of interest has reduced to 3.95% from 4.29% for 2014/15. Whilst not this simple, were this reduction to be applied simply to the total debt outstanding of £334.7 million at the year end, the annual interest charge would be in the order of £140k.

## Financial results

The County Council is organised into four directorates which manage the provision of services within Worcestershire. The revenue financial results for 2015/16 are as follows:



The County Council receives funding from a number of sources as shown below. Unringfenced central government funding is through the Revenue Support Grant. Council tax and the business rates retention scheme are sources of funding raised within Worcestershire.



Funding sources	£m
Council tax	214.2
Revenue support grant	54.4
Business rates retention scheme	59.0
<b>Total</b>	<b>327.6</b>

Central government, through the Comprehensive Spending Review, has stated its intention to reduce the amount of funding provided to local government through the revenue support grant over the term of this parliament, with funding being delivered through local taxation via the business rates retention scheme.

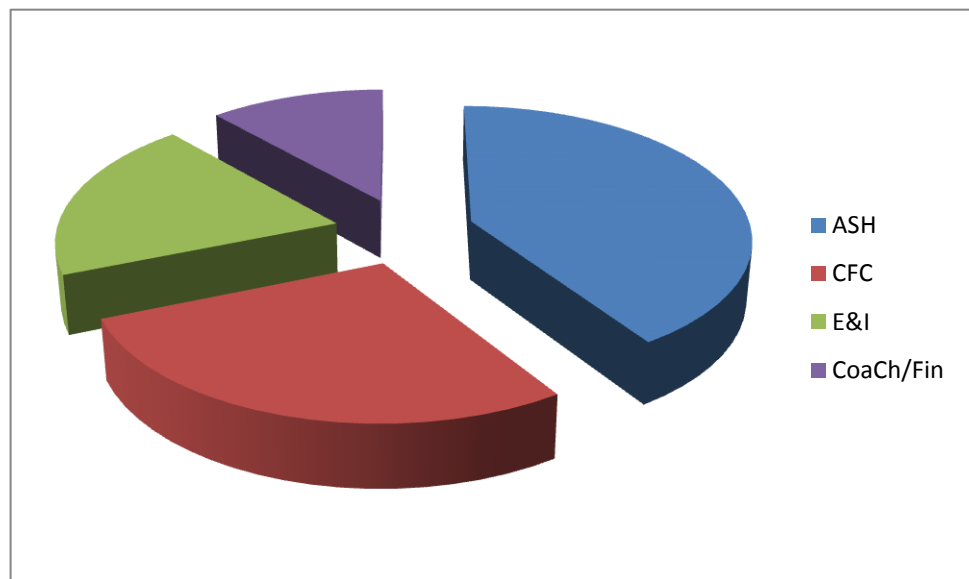
### Looking ahead

In February 2016 the County Council approved a net budget of £322 million for 2016/17, which reflected both our statutory duties and responded to the needs and priorities of residents, service users and local businesses, whose 3 key priorities are:

- Maintenance of the highways;
- Protecting vulnerable older people, particularly those with physical, learning and mental health difficulties; and
- Protecting vulnerable young people, particularly those in or leaving care to ensure they are safe and can make the most of the opportunities they have.

The 2016/17 budget is allocated as follows:

Directorates	£m
Adult Services & Health (ASH)	132.8
Children, Families & Communities (CFC)	84.8
Economy & Infrastructure (E&I)	64.5
Commercial & Change / Finance (CoaCh / Fin)	40.4
<b>Total</b>	<b>322.5</b>



The key areas of investment included in the budget are:

- Open for Business

The continued investment in physical infrastructure such as roads and new business sites remains one of the Council's highest priorities to ensure a thriving and growing Worcestershire economy. Game Changer sites in Worcester, Redditch, Kidderminster and in Malvern are to generate up to 16,000 jobs for Worcestershire in the coming years.

The MTFP confirms the continuation of allocations to support the costs of prudential borrowing to fund new capital expenditure to drive the Council's Open for Business priority alongside the Strategic Economic Plan and Local Growth Plan funding through the Council's key partner, Worcestershire LEP.

Two additional allocations have been made to support this core priority and subject to approval at Full Council as follows:

- £2 million capital investment into four 4 key public realm improvements to town centres in Droitwich, Kidderminster, Redditch and Worcester.
- £1.7 million from the County Council unallocated New Homes Bonus to further the design work and associated studies for improvements to the Carrington Bridge and the A38 in Bromsgrove.
- Children and Families  
The budget confirms the strengthening of the Children's Social Care budget through the allocation of £5.0 million to support the increasing number and costs of looked after children placements that result from the increased demand from services. The additional £5 million comprises £3 million of recurrent funding to support a more sustainable service with better outcomes for Children and £2 million to support the successful delivery of the financial recovery plan.
- Health & Well-being  
The budget confirms the firming up of the Adult Social Care budget through the allocation of £3 million in response to the demographic growth and increasing complexity of supporting vulnerable older people and adults with disabilities.
- The Environment  
The budget confirms the reinforcement by £0.5 million to support the costs arising from increases in the amount of waste disposed of by households whilst recognising that the Council still promotes residents to reduce or recycle where they can. The budget also confirms an increase of £0.5 million to support continued investment in road maintenance.

In response to the Notice of Motion as agreed at January 2016 Council, an additional £0.5 million allocation has been proposed for further improvements to footpaths in the Worcestershire.

The FutureFit Programme supports the delivery of the changes needed to support the Corporate Plan – FutureFit, and is a key delivery vehicle for identifying, managing and delivering the transformation required. The County Council has an ongoing annual savings requirement of around £25 million, which it is anticipated will increase to £34 million in 2017/18. This reflects the profile of reductions in funding from Central Government over the next few years that are front loaded. In order to provide the flexibility to meet this challenge, Directorates will be able to carry forward funds in excess of the standard 2% for 2016/17 and 2017/18.

The County Council has delivered savings of £120 million since 2011/12 and has existing plans to deliver nearly £50 million of savings from 2016/17 to 2019/20. Further savings of £57 million are required over this period to balance the budget over the period. We will continue to plan for change, listening to ideas, concerns and opinions in order to develop and refine the plan to deliver services within the resources available across the medium term.

In order to ensure that the County Council's finances are managed effectively, the MTFP is approved annually as part of the budget process. A summary of the 2016/17 to 2019/20 plan is given below:

£m	2016/17	2017/18	2018/19	2019/20
Total funding available	356.4	348.2	356.1	365.3
Less service costs based 2015/16 budget	381.2	384.2	380.2	387.0
Less transfers from Earmarked Reserves	0	1.9	0	0
<b>Sub total</b>	<b>(24.8)</b>	<b>(34.1)</b>	<b>(24.1)</b>	<b>(21.7)</b>
Less FutureFit programme	24.8	13.4	7.0	2.5
<b>Shortfall in funding still to be addressed</b>	<b>0</b>	<b>20.7</b>	<b>17.1</b>	<b>19.2</b>



# Content and Format of the Statement of Accounts

## Primary Financial Statements

These comprise the four key pieces of information in the Statement of Accounts.

Comprehensive Income and Expenditure Statement	Balance Sheet
An accounting deficit of £24.8 million for 2015/16 has been reported; the outturn position is for the County Council to deliver services within its £325 million cash limited budget.	An increase of £6.2 million in County Council net assets as at 31 March 2016.  At 31 March 2016 the County Council's net worth was £116.1 million.
Cash Flow Statement	Movement in Reserves Statement
A net increase in cash or cash equivalents of £11.9 million in 2015/16.	A decrease of £9.2 million in County Council usable reserves

**Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with the Code of Practice on Local Authority Accounting, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**The Balance Sheet** shows the value as at the Balance Sheet date of the asset and liabilities recognised by the County Council. The net assets of the County Council (assets less liabilities) are matched by the reserves held by the County Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the County Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the County Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

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

**The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the County Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Deficit on the Provision of Services line shows the true economic cost of providing the County Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for County Council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council.

## Notes to the Primary Financial Statements

These notes give supplementary information to support the main financial statements.

## Accounting Policies

The policies applied by the County Council to all financial transactions.

## Other Information in the Financial Accounts pack

### Statement of Responsibilities

As defined in the Local Government Act 1972, the Section 151 Officer for the County Council is the Chief Financial Officer and has a number of statutory duties relating to the proper administration of the County Council's financial affairs. This includes the duty to present for audit a Final Accounts Pack which gives a true and fair view of the operations of the County Council.

### Annual Governance Statement

This sets out the County Council's arrangements that have been put in place to ensure there is an effective system of internal control to manage service delivery and deliver services in an efficient, effective and economic way. This statement accompanies the Statement of Accounts.

### External Audit Opinion

This sets out the outcome of the independent audit of Worcestershire County Council's Statement of Accounts. Our external auditors contact details are:

#### Grant Thornton UK LLP

Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

*An unqualified audit indicates an audit where the External Auditor is satisfied that the Statement of Accounts presents a true and fair view of the financial position of the County Council.*

### Availability of the Statement of Accounts in other formats

Copies of the Statement of Accounts and Annual Governance Statement, and a large print version, can be made available on request through the Chief Financial Officer at Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. Alternatively you can call us on 01905 844405.

The accounts can be viewed on the County Council's website by visiting [www.worcestershire.gov.uk](http://www.worcestershire.gov.uk)

## Public inspection feedback and questions

It is important that members of the public have the opportunity to provide comment and question the Statement of Accounts. The Statement of Accounts was available for inspection from 8 June 2016 to 20 July 2016. The formal audit of our accounts began on 19 May 2016 and we received an \*\* opinion on *date*.

We have to produce the Statement of Accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future. Please send any comments or questions arising from the accounts to:

Alex Lane-Griffin  
Personal Assistant to the Chief Financial Officer  
Worcestershire County Council  
Financial Services  
County Hall  
Spetchley Road  
WR5 2NP

Alternatively you can email on [financialqueries@worcestershire.gov.uk](mailto:financialqueries@worcestershire.gov.uk)

**Sean Pearce**  
**CPFA**  
**Chief Financial Officer**

# **Worcestershire County Council**

## **Statement of Accounts**

**2015/16**

## Movement in Reserves Statement

2015/16	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied account	Total usable reserves	Total unusable reserves	Total reserves
Note		2.1			2	3	
	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2015</b>	<b>13.0</b>	<b>117.0</b>	<b>3.2</b>	<b>33.5</b>	<b>166.7</b>	<b>(56.8)</b>	<b>109.9</b>
(Deficit) on provision of services	(24.8)				(24.8)		(24.8)
Other comprehensive income & expenditure						31.0	31.0
<b>Total comprehensive income &amp; expenditure</b>	<b>(24.8)</b>				<b>(24.8)</b>	<b>31.0</b>	<b>6.2</b>
Adjustments between accounting basis & funding basis under regulations	16.5	0.3	1.9	(3.1)	15.6	(15.6)	
<b>Net increase/ (decrease) before transfers to earmarked reserves</b>	<b>(8.3)</b>	<b>0.3</b>	<b>1.9</b>	<b>(3.1)</b>	<b>(9.2)</b>	<b>15.4</b>	<b>6.2</b>
Transfers to/(from) earmarked reserves	8.3	(8.3)					
<b>Increase/ (decrease) in year</b>		<b>(8.0)</b>	<b>1.9</b>	<b>(3.1)</b>	<b>(9.2)</b>	<b>15.4</b>	<b>6.2</b>
<b>Balance at 31 March 2016</b>	<b>13.0</b>	<b>109.0</b>	<b>5.1</b>	<b>30.4</b>	<b>157.5</b>	<b>(41.4)</b>	<b>116.1</b>

### Other Comprehensive Income & Expenditure

2014/15		2015/16
Total unusable reserves		Total unusable reserves
£m		£m
9.1	Surplus on revaluation of non-current assets	9.0
0	Re-measurement on available for sale financial assets	(1.5)
(101.3)	Re-measurement of the net defined benefit pension liability/ (asset)	23.5
<b>(92.2)</b>		<b>31.0</b>

Adjustments between accounting basis & funding basis under regulations are given in note 1. Details of the movement on usable reserves in note 2 and unusable reserves in note 3.

Movement in Reserves Statement 2014/15 comparison

	General fund balance £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied account £m	Total usable reserves £m	Total unusable reserves £m	Total reserves £m
<b>Balance at 31 March 2014</b>	<b>13.0</b>	<b>113.4</b>	<b>6.9</b>	<b>40.2</b>	<b>173.5</b>	<b>71.6</b>	<b>245.1</b>
(Deficit) on provision of services	(43.0)				(43.0)		(43.0)
Other comprehensive income & expenditure						(92.2)	(92.2)
<b>Total comprehensive income &amp; expenditure</b>	<b>(43.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(43.0)</b>	<b>(92.2)</b>	<b>(135.2)</b>
Adjustments between accounting basis & funding basis under regulations	48.7	(2.1)	(3.7)	(6.7)	36.2	(36.2)	0.0
<b>Net increase/ (decrease) before transfers to earmarked reserves</b>	<b>5.7</b>	<b>(2.1)</b>	<b>(3.7)</b>	<b>(6.7)</b>	<b>(6.8)</b>	<b>(128.4)</b>	<b>(135.2)</b>
Transfers to/(from) earmarked reserves	(5.7)	5.7					
<b>Increase/ (decrease) in year</b>	<b>0.0</b>	<b>3.6</b>	<b>(3.7)</b>	<b>(6.7)</b>	<b>(6.8)</b>	<b>(128.4)</b>	<b>(135.2)</b>
<b>Balance at 31 March 2015</b>	<b>13.0</b>	<b>117.0</b>	<b>3.2</b>	<b>33.5</b>	<b>166.7</b>	<b>(56.8)</b>	<b>109.9</b>

## Comprehensive Income and Expenditure Statement

2014/15 Expenditure £m	2014/15 Income £m	2014/15 Net £m		2015/16 Expenditure £m	2015/16 Income £m	2015/16 Net £m	Note
<b>Service Expenditure Analysis</b>							
191.9	(49.2)	142.7	Adult Social Care	184.0	(49.9)	134.1	
414.7	(319.0)	95.7	Children's and Education Services	396.3	(288.9)	107.4	
70.1	(16.6)	53.5	Highways and Transport Services	64.3	(11.0)	53.3	
49.5	(12.2)	37.3	Environmental and Regulatory Services	42.8	(13.6)	29.2	
14.7	(6.2)	8.5	Cultural and Related Services	13.6	(6.0)	7.6	
5.3	(1.7)	3.6	Housing Services	1.4	(1.1)	0.3	
11.7	(7.6)	4.1	Planning Services	12.9	(7.7)	5.2	
3.8	(2.3)	1.5	Central Services to the Public	2.9	(1.5)	1.4	
16.8	(14.3)	2.5	Corporate and Democratic Core	26.2	(13.8)	12.4	
(5.4)	(0.1)	(5.5)	Non-Distributed costs	1.4	(0.2)	1.2	
30.6	(30.5)	0.1	Public Health Services	29.1	(29.4)	(0.3)	
<b>803.7</b>	<b>(459.7)</b>	<b>344.0</b>	<b>Net cost of services</b>	<b>774.9</b>	<b>(423.1)</b>	<b>351.8</b>	
10.7	(2.2)	8.5	Other operating expenditure	5.5	(2.8)	2.7	12
102.1	(30.0)	72.1	Financing, investment income & expenditure	68.6	(26.7)	41.9	13
0.2	(381.8)	(381.6)	Taxation & non-specific grant income and expenditure	0.2	(371.8)	(371.6)	14
<b>916.7</b>	<b>(873.7)</b>	<b>43.0</b>	<b>(Surplus) / deficit on the provision of services</b>	<b>849.2</b>	<b>(824.4)</b>	<b>24.8</b>	
<b>Other comprehensive income and expenditure:</b>							
		(24.1)	(Surplus) on revaluation of non-current assets			(13.2)	
		15.0	Impairment losses on non-current assets charged to Revaluation Reserve			4.2	3.3
		0	Re-measurement on available for sale financial assets			1.5	
		101.3	Re-measurement of the net defined benefit liability/ (asset)			(23.5)	
		<b>92.2</b>	<b>Total other comprehensive income and expenditure</b>			<b>(31.0)</b>	
		<b>135.2</b>	<b>Total comprehensive income and expenditure (surplus)/deficit</b>			<b>(6.2)</b>	

## Balance Sheet

31 March 2015		31 March 2016	
£m		£m	Note
809.5	Property, plant and equipment	821.0	15
1.7	Heritage assets	1.7	
0.1	Investment property	0	
0.3	Intangible assets	0.2	
4.5	Long-term investments	3.0	21
23.3	Long-term debtors	80.0	22
<b>839.4</b>	<b>Long term assets</b>	<b>905.9</b>	
5.5	Non Operational Assets	8.9	
47.5	Short-term investments	45.0	20
0.7	Inventories	0.7	
51.9	Short-term debtors	40.4	22
9.0	Cash and cash equivalents	20.9	23
<b>114.6</b>	<b>Current assets</b>	<b>115.97</b>	
(40.6)	Short-term borrowing	(40.3)	20
(104.8)	Short-term creditors	(98.0)	24
(1.9)	Short-term provisions	(0.6)	
<b>(147.3)</b>	<b>Current liabilities</b>	<b>(139.0)</b>	
(0.9)	Long Term Creditors	(1.6)	
(1.1)	Long-term provisions	(1.4)	
(220.7)	Long-term borrowing	(298.4)	20
(474.1)	Other long-term liabilities	(465.3)	25
<b>(696.8)</b>	<b>Long-term liabilities</b>	<b>(766.7)</b>	
<b>109.9</b>	<b>Net assets</b>	<b>116.1</b>	
	<b>Financed by:</b>		
166.7	Usable reserves	157.5	2
(56.8)	Unusable reserves	(41.4)	3
<b>109.9</b>	<b>Total reserves</b>	<b>116.1</b>	

## Cash Flow Statement

2014/15	2015/16	
£m	£m	Note
(43.0) Net surplus/(deficit) on the provision of services	(24.8)	
114.0 Adjust net (surplus)/deficit for non-cash movements	90.5	28
(64.3) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(58.3)	28
<b>6.7 Net cash flows from operating activities</b>	<b>7.4</b>	
(26.7) Net cash flows from investing activities	(69.3)	29
15.2 Net cash flows from financing activities	73.8	30
<b>(4.8) Net increase/(decrease) in cash or cash equivalents</b>	<b>11.9</b>	
<b>13.8 Cash and cash equivalents at 1 April</b>	<b>9.0</b>	<b>23</b>
<b>9.0 Cash and cash equivalents at 31 March</b>	<b>20.9</b>	<b>23</b>

Notes referenced in the above statements will give supporting information and may not include the full amount.



## Notes to the Financial Statements

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## 1. Adjustments between Accounting Basis and Funding Basis under Regulation

This note expands the information held in the Movement in Reserves Statement and details the adjustments that are made to the total comprehensive income and expenditure recognised by the County Council in year in accordance with proper accounting practice to the resources that are specified by the statutory provisions as being available to the County Council to meet future capital and revenue expenditure.

2015/16

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Earmarked Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
Reversal of items debited or credited to the CI&E Statement:					
Charges for depreciation and impairment of non-current assets	45.8				(45.8)
Amortisation of intangible assets	0.1				(0.1)
Capital grants and contributions applied	(52.7)				52.7
Revenue expenditure funded from capital under statute	15.6				(15.6)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E statement					
Gain/loss on operating activities	7.9				(7.9)
Loss on investment on assets transferred to other bodies	12.9				(12.9)
Insertion of items not debited or credited to the CI&E Statement:					
Statutory provision for the financing of capital investment	(16.4)				16.4
Capital expenditure charged against the General Fund	(6.4)	0.3			6.1
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants & contributions unapplied credited to the CI&E Statement				45.5	3.1
Application of grants to capital financing transferred to Capital Adjustment Account				(48.6)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(5.6)		5.6		
Use of Capital Receipts Reserve to finance new capital expenditure			(3.7)		3.7
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	40.6				(40.6)
Employer's pension contributions and direct payments to pensioners payable in the year	(24.2)				24.2
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.2)				0.2
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	0.6				(0.6)
<b>Adjustment primarily involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.5)				1.5
<b>Total Adjustments</b>	<b>16.5</b>	<b>0.3</b>	<b>1.9</b>	<b>(3.1)</b>	<b>(15.6)</b>

2014/15

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Earmarked Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
Reversal of items debited or credited to the CI&E Statement:					
Charges for depreciation and impairment of non-current assets	61.9				(61.9)
Amortisation of intangible assets	0.1				(0.1)
Capital grants and contributions applied	(56.5)				56.5
Revenue expenditure funded from capital under statute	14.6				(14.6)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E statement					
Gain/loss on operating activities	15.9				(15.9)
Loss on investment on assets transferred to academies	42.4				(42.4)
Insertion of items not debited or credited to the CI&E Statement:					
Statutory provision for the financing of capital investment	(18.1)				18.1
Capital expenditure charged against the General Fund	(5.9)	(2.1)			8.0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants & contributions unapplied credited to the CI&E Statement				45.3	6.7
Application of grants to capital financing transferred to Capital Adjustment Account				(52.0)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(7.8)		7.8		
Use of Capital Receipts Reserve to finance new capital expenditure			(11.5)		11.5
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	28.4				(28.4)
Employer's pension contributions and direct payments to pensioners payable in the year	(25.6)				25.6
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.8)				0.8
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	0.2				(0.2)
<b>Adjustment primarily involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.1)				0.1
<b>Total Adjustments</b>	<b>48.7</b>	<b>(2.1)</b>	<b>(3.7)</b>	<b>(6.7)</b>	<b>(36.2)</b>

## 2. Usable Reserves

	Opening Balance 01/04/15 £m	Contributions To From £m £m		Closing Balance 31/03/16 £m	Notes
General fund	13.0			13.0	
Earmarked specific reserves	117.0	33.1	(41.1)	109.0	2.1
Capital grants unapplied	33.5	45.5	(48.6)	30.4	
Capital receipts reserve	3.2	5.6	(3.7)	5.1	
<b>Total Usable Reserves</b>	<b>166.7</b>	<b>84.2</b>	<b>(93.4)</b>	<b>157.5</b>	

### 2.1. Transfers to/from Earmarked Reserves

The amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16

	Balance at 1 April 2014 £m	Transfers out 2014/15 £m	Transfers in 2014/15 £m	Balance at 31 March 2015 £m	Transfers out 2015/16 £m	Transfers in 2015/16 £m	Balance at 31 March 2016 £m
<b>Earmarked reserves:</b>							
Balances held by schools under a scheme of delegation	18.5	(18.5)	16.8	16.8	(16.8)	18.1	18.1
DSG c/fwd balance	7.5	(0.2)	5.2	12.5	(2.6)		9.9
Youth Offending Reserve	1.4	(0.4)		1.0			1.0
Future capital investment	7.1	(2.1)	0.3	5.3	(0.5)	0.3	5.1
Insurance	6.1	(0.9)	1.5	6.7	(0.9)	1.5	7.3
Business Rate Pool	0.3	(0.1)	1.9	2.1	(1.1)	0.5	1.5
Retained Waste Disposal PFI grant	16.0	(6.0)	5.3	16.2	(3.7)		12.5
Bromsgrove Schools Reorganisation PFI grant	2.5	(0.1)		2.4	(0.2)		2.2
Health and Pooled Budgets	3.3	(0.5)		2.8	(0.3)	0.5	3.0
Public Health Grant	2.5		0.8	3.3	(0.1)	0.5	3.7
Growing Places	4.2	(1.8)	0.9	3.3	(0.2)	0.1	3.2
New Homes Bonus	0.8		0.2	1.0	(0.4)	1.0	1.6
Economic investment pool				0		1.4	1.4
Directorate revenue reserves	9.9	(2.7)	2.5	9.7	(2.9)	1.9	8.7
Future Fit	2.8	(3.3)	5.2	4.7	(2.6)	2.2	4.3
Corporate Trading	0.1	(0.1)	1.2	1.2		0.2	1.4
Councillors' Divisional Fund	1.2	(0.6)	0.6	1.2			1.2
Revenue grants unapplied	19.9	(6.3)	5.8	19.4	(6.7)	2.3	15.0
Other reserves	8.4	(1.9)	0.9	7.4	(2.1)	2.6	7.9
<b>Total</b>	<b>113.4</b>	<b>(45.5)</b>	<b>49.1</b>	<b>117.0</b>	<b>(41.1)</b>	<b>33.1</b>	<b>109.0</b>

### 3. Unusable Reserves

	Opening Balance 01/04/15 restated £m	Contributions		Closing Balance 31/03/16 £m	Note
		To £m	From £m		
Pensions reserve	(391.2)	(77.8)	85.0	(384.0)	3.1
Available for Sale reserve	0	(1.5)		(1.5)	
Accumulated absences adjustment account	(6.3)	(4.8)	6.3	(4.8)	
Financial instruments adjustment account	(1.1)			(1.1)	
Capital adjustment account	228.3	82.0	(74.5)	235.8	3.2
Revaluation reserve	111.3	13.2	(12.1)	112.4	3.3
Collection fund adjustment accounts					
- Council Tax	3.6	0.2		3.8	
- National Non-Domestic Rates	(1.4)	(0.6)		(2.0)	
<b>Total Unusable Reserves</b>	<b>(56.8)</b>	<b>10.7</b>	<b>(4.7)</b>	<b>(41.4)</b>	

#### 3.1 Pensions Reserve

2014/15 £m		2015/16 £m
<b>(287.1)</b>	<b>Balance at 1 April</b>	<b>(391.2)</b>
	Actuarial gains or (losses) on pensions assets & liabilities:	
(153.6)	Changes in financial assumptions	60.4
52.3	Return on Plan assets (excluding the amount included in net interest expense)	(37.2)
(28.4)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(40.6)
25.6	Employer's pensions contributions & direct payments to pensioners payable in the year	24.3
0.0	Increase in Teachers Pension Liability	0.3
<b>(391.2)</b>	<b>Balance at 31 March</b>	<b>(384.0)</b>

#### 3.2 Capital Adjustment Account

2014/15 £m		2015/16 £m
<b>251.7</b>	<b>Balance at 1 April</b>	<b>228.3</b>
	Capital Financing:	
11.5	Capital Receipts	3.7
63.2	Capital Grants and Contributions	55.8
4.8	Revenue Contributions to Capital Expenditure	4.7
3.2	Capital Reserve	1.4
<b>82.7</b>		<b>65.6</b>
(30.1)	Impairment charged to Comprehensive Income and Expenditure Statement	(12.9)
(30.0)	Depreciation charged to Comprehensive Income and Expenditure Statement	(31.5)
15.6	Minimum Revenue Provision Adjustment	13.7
2.2	Minimum Revenue Provision PFI Adjustment	2.7
(14.6)	REFCUS Adjustment	(15.6)
(49.2)	Disposal of non-current assets	(14.5)
<b>228.3</b>	<b>Closing Balance at 31 March</b>	<b>235.8</b>

3.3 Revaluation Reserve

2014/15 £m		2015/16 £m
<b>112.9</b>	<b>Opening Balance at 1 April</b>	<b>111.3</b>
24.1	Revaluations during the year	13.2
(1.6)	Depreciation of revaluations	(1.6)
(15.0)	Impairment of Revaluations	(4.2)
(9.1)	Disposal of Revaluations	(6.3)
<b>111.3</b>	<b>Closing Balance at 31 March</b>	<b>112.4</b>

4. Operational financial reporting - amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Accounting Code of Practice. Decisions about resource allocation are taken by the County Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current services cost benefits accrued in the year, and
- expenditure on some support services is budgeted for centrally and not charged to directorates.

Directorate Income and Expenditure 2015/16	Adult Services & Health	Children's, Families & Community	Economy & Infrastructure	Commercial & Chief Exec, Finance	Total
	£m	£m	£m	£m	£m
Fees, charges & other services income	43.7	246.0	22.6	42.7	355.0
Government grants	49.4	261.0	7.9	3.5	321.8
<b>Total Income</b>	<b>93.1</b>	<b>507.0</b>	<b>30.5</b>	<b>46.2</b>	<b>676.8</b>
Employee expenses	32.5	210.2	11.7	24.7	279.1
Other operating expenses	177.3	178.2	78.8	53.4	487.7
Support service recharges	15.9	3.8	3.8	5.7	235.2
<b>Total Operating Expenditure</b>	<b>225.7</b>	<b>598.2</b>	<b>94.3</b>	<b>83.8</b>	<b>1,002.0</b>
<b>Net Cost of Service</b>	<b>132.6</b>	<b>91.2</b>	<b>63.8</b>	<b>37.6</b>	<b>325.2</b>

The County Council went through a restructure of its directorates in 2015/16. The comparative information is given in the previous structure. From 1st January 2016, Community Services moved from Business, Economy and Communities Directorate (which then became Directorate of Economy & Infrastructure) to Children, Families & Communities Directorate. Within the comparative information, The Communities Service £11m spend is included in Business, Environment and Community Services Directorate. In 2015/16, The Communities Service £8.9m spend is included in Children, Families & Communities Directorate

Directorate Income and Expenditure 2014/15

	Adult Services & Health	Children's Services	Business, Environment & Community	Commercial & Change, Ch. Exec/ Finance	Total
	£m	£m	£m	£m	£m
Fees, charges & other services income	48.7	250.3	35.2	44.7	378.9
Government grants	42.8	264.8	13.0	2.7	323.3
<b>Total Income</b>	<b>91.5</b>	<b>515.1</b>	<b>48.2</b>	<b>47.4</b>	<b>702.2</b>
Employee expenses	34.6	208.8	23.4	27.2	294.0
Other service expenses	186.7	174.2	88.7	52.4	502.0
Support service recharges	11.4	212.0	8.8	6.1	238.3
<b>Total Expenditure</b>	<b>232.7</b>	<b>595.0</b>	<b>120.9</b>	<b>85.7</b>	<b>1,034.3</b>
<b>Net Cost of Service</b>	<b>141.2</b>	<b>79.9</b>	<b>72.7</b>	<b>38.3</b>	<b>332.1</b>

4.1 Reconciliation of directorate income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

2014/15		2015/16
£m		£m
332.1	Net expenditure in the Directorate analysis	325.2
45.4	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the analysis	62.7
(33.5)	Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	(36.1)
<b>344.0</b>	<b>Cost of services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>351.8</b>

4.2 Reconciliation to subjective analysis

	Service analysis	Amounts not included Income & Expenditure	Amounts not reported to management for decision making	Allocation of recharges	Net cost of Services	Net operating & sources of finance	Total
2015/16	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	355.0		(0.5)	(253.2)	101.3		101.3
Interest & investment income						2.8	2.8
Interest income on Pension Assets						23.9	23.9
Profit on disposal of assets						2.8	2.8
Government grants & contributions	321.8				321.8	371.8	693.6
<b>Total Income</b>	<b>676.8</b>		<b>(0.5)</b>	<b>(253.2)</b>	<b>423.1</b>	<b>401.3</b>	<b>824.4</b>
Employee expenses	279.1	1.5			280.6		280.6
Other service expenses	487.7	(0.4)	(4.3)	(18.2)	464.8		464.8
Depreciation, amortisation & impairment		46.0	(31.9)		14.1		14.1
Capital costs on an accounting basis		15.6			15.6		15.6
Support service recharges	235.2			(235.2)			
Gains on disposal of fixed assets						5.1	5.1
Interest & investment payments						19.4	19.4
Loss on long term leased assets						12.9	12.9
Pension interest & net cost						36.3	36.3
Pensions administrations costs						0.4	0.4
Government grants & contributions			(0.2)		(0.2)	0.2	
<b>Total Expenditure</b>	<b>1,002.0</b>	<b>62.7</b>	<b>(36.4)</b>	<b>(253.4)</b>	<b>774.9</b>	<b>74.3</b>	<b>849.2</b>
<b>Deficit on the Provision of Services</b>	<b>325.2</b>	<b>62.7</b>	<b>(36.0)</b>	<b>(0.1)</b>	<b>351.8</b>	<b>(327.0)</b>	<b>24.8</b>



	Directorate analysis	Amounts not included Income & Expenditure	Amounts not reported to management for decision making	Allocation of recharges	Cost of Services	Corporate amounts	Total
2014/15	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	378.9	(0.3)	11.2	(253.4)	136.4	0.0	136.4
Interest & investment income	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Expected return on Pension Assets	0.0	0.0	0.0	0.0	0.0	29.0	29.0
Profit on disposal of assets	0.0	0.0	0.0	0.0	0.0	2.2	2.2
Taxation and non-specific grants	323.3	0.0	0.0	0.0	323.3	381.8	705.1
<b>Total Income</b>	<b>702.2</b>	<b>(0.3)</b>	<b>11.2</b>	<b>(253.4)</b>	<b>459.7</b>	<b>414.0</b>	<b>873.7</b>
Employee expenses	294.0	0.0	(9.6)	0.0	284.4	0.0	284.4
Other service expenses	502.0	(33.6)	4.1	(15.1)	457.4	0.0	457.4
Support Services recharges	238.3	0.0	0.0	(238.3)	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	62.1	0.0	62.1	0.0	62.1
Interest payments	0.0	0.0	0.0	0.0	0.0	18.7	18.7
Pension interest & administration cost	0.0	0.0	0.0	0.0	0.0	41.4	41.4
Taxation and non-specific grants	0.0	(0.2)	0.0	0.0	(0.2)	0.2	0.0
Loss on disposal of non-current assets	0.0	0.0	0.0	0.0	0.0	52.7	52.7
<b>Total Expenditure</b>	<b>1,034.3</b>	<b>(33.8)</b>	<b>56.6</b>	<b>(253.4)</b>	<b>803.7</b>	<b>113.0</b>	<b>916.7</b>
<b>Deficit on the Provision of Services</b>	<b>332.1</b>	<b>(33.5)</b>	<b>45.4</b>	<b>0.0</b>	<b>344.0</b>	<b>(301.0)</b>	<b>43.0</b>

## 5. Agency income and expenditure

### 5.1 Registered Nursing Care Contributions

The County Council makes payments on behalf of the Worcestershire Clinical Commissioning Groups (CCGs) in respect of Registered Nursing Care Contributions. In 2015/16 the payments made were £8.1 million (2014/15 £8.0m) and income received of £8.0 million (2014/15 £7.8m). The cost to the County Council of administering this scheme is £53,031 (2014/15 £53,031).

## 5.2 Council Tax Income

2014/15		2015/16
£m		£m
<b>Income and Expenditure Statement</b>		
(1.5)	Council tax precept – billing authorities surplus/(deficit)	(0.2)
<b>Balance Sheet</b>		
6.5	Debtors	7.9
(3.7)	Creditors	(4.1)
<b>2.8</b>	<b>Collection fund adjustment account</b>	<b>3.8</b>

## 5.3 Non- Domestic Rates Income

Following the introduction of the Business Rates Retention system in April 2013 the billing authorities in the Worcestershire area collect business rate income on behalf of the County Council and other precepting bodies in the area as well as for Central Government. The table below gives details of the County Council's share of the debtors, creditors, provisions and any surplus or deficit arising from this agency arrangement.

2014/15		2015/16
£m		£m
<b>Income and Expenditure Statement</b>		
0.2	Non domestic rates – billing authorities surplus/(deficit)	0.6
<b>Balance Sheet</b>		
0.5	Debtors	0.4
(1.1)	Creditors	(0.9)
(0.8)	Provision for appeals	(1.5)
<b>(1.4)</b>	<b>Collection fund adjustment account</b>	<b>(2.0)</b>

## 6. Section 75 framework partnership agreements

There is a Section 75 joint agreement relating to the commissioning of health and social care services in Worcestershire, which includes The Better Care Fund. It is a joint budget arrangement between Worcestershire County Council, NHS Redditch and Bromsgrove Clinical Commissioning Group, NHS South Worcestershire Clinical Commissioning Group and NHS Wyre Forest Clinical Commissioning Group. The section 75 agreement has been classified as a Joint Operation, because there is joint control, and the activity of the arrangement is primarily to provide services to the parties within the party's boundaries. Within the section 75 agreement there are budgets controlled by the Clinical Commissioning Groups, budgets controlled by the County Council, pooled budgets (jointly controlled) and aligned budgets. Aligned budgets are where each party agrees to commission services towards a joint aim, but are not pooled together.

Partnership expenditure (outturn) has been split to show what is controlled by the Clinical Commissioning Groups and the County Council for 2015/16. 2014/15 figures have been adjusted to include the whole section 75 agreement, not just pooled budgets, to show the comparison to this year.

Where services are controlled by the County Council the income and expenditure is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This also includes the County Council's proportion of jointly controlled budgets. Where services are hosted by the County Council, but controlled by the Clinical Commissioning Groups, the income and expenditure is not reflected in the County Council's accounts.

2014/15				2015/16					
Partnership income	Partnership expenditure	Net partnership expenditure	WCC contribution	Partnership income	Partnership expenditure	Net partnership expenditure	CCG Controlled	WCC contribution	
£m	£m	£m	£m	£m	£m	£m	£m	£m	
(216.7)	218.4	1.7	148.9	Consolidated Adult Social Care Services	(120.4)	121.1	0.7	72.5	48.6
(15.4)	15.1	(0.3)	8.3	Consolidated Children's and Education Services	(18.7)	17.5	(1.2)	13.6	3.9
(7.9)	7.4	(0.5)	0.6	Children's Aligned Budgets (for comparison)					
<b>(240.0)</b>	<b>240.9</b>	<b>0.9</b>	<b>157.8</b>		<b>(139.1)</b>	<b>138.6</b>	<b>(0.5)</b>	<b>86.1</b>	<b>52.5</b>

## 7. External audit costs

2014/15	2015/16
£m	£m
0.1	0.2
Fees payable with regard to external audit services	

## 8. Officers' remuneration

### 8.1 Remuneration over £50,000 per annum

2014/15	Total Remuneration to Employees	2015/16			
		VA & Foundation Schools	Teachers	Non Teachers	Total
Total					
95	£50,000 to £54,999	11	60	24	95
76	£55,000 to £59,999	12	45	17	74
54	£60,000 to £64,999	5	32	9	46
21	£65,000 to £69,999	1	23	3	27
8	£70,000 to £74,999	1	7	6	14
8	£75,000 to £79,999		1	2	3
6	£80,000 to £84,999		1	4	5
6	£85,000 to £89,999	1	1	4	6
1	£90,000 to £94,999		2	3	5
4	£95,000 to £99,999			4	4
1	£100,000 to £104,999	1	1		2
	£105,000 to £109,999			1	1
	£110,000 to £114,999				
	£115,000 to £119,999			2	2
3	£120,000 to £124,999			1	1
	£125,000 to £129,999				
2	£135,000 to £139,999				
	£155,000 to £159,999			1	1
<b>285</b>		<b>32</b>	<b>173</b>	<b>81</b>	<b>286</b>

Remuneration for these purposes includes all amounts paid to or receivable by an employee, and includes sums by way of expenses, allowances and the money value of any other benefits received other than in cash. The employees include senior employees shown in Note 8.2. Teachers include those in Voluntary Aided and Voluntary controlled schools.

8.2 Senior employees' remuneration

Post Title	2015/16				Total £
	£ Salary	£ National Insurance	£ Expense allowances	£ Pension Contributions	
Chief Executive, Clare Marchant	155,523	19,179	1,422	19,352	195,476
Director of Adult Services & Health (left 28/2/16)	118,048	14,182	1,142	16,242	149,614
Acting Director of Adult Social Care	81,887	9,018	779	10,189	101,873
Acting Director of Public Health	98,453	11,332	981	14,079	124,845
Director of Economy & Infrastructure Services	120,633	14,365	120	15,010	150,128
Director of Children's, Families and Communities Services (left 27/9/15)	58,611	6,947	401	7,517	73,476
Director of Commercial and Change	116,219	13,755	(11,627)	14,462	132,809
Chief Financial Officer	97,776	11,210	1,251	12,166	122,403
	<b>847,150</b>	<b>98,988</b>	<b>( 5,531)</b>	<b>109,017</b>	<b>1,050,624</b>

The County Council has engaged an interim Director of Children's, Families and Communities Services to ensure continuity of service during the recruitment period for a new Director. As he is not directly employed by the County Council, no figures are included in the above analysis.

The acting directors of Adult Social Care and Public Health are providing interim cover from 29 February 2016, under acting up arrangements from their substantive Head of Services roles, during the recruitment period for a new Director of Adult Services & Health. The figures shown are full year costs.

Post Title	2014/15					Total £
	£ Salary	£ National Insurance	£ Expense allowances	£ Compensation for loss of employment	£ Pension Contributions	
Chief Executive (started 01/06/14)	124,385	14,877	1,403		14,889	155,554
Chief Executive (left 31/05/14)	39,087	5,017	102		3,674	47,880
Deputy Chief Executive (post deleted 31/05/14)	14,443	1,616			1,753	17,812
Director of Adult Services & Health	122,866	14,708	1,149		17,401	156,124
Director of Business, Environment & Community Services	123,160	14,321	1,405		14,935	153,821
Director of Children's Services	120,482	14,363	1,007		14,915	150,767
Director of Commercial and Change (started 06/01/15)	27,497	3,229			3,338	34,064
Chief Financial Officer	91,727	10,190	577		11,134	113,628
Director of Resources (left 31/12/14)	89,536	10,357	544	50,000	10,576	161,013
	<b>753,183</b>	<b>88,678</b>	<b>6,187</b>	<b>50,000</b>	<b>92,615</b>	<b>990,663</b>

## 9. Termination benefits and exit packages

The County Council terminated the contracts of 104 employees in 2015/16, incurring liabilities of £1.4 million (2014/15 £2.9m). The contracts were terminated as compulsory redundancies either through a voluntary selection or formal selection process. In addition there are provisions for future costs of £1.4 million (2014/15 £ 1.9m). The numbers of exit packages with total cost per band are set out in the table below:

2014/15			2015/16	
Total number of exit packages	Total cost of exit packages £m	Exit package cost band (incl special payments)	Total number of exit packages	Total cost of exit packages £m
216	1.4	£0 - £20,000	81	0.5
28	0.8	£20,001 - £40,000	17	0.5
11	0.5	£40,001 - £60,000	4	0.2
3	0.2	£60,001 - £80,000		
		£80,001 - £100,000	2	0.2
<b>258</b>	<b>2.9</b>	<b>Total Termination</b>	<b>104</b>	<b>1.4</b>

## 10. Grant and contribution income

### 10.1 Comprehensive Income and Expenditure Statement - credited to services

2014/15 £m		2015/16 £m
	<b>Adult Services &amp; Health</b>	
9.4	Social Care in Support of Health	12.1
26.5	Public Health	28.1
2.9	IDTS	2.5
0	Care Act	3.7
1.7	Better Care Fund	2.3
2.4	Other	0.7
<b>42.9</b>		<b>49.4</b>
	<b>Children, Families and Communities</b>	
225.9	Dedicated Schools Grant	221.3
6.4	Education Service Grant	5.0
12.0	Pupil Premium	11.6
4.9	Libraries & Community	4.8
4.7	Bromsgrove Schools PFI Grant	4.7
4.3	Post 16 Learning Skills Council	3.1
4.1	Universal Free School Meals	5.7
7.3	Other	5.5
<b>269.6</b>		<b>261.7</b>
	<b>Economy and Infrastructure</b>	
0.7	Transport	0.2
1.8	Waste Disposal Private Finance Initiative	1.8
1.8	Environment / Winter Damage	0.2
3.8	Other	5.2
<b>8.1</b>		<b>7.4</b>
	<b>Other</b>	
2.1	New Homes	2.7
0.6	Other	0.6
<b>2.7</b>		<b>3.3</b>
<b>323.3</b>	<b>Total Credited to Services</b>	<b>321.8</b>

**10.2 Comprehensive Income and Expenditure Statement – credited to taxation and non-specific grant income**

2014/15		2015/16
£m	Credited to taxation and non-specific grant income:	£m
72.1	Revenue Support Grant	54.4
1.4	Small Business Rate support	1.7
<b>73.5</b>	<b>Total non-ring fenced Government grants</b>	<b>56.1</b>
	<b>Capital Grants</b>	
12.0	Structural Maintenance	15.0
0	Worcestershire Local Growth Fund	12.8
0	Greater Birmingham & Solihull Local Growth Fund	4.8
1.3	Community Capacity	0
17.7	Transport	2.1
3.7	Green Deal	0
3.7	Broadband Project	0.8
5.2	Basic needs	8.3
2.9	LA Schools Condition Act	4.2
0	Social Care Act	1.3
2.3	Other Capital Grants	1.5
48.8	<b>Total Capital Grants</b>	<b>50.8</b>
	<b>Contributions:</b>	
1.1	Bromsgrove High Street Improvement Works	0
3.5	Parkside	0
3.1	Other	1.9
<b>56.5</b>	<b>Capital Grants and Contributions</b>	<b>52.7</b>
(11.2)	Less Grants applied to CI&E re Revenue expenditure funded from capital under statute (REFCUS)	(7.2)
<b>45.3</b>	<b>Total Capital Grants and Contributions</b>	<b>45.5</b>
<b>118.8</b>	<b>Total credited to taxation and non-specific grant income</b>	<b>101.6</b>

**10.3 Dedicated schools grant**

	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2015/16			365.3
Academy Recoupment 2015/16			(143.9)
Total DSG after recoupment			221.4
Brought forward from 2014/15			12.6
Agreed budgeted distribution in 2015/16	41.1	192.9	234.0
Final budgeted distribution	41.1	192.9	234.0
Actual expenditure	(33.4)	(190.7)	(224.1)
<b>Carry forward to 2016/17</b>	<b>7.7</b>	<b>2.2</b>	<b>9.9</b>

### 11. Related parties

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#### Central Government

Central Government has significant influence over the general operations of the County Council. It is responsible for providing the statutory framework within which the County Council works, provides funding in the form of grants, and sets the terms of many of the relationships that the County Council has with other organisations. Grants received from government departments are set out in the subjective analysis in note 4 on reporting for resource allocation decisions and in note 10 in the breakdown of grant income.

#### Members

Members of the County Council have direct control over the County Council's financial and operating policies. A total of £0.9 million allowances and expenses were paid to members in 2015/16 (2014/15 £0.8 m). Members of the County Council are involved with other local organisations that have provided services for, or received services from the County Council. There are no related party disclosures to be made for elected members.

#### Officers

Officers of the County Council are involved with other local organisations that have provided services for, or received services from the County Council. There are no related party disclosures to be made for officers.

#### Section 75 Framework Partnership Agreements

The County Council has an integrated commissioning of services with Health through a Section 75 arrangement including Better Care Fund (details given in Note 6). Monitoring is through the Integrated Commissioning Executive Officers Group (ICEOG) agreed and controlled through the Clinical Commissioning Group board and the Health and Wellbeing Board.

#### Worcestershire County Council Pension Fund

At the year end, the County Council charged the Fund £1.1 million (£1.2m in 2014/15) for expenses incurred in administering the Pension Fund.

#### West Mercia Energy Joint Committee

The County Council is represented by its elected members on the West Mercia Energy Joint Committee. West Mercia Energy offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the County Council is one of four constituent authorities, alongside Shropshire Council, Herefordshire Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. As this is not a material interest for the County Council, there is no requirement to produce group accounts. The County Council spent £6.5 million with WME in 2015/16 and this is reflected in the Comprehensive Income and Expenditure Statement.

#### Place Partnership

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 the party's boundaries. In 2015/16, the operating cost for Worcestershire County Council was £2.5 million and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into Worcestershire County Council's accounts as a Joint Operation, because there is no material difference to the costs already reflected.

#### Local Enterprise Partnership (LEP)

The County Council is the accounting body in administering the Local Enterprise Partnership (LEP). In 2015/16 there was an annual expenditure of £14.5 million of which £13.4 million relates to Local Growth fund. In addition £0.2 million was advanced from the Growing Places fund. The LEP is a partnership of local councils, local

businesses, trade organisations and the voluntary sector working together with the aim of developing the best business environment for the County. This is not a defined related party but is of interest to readers of the accounts. Where funds are allocated to the County Council the expenditure and income is reflected in the appropriate service costs within the Comprehensive Income and Expenditure Statement and the capital programme.

Local Growth Fund schemes where expenditure in 2015/16 is in excess of £1 million are Worcester Tech Park (W6) (£3.6 million), Southern Link Road Phase 3A (£5.2 million) and Hoobrook (£3.1 million).

Set out below is the 2015/16 Income and Expenditure Memorandum Account for WLEP. Whilst this income and expenditure is not consolidated into the County Council's Income and Expenditure Account, the following transactions have been processed by the County Council in its role as the Accountable Body of WLEP.

<b>Worcestershire LEP</b>	
<b>Year Ended 31 March 2016</b>	
<b>Statement of Income and Expenditure</b>	<b>Actual £</b>
<b>Income</b>	
LEP Reserve Balance at 01.04.2015	354,690
Core funding	250,000
Growth Plan	250,000
Growth Hub	250,000
Local Government Contribution	150,000
Sponsorship & other income	72,528
Growth Deal	13,400,000
<b>Total Income</b>	<b>14,727,218</b>
<b>Expenditure</b>	
Staffing (including travel and subsistence)	665,851
Growth Plan Project Activity	28,905
External Consultancy Support/Research	82,335
Exhibitions and Events	68,278
Services and Supplies	74,485
Marketing/ Promotions	33,745
Training	8,385
Other fees/ expenditure	120,192
WCC Capital Projects	13,400,000
<b>Total Expenditure</b>	<b>14,482,176</b>
<b>LEP Reserve Balance at 31.03.2016</b>	<b>245,042</b>

### Worcestershire Business Rates Pool

The County Council is the lead authority for the Worcestershire Business Rates Pool whose members are the County Council, Malvern Hills District Council, Worcester City Council, Wychavon District Council and Wyre Forest District Council. The Pool's aims are to drive forward economic growth and mitigate the effects of the volatility in local business rates with the additional local benefits devolved through the business rates retention scheme. The value of transactions in 2015/16 is £41.5 million (2014/15 £40.8 million) of which £40.7 million (2014/15 £40.0 million) is included in the Council's non-domestic rates income in Note 14 Taxation and Non-Specific Grants. This is not a related party under the definition but of interest to the stakeholders.

### Other Public Bodies

The County Council has shared service arrangements with Worcestershire district councils and acts as lead body for a number of smaller partnerships. Museums are a shared service between Worcestershire County Council and Worcester City Council. Worcestershire County Council is the accountable body for Improvement & Efficiency West Midlands.



## 12. Other operating expenditure

2014/15 restated £m		2015/16 £m
0.4	Admin Expenses Pension	0.4
8.1	Loss on disposal of non-current assets	2.3
<b>8.5</b>		<b>2.7</b>

The loss on disposal relates to the removal of assets off the balance sheet where the County Council does not have control of the use of the asset.

## 13. Financing and investment income and expenditure

2014/15 £m		2015/16 £m
18.7	Interest payable and similar charges	19.3
12.0	Pensions interest cost & expected return on pensions	12.4
42.4	Loss on transfer of schools to other bodies	12.9
(1.0)	Interest receivable and similar income	(2.7)
<b>72.1</b>		<b>41.9</b>

## 14. Taxation and Non Specific Grants

2014/15 £m		2015/16 £m
(206.6)	Council tax income	(214.4)
(56.4)	Non domestic rates	(55.8)
(73.5)	Non-ring fenced government grants	(56.1)
(45.3)	Capital grants and contributions	(45.5)
0.2	Environment Agency	0.2
<b>(381.6)</b>		<b>(371.6)</b>

## 15. Property, Plant and Equipment

### 15.1 Movements in 2015/16

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>							
<b>At 1 April 2015 (restated)</b>	<b>619.5</b>	<b>55.6</b>	<b>386.4</b>	<b>0.3</b>	<b>68.6</b>	<b>1,130.4</b>	<b>84.9</b>
Additions	48.3	1.6	35.9		(14.3)	71.5	1.1
Revaluation increases recognised in Revaluation Reserve	11.4	0.7				12.1	1.0
Revaluation decreases recognised in Revaluation Reserve	(2.5)					(2.5)	
Revaluation decreases recognised in the deficit on the Provision of Services	( 11.0)					(11.0)	
Derecognition – disposals	(46.7)	(0.1)				(46.8)	
Assets reclassified to other categories	(7.5)					(7.5)	
<b>At 31 March 2016</b>	<b>611.5</b>	<b>57.8</b>	<b>422.3</b>	<b>0.3</b>	<b>54.3</b>	<b>1,146.2</b>	<b>87.0</b>
	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2015 (restated)</b>	<b>(108.6)</b>	<b>(48.3)</b>	<b>(164.0)</b>			<b>(320.9)</b>	<b>(5.8)</b>
Depreciation written out to the Revaluation Reserve	(1.6)					(1.6)	
Depreciation written out to the Surplus / Deficit on the Provision of Services	(8.6)	(2.8)	(20.0)			(31.4)	(1.5)
Derecognition – disposals	28.1	0.0				28.1	
Assets reclassified to other categories	0.6					0.6	
<b>At 31 March 2016</b>	<b>(90.1)</b>	<b>(51.1)</b>	<b>(184.0)</b>			<b>(325.2)</b>	<b>(7.3)</b>
<b>Net book value</b>							
<b>At 31 March 2016</b>	<b>521.4</b>	<b>6.7</b>	<b>238.3</b>	<b>0.3</b>	<b>54.3</b>	<b>821.0</b>	<b>79.7</b>
<b>At 31 March 2015</b>	<b>510.9</b>	<b>7.3</b>	<b>222.4</b>	<b>0.3</b>	<b>68.6</b>	<b>809.5</b>	<b>79.1</b>

The 2014/15 comparison has reclassified the impairments from the accumulated depreciation to revaluation decreases in the cost or valuation. The net book value remains the same.

15.2 Comparative Movements in 2014/15 restated

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>							
<b>At 1 April 2014</b>	<b>678.0</b>	<b>54.4</b>	<b>355.8</b>	<b>0.3</b>	<b>39.2</b>	<b>1,127.7</b>	<b>84.3</b>
Additions	18.5	2.4	30.6		29.4	80.9	1.0
Revaluation increases recognised in Revaluation Reserve	23.1	0.1				23.2	1.9
Revaluation decreases recognised in Revaluation Reserve	(13.9)	(0.1)				(14.0)	(2.3)
Revaluation decreases recognised in the Deficit on the Provision of services	(28.8)					(28.8)	
Derecognition – disposals	(56.5)	(1.2)				(57.7)	
Assets reclassified to Held for Sale	(0.9)					(0.9)	
<b>At 31 March 2015</b>	<b>619.5</b>	<b>55.6</b>	<b>386.4</b>	<b>0.3</b>	<b>68.6</b>	<b>1,130.4</b>	<b>84.9</b>
	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2014</b>	<b>(103.4)</b>	<b>(44.7)</b>	<b>(145.5)</b>			<b>(293.6)</b>	<b>(5.0)</b>
Depreciation written out to the Revaluation Reserve	(1.6)					(1.6)	(0.1)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(7.2.)	(4.2)	(18.5)			(29.9)	(0.7)
Derecognition – disposals	3.6	0.6				4.2	
<b>At 31 March 2015</b>	<b>(108.6)</b>	<b>(48.3)</b>	<b>(164.0)</b>			<b>(320.9)</b>	<b>(5.8)</b>
<b>Net book value</b>							
<b>At 31 March 2015</b>	<b>510.9</b>	<b>7.3</b>	<b>222.4</b>	<b>0.3</b>	<b>68.6</b>	<b>809.5</b>	<b>79.1</b>
<b>At 31 March 2014</b>	<b>574.6</b>	<b>9.7</b>	<b>210.3</b>	<b>0.3</b>	<b>39.2</b>	<b>834.1</b>	<b>79.3</b>

15.3 Revaluations

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Fair value as at:							
31 March 2016	108.1	2.5				110.6	
31 March 2015	122.4					122.4	
31 March 2014	161.7					161.7	
31 March 2013	114.9					114.9	
31 March 2012	101.8					101.8	
Held at cost	2.6	55.3	422.3	0.3	54.3	534.8	
<b>Total cost or valuation</b>	<b>611.5</b>	<b>57.8</b>	<b>422.3</b>	<b>0.3</b>	<b>54.3</b>	<b>1,146.2</b>	

Assets held at cost mainly comprise assets relating to the Waste PFI agreement. These assets are held at a summary level and are revalued but not separately accounted for.

15.4 Contractual commitments for property, plant and equipment

As at 31 March 2016 the County Council has a capital programme comprising capital projects amounting to £430.4 million (2014/15 £344.1m).

Major schemes where contracts have been let:	£m
Energy from Waste	30.4
Local Broadband Plan	9.1
Worcester Tech Park (W6)	5.2
Southern Link Dualling Phase 3A	3.1
Hoobrook Link Road	3.1
Green Deal Projects	2.7
<b>Sub-total</b>	<b>53.6</b>
Committed schemes less than £2m	5.9
<b>Total Commitment</b>	<b>59.5</b>

15.5 School assets

There are 242 local authority maintained, academy and free schools in Worcestershire. The level of control by the County Council over the use of the assets has determined which assets are held on the County Councils Balance Sheet. The County Council may have residual values for some retained assets shown against a category primarily off balance sheet (for example mobile classrooms).

	Number of schools	Value held on Balance Sheet at 31 March 2016 £m	Status
Community	79	313.8	On Balance Sheet
PFI	6	56.0	On Balance Sheet
Voluntary controlled	63	3.9	Off Balance Sheet
Voluntary aided	29	0.3	Off Balance Sheet
Academy	62	0.2	Off Balance Sheet
Free School	3	0	Off Balance Sheet
	<b>242</b>	<b>374.2</b>	

## 16. Downward revaluations and disposal losses

The County Council incurs losses on asset values either through impairment of asset values as a result of losses in market value or through disposal at less than net book value.

2014/15 £m		2015/16 £m
42.7	Downward Revaluations - other land and buildings	13.5
2.2	Downward Revaluations - non-operational	3.7
50.5	Disposal losses – other land & buildings	15.2
<b>95.4</b>		<b>32.4</b>

## 17. Capital Expenditure and Capital Financing

2014/15 £m		2015/16 £m
<b>398.5</b>	<b>Opening capital financing requirement</b>	<b>421.4</b>
	<b>Capital investment:</b>	
80.9	Property, plant and equipment	71.5
22.0	Loan on PFI project	54.5
3.6	Purchase of shares	
0.2	Intangible assets	0.1
14.6	Revenue expenditure funded from capital under statute	15.6
<b>121.3</b>	<b>Total Capital Investment</b>	<b>141.7</b>
	<b>Sources of finance:</b>	
(11.6)	Capital receipts	(3.7)
(63.2)	Government grants & other contributions	(55.8)
	Sums set aside from revenue:	
(8.0)	Direct revenue contributions	(6.1)
(15.6)	MRP/loans fund principal (excluding PFI)	(13.7)
<b>421.4</b>	<b>Closing Capital Financing Requirement</b>	<b>483.8</b>
	<b>Explanation of movements in year</b>	
22.9	Increase in underlying need to borrow (supported by government financial assistance)	62.4
<b>22.9</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>62.4</b>

## 18. Leases

### 18.1 County Council as Lessee – operating leases

Operating lease payments of £1.0 million were made in 2015/16 (2014/15 £1.2m). The County Council's outstanding obligations under lease agreements as at 31 March 2016 totalled £14.2 million (31 March 2014 £13.3m).

	£m
Leases expiring in less than 1 year	1.0
Leases expiring between 1 and 5 years	3.3
Leases expiring in 5 years+	9.9

The County Council leases photocopiers in a number of its establishments, on individual lease arrangements, with an estimated total asset value at 31 March 2011 of £1.1 million. None of the photocopiers is individually of material value and there has been no adjustment to the County Council's balance sheet.

### 19. Private Finance Initiatives

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#### 19.1 Waste Disposal PFI

In December 1998 the County Council in partnership with Herefordshire Council entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative.

Under the contract the Authorities are required to ensure that all waste for disposal is delivered to the Contractor who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500 million of which approximately 75% relates to the County Council. The contractor is at risk if waste tonnage fluctuates although the Authorities will be liable for a minimum payment of about £6 million per year in future years.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction completion is planned for 2017 with a funding requirement of £195 million and an uplift to the Unitary Charge for both Councils agreed at £2.7 million.

Both Councils will be providing circa 82% of the Project Finance requirement from their own planned borrowing from the Public Works and Loans Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Services. The loan is shown under long term Debtors on the Balance sheet and the effective interest rate is shown under financial investments on the Comprehensive Income and Expenditure Statement.

#### 19.2 Bromsgrove Schools PFI

In December 2005 the County Council entered into a 30 year contract with HBG PFI Projects Ltd for the replacement of seven schools in the Bromsgrove area. The estimated cost over the life of the contract is approximately £300 million. During 2007/08 the seven new schools were completed and opened to provide educational services for the children of Bromsgrove and the surrounding area. In 2014/15 one school became an Academy. This has no impact to the main PFI contract. The Academy has entered into an agreement with the County Council to continue the obligations of the school in respect of the PFI contract.

#### 19.3 Worcester Library and History Centre (The Hive) PFI

In January 2010 the County Council entered into a PFI contract with Galliford Try Investments Ltd for the construction and provision of a new Worcester Library and History Centre (The Hive). The Hive became operational in January 2012 and opened to the public in the summer of 2012.

The Hive is a partnership initiative between the County Council and the University of Worcester for the provision of a fully integrated public and University library, plus the Worcestershire Record Office, Worcestershire Historic Environment and Archaeology Service and Worcestershire Hub Customer Service Centre.

The service term for the contract is 25 years from the handover of the facility and the annual unitary payment during the life of the contract is £4.6 million, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. At the end of the contract term the assets transfer to the County Council and the University on a 70/30 basis. The contract also allows for an extension to the provision of services by Galliford Try Investments Ltd.

The University leases 2 railway arches on the site from Network Rail and 70% of the lease is charged to the County Council. The lease term is 35 years and started in January 2010, with a 5 yearly RPI uplift review. The Arches lease has been assessed as a finance lease, however as the asset value of £0.2 million is not material; the lease has been accounted for as an operating lease, with the annual payments being charged to Cultural and Related Services in the Comprehensive Income and Expenditure Statement.

19.4 Value of Assets and Liabilities under PFI Contracts

PPE - land & buildings	Waste disposal	Bromsgrove schools	The Hive	Total	PPE - vehicle, plant & equipment
	£m	£m	£m	£m	Waste disposal £m
<b>Balance at 31 March 2015</b>	6.4	49.2	23.4	<b>79.0</b>	0.1
Additions		0.1		<b>0.1</b>	1.0
Revaluations	0.3			<b>0.3</b>	0.8
Depreciation	(0.2)	(0.5)	(0.2)	<b>(0.9)</b>	(0.6)
<b>Balance at 31 March 2016</b>	<b>6.5</b>	<b>48.8</b>	<b>23.2</b>	<b>78.5</b>	<b>1.3</b>

Finance lease liability	Waste disposal	Bromsgrove schools	The Hive	Total
	£m	£m	£m	£m
<b>Balance at 31 March 2015</b>	(8.1)	(55.2)	(19.6)	<b>(82.9)</b>
Additions	(1.0)	0	0	<b>(1.0)</b>
Payments	1.4	0.8	0.4	<b>2.6</b>
<b>Balance at 31 March 2016</b>	<b>(7.7)</b>	<b>(54.4)</b>	<b>(19.2)</b>	<b>(81.3)</b>

19.5 Details of Payments due to be made under PFI Contracts

	Repayment of liability	Service Charge	Interest	Total
	£m	£m	£m	£m
Payments due within one year	2.7	34.8	7.4	44.9
Payments due within 2 to 5 years	12.5	139.3	27.6	179.4
Payments due within 6 to 10 years	15.0	83.2	28.4	126.6
Payments due within 11 to 15 years	16.9	22.8	21.9	61.6
Payments due within 16 to 20 years	26.0	22.9	12.7	61.6
Payments due within 21 to 25 years	11.4	7.9	1.4	20.7

The payments due are based on prices at the Balance Sheet date.

## 20. Financial instruments

### 20.1 Categories of Financial Instruments

Long-term 31 March 2015 £m	Current 31 March 2015 £m		Long-term 31 March 2016 £m	Current 31 March 2016 £m
		<b>Investments</b>		
	47.5	Loans & receivables		45.0
4.5		Available for sale financial assets	3.0	
4.5	47.5		3.0	45.0
		<b>Cash Equivalents</b>		
		Cash equivalents at amortised cost		10.0
	9.1	Available for sale Investments		14.1
	9.1			24.1
		<b>Debtors</b>		
23.3	29.2	Loans & receivables	80.0	16.8
		<b>Borrowings</b>		
220.7	40.6	Financial liabilities at amortised cost	298.4	40.3
		<b>Other long term liabilities</b>		
82.9		PFI and finance lease liabilities	81.3	
		<b>Creditors</b>		
0.9	58.9	Financial liabilities at amortised cost	1.6	57.8

### 20.2 Income, expense, gains and losses

2014/15			2015/16		
Financial liabilities at amortised cost £m	Financial assets, loans & receivables £m	Total £m	Financial liabilities at amortised cost £m	Financial assets, loans & receivables £m	Total £m
(18.6)	(0.1)	(18.7)	(19.3)	(0.1)	(19.4)
	1.0	1.0		2.8	2.8
<b>(18.6)</b>	<b>0.9</b>	<b>(17.7)</b>	<b>(19.3)</b>	<b>2.7</b>	<b>(16.6)</b>
					<b>Net gain / (loss) for the year</b>



20.3 Fair value of assets and liabilities

31 March 2015		31 March 2016	
Carrying amount	Fair value	Carrying amount	Fair value
£m	£m	£m	£m
<b>Financial liabilities</b>			
320.2	418.4	397.3	468.4
82.9	147.2	81.3	137.0
0.9	0.9	1.6	1.6
<b>Financial assets</b>			
81.3	81.3	65.7	65.7
23.3	23.3	80.0	80.0
9.1	9.1	24.1	24.1

20.4 Nature and extent of risks arising from financial instruments

The County Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the County Council;
- Liquidity risk - the possibility that the County Council might not have funds available to meet its commitments to make payments; and
- Market risk - the possibility that financial loss might arise for the County Council as a result of changes in such measures as interest rates movements.

The County Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the County Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Risk management is carried out by a central treasury team under policies approved by the County Council in the Treasury Management Strategy. The Strategy for 2015/16 was approved by Council on 12 February 2015.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the County 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 which are based on the Fitch, Moody's and Standard & Poor's Credit Ratings Services and other additional criteria such as geography. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution.

During 2015/16 the County Council defined a body with high credit quality as Short Term of F1+ and Long Term AA (Fitch or equivalent rating); the County Council also placed funds with part government-owned banks and AAA-rated Money Market Funds. All three ratings agencies were used with the lowest of the three opinions being used. In practice the County Council deposited its surplus funds with the UK Central Government via the Debt Management Office, RBS Group, Lloyds Banking group, five selected Money Market Funds and with other Local Authorities. There was a limit of £10m with each counterparty, other than the DMO account which has no limit.

The Authority's maximum exposure to credit risk in relation to its investments in other Local Authorities and the DMO of £47 million has been assessed as a negligible sum; all other deposits of £24.1 million may be readily converted into cash and as such are subject to negligible credit risk. Recent experience has shown that it is unprecedented for such entities to be unable to meet their commitments. A theoretical risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence as at 31<sup>st</sup> March 2016 that this was likely to crystallise

## Worcestershire County Council Statement of Accounts 2015/16

The County Council does not generally allow credit for customers, £6.1 million of the £11.8 million balance is past its due date for payment and can be analysed as follows:

	<b>£m</b>
One to three months	1.9
Three to six months	1.7
Six months to one year	0.7
More than one year	1.8
<b>Total</b>	<b>6.1</b>

The County Council regularly reviews outstanding debtors and calculates the potential for default. The current bad debt provision for trade debtors in the balance sheet is £0.25 million.

### Liquidity risk

The County Council has a comprehensive cash flow system that seeks to ensure that cash is available as needed. As the County Council has ready access to borrowings from the money markets to cover any day to day cash flow need and from the Public Works Loans Board and money markets for longer term funds, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All sums invested (£56.6 million) are due to be repaid in less than one year.

There is also the risk that the County Council will be bound to replenish a significant proportion of its borrowing during specified periods from the reporting date. The current strategy is to have no more than 25% of total borrowing maturing within 1 year, no more than 25% maturing more than 1 but less than 2 years, no more than 50% maturing more than 2 but less than 5 years, no more than 75% maturing more than 5 but less than 10 years and at least 25% maturing in more than 10 years; through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities (loans) is as follows:

<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£m</b>		<b>£m</b>
40.6	Maturing within one year	40.3
25.9	Maturing in 1-2 years	27.7
16.6	Maturing in 2-5 years	21.7
40.8	Maturing in 5-10 years	47.9
137.4	Maturing in more than 10 years	201.1
<b>261.3</b>	<b>Total</b>	<b>338.7</b>

### Market risk - interest rates

The County Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the County Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall;
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. No variable rate borrowing or investments were held by the County Council during the financial year ending 31 March 2016.

The County Council has a number of strategies for managing interest rate risk. The policy, as detailed in the Prudential Indicators for Treasury Management Report, is to aim to keep a maximum of 30% of its borrowings in variable rate loans.

The County Council has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. Monthly budget monitoring allows any adverse changes to be accommodated and, together with input from Treasury Management advisors, will determine whether new borrowing taken out is fixed or variable.

### Market risk - price risk

The County Council has invested £0.1 million in the Municipal Bonds Agency as Equity shares. Since these shares represent a negligible interest in the Company and their face value is immaterial, their fair value is assessed at cost.

The County Council holds Preference Shares to the value of £3.0 million in Malvern Hills Science Park, a joint venture with Malvern Hills District Council and Herefordshire and Worcestershire Chamber of Commerce. No active market exists for this class of share and, as a result of a Level 3 valuation given, this value is the lesser of the discounted cash flow of future dividends based on an assessment of similar assets or cost. Note 21 Long Term Investments gives further information.

## 21. Long term investments

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<b>31 March 2015 £m</b>		<b>31 March 2016 £m</b>
4.4	Malvern Hills Science Park	2.9
0.1	Municipal Bonds Agency	0.1
<b>4.5</b>	<b>Total</b>	<b>3.0</b>

### 21.1 Malvern Hills Science Park

Malvern Hills Science Park is a limited company established by the County Council with its partners Malvern Hills District Council and the Hereford and Worcester Chamber of Commerce and Enterprise. The County Council holds 9 voting shares out of a total issue of 100. The County Council does not have a controlling interest in the company. In addition the County Council holds Preference shares of 957,103 P1 shares (957,103 in 2014/15) and 6,190 P2 shares (6,190 2014/15). The preference shares carry no voting rights. The County Council's investment, measured at fair value in 2015/16, is £2.9m (2014/15 £4.4m measured at historic cost). This is shown on the Balance sheet as a Long Term investment, and the asset is held as an available for sale financial asset (included in note 20).

### 21.2 Municipal Bonds Agency

The County Council has purchased £0.1m of equity shares in the Municipal Bonds Agency UK. The purpose of this shareholding is to support more diverse sources of Capital Financing being made available to the Local Authority sector. There are a large number of investors and the County Council's shares represent a negligible interest in the company. None of the shares give the County Council any disproportionate voting rights or control of the company. The shares are held at fair value, due to the immateriality of the amount invested, the fair value of these shares is adjudged at cost.

## 22. Debtors

31 March 2015 £m		31 March 2016 £m
<b>Long term debtors:</b>		
19.5	Loans Treated as Capital Expenditure	76.4
2.2	Accrued Accommodation (Adult Social Care)	1.9
1.6	Other Long Term Debtors	1.7
<b>23.3</b>		<b>80.0</b>
<b>Short term debtors:</b>		
17.4	Central government bodies	6.2
6.6	Other local authorities	4.1
6.1	NHS bodies	4.7
21.8	Other entities and individuals	25.4
<b>51.9</b>		<b>40.4</b>
<b>75.2</b>	<b>Total debtors</b>	<b>120.4</b>

## 23. Cash and cash equivalents

	Opening Balance 01/04/2015 £m	Movement During The Year £m	Closing Balance 31/03/2016 £m
Bank current accounts	(0.1)	(3.0)	(3.1)
Short Term investments held as cash	9.1	14.9	24.0
<b>Total Cash and cash equivalents</b>	<b>9.0</b>	<b>11.9</b>	<b>20.9</b>

## 24. Creditors – short term

31 March 2015 £m		31 March 2016 £m
11.1	Central Government Bodies	9.1
11.7	Other local authorities	18.7
11.1	NHS bodies	3.4
0.8	Public corporations & trading funds	0.2
70.1	Other entities and individuals	66.7.5
<b>104.8</b>	<b>Total</b>	<b>98.1</b>

## 25. Other long term liabilities

2014/15 £m		2015/16 £m
(82.9)	PFI liabilities	(81.3)
(387.2)	Re-measurement of the net defined benefit	(380.3)
(4.0)	Teachers' Pension scheme Added year	(3.7)
<b>(474.1)</b>	<b>Other Long term Liabilities</b>	<b>(465.3)</b>

### 26. Defined Contribution Pension Schemes

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It is not possible for the County Council to identify its share of the underlying liabilities attributable to its own employees within the Teachers' and NHS Defined contribution schemes, and therefore for the purposes of the Statement of Accounts they are accounted for as defined contribution schemes, that is, actual costs are included in the revenue accounts, with no assets or liabilities in the balance sheet.

#### 26.1 Teachers' Pension Scheme

The Teachers' Pension Scheme is a defined benefit scheme administered by the Teacher's Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate.

In 2015/16 the County Council paid £13.6 million (2014/15 £13.0m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 15.5% (2014/15 14.1%) of teachers' pensionable pay.

In addition, the County Council is responsible for all pension payments relating to Teacher's added years it has awarded, together with the related increases. In 2015/16 these amounted to £0.4 million (2014/15 £0.4 m), representing 0.4% (2014/15 0.4%) of pensionable pay. The County Council's Actuary has calculated a long-term liability of £3.7 million in respect of these payments that will decline over time and this is included in the balance sheet under other long term liabilities.

#### 26.2 NHS Pension Scheme

The NHS pension scheme is a defined benefit scheme administered by the NHS Superannuation Scheme

In 2015/16 the County Council paid £0.1 million (2014/15 £0.1m) to the NHS Superannuation scheme, which represents 14.3% (2014/15 14.0%) of NHS pensionable pay.

### 27. Defined Benefit Pension Schemes

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As part of the terms and conditions of employment of its employees, the County Council offers retirement benefits through the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme. From 31 March 2015 the Chief Financial Officer of Worcestershire County Council acted as interim Scheme Manager, advised by the Shadow Pension Committee. From 1 June 2015 the responsibility of Scheme Manager transferred from the Chief Financial Officer to the newly established Pension Committee. Policy is determined in accordance with the Pensions Fund Regulations. The management of the fund's assets is operated through six specialist external managers.

The three principal risks to the scheme are:-

1. Market risk (volatility in stock prices, increase in interest rates and fluctuations in currency exchange rates);
2. Credit risk where a borrower does not make payments as promised; and
3. Liquidity risk in that a given security or asset cannot be traded quickly enough in the market.

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.

#### 27.1 Transactions relating to post-employment benefits

The County 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. The charge against the 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:

Local Government Pension Scheme 2014/15 £m		Local Government Pension Scheme 2015/16 £m
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of services:</b>		
(21.9)	Current service cost	(27.2)
(0.7)	Past service costs	0
6.6	Settlements and curtailments	(0.6)
<b>Other Operating Expenses</b>		
(0.4)	Administration expenses	(0.4)
<b>Financing &amp; investment income &amp; expenditure</b>		
(41.1)	Interest on Pensions Liabilities	(36.3)
29.1	Interest on Pensions Assets	23.9
<b>(28.4)</b>	<b>Total post-employment benefit charged to the surplus or deficit on the Provision of Services</b>	<b>(40.6)</b>
<b>Remeasurement of the net defined liability charged to the Comprehensive Income &amp; Expenditure Statement</b>		
52.3	Return on Plan assets (excluding the amount included in net interest expense)	(37.2)
(153.6)	Actuarial gains & losses arising on changes in financial assumptions	60.4
<b>(129.7)</b>	<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(17.4)</b>
<b>Movement in Reserves Statement</b>		
(2.8)	Reversal of net charges made to the surplus or deficit for the Provision of Services for post-employment benefits in accordance with the Code of Practice	16.4
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
25.6	Employer's contributions payable to the scheme	24.3
(32.2)	Retirement benefits payable to pensioners	(33.5)

**27.2 Pension assets and liabilities recognised in the Balance sheet**

	2014/15 £m	2015/16 £m
Present value of liabilities	(1,112.3)	(1,089.0)
Fair value of assets	725.1	708.7
<b>(Deficit) in the scheme</b>	<b>(387.2)</b>	<b>(380.3)</b>

Statutory arrangements for funding the deficit mean that the financial position of the County 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. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

27.3 Liabilities and assets in relation to post-employment benefits (Local Government Pension Scheme)

Reconciliation of present value of the scheme liabilities:

£m		£m
<b>(931.4)</b>	<b>Opening balance at 1 April</b>	<b>(1,112.3)</b>
(21.9)	Current service cost	(27.2)
(41.1)	Interest cost	(36.3)
(6.8)	Contributions by scheme participants	(6.5)
	<b>Remeasurement (gains) and losses:</b>	
(153.6)	Actuarial gains & losses arising on changes in financial assumptions	60.4
32.2	Benefits paid	33.5
(0.7)	Past service costs	0
(0.8)	Curtailments	(0.6)
11.8	Settlements	0
<b>(1,112.3)</b>	<b>Closing balance at 31 March</b>	<b>(1,089.0)</b>

Reconciliation of fair value of the scheme assets:

2014/15 £m		2015/16 £m
<b>648.3</b>	<b>Opening balance at 1 April</b>	<b>725.0</b>
29.0	Interest Income	23.9
52.3	Return on plan assets, excluding the amount included in the net interest expense	(37.2)
(0.4)	Actuarial gains / (losses)	(0.4)
25.6	Administration expenses	24.3
6.8	Employer contributions	6.6
(32.2)	Contributions by scheme participants	(33.5)
(4.4)	Benefits paid	0
(4.4)	Settlements	0
<b>725.0</b>	<b>Closing balance 31 March</b>	<b>708.7</b>

27.4 Local Government Pension Scheme assets comprised

2014/15 £m		Quoted (Y/N)	2015/16 £m
	<b>Equities:</b>		
161.0	UK Quoted	Y	5.2
277.7	Overseas quoted	Y	242.0
74.0	Pooled Investment Vehicle - UK Managed Funds	N	198.5
147.9	Pooled Investment Vehicle - UK Managed Funds - (overseas equities)	N	141.0
5.8	Pooled Investment Vehicle - Overseas Managed Funds	N	5.2
	<b>Bonds:</b>		
5.1	UK Corporate	Y	2.9
42.1	Overseas Corporate	Y	40.5
	<b>Property:</b>		
0	European Property Fund	N	22.2
0	UK Property Debt	N	8.3
0	Overseas Property Debt	N	1.6
	<b>Alternatives:</b>		
0	UK Infrastructure	N	26.3
	<b>Cash:</b>		
3.6	Cash Instruments	Y	3.9
0.7	Cash Accounts	Y	3.8
7.2	Net Current Assets	N	7.3
<b>725.1</b>	<b>Total</b>		<b>708.7</b>

27.5 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 about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Ltd, an independent firm of actuaries, and estimates for the County Council fund are based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary are:

2014/15		2015/16
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners (years):	
23.4	Men	23.5
25.8	Women	25.9
	Longevity at 65 for future pensioners (years):	
25.6	Men	25.8
28.1	Women	28.2
	<b>Financial assumptions</b>	
2.0%	Rate of CPI inflation	2.0%
3.5%	Rate of increase in salaries	3.5%
2.0%	Rate of increase in pensions	2.0%
3.3%	Rate for discounting scheme liabilities	3.6%

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.

**27.6 Impact on the Defined Benefit Obligation in the Scheme (Liabilities)**

	Increase in rate of	Increase (decrease) in Assumption £m
Discount Rate	0.1%	(19.4)
Inflation	0.1%	19.8
Pay	0.1%	4.4
Life Expectancy	1 year	20.9

**27.7 Impact on the Council's cash flows**

The weighted average duration of the defined benefit obligation for scheme members is 18 years (2014/15 18 years).

The County Council anticipates payments of £17.5 million expected contributions to the scheme in 2016/17.

**28. Cash – operating activities**

2014/15 £m	2015/16 £m
0.3	3.1
(17.9)	(17.3)

2014/15 £m	2015/16 £m
<b>The surplus/deficit on the provision of services has been adjusted for the following non cash movements</b>	
31.5	33.1
30.4	12.8
0.2	0.1
(0.6)	(5.4)
(9.0)	11.9
2.8	16.4
58.3	20.8
0.4	0.8
<b>114.0</b>	<b>90.5</b>
<b>The surplus/deficit on the provision of services has been adjusted for the following items that are investing or financing activities</b>	
(7.9)	(5.6)
(56.4)	(52.7)
<b>(64.3)</b>	<b>(58.3)</b>

**29. Cash - investing activities**

2014/15 £m		2015/16 £m
(81.1)	Purchase of property, plant & equipment, investment property and intangible assets	(72.7)
(1,158.9)	Purchase of short-term & long-term investments	(968.4)
(18.8)	Other payments for investing activities	(57.4)
7.9	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	5.6
1,167.8	Proceeds from short-term & long-term investments	970.9
56.4	Other receipts from investing activities	52.7
<b>(26.7)</b>	<b>Net cash flows from investing activities</b>	<b>(69.3)</b>

**30. Cash – financing activities**

2014/15 £m		2015/16 £m
23.0	Cash receipts of short-term & long-term borrowing	83.3
(2.5)	Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(2.7)
(5.3)	Repayments of short- and long-term borrowing	(6.8)
<b>(15.2)</b>	<b>Net cash flows from financing activities</b>	<b>73.8</b>

### 31. Accounting policies

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#### 31.1 General principles

The Statement of Accounts for 2015/16 summarises the County Council's transactions for the 2015/16 financial year and its position at 31 March 2016. The Accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by the International Financial Reporting Standards (IFRS).

The core financial statements are as follows:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements

#### 31.2 Accruals of expenditure and income

Activity is included in the accounts in the year it takes place. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when services are provided and supplies used rather than when the payment is made.

Where income and expenditure has been recognised but cash has not been received or paid at 31 March, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Accruals are not made for amounts of less than £5,000, unless the manager feels it would improve the quality of information.

#### 31.3 Agency income and expenditure

The Worcestershire district councils, in their role as billing authorities, act as agents for the County Council, the precepting authority, collecting council tax on our behalf. Council tax transactions and balances are allocated between the districts and the County Council and the Comprehensive Income & Expenditure Statement reflects the County Council's proportion of the net surplus or deficit. The Balance Sheet includes amounts to reflect the County Council's share of council tax debtors, overpayments and council tax creditors, and a debtor for the billing authority in respect of cash collected from council tax payers but not paid across or a creditor for cash paid in advance of receipt from council tax payers. The Collection Fund Adjustment Account holds the net effect of these activities.

The Business Rates Retention system was introduced in April 2013. The district councils collect business rate income on behalf of the County Council as well as amounts to be paid over to other precepting bodies and Central Government. The Comprehensive Income & Expenditure Statement reflects the County Council's proportion of the net surplus or deficit. The Balance Sheet includes amounts to reflect the County Council's share of Business Rates debtors, overpayments and creditors and a provision in respect of potential repayments relating to outstanding appeals. The Non-domestic rate Adjustment Account absorbs the net effect of the billing authorities acting as agents for the County Council in the collection of Business rates.

#### 31.4 Carbon Reduction Commitment Energy Efficiency Scheme

The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, Phase 2 runs from April 2014 to March 2019. The County Council has purchased forecast sales over 2 years for 2014/15 and 2015/16. The liability is measured at the best estimate of expenditure required to meet the obligation, normally current market price and will be discharged by surrendering allowances. The cost to the County Council is recognised in the net cost of services within the Comprehensive Income and Expenditure Statement.

#### 31.5 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, on demand deposits and short-term investments which are readily convertible to cash.

### 31.6 Charges to revenue for non-current assets

Services are charges with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluations and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The County Council does not raise council tax to fund these charges, but is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, replacing depreciation, revaluation and impairment losses by a contribution in the General Fund Balance (Minimum Revenue Provision or loans fund principal) and an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 31.7 Contingent liabilities

A contingent liability arises when an event has taken place that may result in the County Council incurring expenditure dependent upon the occurrence of uncertain future event. Contingent liabilities are not recognised in the financial statements but disclosed as a note to the accounts. The contingent liability will become a provision if it becomes probable that the event will occur.

### 31.8 Employee benefits

#### Benefits payable during employment

Employee benefits such as salaries, paid annual leave and paid sick leave, are recognised as an expense to service accounts in the Comprehensive Income and Expenditure Statement when the employee earns them.

The accounts reflect an accrual for accumulating short-term absences (annual leave and flex time carry forward at 31 March). The charge is made to service accounts in the Comprehensive Income and Expenditure Statement and a short term creditor created on the Balance Sheet.

The impact of this on the Comprehensive Income and Expenditure Statement is reversed out of the service expenditure to the Accumulated Absences Adjustment Account in the Unusable Reserves on the Balance Sheet.

#### Termination benefits

Termination benefits are payable as a result of either the County Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy.

Termination benefits are recognised immediately as an expense to the service in the Comprehensive Income and Expenditure Statement. The termination benefits detailed in the accounts will include those where the offer of benefit can no longer be withdrawn and those relating to the costs for a restructure.

Where termination benefits involve the enhancement of pensions, the General Fund Balance is charged with the amount payable by the County Council to the pension fund or pensioner in the year. 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 the debits for the cash paid to the pension fund and pensioners and any amounts due but not paid at the year-end.

#### Post-employment benefits

The County Council participates in three different pension schemes that meet the needs of employees in particular services. The schemes provide members with defined benefits related to pay and service. The schemes are as follows:

##### a) The Teachers' Pension Scheme

This is an unfunded scheme administered by the Department for Education (DfE). The pension cost charged to the accounts is the employer's contribution rate that has been set by the DfE on the basis of a notional fund. The scheme is accounted for as a defined contribution scheme – no liability for future payments is recognised on the Balance Sheet and the Children's and Education Service revenue account is charged with the employer's contributions payable to teachers' pension in the year.

##### b) The NHS Pension Scheme

This is an unfunded scheme administered by the NHS Superannuation scheme. The scheme is accounted for as a defined contribution scheme – no liability for future payments is recognised on the Balance Sheet and the Public Health Service revenue account is charged with the employer's contributions payable to NHS pensions in the year.

### c) The Local Government Pension Scheme

Subject to certain qualifying criteria, other employees are eligible to join the Local Government Pension Scheme. The pension costs charged to council tax are equal to the employer's contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is accounted for as a defined benefit scheme – the liabilities of the scheme attributable to the County Council are included in the Balance Sheet on an actuarial basis and the assets of the fund attributable to the County Council are included in the Balance Sheet at their fair value.

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment and funding benefits in accordance with statutory provisions. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

The County Council accounts for post-employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require a benefit earned to be financed as the County Council makes employer's contributions to the Pension Fund or pays any pension for which it is directly responsible.

#### Impact on the County Council's cash flows

The investment objectives of the Pension Fund are as follows:

- (a) to ensure that sufficient assets are available to meet liabilities as they fall due;
- (b) to maximise the return at an acceptable level of risk.

The County Council has agreed a strategy with the Pension Fund's Actuary to achieve a funding level of 100% over the next 21 years. Funding levels are monitored on an annual basis. The last valuation took place on 31 March 2013, with rates effective from 1 April 2014. The next triennial valuation is due to be completed on 31 March 2016.

The Pension Fund changed from a final salary scheme to an average salary scheme on 01.04.2014 in line with the Public Pensions Services Act 2013.

### 31.9 Events after the Balance Sheet date

Events after the Balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

#### 31.10 Financial instruments

Financial instruments are contracts that give rise to a financial asset or financial liability and these are represented by investments, borrowings, debtors, creditors and cash equivalents. They are recognised on the Balance Sheet when the County Council becomes party to the contractual provisions of the Financial Instrument and are carried at amortised cost.

##### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For borrowings the amount shown on the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

##### Financial assets

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

For loans the amount shown on the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-sale assets that are classed as long-term investments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Income is credited to the Comprehensive Income and Expenditure Statement when it

becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value based on the latest market price.

Available for sale assets that are classed as cash equivalents are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value, that is the cash amount paid to purchase the units; they are subsequently measured at that amount due to the units having a constant value. They are classified as Cash Equivalents on the balance sheet due to their liquid nature. Any income arising from these financial instruments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Other cash equivalents not falling into the above are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at their fair value, which is equal to the cash amount deposited and carried at their amortised cost.

The amount shown on the Balance Sheet is the statement balance of funds held within the Instrument as of that date, plus accrued interest, this is equivalent to the amortised cost.

### **Fair value of assets and liabilities**

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortized cost. For loans from the Public Works Loan Board (PWL) and Money Market Lender Option Borrower Option (LOBO) loans with no planned change of interest this equates to the amount of the originating transaction less any repayments plus accrued interest. LOBO loans with stepped interest are shown at the real cost to the County Council rather than the cash flows under the contract. The effective interest charged to the accounts has been calculated by smoothing the effect of the two rates of interest charged over the life of the loans.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of loans has been assessed at current market conditions by calculating the present value of the cash flows that take place over the remaining life of the loans using the following assumptions:

- For PWL loans, a level 2 valuation of the discounted cash flows at the market rate of replacement loans available for the same term. Arlingclose have provided the data.
- For LOBO loans a level 2 fair value is calculated in two parts: Firstly by valuing the options, using market data and the Black-Scholes formula. The interest rate swaps are valued as the discounted present value of future cash flows, given swap rates on the market. All data is extracted from Bloomberg.
- The fair value of other temporary borrowing and deposit loans repayable at 7 days' notice is taken as amortized cost due to their short-term nature.
- The fair values of the PFI Liabilities are calculated using zero coupon rates derived from the composite AA corporate bond yields as indicative interest rates. All data is extracted from Bloomberg.
- For long-term investments in unlisted companies, where the holding is material, a level 3 valuation has been obtained; involving discounting the future expected cash flows arising from the asset, at a rate appropriate for this type of company.
- A level 2 fair valuation of short-term loans and receivables have been assessed using benchmark rates relating to deposits of comparable security and liquidity. Due to their short-term nature, the difference between fair value and amortized cost is trivial.
- The fair value of all Cash Equivalents (available for sale and amortized cost) has been assessed at their carrying amount, due to their liquid nature.
- The fair value of Debtors and Creditors is taken to be the invoiced or billed amount.

The fair value calculations have been provided by the Council's Treasury Management advisors (Arlingclose) for PWL loans, LOBO loans, PFI Liabilities, shares in unlisted companies and loans and receivables.

### **31.11 Government grants and other contributions**

Grants and contributions are accounted for on an accruals basis, and recognised in the Comprehensive Income & Expenditure Statement as income when the Council has satisfied all conditions relating to receipt. Where a grant or contribution has conditions outstanding at the Balance Sheet date the grant is held as a liability, either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve.

General revenue grants and contributions (e.g. the Revenue Support Grant) are included in the Comprehensive Income & Expenditure Statement as Non-ring-fenced government grants. Specific revenue grants and contributions are included as income for the relevant service area.

Capital grants credited to the Comprehensive Income & Expenditure Statement as capital grants and contributions are reversed out of the General Fund Balance in the Movement in Reserves Statement. Unapplied grant is posted to the Capital Grants Unapplied Reserve; applied grant to the Capital Adjustment Account.

### 31.12 Heritage assets

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

Where the County 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 will explain the significance and nature of those assets not reported on the balance sheet.

Heritage Assets are recognised and measured at insurance values. It is not cost effective to undertake individual valuations of the assets; asset records and valuations will be updated as appropriate. Any variations will not have a material impact on the accounts.

### 31.13 Intangible assets

Intangible assets refer to software licences purchased by the County Council. The assets are capitalised at cost. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the County Council. To date, none of the capitalised software has been internally developed. The useful life assigned to major software is 3 years.

The carrying amount of intangible assets is amortised on a straight line basis and is absorbed as an overhead across all service headings in the Net Expenditure of Services.

### 31.14 Interests in companies and other entities

The County Council has an interest in a company which is classed as a joint venture. It has been assessed as not material and group accounts have not been prepared.

### 31.15 Inventories and long-term contracts

Inventories are materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of the County Council's ordinary business. Where the amounts are material and irregular in incidence, the value of unconsumed stores is included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Work in Progress at the end of the year is stated at the lower of cost or net realisable value. Inventories are valued on either a cost or an average price basis.

### 31.16 Investment property

Investment property assets are those held to earn rental income or for capital appreciation. They are not used for the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but reviewed annually. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Rentals received are credited to the Financing and Investment line and result in a gain for the General Fund Balance.

### 31.17 Joint arrangements

Joint arrangements are activities undertaken by the County Council in conjunction with other parties. These are classified into two categories:

- Joint Venture - an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities for the arrangement are given unanimous consent from all parties. The parties have joint control of and rights to the net assets of the arrangement. A Joint Venture requires group accounting in addition to the County Council's single accounts. However, where the Joint Venture is considered to be immaterial and omission of the group accounts does not impact on the understanding of the County Councils accounts then group accounts are not required. Where no group accounts are produced the

Joint Venture costs are recognised in the Comprehensive Income and Expenditure Statement. The County Council has no material arrangements so has no requirement to produce group accounts

- Joint Operation – the parties that have joint control of the arrangement and have rights to the assets, and obligation for the liabilities, relating to the arrangement. All parties have joint control of decisions and use of the assets and obligations for the liabilities relating to the arrangement. The County Council recognises, if material, on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

### 31.18 Leases

Leases are classified as finance leases where the term of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings these elements are considered separately for classification.

#### Operating leases – the County Council as lessee

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services using the leased asset. Charges are made on a straight line basis over the life of the lease.

#### Operating leases – the County Council as lessor

Where the County Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease.

#### Finance leases – the County Council as lessor

Where the County Council grants a finance lease over a property or an item of plant or equipment, the asset is written out of the Balance Sheet as a disposal. At the start of the lease, 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 the disposal. The County Council currently only has finance leases relating to the transfer of academy schools and as such there are no lease rentals receivables. The written-off value of disposals is not a charge against council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### 31.19 Overheads

The full costs of overheads and support services are charged to the services that benefit from them in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the County Council's status; and
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are accounted for as part of Net Expenditure on Continuing Services in the Comprehensive Income and Expenditure Statement.

### 31.20 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct material errors.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the County Council's financial position or performance. Changes are applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as applicable as if the policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 31.21 Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The County Council is deemed to control the services that are provided under its PFI schemes and ownership of the property, plant and equipment will pass



to the County Council at the end of the contracts for no additional charge, the County Council carries the property, plant and equipment used under the contracts on the Balance Sheet.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received, and
- b) Payment for the PFI asset, including finance costs.

The original recognition of the property, plant and equipment at fair value is balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the Balance Sheet are valued and depreciated in the same way as other assets owned by the County Council.

Services received under the contract are recorded under the relevant expenditure headings as operating expenses.

### **31.22 Property, plant and equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the County Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, if applicable.

The County Council does not capitalise borrowing costs incurred whilst assets are under construction.

Revaluation of all the County Council's property, plant and equipment is undertaken using a five-year rolling programme, unless market forces indicate it should be done more frequently. Additionally, all assets are reviewed for impairment loss on an annual basis. Impairment loss is written to the Revaluation Reserve against the accumulated revaluation gain for the asset, or to the service that uses the asset in the Comprehensive Income & Expenditure where there is no accumulated gain.

Surpluses on revaluations are credited to the Revaluation Reserve Account when they are identified. Valuations are carried out by the County Council's external Valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

#### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

All property, plant and equipment with a finite useful life (determined at the time of purchase or revaluation) are depreciated using the straight-line method, meaning that an assets value falls equally each year throughout its life, as follows:

- a) Land and Buildings (10-99 years). Each building has an individual asset life over which depreciation is provided. Land is not depreciated.
- b) Vehicles, Plant and Machinery (3-10 years). Depreciation is provided over the useful life of the assets.
- c) Infrastructure. Infrastructure assets are depreciated from their historic cost over 20 years.
- d) Community Assets. The County Council's community assets are comprised totally of land (e.g. parks, picnic places) and as such are not depreciated.
- e) Surplus Assets, held for disposal (10-99 years). These assets are depreciated over their useful life where appropriate.
- f) Assets under Construction. Assets under construction, being capital works in progress where the uncompleted asset does not have a material benefit to the County Council, are not depreciated.

Assets which are bought from a third party are depreciated for a full year in the year of purchase. All other assets created as a result of capital expenditure during the year are depreciated for a full year where appropriate.

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Capital financing and asset restatement accounts

There are two capital accounts relating to capital financing which have been included in the Balance Sheet. These accounts do not represent cash funding available to fund revenue expenditure.

- a) Revaluation Reserve Account, which replaced the Fixed Asset Restatement Account with effect from 1 April 2007 and shows revaluation gains recognised since that date.

The Revaluation Reserve contains the gains made by the County Council arising from increases in the value of its property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired
- used in the provision of services, or
- disposed of.

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

- b) Capital Adjustment Account, which represents the difference between the costs of property, plant and equipment consumed and the capital financing set aside to pay for them.

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 County Council or amount received as grants and contributions and used as finance for the costs of acquisition, construction and enhancement and contains the accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the County Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the County Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the County Council that has yet to be financed.

### Minimum Revenue Provision (MRP)

MRP is a charge to the Comprehensive Income and Expenditure Accounts for the repayment of external borrowing required to finance capital expenditure in accordance with the Local Authorities (Capital Financing and Accounting)

(England) (Amendment) Regulations 2008. The broad aim of the policy is to ensure that MRP is charged over a period that is broadly commensurate with the period over which the County Council receives benefit from the asset. The charge is calculated using the asset life method over equal instalments for either:

- The average life of all assets at 31 March 2008 for pre-2008 debts, and
- The average asset class life for post-2008 debts, using schools, highways and other assets as our key categories.

In 2015/16 Council approval was given to align pre 2008 long-term borrowing to the post 2008 method of matching the debt repayment to the average asset lives.

### **Disposals and non-current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction and the asset is being actively marketed, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

### **Non-current assets transferred to academies**

When a school converts to an Academy the transfer of the asset is for nil consideration. The asset is de-recognised on the Balance sheet and shown as a loss on investments on the Comprehensive Income and Expenditure Statement.

## **31.23 Provisions**

Provisions are made where an event has taken place that gives the County Council a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the County Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation. When payments are made they are charged to the provision carried in the Balance Sheet.

## **31.24 Reserves**

In addition to its general revenue balances, the County Council has maintained specific earmarked reserves for future policy purposes or contingencies. Reserves are created from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage accounting processes, e.g. for non-current assets or retirement and employee benefits, and do not represent usable resources for the County Council.

## **31.25 Related Parties**

Related parties are bodies or individuals that have the potential to control or influence the County Council or to be controlled or influenced by the County Council.

## **31.26 Revenue recognition**

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or services potential associated with the transaction will flow to the Council

### 31.27 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the County Council has determined to meet the cost of this expenditure from existing capital resources or from borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the level of council tax.

### 31.28 Schools

In accordance with accounting standards and the Code of Practice on group accounts and consolidation, all maintained schools in the Worcestershire area are now considered to be entities controlled by the County Council. For financial reporting purposes, the revenue costs and associated balances of all maintained schools, such as accruals, provisions and cash balances, are included in the County Council's financial statements. Schools Non-Current Assets are recognised on the Balance Sheet.

PFI schools are considered to be controlled by the County Council through the PFI arrangements and are recognised on the Balance Sheet.

The Voluntary Aided, Voluntary Controlled schools and Trust school are owned by the Diocese, Church of England or a separate Trust. There are no formal rights to use the assets through licence arrangements passed to the school or Governing Bodies. As a result the schools are not recognised on the Balance Sheet.

### 31.29 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 32. Future accounting standards

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### 32.1 Highways Network Assets

The CIPFA Code of Practice on Transport Infrastructure Assets will be included in 2016/17 edition of the Accounting Code, adopting the measurement requirements from 1 April 2016. The 2016/17 Accounting Code has not yet been issued and the treatment detailed below may require updating in light of any further clarification and application guidance.

Highways Network Assets will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and depreciation. The change will be applied prospectively and will require a restatement of the position in these accounts at 31 March 2016 through an adaptation to IAS 1. There will be no requirement to restate as at 1 April 2015 or to produce a third balance sheet in the 2016/17 Statement of Accounts.

The HNA will be disclosed separately as a single asset on the face of the Balance Sheet, with its valuation and depreciation built up from component parts. It will follow the definitions in the CIPFA Code of Practice on Transport Infrastructure Assets.

## 33. Critical judgements in applying accounting policies

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In applying the accounting policies set out in note 31, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made are:

### 33.1 Consolidation of school activities

In accordance with accounting standards and the Code of Practice on group accounts and consolidation, all maintained schools in the Worcestershire area are now considered to be separate entities controlled by the County Council. Rather than produce group accounts the revenue costs and associated balances of all maintained schools, such as accruals, provisions and cash balances, are included in the County Council's financial statements.

- Maintained schools comprise of Community, Voluntary Aided, Voluntary Controlled and Trust schools.
- Academies and Free schools are not maintained by the County Council and are not included in the consolidation
- Consolidation of other accounts held by schools such as school funds and devolved capital accounts were reviewed and judged to be immaterial, and are not recognised on the County Council's Balance sheet.

### 33.2 Non-current assets (land and buildings) of maintained schools

The land and buildings are recognised in accordance with the asset recognition tests as they apply to the different type of arrangements. Where the County Council owns the land and buildings or the rights to its use has been transferred from another entity the County Council recognises the asset on the Balance Sheet. Where the land and building is owned by another entity and there is a 'mere' licence to use rather than a transfer of rights then the County Council does not recognise the asset on the Balance sheet.

The County Council has completed a review on a school by school basis of all maintained schools. The review was carried out by a working group comprising finance, legal, property and Children's services professionals and considered the requirements of the Schools Standards and Framework Act 1998, technical accounting guidance and the current treatment of school assets by the County Council. The review considered key issues including legal ownership of the assets, who has access to the resource, the substantive rights conveyed and the treatment of any future economic benefits. The review has determined the following accounting treatments:

The accounting treatment of the schools' land and buildings are as follows:-

- Community schools – land and buildings are legally held by the County Council and are shown in full on the balance sheet;
- Voluntary Controlled schools and Voluntary Aided schools - land and buildings comprising the main body of the school are legally held by the other entities. In Worcestershire this is either the Church of England or Catholic Diocese who retain the control of the asset. The review determined that for these assets the legal ownership in conjunction with the substantive rights to the asset and future economic benefits is with the relevant church body. The County Council has not shown these assets on the balance sheet.
- Foundation schools/ Trust schools – land and buildings comprising the body of the school are legally held by other entities. The review determined that for these assets the legal ownership in conjunction with the substantive rights to the asset and future economic benefits is with the relevant church body. The County Council has use of the assets but is not able to exert substantive control over them or receive any future economic benefits. The County Council has not shown these assets on the balance sheet;
- Assets provided by the County Council as part of its responsibility for running the schools are shown on the balance sheet (for example the funding of mobile classrooms)
- Academy schools (previously community schools) – are not maintained by the County Council. The land and buildings comprising the body of the schools are leased to the academy on a 125 year lease and are therefore not shown on the balance sheet;
- Local authority schools which are due to convert to academy status post balance sheet are treated as non-adjusting post balance sheet events. Details are given in note 35 where the transfer has taken place at the time the accounts are closed.

### 33.3 Other judgements

- The County Council has three PFI contracts providing waste services, schools and library services. These contracts have been assessed as meeting the requirements of IFRIC 12 and the non-current assets relating to the service provision have been brought on to the County Council's balance sheet with a corresponding finance liability.
- The County Council has classified £2.8 million of PPE as Assets Held for Sale and £6.1m Surplus assets held for sale in accordance with accounting practice. These assets are judged to be actively marketed and as such are not depreciated.
- The County Council owns shares with a fair value of £3.0 million in Malvern Hills Science Park. There are preference shares and 9% of the voting shares issued by the Company. This holding has been judged not to give the County Council a controlling influence.
- Heritage assets have been recognised in the accounts at insurance or historic cost values. Any variations to individual valuations will not have a material impact on the accounts.
- The County Council has considered in line with accounting standards and the Code of Practice on group accounts all significant relationships with companies and other entities. The review considered all relationships for material interests that have the nature of subsidiaries, associates and jointly controlled entities. This included assessment of control by a single entity, joint control and materiality. There are no material interests and no group accounts. Refer to Note 11 for arrangements the County Council has with related parties. WM Energy is considered to be a Joint Venture but will not have a material impact on the accounts.
- Place Partnership Ltd is considered to be a joint operation but will not have a material impact on the accounts.

- The Section 75 agreement (including the Better Care Fund) is considered to be a joint operation. The County Council and the Clinical Commissioning Groups have reviewed the accounting treatment of all services within the agreement. Where services are controlled by the County Council the income and expenditure is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

### **34. Assumptions made about the future and estimate uncertainties**

The Statement of Accounts contains estimated figures based on assumptions made by the County Council. Estimates are made taking into account historical experience, current trends and other relevant factors. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

The items in the County Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Provisions – employee restructuring	The County Council has made a provision of £1.4 million to reflect the possible need to make redundancies as a result of service restructuring. The provision is based on an estimate of the number of staff identified in detailed business cases less current re-deployment levels at an average salary.	At an average exit package of £13,066, an increase of 5 members of staff being made redundant would result in an additional £65k in the provision.
Retirement benefits	<p>Assumptions are applied by the Actuary in order to calculate the pension expense and liability. The actual amount to be recognised in the balance sheet at year end is unlikely to equal the projected amount mainly due to;</p> <ul style="list-style-type: none"> <li>• Actual asset returns are likely to be different from those assumed;</li> <li>• Actuarial assumptions at the end of the year could be different from those at the start of the year;</li> <li>• Other actuarial experience over the year could be different from that assumed.</li> </ul>	<p>The effects on the pensions liability of changes in individual assumptions can be measured and the impact on the balance sheet deficit position are:</p> <ul style="list-style-type: none"> <li>• +0.1% p.a. discount rate as at 31.03.16 £19.4 million reduction</li> <li>• +0.1% p.a. salary inflation £19.8 million increase</li> <li>• 1 year added to members' life expectancy £20.9 million increase</li> <li>• +0.1% p.a. pay growth £4.4 million</li> </ul>
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.
Non-current assets - valuation	Non-current assets are valued by the County Council's Valuer on a five year rolling programme, unless events indicate that a more frequent interval is required.	The Valuer uses his professional knowledge of the market and other factors to arrive at an asset value. Variations to this value would result in increased or decreased depreciation and, potentially, impairment losses being charged to the Comprehensive Income and Expenditure Statement.

### 35. Events after the Balance Sheet date

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The Statement of Accounts was authorised for issue by the Chief Financial Officer on. Events taking place after this date are not reflected in the financial statements or notes. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 as they provide information that is relevant to an understanding of the County Council's position but do not relate to conditions at that date:

**Balance  
sheet  
adjustment**

£m

Great Witley Primary is a voluntary controlled school which converted to academy status on 01 April 2016. The land and buildings are controlled by the Diocese and the Council does not recognise the asset on the Balance Sheet. nil

On 23 June 2016 the United Kingdom voted to leave the European Union. The result has caused uncertainty in the financial markets, with the pound falling against the dollar and the euro and the stock market experiencing losses immediately after the result. Values have remained low although the early volatility has mostly subsided. To date there are no facts about any changes that are likely to occur and it is too early to understand any direct impacts. The Council will continue to monitor the position and impact of the exit negotiations. nil

**Independent Auditor's Report to the Members of Worcestershire County Council**

*To be inserted*



# **Worcestershire County Council Pension Fund**

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

## About the Accounts

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This Statement of Accounts presents the overall financial position of the Pension Fund 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.

**1. Explanatory Foreword and a Review of the Year 2015/16**

Contains a review of the year and other general information about the accounts.

**2. The Worcestershire County Council Pension Fund Account**

Details the money received and spent within the Pension Fund during 2015/16

**3. Net Assets Statement**

Statement showing the Pension Fund's financial position at 31 March 2016.

**4. Notes to the Pension Fund Accounts**

Notes providing additional information for the Fund Account and Net Assets Statement.

**5. Statement of Accounting Policies**

Accounting policies and procedures adopted by the County Council Pension Fund

# 1. Explanatory Foreword and a Review of the Year 2015/16

## Foreword by the Chief Financial Officer

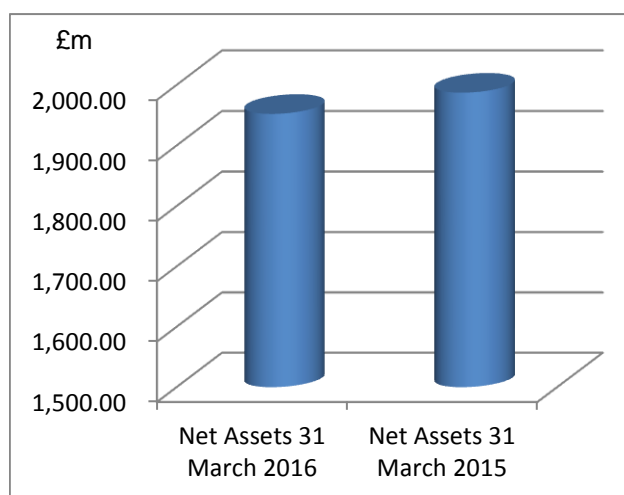
Welcome to the Worcestershire County Council Pension Fund 2015/16 Statement of Accounts. Worcestershire County Council administers the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers, and fire fighters of the local authorities within the Herefordshire and Worcestershire area. Worcestershire County Council also operates the scheme for members of other organisations which have made admission agreements with the fund and designated bodies who have passed resolutions with Worcestershire County Council.

Aims and purpose of the Scheme	
<b>The aims of the Scheme are to:</b>	
✓	enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, designated, community and admitted bodies
✓	manage employers' liabilities effectively
✓	ensure that sufficient resources are available to meet all liabilities as they fall due, and
✓	maximise the returns from investments within reasonable risk parameters.
<b>The purpose of the Scheme is to:</b>	
✓	receive monies in respect of contributions, transfer values and investment income, and
✓	pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

## Key headlines

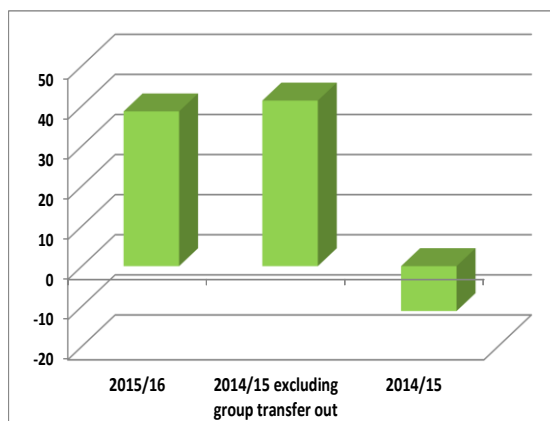
- The value of the Fund's net assets decreased by £35.0 million from £1,987.3 million at 31 March 2015 to £1,952.3 million at 31 March 2016:
- Recurring income from contributions increased by 4.2%, as a result of an increased number of contributors to the fund, partly due to the impact of Auto Enrolment, combined with an uplift in contribution rates following the 2013 actuarial valuation. Net investment earnings decreased by 6.6%, whilst ongoing expenditure increased by 5.6%.
- Contributions from staff and employers plus interest and dividends received exceeded benefits paid in 2015/16 by £48.5 million. It is expected that an operating surplus will exist for the foreseeable future.

**Fund's Net Asset Value**



- During the year a surplus resulted on the Pension Fund account totalling for 2015/16 £38.6 million, an increase of £49.7 million from the deficit of £11.1 million for 2014/15. A group transfer out of the Probation Service to the Greater Manchester Pension Fund of £52.3million took place in February 2015 due to the national restructuring of the National Offender Management Service, without which a surplus of £41.2 million would have resulted on the pension fund account for 2014/15.
- An analysis of changes within the fund's membership profile is displayed below:

Surplus / Deficit on pension fund account



	31 March 2015	31 March 2016	Change	Change %
Contributors to the fund*	21,569	22,697	1,128	+5.2
Pensions paid	15,768	16,353	585	+3.7
Deferred members**	17,938	18,771	833	+4.6
	<b>55,275</b>	<b>57,821</b>		

\* The increase in contributors to the fund is in part a result of Automatic Enrolment, which is required under the Occupational and Personal Pension Schemes (Automatic Enrolment) regulations 2010.

\*\* The increase in deferred members is in part due to employers reducing staff headcount and the ex-employees choosing to retain their accrued benefits in the scheme as opposed to transferring out.

### Governance

The Public Service Pensions Bill was introduced in the House of Commons on 13 September 2012, which set out governance requirements for the new look Local Government Pension Scheme (LGPS) to be introduced in 2014/15. LGPS regulations on the new governance requirements were published in the first quarter of 2015 and Council approved recommendations in February 2015 to introduce a new Pension Committee from 1<sup>st</sup> June 2015 and to implement a Pension Board from 1<sup>st</sup> April 2015. The new Pension Committee replaced the Shadow Pension Committee, which had been in operation through out 2014/15.

The Pension Fund's Governance Policy Statement is published on the Council's website. The Policy Statement ensures that the Fund's governance arrangements comply with the LGPS Regulations and are aligned to prescribed best practice guidance

The new governance arrangements include the establishment of a Pension Investment Advisory Panel and Pension Administration Forum to support the Pension Committee in its role as Scheme Manager.

### Management of the fund's assets

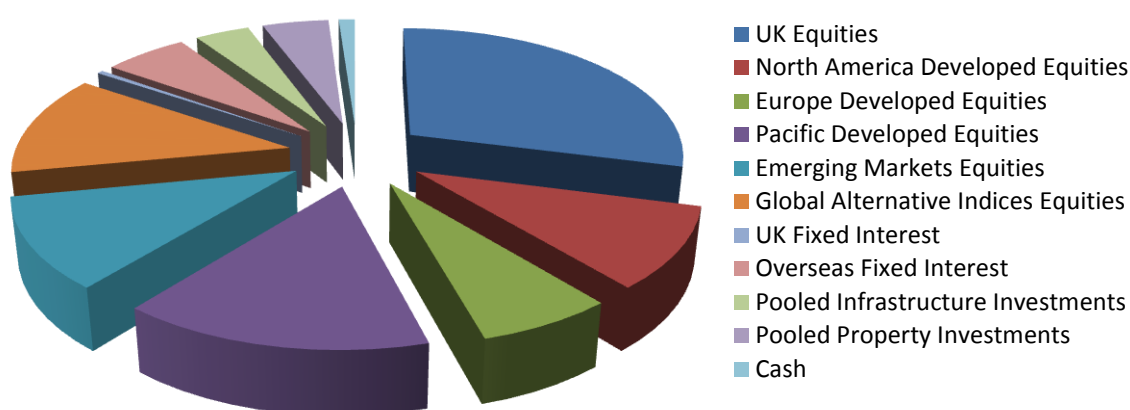
The management of the fund's assets is operated through ten specialist external managers with eleven mandates in total. The Pension Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Advisory Panel, which includes an independent financial adviser.

The fund's asset allocation is kept under regular review and the current long term investment allocation includes investments in a wide variety of UK and overseas companies, Corporate Bonds, Property and Infrastructure. As a result of an asset allocation review that took place in November 2013, the following Shadow Pension Committee endorsed recommendations were progressed during 2015/16:

- a) An allocation of up to 10% of the Fund be made to 'Alternatives including property' should opportunities arise in Property or other Alternatives Investment Recommendations over the Fund's inter-valuation period. A move will only be made where a benefit can be demonstrated where returns can be maintained whilst adding diversification to reduce volatility.
- b) Introduce a rolling programme of mandate reviews over the inter-valuation period.

As at 31<sup>st</sup> March 2016 the 10% commitment to 'Alternatives including property' was complete and the Pension Committee, following a competitive tendering process, had endorsed the investment of 10% of the fund's assets into three pooled property funds; Invesco Real Estate – European Fund, Venn Commercial Real Estate Fund, Walton Street Real Estate Debt Fund and two pooled Infrastructure funds; UK Green Investment Bank Offshore Wind Fund and Hermes GPE Infrastructure Fund (Core).

The following chart details the distribution of the fund's assets as at 31 March 2016:



### Management of the fund's liabilities

The funding strategy is kept under regular review by the Shadow Pension Committee and the fund's actuary assesses at three yearly intervals the balance of the fund's assets against its liabilities. An actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017. The key outcomes of the valuation are detailed below:

- The Fund's assets of £1,721 million represented 69% of the Fund's past service liabilities of £2,488 million (the "Funding Target") at the valuation date. This compares to a similar 69% funded position as a result of the 2010 valuation.
- A common rate of contribution of 14.1% of pensionable pay per annum is required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.
- The deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

The next actuarial valuation will be undertaken in 2016/17, with any changes to the employers' contribution rates being implemented with effect from 1 April 2017.

To meet the requirements of the Regulations, Worcestershire County Council as administering authority of the fund has set a clear long-term funding objective; to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis.

**Sean Pearce**  
**CPFA**  
**Chief Financial Officer**

## 2. Worcestershire County Council Pension Fund Account

For the year ended 31 March 2016

2014/15 restated £m		Notes	2015/16 £m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
99.6	Contributions	5	104.3
4.1	Transfers in from other pension funds	6	5.4
<b>103.7</b>			<b>109.7</b>
(92.8)	Benefits	7	(93.9)
(57.3)	Payments to and on account of leavers	8	(7.3)
<b>(150.1)</b>			<b>(101.2)</b>
<b>(46.4)</b>	<b>Net additions / (Withdrawals) from dealings with members</b>		<b>8.5</b>
(1.1)	Administrative expenses	9	(1.2)
(5.4)	Management expenses	10	(6.8)
	<b>Returns on investments</b>		
43.4	Investment income	11	40.0
(2.6)	Taxes on income	12	(1.9)
202.3	Profit and losses on disposal of investments and changes in the market value of investments	13a	(73.6)
<b>243.1</b>	<b>Net return on investments</b>		<b>(35.5)</b>
190.2	<b>Net increase / (decrease) in the net assets available for benefits during the year</b>		<b>(35.0)</b>
<b>1,797.1</b>	<b>Opening fund net assets of the scheme</b>		<b>1,987.3</b>
<b>1,987.3</b>	<b>Closing fund net assets of the scheme</b>		<b>1,952.3</b>

### 3. Net Assets Statement for the year ended 31 March 2016

2014/15 restated £m		Notes	2015/16 £m
1,960.6	Investment Assets	13	1,918.4
15.6	Cash deposits	13	20.0
<b>1,976.2</b>			<b>1,938.4</b>
(6.2)	Investment Liabilities	13	(5.6)
18.5	Current Assets	16	21.2
3.0	Non Current Assets	17	2.2
(4.2)	Current Liabilities	18	(3.9)
<b>1,987.3</b>	<b>Net Assets of the fund available to fund benefits at the period end</b>		<b>1,952.3</b>

The Financial Statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits (determined in accordance with IAS 19) are disclosed in the Actuarial Statement included in the Pension Fund Annual Report and note 2 to the accounts.

## 4. Notes to the Pension Fund Accounts

### 1. Description of Fund

#### a) General

The Pension Fund is administered by the County Council on behalf of their own employees, those of the Herefordshire Council, the District Councils, Private Sector admitted bodies with staff transferred under TUPE from the Administering Authority and other bodies in the county of Worcestershire, other than teachers, police officers, and fire fighters.

In matters relating to the management of the Fund's assets the Pension Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Advisory Panel, which includes an independent financial adviser and the scheme manager. The Pension Committee consists of County Councillors and an Employer and Employee Representative. Formal monitoring takes place on a quarterly basis through meetings with investment managers to discuss their performance. Asset allocation is reviewed at least annually and pension administration issues are to be discussed quarterly at the Pension Administration Advisory Forum with any resulting recommendations considered by the Pension Committee. LGPS regulations on the new governance requirements were published in the first quarter of 2015 and Council approved recommendations in February 2015 to introduce the new Pension Committee from 1<sup>st</sup> June 2015 and to implement a new Pension Board from 1<sup>st</sup> April 2015.

The day to day management of the Fund's investments is divided between ten external investment managers operating in accordance with mandates set out in the Statement of Investment Principles.

On 25<sup>th</sup> November 2015, DCLG published its response to the May 2014 consultation (Opportunities for collaboration, cost savings and efficiencies). It said responsibility for asset allocation would stay with the 90 administering authorities and that savings could be delivered through the use of asset pooling and, in particular, collective investment vehicles. Worcestershire County Council Pension Fund in collaboration with eight other Local Authorities under the brand 'LGPS Central' submitted their initial proposals to the Government by 19<sup>th</sup> February 2016. By 15<sup>th</sup> July 2016 Funds must make a final submission that fully addresses the government's pooling criteria, which will include a business plan to pool assets under a regulated structure from 1<sup>st</sup> April 2018.

#### b) Membership

A list of scheduled and admitted bodies contributing to the Fund is given in Note 25 to these accounts.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Worcestershire County Council Pension Fund include:

- Scheduled bodies, which are the local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 209 employer organisations within the Worcestershire County Council Pension Fund including Worcestershire County Council.

The following table provides detail of fund membership:

	<b>31 March 2015</b>	<b>31 March 2016</b>
Contributors to the fund	21,569	22,697
Pensions paid	15,768	16,353
Deferred members	17,938	18,771
	<b>55,275</b>	<b>57,821</b>



A separate detailed Annual Report and Accounts, including the Statement of Investment Principles, is available from the Chief Financial Officer, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. The report is also available on the Council's website:

[www.worcestershire.gov.uk/downloads/download/697/pension\\_fund\\_annual\\_report](http://www.worcestershire.gov.uk/downloads/download/697/pension_fund_annual_report)

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending March 2016. Employee contributions are matched by employers' contributions which are set based on triennial funding valuations. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 5.5% to 35.6% of pensionable pay. The common 2015/16 employer contribution rate for the fund is 14.1%. In order to ensure employer contribution increases, required by the fund's actuary following the 31<sup>st</sup> March 2013 actuarial valuation, remained affordable, the administering authority agreed with the fund's actuary to phase employer contribution increases over a six year period.

### d) Pension Benefits

Benefits payable from the fund are governed by the Superannuation Act 1972, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014.

#### Retirement Benefits

For each year of membership in the main scheme, members build up a pension of a 49<sup>th</sup> of the pay received during that year. This pension is then increased each year in line with inflation, to maintain its value in real terms. Members in the 50/50 option build up a pension of a 98<sup>th</sup> of the pay received during that year, which is again protected against inflation.

Ill health pensions can be awarded based on one of three tiers for those that satisfy the scheme's criteria for permanent incapacity. Those in the 50/50 option have full ill-health and death cover.

Membership that was built up before 1 April 2014 continues to provide benefits as it did at the time. Membership from 1 April 2008 to 31 March 2014 provides final salary pensions based on 60ths. Membership before that also provides final salary benefits based on 80ths. Members can normally exchange some annual pension for a larger lump sum at the rate of 1:12, i.e. every £1 of annual pension given up in exchange for £12 lump sum. HMRC limits apply.

Generally a minimum of two years membership is required to draw retirement benefits.

#### Age of retirement

- Normal pension age is 65 or State pension age, whichever is the later, but can be paid earlier:
- Pension benefits are payable at any age if awarded due to ill health
- Members may retire with unreduced benefits from age 55 onwards if their retirement is on the grounds of redundancy or business efficiency
- Members who have left employment may request payment of benefits from age 55 onwards, but actuarial reductions may apply where benefits come into payment before normal retirement age
- Members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply
- Payment of benefits may be delayed beyond normal pension age but only up to age 75.

There are also various protections regarding membership that are linked to earlier normal retirement ages that applied in earlier versions of the scheme.

#### Death Benefits In service

A lump sum death grant is payable, normally equivalent to three years assumed pay. The Administering authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependants, personal representatives or nominees. Pensions may also be payable to the member's spouse, civil partner, eligible cohabiting partner and eligible children.

#### After retirement

A death grant is payable if less than ten years pension has been paid and the pensioner is under age 75 at the date of death, the balance of ten years pension is paid as a lump sum. Pensions are also normally payable to the member's spouse, civil partner, eligible cohabiting partner and any eligible dependent children.

## Cost of Living Increases

Career average pensions that are being built up and pensions in payment are increased annually to protect them from inflation. Pension increases are currently in line with the Consumer Prices Index (CPI). Where a member has a guaranteed minimum pension (which relates to membership during SERPS prior to 5 April 1997) some of the pension increase may be paid with the State Pension.

## Leaving before pension age

Members leaving before becoming entitled to receive pension benefits can apply for a refund of pension contributions paid if their scheme membership is less than two years. Members with more than two years membership have the option to defer their benefits in the fund until normal retirement age or transfer their benefits to another pension scheme.

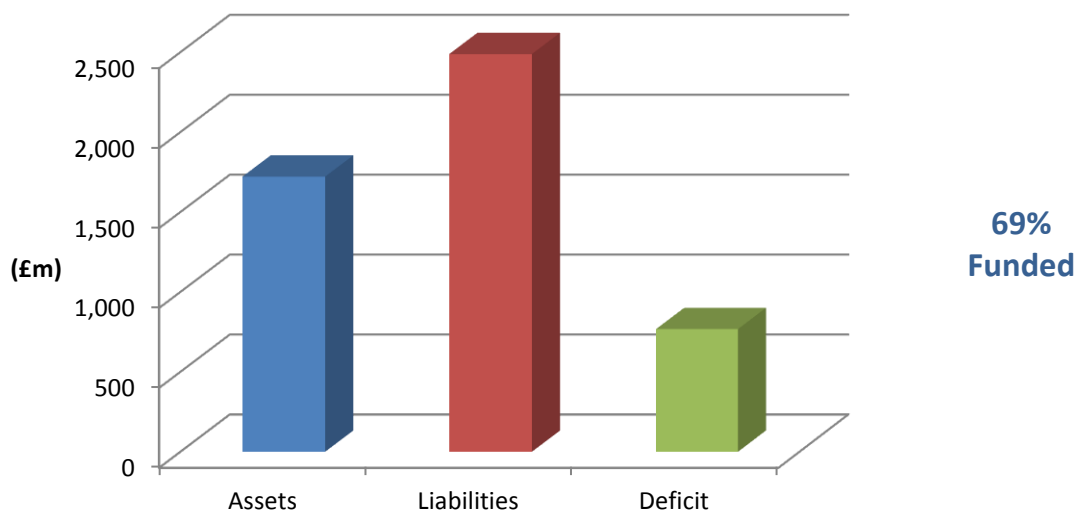
Further details regarding LGPS benefits can be found at: [www.worcestershire.gov.uk/pensions](http://www.worcestershire.gov.uk/pensions) or Email: [pensions@worcestershire.gov.uk](mailto:pensions@worcestershire.gov.uk)

## 2. Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,721 million (£1,366 million 31/03/2010) represented 69% (69% 2010) of the Fund's past service liabilities of £2,488 million (£1,979 million 31/03/2010) (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 14.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for calculating the funding target, the deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)*	4.7% per annum	5.6% per annum
Rate of pay increases (long term)**	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* The Fund's return for 2015/16 was (2.0)% but over the three years ended 31<sup>st</sup> March 2016 has achieved a return of 5.1% per annum.

\*\* Allowance was also made for short-term public sector pay restraint over a 5 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 4.2% p.a. rather than the rate as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2013 was £2,771 million. This value is £223 million higher than the Fund's promised retirement benefits calculated under IAS19, and is only provided for financial reporting purposes.

### 3. Pension Fund Investments 2015/16

The proportion of the market value of investment assets held by the external fund managers at the year-end was:

External Fund Manager	31 March 2015		31 March 2016	
	£m	%	£m	%
JP Morgan Asset Management (Bonds)	129.8	7	131.2	7
JP Morgan Asset Management (Emerging Markets)	119.0	6	109.9	6
UBS Global Asset Management (Passive)	1,104.6	56	0.0	0
Capital International Ltd	174.3	9	179.5	9
Nomura Asset Management UK Ltd	296.3	15	287.1	15
Schroder Investment Management	131.3	7	119.1	6
Legal and General Asset Management	0.0	0	933.4	49
Green Investment Bank	0.0	0	34.2	2
Hermes	0.0	0	38.0	2
Invesco	0.0	0	61.0	3
VENN	0.0	0	22.8	1
Walton Street	0.0	0	4.4	0
WCC Managed Account	7.8	0	8.1	0
	<b>1,963.1</b>	<b>100</b>	<b>1,928.7</b>	<b>100</b>

The following investments represent more than 5% of the net assets of the scheme:

Security	31 March 2015		31 March 2016	
	Market value £m	% of total fund	Market value £m	% of total fund
UBS Global Asset Management Life UK Equity Tracker	173.1	8.7	0.0	0.0
UBS Global Asset Management Life Europe ex-UK Equity Tracker	128.4	6.5	0.0	0.0
LGIM – UK Equity Index Pooled Fund	0.0	0.0	545.7	28.2
LGIM – Europe (ex-UK) Index Pooled Fund	0.0	0.0	114.9	6.0

The Fund operates the practice of lending stock to a third party for a financial consideration.

Securities released to a third party under the stock lending agreement with the Fund's custodian, ABN AMRO Mellon Global Securities B.V., are included in the net assets statement to reflect the Fund's continuing economic interest of a proprietary nature in those securities.

The total amount of stock lent at the year-end was £15.3million (2015 £26.2million). Counterparty risk is managed through holding collateral at the fund's custodian bank. The total collateral, which consisted of acceptable corporate and sovereign debt as well as equities was £15.3million (2015 £27.9million) representing 106% of stock lent.

Income received from stock lending activities was £0.1million for the year ending 31 March 2016 (2015 £0.1million). This is included within the 'Investment Income' figure detailed on the Pension Fund Account.

Stock lending commissions are remitted to the fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stocks are passed to the borrower.

There are no liabilities associated with the loaned assets.

#### 4. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on [to be included] 2016. Events taking place after this date are not reflected in the financial statements or notes. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 although they provide information that is relevant to an understanding of the Fund's position but do not relate to conditions at that date:

Following a decision taken by the Pension Committee to terminate the mandate managed by Capital International on 27<sup>th</sup> April 2016, the assets managed by Capital International were transferred to Legal and General Asset Management for allocation to the North America section of their passive equity mandate.

#### 5. Contributions Receivable

By category:

	2014/15	2015/16
	£m	£m
Employers		
Normal contributions	42.5	45.6
Deficit recovery contributions	33.1	33.5
Augmentation contributions	2.9	3.5
Employees		
Normal contributions	20.7	21.3
Additional contributions	0.4	0.4
	<b>99.6</b>	<b>104.3</b>

By authority:

	2014/15	2015/16
	£m	£m
Worcestershire County Council	31.0	31.3
Scheduled bodies*	56.3	60.1
Community admission bodies	7.8	7.8
Transferee admission bodies	3.9	4.6
Designated bodies	0.6	0.5
	<b>99.6</b>	<b>104.3</b>

\* The increase in Scheduled Bodies' contributions is mainly a result of the maintained schools converting to Academies during 2015/16. Maintained schools are included within Worcestershire County Council's contributions, whilst Academies are Scheduled bodies in the Fund.

#### 6. Transfers in and from other Pension Funds

	2014/15	2015/16
	£m	£m
Individual transfers	4.1	5.4
	<b>4.1</b>	<b>5.4</b>

## 7. Benefits Payable

By category:

	2014/15	2015/16
	£m	£m
Pensions	72.1	75.0
Commutations and lump sum retirement benefits	18.9	17.1
Lump sum death benefits	1.8	1.8
	<b>92.8</b>	<b>93.9</b>

By authority:

	2014/15	2015/16
	£m	£m
Worcestershire County Council	35.9	37.8
Scheduled bodies	48.0	47.0
Admitted bodies	1.7	1.7
Community admission bodies	5.3	4.7
Transferee admission bodies	1.5	2.2
Designated bodies	0.4	0.5
	<b>92.8</b>	<b>93.9</b>

## 8. Payments to and on Account of Leavers

	2014/15	2015/16
	£m	£m
Individual transfers	5.0	6.1
Group transfers	52.3	1.2
	<b>57.3</b>	<b>7.3</b>

A group transfer out of the Probation Service to the Greater Manchester Pension Fund for £52.3million occurred in February 2015.

## 9. Administrative Expenses

	2014/15	2015/16
	£m	£m
Employee expenses	0.4	0.4
Support services	0.3	0.3
Actuarial services	0.1	0.2
Other expenses	0.3	0.3
	<b>1.1</b>	<b>1.2</b>

The audit fee for work completed by the Fund's external auditors for the year ended 31<sup>st</sup> March 2016 was £26,156 (£26,156 for the year ended 31<sup>st</sup> March 2015)

## 10. Management Expenses

	2014/15 restated £m	2015/16 £m
<b>Oversight and Governance</b>	0.1	0.1
<b>Investment Management Expenses</b>		
Administration, management and custody fees*	5.0	6.5
Other expenses	0.3	0.2
	<b>5.4</b>	<b>6.8</b>

The £6.8m management expenses incurred in 2015/16 represent 0.35% or 35 bps of the market value of the fund's assets as at 31<sup>st</sup> March 2016 (0.27% or 27bps 31<sup>st</sup> March 2015). The increase in management expenses is mainly due to addition of pooled property investments and pooled infrastructure investments to the fund's portfolio. The cash for these investments was transitioned from the overweight position held in UK passive equities, which have a very low management fee in comparison. The reason for the investment in pooled property investments and pooled infrastructure investments was to further diversify the fund's assets whilst maintaining long term target investment returns. These investments have a J-Curve return profile, so are expected to provide increased returns as the pooled funds mature.

\* The Fund has applied CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Costs', which requires a change in the reporting of external investment management fees and transaction costs that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross: the effect of this has been to increase investment management expenses from £5.7 million to £6.7 million for 2015/16 (£4.2 million to £5.3 million 2014/15). It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in the Fund's resources to pay pension benefits.

## 11. Investment Income

	2014/15 £m	2015/16 £m
Fixed interest securities	4.2	4.3
Equity dividends	38.6	32.5
Pooled Property investments	0.0	0.7
Pooled Infrastructure investments	0.0	1.6
Interest on cash deposits	0.5	0.8
Securities lending	0.1	0.1
	<b>43.4</b>	<b>40.0</b>

## 12. Taxes on Income

	2014/15 £m	2015/16 £m
Withholding tax - equities	(2.6)	(1.9)
	<b>(2.6)</b>	<b>(1.9)</b>

13. Investments

	Market value 31 March 2015 restated £m	Market Value 31 March 2016 £m
<b>Investment assets</b>		
Fixed interest securities*	127.4	119.5
Equities*	1,199.9	679.7
Pooled investment vehicles	623.3	947.8
Pooled property investments	0.0	88.2
Pooled Infrastructure investments	0.0	72.2
Derivatives - futures	0.1	0.0
Derivatives - forward FX	0.6	3.1
Cash deposits	15.6	20.0
Investment income due	6.9	4.1
Amounts receivable for sales	2.4	3.8
<b>Total investment assets</b>	<b>1,976.2</b>	<b>1,938.4</b>
<b>Investment liabilities</b>		
Derivatives - futures	(0.2)	(0.1)
Derivatives - forward FX	(3.2)	(0.5)
Amounts payable for purchases	(2.8)	(5.0)
<b>Total investment liabilities</b>	<b>(6.2)</b>	<b>(5.6)</b>
<b>Net investment assets</b>	<b>1,970.0</b>	<b>1,932.8</b>

\* The Fund's Global Custodian reclassified a 2014/15 hybrid bond / equity security £0.4 million from Overseas Fixed Interest Securities Corporate Quoted to Overseas Equities Quoted



13 a: Reconciliation of movements in investments and derivatives

	Market value 31 March 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2016
	£m	£m	£m	£m	£m
Fixed interest securities	127.4	74.2	(83.8)	1.7	119.5
Equities	1,199.9	363.6	(801.5)	(82.3)	679.7
Pooled investment vehicles	623.3	954.1	(638.9)	9.3	947.8
Pooled Property investments	0.0	91.9	(5.7)	2.0	88.2
Pooled Infrastructure investments	0.0	89.7	(18.8)	1.3	72.2
	<b>1,950.6</b>	<b>1,573.5</b>	<b>(1,548.7)</b>	<b>(68.0)</b>	<b>1,907.4</b>
<b>Derivative contracts:</b>					
Futures	(0.1)	3.2	(2.7)	(0.5)	(0.1)
Forward currency contracts	(2.6)	20.5	(11.7)	(3.6)	2.6
	<b>1,947.9</b>	<b>1,597.2</b>	<b>(1,563.1)</b>	<b>(72.1)</b>	<b>1,909.9</b>
<b>Other investment balances:</b>					
Cash deposits	15.6			(1.5)	20.0
Investment income due	6.9				4.1
Amount receivable for sales of investments	2.4				3.8
Amounts payable for purchases of investments	(2.8)				(5.0)
<b>Net investment assets</b>	<b>1,970.0</b>			<b>(73.6)</b>	<b>1,932.8</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Market value 31 March 2014	Purchases during the year and derivative payments restated	Sales during the year and derivative receipts restated	Change in market value during the year  restated	Market value 31 March 2015  restated
	£m	£m	£m	£m	£m
Fixed interest securities	116.9	89.8	(88.1)	8.8	127.4
Equities	1,091.8	307.9	(319.3)	119.5	1,199.9
Pooled investment vehicles	540.2	9.0	(1.4)	75.5	623.3
	<b>1,748.9</b>	<b>406.7</b>	<b>(408.8)</b>	<b>203.8</b>	<b>1,950.6</b>
Derivative contracts:					
Futures	(0.0)	3.0	(3.0)	(0.1)	(0.1)
Forward currency contracts	(0.1)	13.3	(12.6)	(3.2)	(2.6)
	<b>1,748.8</b>	<b>423.0</b>	<b>(424.4)</b>	<b>200.5</b>	<b>1,947.9</b>
Other investment balances:					
Cash deposits	26.2			1.8	15.6
Investment income due	6.6				6.9
Amount receivable for sales of investments	8.4				2.4
Amounts payable for purchases of investments	(8.1)				(2.8)
<b>Net investment assets</b>	<b>1,781.9</b>			<b>202.3</b>	<b>1,970.0</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are not included in the cost of purchases and sale proceeds, as have been included in Investment Management Expenses, as per CIPFA guidance. Transaction costs include costs charged directly to the scheme such as fees, commissions, and other fees. Transaction costs incurred during the year amounted to £0.9 million, (2014/15 £1.1 million). These transaction costs represent 0.05% or 5bps of the Market Value of the Fund's assets as at 31<sup>st</sup> March 2016 (6bps at 31<sup>st</sup> March 2015).

Indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not separately provided to the scheme.

**Note 13 b: Analysis of Investments (excluding derivative contracts, cash and other investment balances)**

	31 March 2015 restated £m	31 March 2016 £m
<b>Fixed interest securities</b>		
UK corporate quoted	13.4	8.1
Overseas public sector quoted	0.2	0.0
Overseas corporate quoted	113.8	111.4
	<b>127.4</b>	<b>119.5</b>
<b>Equities</b>		
UK quoted	433.3	14.2
Overseas quoted	766.6	665.5
	<b>1,199.9</b>	<b>679.7</b>
<b>Pooled Investment Vehicles</b>		
Other UK managed funds – UK equities	201.4	545.7
– Overseas equities	163.0	148.6
– Global equities	242.7	239.1
Other overseas managed funds – Overseas equities	16.2	14.4
	<b>623.3</b>	<b>947.8</b>
<b>Pooled Funds - Additional Analysis</b>		
Pooled property investments - UK	0.0	22.8
Pooled property investments - overseas	0.0	65.4
	<b>0.0</b>	<b>88.2</b>
Pooled Infrastructure investments - UK	0.0	72.2
	<b>0.0</b>	<b>72.2</b>
Derivatives - futures	0.1	0.0
Derivatives - forward FX	0.6	3.1
Cash deposits	15.6	20.0
Investment income due	6.9	4.1
Amounts receivable for sales	2.4	3.8
<b>Total investment assets</b>	<b>1,976.2</b>	<b>1,938.4</b>
<b>Investment liabilities</b>		
Derivatives - futures	(0.2)	(0.1)
Derivatives - forward FX	(3.2)	(0.5)
Amounts payable for purchases	(2.8)	(5.0)
<b>Total investment liabilities</b>	<b>(6.2)</b>	<b>(5.6)</b>
<b>Net investment assets</b>	<b>1,970.0</b>	<b>1,932.8</b>

## Analysis of derivatives

### Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement between the fund and investment managers.

#### a) Futures

The fund's investment managers hold cash balances in order to ensure efficient and timely trading when opportunities arise. The fund's management did not want this cash to be 'out of the market' and so enabled a number of investment managers to buy and sell futures contracts which had an underlying economic value broadly equivalent to the cash held. The economic exposure represents the notional value of the stock purchased under futures contracts and is therefore subject to market movements. The portfolio cannot be geared to and must have the liquidity needed to cover open positions. Derivative receipts and payments represent the realised gains and losses on futures contracts.

#### b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the Fund's bond mandate targets outperformance against a global benchmark index. To reduce volatility associated with the fluctuating currency rates, the fund has enabled the bond mandate investment manager to purchase and sell forward foreign currencies as a hedge.

### Futures

Outstanding exchange traded futures contracts are as follows:

#### Assets

Type of future	Expiration	Economic Exposure Value	Market Value	Economic Exposure Value	Market Value
		£m	31 March 2015 £m	£m	31 March 2016 £m
UK gilt exchange traded	Less than one year	(0.0)	0.0	1.1	0.0
UK FTSE exchange traded	Less than one year	8.1	0.0	0.0	0.0
Overseas exchanged traded	Less than one year	(2.9)	0.1	9.3	0.0
<b>Total assets</b>			<b>0.1</b>		<b>0.0</b>

#### Liabilities

Type of future	Expiration	Economic Exposure Value	Market Value	Economic Exposure Value	Market Value
		£m	31 March 2015 £m	£m	31 March 2016 £m
UK gilt exchange traded	Less than one year	(1.2)	0.0	0.0	0.0
Overseas exchanged traded	Less than one year	(26.5)	(0.2)	0.5	(0.1)
<b>Total liabilities</b>			<b>(0.2)</b>		<b>(0.1)</b>

#### Net futures

**(0.1)**

**(0.1)**

**Open forward currency  
Contracts as at 31 March 2016**

Settlement	Currency Bought	Local Currency Value m	Currency Sold	Local Currency Value m	Asset Value £m	Liability Value £m	
One to six months	EUR	1.4	GBP	1.1	0.0		
One to six months	GBP	88.5	USD	122.8	3.1		
One to six months	USD	2.2	GBP	1.5		0.0	
One to six months	GBP	0.3	AUD	0.6		0.0	
One to six months	GBP	64.7	EUR	82.1		(0.4)	
One to six months	GBP	85.2	USD	122.6		(0.1)	
					<b>3.1</b>	<b>(0.5)</b>	
<b>Net forward currency contracts at 31 March 2016</b>						<b>2.6</b>	
<b>Prior year comparative:</b>							
<b>Open forward currency contracts at 31 March 2015</b>						<b>0.5</b>	<b>(3.1)</b>
<b>Net forward currency contracts at 31 March 2015</b>						<b>(2.6)</b>	

**Analysis of Cash**

	2014/15 £m	2015/16 £m
<b>Cash</b>		
Cash deposits	7.7	9.2
Cash instruments	7.9	10.8
	<b>15.6</b>	<b>20.0</b>

**Note 14: Financial Instruments**

**Note 14 a: Classification of financial instruments**

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
31 March 2015 restated	31 March 2015	31 March 2015	31 March 2016	31 March 2016	31 March 2016
£m	£m	£m	£m	£m	£m
<b>Financial assets</b>					
127.4			119.5		
1,199.9			679.7		
623.3			947.8		
0.0			88.2		
0.0			72.2		
0.1			0.0		
0.6			3.1		
	18.1			28.0	
9.3			7.9		
	16.7			13.2	
	2.3			2.2	
<b>1,960.6</b>	<b>37.1</b>	<b>0.0</b>	<b>1,918.4</b>	<b>43.4</b>	<b>0.0</b>
<b>Financial liabilities</b>					
(0.2)			(0.1)		
(3.2)			(0.5)		
(2.8)			(5.0)		
		(4.2)			(3.9)
<b>(6.2)</b>	<b>0.0</b>	<b>(4.2)</b>	<b>(5.6)</b>	<b>0.0</b>	<b>(3.9)</b>
<b>1,954.4</b>	<b>37.1</b>	<b>(4.2)</b>	<b>1,912.8</b>	<b>43.4</b>	<b>(3.9)</b>

**Note 14 b: Net gains and losses on financial instruments**

31 March 2015 restated £m		31 March 2016 £m
	<b>Financial assets</b>	
203.8	Fair value through profit and loss	(68.0)
1.8	Loans and receivables	(1.5)
	<b>Financial liabilities</b>	
(3.3)	Fair value through profit and loss	(4.1)
<b>202.3</b>	<b>Total</b>	<b>(73.6)</b>

Fair value through profit and loss is the combination of realised and unrealised profit and loss. The year-on-year decrease is a result of significant volatility in global equity markets during 2014/15 and 2015/16.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

**Note 14 d: Valuation of financial instruments carried at fair value**

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1**

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2**

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3**

Financial instruments at level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, pooled property investments and pooled infrastructure investments which are valued using various valuation techniques that require significant judgment in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund into levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	£m
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Fair Value Financial assets</b>				
Financial assets at fair value through profit and loss	807.1	950.9	160.4	1,918.4
Loans and receivables	20.0	0.0	0.0	20.0
<b>Total fair value financial assets</b>	<b>827.1</b>	<b>950.9</b>	<b>160.4</b>	<b>1,938.4</b>
<b>Fair Value Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	(0.0)	(5.6)	(0.0)	(5.6)
<b>Total fair value financial liabilities</b>	<b>(0.0)</b>	<b>(5.6)</b>	<b>(0.0)</b>	<b>(5.6)</b>
<b>Net fair value financial assets</b>	<b>827.1</b>	<b>945.3</b>	<b>160.4</b>	<b>1,932.8</b>

Values at 31 March 2015	Quoted market price	Using observable inputs	With significant unobservable inputs	£m
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Fair Value Financial assets</b>				
Financial assets at fair value through profit and loss	1,336.6	624.0	0.0	1,960.6
Loans and receivables	37.1	0.0	0.0	37.1
<b>Total fair value financial assets</b>	<b>1,373.7</b>	<b>624.0</b>	<b>0.0</b>	<b>1,997.7</b>
<b>Fair Value Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	(0.0)	(6.2)	(0.0)	(6.2)
<b>Total fair value financial liabilities</b>	<b>(0.0)</b>	<b>(6.2)</b>	<b>(0.0)</b>	<b>(6.2)</b>
<b>Net fair value financial assets</b>	<b>1,373.7</b>	<b>617.8</b>	<b>0.0</b>	<b>1,991.5</b>

## Note 15: Nature and extent of Risks arising from Financial Instruments

In the course of every day operating, the Pension Fund is subject to a number of risk factors arising from the holding of financial instruments. The main risks arising from the holding of the Fund's financial instruments are market risk, credit risk and liquidity risk.

As detailed in the Pension Fund Statement of Investment principles the Fund holds equity and bond instruments in order to meet the Fund's investment objectives. The Fund's investment objectives and risk management policies are as follows;

- (1) The investment objective for the Fund is to:-
  - (a) ensure that sufficient assets are available to meet liabilities as they fall due;
  - (b) maximise the return at an acceptable level of risk.



- (2) Risk management is mostly concerned with:
- avoiding the possibility of loss, or
  - limiting a deficiency in the underlying Fund, or
  - avoiding a contribution rate increase in the future.

### Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

There are three main types of market risk that the Fund is exposed to as at 31 March 2016:

- Equity Risk
- Interest Rate Risk
- Foreign Exchange Risk

Equity risk refers to the risk arising from the volatility in stock prices; this can be systematic risk, the risk due to general market factors and affects the entire industry, or unsystematic risk, which refers to the risk specific to a company that arises due to the company specific characteristics. Interest rate risk is the risk that the value of a security will fall as a result of increase in interest rates. Foreign exchange risk arises because of fluctuations in the currency exchange rates.

The Fund reduces its unsystematic equity risk by diversifying investments across global markets, investing in over 1000 companies worldwide and using ten different investment managers to manage the Fund's equity investments. Investment restrictions are built into contracts held with each investment manager to ensure risk concentration is minimal and gearing of the Fund's assets cannot take place.

Interest rate risk has been reduced through the holding of fewer bonds as a percentage of the Fund's total assets.

Foreign Exchange risk exists in relation to the Fund's overseas equity investments. The Fund runs un-hedged equity portfolios and therefore is subject to currency fluctuations. It is the administering authority's view that in the long-run currency volatility trends to an average of nil against Sterling and therefore any hedging of currency would just be an additional cost to the Fund.

The Fund contracts WM Company to independently measure the Fund's investment returns and the Fund's absolute and relative risk for each portfolio and also the Fund as a whole. The Fund receives quarterly reports from WM Company listing returns and risk. The Fund's Independent Financial Adviser also provides a yearly report to the Pension Investment Advisory Panel, providing details of the Fund's risk and comparisons to all other Funds in the Local Authority universe.

### Equity risk analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's independent financial adviser, the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

<b>Asset Type</b>	<b>Potential Market Movements (+/-)</b>
UK fixed interest securities	11.0 %
Overseas fixed interest securities	7.3 %
UK equities	10.6 %
Overseas equities	10.7 %
UK pooled investment vehicle	10.6 %
Overseas pooled investment vehicle	10.7 %
Global pooled investment vehicle	9.0 %
Pooled property investments	3.6 %
Pooled Infrastructure investments	3.6 %

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain the same.

If the market price of the fund investments increases/decreases in line with the potential market movements above, the change in the net assets available to pay benefits will be as follows (the actual prior year movement in all asset classes is shown in note 13):

<b>Asset Type</b>	<b>Value as at 31 March 2016 £ m</b>	<b>Percentage change %</b>	<b>Value on increase £m</b>	<b>Value on decrease £m</b>
Cash and cash equivalents	20.0	0.0	20.0	20.0
<b>Investment portfolio assets:</b>				
UK fixed interest securities	8.1	11.0	9.0	7.2
Overseas fixed interest securities	111.4	7.3	119.5	103.3
UK equities	14.2	10.6	15.7	12.7
Overseas equities	665.5	10.7	736.4	594.6
UK pooled investment vehicle	545.7	10.6	603.4	488.0
Overseas pooled investment vehicle	163.0	10.7	180.4	145.6
Global pooled investment vehicle	239.1	9.0	260.6	217.6
Pooled property investments	88.2	3.6	91.3	85.1
Pooled Infrastructure investments	72.2	3.6	74.8	69.6
Net derivative assets	2.5	0.0	2.5	2.5
Investment income due	4.1	0.0	4.1	4.1
Amounts receivable for sales	3.8	0.0	3.8	3.8
Amount payable for purchases	(5.0)	0.0	(5.0)	(5.0)
<b>Total</b>	<b>1,932.8</b>		<b>2,116.5</b>	<b>1,749.1</b>
<b>Total (Including impact of correlation across asset classes)</b>	<b>1,932.8</b>		<b>2,109.1</b>	<b>1,756.5</b>

### Interest rate risk analysis

The fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Value as at 31 March 2015	Value as at 31 March 2016
	restated £m	£m
Cash and cash equivalents	15.6	20.0
Cash balances	2.5	8.0
Fixed interest securities	127.4	119.5
<b>Total</b>	<b>145.5</b>	<b>147.5</b>

### Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The performance measurement provider by way of CIPFA statistics has advised that medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2016 of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2016 £m	Change in year in the net assets available to pay benefits	
		+ 100 BPS £m	- 100 BPS £m
Cash and cash equivalents	20.0	20.2	19.8
Cash balances	8.0	8.1	7.9
Fixed interest securities	119.5	120.7	118.3
<b>Total change in assets available</b>	<b>147.5</b>	<b>149.0</b>	<b>146.0</b>

A 1% increase in interest rates will not affect the interest received on fixed income but will reduce their fair value and vice versa. Changes in interest rates do not impact the value of cash deposits / cash and cash equivalent balances but they will have a minor effect on the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

## Currency Risk

The following table summarises the fund's currency exposure as at 31 March 2016 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31	Asset value as at 31
	March 2015	March 2016
	restated	
	£m	£m
Overseas quoted securities	766.6	665.5
Overseas pooled investment vehicle	179.2	163.0
Global pooled investment vehicle	242.7	239.1
Overseas pooled property investments	0.0	65.4
<b>Total overseas assets</b>	<b>1,188.5</b>	<b>1,133.0</b>

Overseas bonds are 100% hedged to GBP at 31 March 2016.

## Currency Risk – Sensitivity analysis

Following analysis of historical data in consultation with the fund's performance measurement provider, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.8% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.8% strengthening/weakening of the pound against various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2016	Change to net assets available to pay benefits	
		+ 6.8%	-6.8 %
		£m	£m
Overseas quoted securities	665.5	710.9	620.1
Overseas pooled investment vehicle	163.0	174.1	151.9
Global pooled investment vehicle	239.1	255.4	222.8
Overseas pooled property investments	65.4	69.9	60.9
<b>Total change in assets available</b>	<b>1,133.0</b>	<b>1,210.3</b>	<b>1,055.7</b>

## Credit Risk

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives position, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Investment restrictions are listed in the contract held with the manager, which limit the amount of credit risk the manager is allowed to take and also states an average credit rating with regards to bonds held that should be maintained.

The bond manager provides a quarterly investment report to the Fund, which details the credit risk held in the portfolio. The Fund's Independent Financial Adviser also provides a yearly report to the Pension Investment Advisory Panel, providing details of the Fund's bond portfolio absolute and relative risk.

Deposits are not made with banks and financial institutions unless they are rated independently and have a strong credit rating. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have an 'AAA' rating from a leading rating agency.

The fund's cash holding at 31 March 2016 was £28.0million (31 March 2015: £18.1million). This was held with the following institutions:

Summary	Rating	Balances as at 31 March 2015 £m	Balances as at 31 March 2016 £m
<b>Money market funds</b>			
BNY Mellon Sterling Liquidity Fund	AAA	4.6	0.5
BNY Mellon US Dollar Liquid Fund	AAA	0.0	5.5
BNY Mellon US Dollar	AAA	2.2	0.0
JPM liq-ster Liquidity-x	AAA	0.6	3.3
JPM liq-USD Liquidity-XDI	AAA	0.5	1.5
<b>Bank deposit accounts</b>			
The Bank of New York Mellon	A-1+	7.7	9.2
<b>Bank current accounts</b>			
Barclays Bank PLC	A-2	2.5	8.0
<b>Total</b>		<b>18.1</b>	<b>28.0</b>

### Liquidity Risk

Market liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or to meet the financial obligations of the Fund as they fall due. The Fund's investment managers purchase quoted and tradable securities. Equities held are listed on major world stock markets and managers employed are highly experienced in equity trading. The liquidity risk relating to the bond holdings is monitored and managed by the bond manager on an on-going basis. The Council also takes steps to ensure that the pension fund has adequate cash resources to meet commitments.

### Note 16: Current assets

	2014/15 restated £m	2015/16 £m
Contributions due from employer in respect of:		
Employer	6.8	6.8
Members	1.7	1.7
Magistrates Courts Bulk Transfer Payment Due		
Augmentation	0.7	0.7
Cash balances	3.1	3.5
Other Debtors	2.5	8.0
	3.7	0.5
	<b>18.5</b>	<b>21.2</b>

**Note 17: Non-current assets**

	2014/15 restated £m	2015/16 £m
Magistrates Courts Bulk Transfer Payment Due	2.7	2.0
Augmentation	0.3	0.2
	<b>3.0</b>	<b>2.2</b>

**Note 18: Current liabilities**

	2014/15 £m	2015/16 £m
Investment management expenses	(0.8)	(0.9)
Payroll and external vendors	(2.0)	(1.8)
Other expenses*	(1.4)	(1.2)
	<b>(4.2)</b>	<b>(3.9)</b>

\*Included within 'other expenses' is £0.1m (£0.4m 2014/15) for the fund administration costs recharge to Worcestershire County Council.

**Note 19: Analysis of debtors and creditors**

**Analysis of debtors**

	31 March 2015 £m	31 March 2016 £m
Central government bodies	3.5	2.7
Other local authorities	10.1	5.8
Other entities and individuals	5.4	6.9
	<b>19.0</b>	<b>15.4</b>

**Analysis of creditors**

	31 March 2015 £m	31 March 2016 £m
Central government bodies	(0.8)	(0.9)
Other local authorities	(1.7)	(1.8)
Other entities and individuals	(1.7)	(1.2)
	<b>(4.2)</b>	<b>(3.9)</b>

## 20. Related Party Transactions

### Worcestershire County Council

The Worcestershire County Council Pension Fund is administered by Worcestershire County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.1 million (2014/15: £1.2 million) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £31.3 million to the fund in 2015/16 (2014/15: £31.0 million).

Scheduled, Admitted and Resolution bodies of the Fund are also related parties and are listed in note 25 to the accounts. Transactions with these bodies are disclosed on an aggregate basis in notes 5, 7, 16, 17, 18 and 19 to the accounts.

### Key Management Personnel

The posts of Chief Financial Officer, Senior Finance Manager and HR Service Centre Manager are deemed to be key management personnel with regards to the Pension Fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2014/15	2015/16
	£000	£000
Short term benefits*	76	44
Long term/ post-retirement benefits**	187	123
	<b>263</b>	<b>167</b>

\*This is the pensions element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

\*\*This is the accrued pension benefits, expressed as cash equivalent transfer value.

### Governance

There are two members of the Pensions Committee that are active members of the Fund: Vic Allison (Employer Representative) and Adrian Becker (Employee Representative).

## 21. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2016 totalled £44.1 million (31 March 2015: £40.0 million).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Pooled Property Investments and Pooled Infrastructure investments part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of the original commitment.

## 22. Contingent assets

Nine admitted body employers in the Worcestershire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. No bonds were called upon in this financial year.

### 23. Additional voluntary contributions

The amounts administered under AVC arrangements during 2014/15 are as follows:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£m</b>	<b>£m</b>
Contributions received	0.2	0.2
Investments purchased	0.2	0.2
Change in market value	0.2	0.0
Retirement benefits paid or transferred	0.4	0.4

The combined value of the AVC funds at 31 March 2016 was £3.0 million, (31 March 2015 £3.2 million).

In accordance with Regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 these amounts are not included in the Pension Fund Accounts but are disclosed as a note only (Note 23).

### 24. Agency Services

The Worcestershire County Council Pension Fund pays discretionary awards to the former employees of Hereford County Council. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer. The sums are disclosed below.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£m</b>	<b>£m</b>
Payments on behalf of Herefordshire County Council	0.1	0.1
	<b>0.1</b>	<b>0.1</b>



## 25. Participating Employers of the Fund at 31 March 2016

### Scheduled Bodies

Worcestershire County Council	Malvern the Chase Academy
Abbeywood First	Marden Academy
Advanced Trust/Vale of Evesham School	Matchborough Academy
Alvechurch Middle School	Mordiford Academy
Ashperton Primary School Academy	Mount Carmel 1st School
Aspire Academy	Newbridge Advance Trust
Astwood Bank Academy	Newbridge Secondary Short Stay School
Barrs Court Academy	North East Worcestershire College
Baxter College Academy	Nunnery Wood Academy
Bengeworth First School	Oasis Community Learning (Warndon Primary)
Birchensale Middle	Our Lady of Lourdes Academy
Bishop Perowne Academy	Perry Wood Primary & Nursery
Bishop of Hereford's Blue coat School	Pershore Academy
Blessed Edward Oldcorne G M School	Prince Henry's Academy
Bredon Middle	Queen Elizabeth Academy
Bretforton 1 <sup>st</sup> School	Redditch Borough Council
Brockhampton Academy	Redditch RSA Academies Trust
Bromsgrove District Council	Regency Academy
Brookfield School	Regulatory Services (Bromsgrove)
Building Control	Ridgeway Academy
Burghill Academy	Riversides Academy
Canon Pyon Academy	Robert Owen Academy
Chantry Academy	Simon De Montford Middle
Church Hill Middle	Somers Park Academy
Christopher Whitehead Academy	South Bromsgrove High School
ContinU Plus Academy	South Worcestershire College
Crabbs Cross	South Worcestershire ICT Shared Services
Dilwyn School	St Johns C of E Middle
Droitwich Academy	St Matthias Academy
Dyson Perrins Academy	St Nicholas Owen Catholic Multi Academy Company
Evesham High School	St Thomas Cantilupe Academy
Fairfield High School	St Thomas More RC 1st School
Flyford Flavell 1st School	St. Ausustines G M School
Gorse Hill Academies	St. Bedes G M School
Great Malvern Academy	St Clements Primary
H & W Fire Authority	St Pauls Academy
H & W Community Council	Stourport Academy
Hanley Castle Academy	Stretton Sugwas Academy
Haybridge Academy	Suckley Academy
Hereford Accademy	Tenbury High School
Hereford College of Art	Trinity Academy
Hereford College of Technology	Tudor Grange
Hereford Marches Fed of Academies	Tudor Grange Academy Redditch
Hereford Sixth Form College	The Coppice Primary Academy

Hereford Steiner Academy  
Herefordshire (unitary)  
Holmer Primary School  
Honeybourne Academy  
Ipsley CE RSA Academy  
John Kyrle High & 6th Form Academy  
John Masefield High School & Sixth Academy  
Joint Museum Shared Services  
Kingstone High School  
Kingstone Academy Trust  
King Charles Academy  
Kingfisher Academy  
Lady Hawkins Academy  
Lickey Hills Primary  
Lickhill Academy  
Llangrove Academy  
Lord Scudamore School  
Lugwardine Academy  
Malvern Hills District Council

The Rivers Multi-Academy Trust  
The Vaynor Academy  
University College Worcester  
Vale of Evesham Academy  
Walkwood Middle  
Warndon (Oasis) Academy  
Waseley Hills Academy  
Webheath Academy  
West Mercia Police Authority  
West Mercia Police & Crime Commissioner  
Whitecross Hereford  
Wigmore Academy  
Woodrush Academy  
Woodfield Academy  
Worcester City Council  
Worcester College of Technology  
Worcester Sixth Form College  
Wychavon District Council  
Wyre Forest District Council

### Community Bodies

Bromsgrove District Housing Trust  
Brightstripe Cultural Health  
Community First  
Community Housing Group  
Courtyard Trust  
Encore Enterprises Limited  
FOCSA Services ( UK ) Limited  
Hereford Community Leisure Trust (HALO)  
Hereford Futures

Herefordshire Housing Association  
Hoople Ltd  
Malvern Hills OEC  
Malvern Hills Conservators  
Rooftop Housing Group  
Sports Partnership  
VESTIA Community Trust  
Wychavon Leisure Community Association  
Wyre Forest Community Association

### Transferee Bodies

4 Children  
Action for Children  
Action for Children (Malvern)  
Amey PLC  
Arete  
ATEGI  
Aztec Watersports  
Balfour Beatty (Living Places)  
Bespoke Cleaning Services  
Brandon Trust  
Bromsgrove PFI  
CAPITA (IBS Schools)

Hereford Vision Links  
Hewlett Packard ICT  
HIBOS  
Initial Services (Rentokil)  
Integral UK Limited (Interserve)  
Jacobs UK Ltd  
Liberata  
Midland Heart  
National Youth Advocacy Service  
NHS R&B CCG  
Omiston Academy Trust  
Place Partnership

Civica – Ex Wychavon DC Tupe  
Clearview Cleaning  
County Community Project  
Cygnet Foods Ltd  
Freedom Leisure  
Herecad Enterprises Ltd

Reach Assisted Living  
Redcliffe Catering Ltd  
Ringway  
Shaw Homes Health Care  
Worcester Communtiy Trust  
Wychavon Leisure (BDC)

### Designated Bodies

Belbroughton parish council  
Bewdley Town Council  
Bewdley Woen Council  
Bredon Parish Council  
Broadway Parish Council  
Brockhampton Group Parish Council  
Bromyard and Winslow Town Council  
Catshill & North Marlbrook Parish Council  
CIVICA  
Droitwich Town Council  
Evesham Town Council  
Hereford City Parish Council  
Ewyas Harold Parish Council  
Kempsey Parish Council  
Kidderminster Town Council

Lea Parish Council  
Ledbury Town Council  
Linton Parish Council  
Malvern Town Council  
Malvern Wells Parish Council  
Pershore Joint Burial Committee  
Pershore Town Council  
Powick Parish Council  
Rock Parish Council  
Ross-on-Wye Town Council  
Stourport Town Council  
Upton - on Severn Parish Council  
Upton Bishop PC  
Wythall Parish Council

## 26. Critical Judgements in Applying Accounting Policies

The pension fund liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 2. This estimate is subject to significant variances based on changes to the underlying assumptions.

## 5. Statement of Accounting Policies

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This section provides a summary of the significant accounting policies and estimation techniques used in the preparation of Worcestershire County Council's Pension Fund accounts.

### 1. General

The statement of Accounts summarises the fund's transaction for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take into account of obligations to pay pensions and benefits which fall due after the end of the financial year.

### 2. Legislation

Where specific legislation regarding accounting treatment conflicts with the Council's own Accounting Policies, legislative requirements have been followed.

### 3. Contribution Income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

### 4. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

### 5. Investment Income

Income from equities (dividend income) is accounted for on the date stocks are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Income from fixed interest, cash and short-term deposits is accounted for on an accruals basis, using the effective interest rate of the financial institution as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Income from other investments is accounted for on an accruals basis.

The changes in market value of investments during the year are recognised as income and comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

### 6. Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

### 7. Taxation

The fund is a registered public service scheme under section (1) of schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

### 8. Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the investment and administration of the Fund to be charged against the Fund.

The Code of Practice does not require any breakdown of pension fund administrative expenses. However in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Fixed Income and Equity Investment Managers' expenses are charged on a percentage basis of the market value of assets under management and therefore increase or reduce as the value of these investments change. Global Custodian fees are agreed in the respective mandate governing their appointment.

The cost of obtaining investment advice from the fund's independent financial adviser is included in investment management charges.

All investment management expenses are accounted for on an accruals basis.

### 9. Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

### 10. Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- i) Market-quoted investments The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) Fixed interest securities Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in unquoted listed partnerships are valued based on the fund's share of the net assets in the limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2012*.

iv) Limited partnerships Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

### 11. Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### 12. Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

### 13. Cash and cash equivalents

Cash comprises demand deposits and cash equivalents, these include amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### 14. Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value or amortised cost of the liability are recognised by the fund.

### 15. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and the relevant actuarial standards.

As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 2).

### 16. Contingent Assets

A contingent asset arises where an event has taken place that gives the Pension Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent assets are not recognised in the financial statements, but are disclosed in note 22 to the accounts.

### 17. Additional voluntary contributions

The Worcestershire County Council Pension Fund provides an Additional Voluntary Contributions (AVC) scheme for its members. In 2015/16 some members of the pension scheme paid voluntary contributions and transfers to Scottish Widows and Equitable Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme employers to the AVC provider. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 23).

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTERSHIRE  
COUNTY COUNCIL**

*To be inserted*



# Annual Governance Statement

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To be inserted after committee approval

**Chief Executive**

**Leader of the County Council**

**Date:**

## Glossary of Terms

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### **Accounting policies**

The policies and concepts used in the preparation of the accounts.

### **Accruals**

Cost of goods and services received or provided in year but not yet paid for.

### **Actuary**

An independent company which advises on the assets and liabilities of the fund with the aim of ensuring that the payment of pensions and future benefits are met.

### **Admitted bodies**

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme, subject to certain terms and conditions, and other organisations to which Local Government employees have been transferred under the outsourcing of local government services.

### **Agent**

The Council or other authority is acting as an intermediary.

### **Amortisation**

The drop in value of intangible assets as they become out of date.

### **Asset**

A resource controlled by the Council as a result of past events and from which economic benefits or service potential is expected.

### **Assets under construction**

Capital expenditure on assets where the work is incomplete.

### **Augmentation**

Additional employer contributions relating to the cost of employees who are allowed to retire before their normal retirement age.

### **Billing authority**

The local authority which collects Council Tax. In Worcestershire this is the district or borough council.

### **Capital charge**

A charge to services to reflect the cost of Property, Plant and Equipment used in the provision of services.

### **Capital expenditure**

Expenditure on acquisition or construction of assets which have a value to the authority for more than one year e.g. land and buildings.

### **Capital financing costs**

The costs of financing non-current assets, being the interest costs of external loans and monies used to repay debt.

### **Capital receipts**

Income from the sale of capital assets such as land and buildings.

### **Central Support Services**

The provision of services by the central directorates of the County Council in respect of finance, human resources, legal, administration, information technology and property.

### **Commutation/commuting**

Where a member of the pension scheme gives up part or all of their pension in return for an immediate lump sum. It is also called a cash option.

### **Council tax precept**

A property based tax which is set by the County Council and administered by District and Borough Councils

**Creditors**

Amounts owed by the County Council for work done, goods received or services provided but for which payment has not been made by the end of the accounting period.

**Current service cost**

Officers employed during the year will have earned one or more years of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

**Custodian**

The organisation that holds and safeguards the Pension Fund assets.

**Debtors**

Amounts due to the County Council for work done, goods received or services provided but which remain unpaid by the end of the accounting period.

**Dedicated Schools Grant (DSG)**

A central government grant paid to the County Council for use for expenditure on schools.

**Deferred pension benefit**

A pension benefit which a member has accrued but is not yet entitled to receive payment.

**Depreciation**

The fall in value of an asset, as recorded in the financial records, due to wear and tear, age or obsolescence.

**Derivatives**

A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, typically a commodity bond, equity or currency. Examples of derivatives include futures and options.

**Effective Interest rate**

The Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument. When calculating the EIR, the Council shall estimate cash flows considering all contractual terms of the financial instrument."

**Equities**

Shares representing the capital of a company issued to shareholders, usually with voting rights on the way the company runs the business.

**Fair value**

The amount for which an asset could be exchanged or a liability settled.

**Financial instruments**

Any contract giving rise to a financial asset or liability. For the County Council this is likely to be a loan or investment.

**Fixed interest**

Corporate bond – a certificate of debt issues by a company or institution in return for a fixed rate of interest with a promise of redemption to repay the original sum.

**Gilt** – similar to corporate bonds by way of interest and redemption, but these are issued by Government and are a loan to the Government.

**Forward foreign exchange**

An agreement to purchase or sell an amount of foreign currency at a future date and predetermined price.

**Imprest accounts**

Petty Cash Accounts used for small items of expenditure.

**Index linked**

Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

**Joint Venture**

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement

**Joint Operation**

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement.

**Liability**

A present obligation of the Council arising from past events, the settlement of which is expected to result in an outflow of resources.

**Minimum revenue provision (MRP)**

The amount set aside out of the revenue budget to repay external loans.

**National Non-Domestic Rates (NDR)**

A tax collected locally by borough and district councils and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

**Operating leases**

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

**Pooled investment vehicles**

A fund in which multiple investors contribute assets and hold them as a group, for example a unit trust.

**Precept**

The amount the County Council (the precepting authority) ask district and borough councils to collect as council tax.

**Private Finance Initiative (PFI)**

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

**Provisions**

Monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts.

**Public Works Loan Board (PWLB)**

A government agency which provides long-term loans to local authorities at favourable interest rates.

**Reserves**

Money set aside to meet the cost of specific future expenditure.

**Revenue balances**

This is the general reserve of the County Council.

**Revenue contributions to capital expenditure**

The amount of capital expenditure to be financed directly from the annual revenue budget.

**Revenue Support Grant (RSG)**

A general central government grant paid to the County Council in support of annual revenue expenditure.

**Scheduled bodies**

Local authorities and similar bodies whose staff are entitled automatically to become members of the Local Authority Pension Fund.

**Settlement costs**

Settlement costs arise when a lump-sum payment is made to a scheme member in exchange for their rights to receive certain pension benefits.

**Stock lending**

The temporary transfer of stock (shares / securities) to a third party for a fixed or open period of time. In return the owner of the stock receives an agreed consideration secured by collateral of equal or greater value than the loaned securities.

**Transfer values**

Sums which are either paid to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.