

# 2022/2023

## Draft Annual Financial Report and Draft Statement of Accounts

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**Worcestershire County  
Council Draft Annual  
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## Leader's Introduction

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2022/23 was a challenging year for Local Authorities, as inflationary rises in the wider economy, coupled with the continuing recovery from the pandemic, combined to put our services and budgets under significant pressures. Our financial controls have enabled us to return a £7.316 million net revenue overspend, which is 1.9% of our net budget. Our proactive forecasting and reporting alerted Council to a likely overspend position very early within the year, which has enabled us to identify one-off mitigations for 2022/23 to reduce the overspend position and retain the level of our General Fund balances.

In addition to managing our budgets as effectively as possible, Councillors and Staff have worked hard to deliver improvements against our corporate priorities. Some notable successes included:

- Increasing grant funding to start-up business through the Enterprising Worcestershire programme, to help grow the local economy and increase job opportunities. Our economic development programmes have supported hundreds of Worcestershire businesses in 2022/23.
- A year of huge achievement in terms of our Highways and Infrastructure schemes, with completion of the A4440 Southern Link Road dualling, the A38 roundabout at Upton-on-Severn, the continuation of works on the new Kepax Bridge, and the opening of the new Pershore Northern Link Road being just some of the highlights delivered by the Council this year.
- Keeping Worcestershire moving safely over the winter months with the Council's fleet of gritters spreading more than 5,000 tonnes of salt to cover almost 70,000 miles of roads in total.
- A further £5.6 million spent on street lighting improvements across the County, including our ongoing LED rollout programme

which generates efficiencies in energy usage and reduces our carbon footprint.

- Managing increased demand in Children's Social Care, Home to Schools Transport and Adult Social Care Services, ensuring individuals are safe, protected and have access to the right advice, information and support. We have done this alongside improvements to our services and by identifying new ways of working with partners to grow capacity in the system.
- Investments to support the resilience and capability of our IT and Digital Service, completing the implementation of IT systems aligned with the Council's Collaboration Strategy, including our new website, to enable effective collaboration both inside the Council and with external partners.
- Funding other infrastructure projects around the County, including improvements to Redditch Rail Station and the surrounding area, the route enhancement programme for the Bromsgrove A38, and investments in other Public Rights of Way.
- Continuing our commitment to reducing the County Council's carbon emissions, including this year installing enough solar panels on Council premises to match the carbon reduction impact of more than 2,000 trees.

Looking forward to 2023/24 and beyond, we will continue to face financial pressures and we have set a balanced and realistic budget for the year ahead, helped by the increases in the Local Government Settlement. Nonetheless it is important that we continue to strengthen our financial resilience and controls; as well as keeping focus on our refreshed Corporate Plan for 2022-27, which sets out the vision and priorities for the organisation and wider county over the next five years.

**Simon Geraghty**

**Leader of Worcestershire County Council**

## Chief Executive's Introduction

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In my fifth year as Chief Executive, Councillors and Staff have worked tirelessly to deliver services to support our residents and businesses in tough economic conditions and I wish to begin by thanking all staff who have contributed to our results for 2022/23.

The Leader's Foreword covers many of the Council's outputs for our residents and businesses which have been delivered by teams through smarter ways of working; supported by investment and developments in IT systems and structures to enable effective collaboration through hybrid working models.

I am extremely proud of staff for the continued excellent delivery of services in 2022/23 in a tough economic climate, against a backdrop of continued recovery from the pandemic and the legacy impact on Health and Social Care demand.

I am also delighted that Worcestershire, alongside our District partners, spearheaded the 'One Worcestershire' approach to welcome Ukrainian guests into the County, working hard to find school places and homes, and to provide outreach support.

Our Adult Social Care teams have continued to work collaboratively with colleagues in the NHS and partners to try to achieve the best possible outcomes for the residents of Worcestershire. Through our Section 75 and Better Care Fund budgets, we deliver £137m of integrated and joined-up services, and we are committed to continuing this partnership working as the government implements the new Urgent Care Strategy, aiming to improve response times, hospital admissions and discharge turnarounds in 2023/24.

Having proved popular during COVID, our Holiday Activities and Food Programme (HAF) has continued to deliver activities during school holidays across all six Worcestershire districts, supporting families with children aged 5-16. We have worked with over 200 organisations to deliver this programme, targeting school holidays which can be pressure points for families.

Worcestershire Children's First has continued to sustain improvement of our services to Children Services across the county. This was recognised by the DfE by the lifting of the statutory direction in November 2021 and the early removal of the "Support and Supervision" phase in June 2022. This is a result of significant hard work and improvement since Ofsted's 2016 inspection, evidenced throughout the monitoring and focused visits by Ofsted and our reporting to the DfE. Our SEND Accelerated Action Plan twelve-month review took place in March 2023. Positive feedback was provided including recognition of the amount of work that has taken place, the investment to increase capacity in the workforce, and our engagement with parents, and a clear commitment of stakeholders to co-production in improvements. There is still more to do and there be a further review in September 2023.

We are continuing to invest in our staff through improvements in our Workforce Strategy and investment in the development and well-being of staff. Our Wellbeing Weeks have proved popular with staff, and we have also launched our new 'Recognising You' programme which will allow us to further highlight the fantastic work of our teams.

I'm pleased to say 98% of children received an offer from one of their top three choice schools. Over 93% of pupils will be heading to their first choice of primary or first school to start their important education journey in September.

A recent survey revealed that 75% of respondents wanted Worcestershire services to be designed by Worcestershire Service Users. With this in mind, we have launched our 'Building Together' project, which will enable those with direct experience of our services to become more involved in their design

Going forward, the Council's priorities are to deliver improvements across the four key areas of the Corporate Plan with a balanced budget, supported by a strong financial base.

**Paul Robinson**  
**Chief Executive**

## Chief Financial Officer's Narrative Report

Worcestershire is a County with a proud heritage. Home to nearly 600,000 people with a mix of urban and rural communities and a thriving economy.

In a year of sustained financial challenges including high inflation and increased demand for Social Care services, the Council has played a vital role in supporting the residents and businesses of Worcestershire in their recovery from the social and economic impact of the pandemic, whilst successfully delivering the Council's objectives. The Council has continued to make arrangements to secure economy, efficiency and effectiveness in the use of resources; supporting informed decision making and managing key operational and financial risks to deliver corporate objectives and safeguard public money.

Through robust financial monitoring and prompt management action to allocate resources where pressures were identified, the Council achieved a small overspend of £7.3 million against its net £373.2 million budget (1.9%). The following table shows the final outturn position for each Service area, comparing actual net expenditure with approved budget. This outturn position is reconciled to the figures shown in the Comprehensive Income & Expenditure Statement in Note 2: Expenditure and Funding Analysis and discussed in the following pages.

Service area	Budget £m	Outturn £m	Variance £m
People – Adults	138.909	145.350	6.441
People – Communities	20.601	20.138	(0.463)
People – Public Health	0.124	0.124	0.000
Children's Services/WCF	109.108	115.652	6.544
Economy & Infrastructure	59.225	58.508	(0.717)
Commercial & Change	7.686	7.161	(0.525)
Chief Executive/HR	3.382	2.470	(0.912)
<b>Sub Total: Services</b>	<b>339.035</b>	<b>349.403</b>	<b>10.368</b>
Corporate Savings Target	(0.500)	0.000	0.500
Finance /Corporate Items	34.662	31.110	(3.552)
<b>Total</b>	<b>373.197</b>	<b>380.513</b>	<b>7.316</b>

School balances overall reduced by £0.9 million to a net surplus of £4.4 million. The net position comprises 30 schools in deficit (£10.8 million) and 82 schools in surplus (£15.2 million). Schools' funding remains an area of concern and the Council and Worcestershire Children First are working to support schools in achieving their financial plans as well as lobbying Central Government. The non-schools Dedicated Schools Grant (DSG) will carry forward a deficit of £20.3 million (£11.3 million deficit at 31 March 2022); this increase is largely due to unfunded SEND and High Needs demand arising from statute changes in 2014. This will continue to be carried forward and offset against future DSG income.

## **COVID-19 Funding and Expenditure**

In 2021/22, £17.9 million of unspent grants were carried forward to support vulnerable individuals as well as households and businesses most in need, as the pandemic recovery continued. These grants were primarily ringfenced for specific purposes, including many relating to Adult Social Care. The majority of this was spent in 2022/23 in line with the plan approved by Cabinet in September 2022 with £1.5 million remaining in the Concessionary Fares reserve for support for transport providers in future years, £3.7 million transferred to the Finance Risk Reserve to cover potential ongoing risks arising in 2023/24 leaving a balance on the Health and Well-being reserve of £2.9 million to fund the Council's ongoing commitments relating to the Integrated Well-being Offer and Here to Help.

## **Financial Resilience and Sustainability**

The Worcestershire Pension Fund continues to build on the successes of previous years. The most recently completed triennial actuarial valuation confirmed its 101% funding on a solvency basis. An improvement from the previous valuation funding level of 90%. This is a significant achievement considering the macroeconomic and geopolitical pressures that The Fund has faced during that time. In addition to robust financial performance, The Fund has continued to strengthen its stewardship credentials through enhanced commitment to Environment, Social and Governance (ESG) and Responsible Investment (RI) principles, working closely with external experts. As a result, The Fund successfully retained its signatory status to the UK Stewardship Code 2020 and its overall listed portfolio is now considered to be over 30% more carbon efficient than the benchmark. During the year, The Fund deepened its investments in UK Forestry assets to enhance its ESG beliefs to

other areas of its portfolio too. A key area of focus for the future will be to further reduce the carbon footprint of the overall portfolio in conjunction with setting an internal decarbonisation target to 2025.

Looking forward, 2023/24 onwards remains an uncertain period for Local Government funding. In addition to the long-awaited implementation of the fair funding review and a reset of the business rates baseline, the current national financial pressures in respect of pay and price inflation are likely to have a significant impact on the Council's medium-term financial plan.

To support financial resilience, the Council has adopted a prudent approach to the use of reserve balances and has managed to retain earmarked revenue reserves at 91.4% of March 2022 levels. We will once again review our medium-term financial plan during 2023/24, taking account of the need to support the most vulnerable individuals in society, by identifying savings and reductions in spend and increasing income to improve outcomes for the residents and businesses of Worcestershire. To meet the challenges facing the County, it is imperative that we continue to put effective financial governance and competence at the core of decision making to deliver a strong, resilient and sustainable financial position. This strive is reflected in the Annual Governance Statement.

Finance staff continue to work closely with key stakeholders and our external auditors Grant Thornton to ensure an efficient close-down process and produce the statutory accounts within statutory deadlines, and I express my thanks for their continued hard work.

Further in-depth highlights of the 2022/23 Statement of Accounts are contained in the Finance and Performance Review section that follows.

**Stephanie Simcox BA (Hons), CPFA, MInstLM**

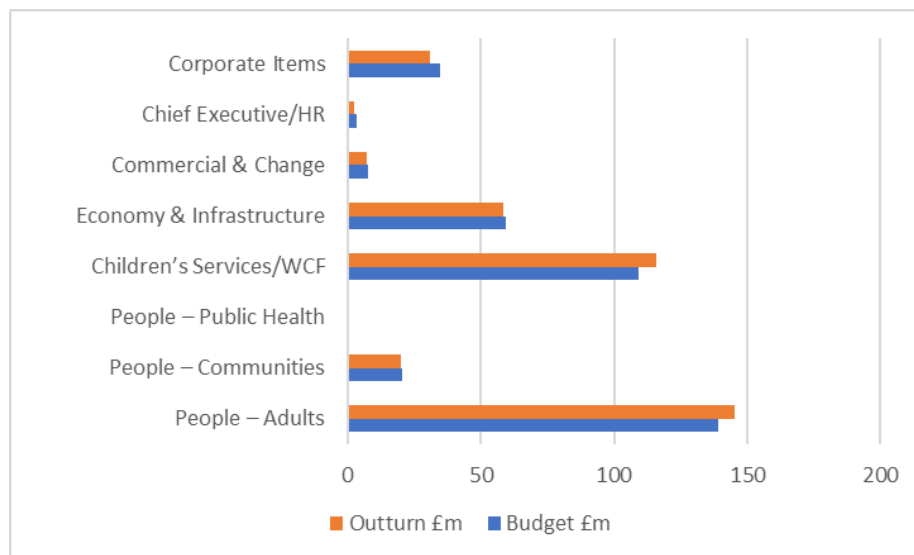
**Interim Chief Financial Officer**

# Finance and Performance Review

## 2022/23 Financial performance

The County Council's net budget for 2022/23 was £373.2 million.

In line with budget monitoring throughout the year, the County Council overspent its £373.2 million budget by £7.3 million (1.9%) in 2022/23, with pressures in Adult and Children's Services, arising mainly due to inflationary pressures in care packages and transport contracts, as well as demand increases above expectations for some key services. The graph below shows the net budget performance for each Council Directorate.



The key financial and performance information for each directorate is detailed in the following paragraphs.

## People Services – Adults

As reported and forecast during 2022/23 the Adult Social Care service out-turned with a net overspend of 4.6% against its £138.9 million net budget. Demand in all services has continued to increase over the year, alongside significant inflationary pressures in the price of care packages. These pressures were partially mitigated in-year by use of carried forward COVID grants, and Continuing Health-Care income from our NHS partners.

## People Services – Communities

The Communities budget returned a £0.5 million underspend as a result of small savings identified across several services, including identifying where grant funding can be effectively used to mitigate against using base budget.

## Children's Services

The Council's Children's Services budget had a net overspend of £6.5m in 2022/23. This budget mainly comprises the contract payment to the Council's wholly owned subsidiary Worcestershire Children First (WCF).

Children's social care placements demand and costs continued to increase in 2022/23, at a rate higher than projected at budget setting, and this resulted in an overspend of £5.0 million attributable to increases in both the number of placements and their costs during the year. In addition, there are national pressures in Home to School Transport relating to both increased demand and due to providers facing rising costs in both fuel and workforce, and this area of the budget overspent by £6.4m in 2022/23.

The continuing increasing cost and demand of high needs provision, alongside changes in the 2014 Children and Families Act, has placed significant pressure on the Dedicated School's Grant



(DSG) funding as well as the Council. The overall DSG deficit at 31 March 2023 is £20.3 million and this will be carried forward against future DSG income. The Council continues to work with schools to optimise pressures within funding, whilst lobbying Central Government for the issue to be addressed nationally.

### **Economy and Infrastructure**

The directorate has delivered a small underspend of £0.7 million on its £59.2 million net budget after one-off adjustments for capitalisation. The outturn position includes overspends within Planning and Regulation due to increases in agency costs, and within Street Lighting contracts where overspends are linked to energy price inflation. This additional expenditure has been offset by additional income generation within the areas of Passenger Transport and Network Management.

Waste services had an underlying pressure of £6.0 million, consisting of contract saving targets, alongside cumulative increases for inflation and housing growth. This was mitigated in-year by an underspend in Waste Management, a reduction in the overall contract price following successful extension of the contract and budgeted use of the waste reserve, bringing the waste service overall to a break-even outturn position. Following the signing of the revised contract in 2023, any residual underlying pressures have been incorporated into the 2023/24 budget setting.

### **Commercial and Change**

The directorate has delivered an underspend of £0.5 million (7% of its net budget) as a result of underspends in Executive Support. There were increased costs in Legal and Democratic Services of around £0.5m, which were mitigated with one-off income and this budget has been increased in 2023/24 to take account of the

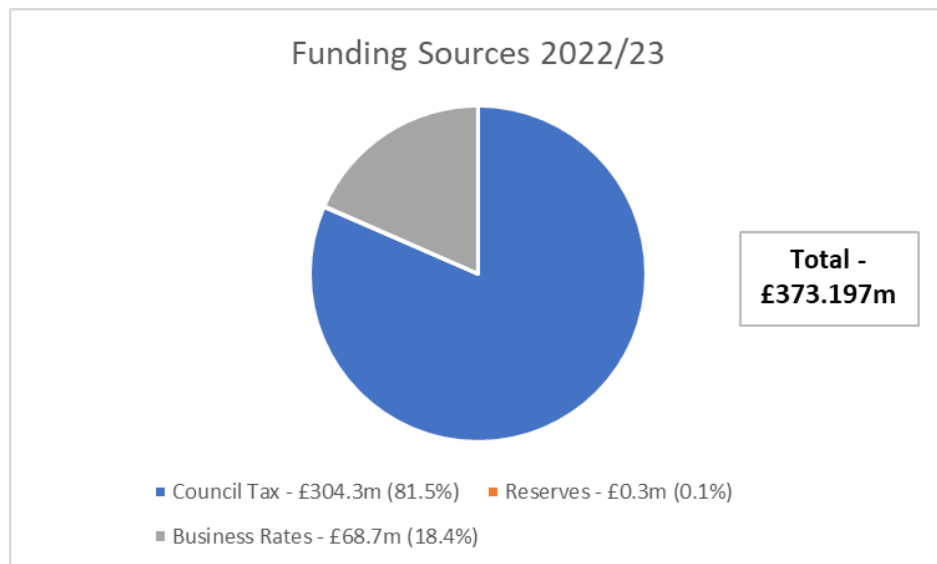
recurring nature of the increased reliance on legal services, in particular those relating to childcare cases.

### **Finance, HR & Chief Executive**

Services within these budget headings underspent by £4.0m. This is largely down to slippage on capital programme resulting in lower than budgeted costs for borrowing and MRP, alongside a decrease to the corporate bad debt provision. These underspends were partially offset by non-achievement of £0.5m Corporate Savings targets.

## Funding sources

The Council's core revenue expenditure was funded by a combination of locally raised funds and resources allocated from central government.



The Council Tax Band D equivalent was set at £1,396.78, which included £169.47 relating to the ring-fenced Adult Social Care precept.

Services also received funding from specific grants, contributions and fees and charges. Key grants continue to be the Improved Better Care Fund, Social Care Grants, Public Health Ring-fenced Grant and Dedicated Schools Grant.

## Impact on the Council's Assets and Liabilities

The value of our property plant and equipment has increased by a net £92.1 million in 2022/23. This is made up of a net £103.4 million expenditure and increase in valuations offset by £11.3 million of

disposals, including four schools which have converted to academy status during 2022/23 (transferred at nil consideration).

We secured £11.2 million of capital receipts which have helped us manage our borrowing requirement and fund transformation. At the same time, we are reporting a further £4.5 million of assets held for sale.

The County Council's Local Government Pension Scheme balance has improved from a deficit of £430m at March 2022 to a £32m surplus in March 2023 as a result of the performance of the fund and an actuarial review of fund assets and liabilities.

We have continued our focus on income management and debt collection processes during 2022/23, working with strategic partners, with support from colleagues in legal services to facilitate the efficient resolution of queries in respect of debts that are over 30 days old. We report collection rates and progress on a quarterly basis to the Audit and Governance Committee. The County Council has reviewed the recoverability of debtor balances at 31 March 2023 and has applied a professional judgement to reflect any additional risk to collection.

Performance in respect of our time to pay creditors continues to be high (99% of all creditors paid within 30 days). The reported decrease of our trade creditors at 31 March 2023 from £71.5m to £54.0m is mainly related to the timing of payments at the year end.

Our earmarked and other usable reserves have decreased marginally over the year by £2.6 million to £235.6 million. This reflects the strong financial controls, corporate savings and the improved performance of business rate income despite the service pressures in 2022/23.

## Financial risks and our reserves

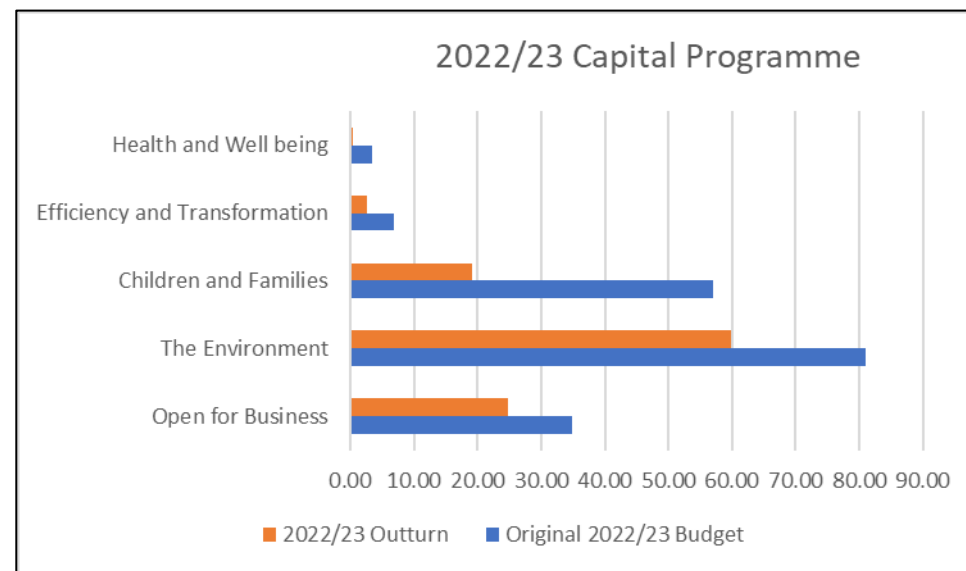
Up until a few years ago the Council faced a risk due to underlying cost pressures, use of specific grants and planned use of reserves reducing our earmarked reserves. Our strong financial management is now starting to see that trend reversing. Whilst overall our earmarked reserves have dropped slightly this year, our General Fund Reserve balance at 31 March 2023 remains unchanged from the previous year (£14.3 million). The decrease in 2022/23 is largely down to the utilisation of ring-fenced grants reserves. Looking forward, the total revenue reserves available are £144.1 million, as noted in the table below.

	Balance at 31 March 2022	Movement in-year	Balance at 31 March 2023
	£m	£m	£m
Corporate Priority Reserves	56.5	0.7	57.2
Grant Reserves	44.4	(10.7)	33.7
Corporate Funding/Insurance	43.5	3.7	47.2
Schools Reserves	5.4	(0.9)	4.5
PFI Reserves	7.8	(6.3)	1.5
<b>Total Earmarked Revenue Reserves</b>	<b>157.7</b>	<b>(13.6)</b>	<b>144.1</b>
General Fund Reserve	14.3	0.0	14.3
Capital Grants Unapplied	2.7	(2.7)	0.0
Capital Receipts Reserve	63.5	13.6	77.1
<b>Total Usable Reserves</b>	<b>238.2</b>	<b>(2.6)</b>	<b>235.6</b>

## Capital Programme

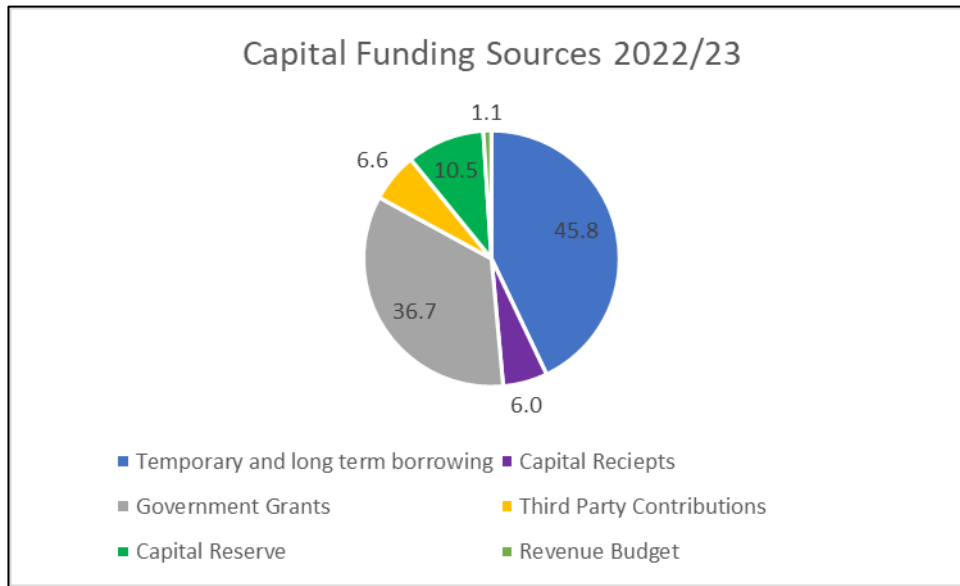
The approved capital programme for 2022/23 and beyond totals £432.7 million, with £183.3 million originally profiled for 2022/23. Total outturn on the programme for 2022/23 was £106.9m. Expenditure is most significant in the Economy & Infrastructure Directorate which includes expenditure relating to infrastructure to

support our Open for Business and Environment Priorities, as well as continued investment into highways, footpaths and street-lighting priorities.



The more significant schemes include congestion cutting as well as highways maintenance and resurfacing works across the whole County area. There were specific improvements around the A38 near Bromsgrove, the new A38 roundabout at Upton-upon-Severn, Pershore northern access roads, and phase 4 of the Worcester Southern Link Road. Other significant schemes included the relocation of Holyoakes First School in Redditch, work to expand Bishop Perowne High School in Worcester, and the continuation of building the new Kepax footbridge.

Funding for capital schemes comes mainly from Government grants, usually for specific developments, and borrowing, as shown in the following pie chart:



### Impact on Treasury Management and cash flow

Our short-term borrowing has increased by £40.9 million whilst our long-term borrowing has increased by £6.5 million. This is in line with our Treasury Management Strategy. All of our Treasury Management activities are reported separately and regularly to Cabinet and Council. All transactions have been completed in accordance with our Treasury Management Strategy for the year.

## Delivering the Corporate Plan

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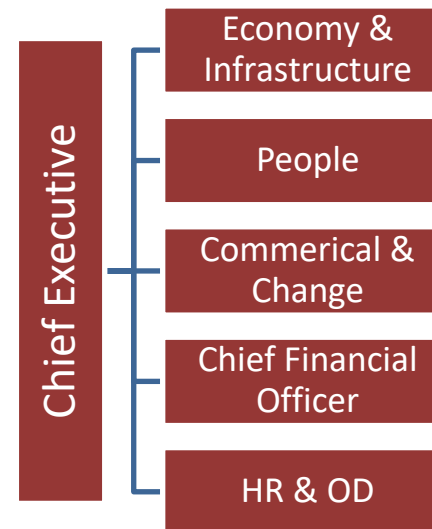
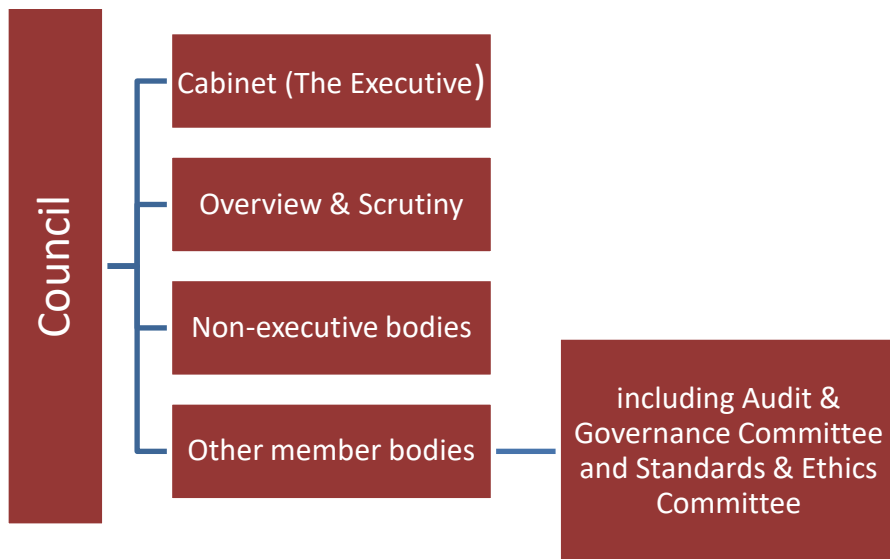
The Council's 2022-27 Corporate Plan – Shaping Worcestershire's Future, continues to build on progress made in recent years and maintains its emphasis on the four key priorities. There is an even stronger focus on partnership working and building local capacity to empower communities to live prosperous, independent lives. The drive towards financial self-sufficiency and maximising limited resources goes on, with the County Council continuing its journey to becoming an enabling authority. Key aspects of this include:

- Expanding the Here2Help scheme, delivering enhanced access for residents and organisations to information, advice, tools and guidance, and to signpost local support options
- Improving operational and environmental sustainability, including adopting flexible and mobile working arrangements, developing local capacity and resilience to ensure the County Council only intervenes when necessary, and disposing of waste sustainably
- Prioritising investment in areas identified as important to communities and businesses such as highways and transport infrastructure, and investing heavily in Adults and Children's Social Care, maximising its impact by working to manage demand for the most costly services
- Improving digital connectivity and infrastructure, including provision of faster broadband, and embracing digital solutions for services which can speed up processes and reduce costs

### Political structure

The County Council is run by 57 elected Councillors who are responsible for making sure that the services we provide meet the needs of residents and those who work in the county. They do this by setting the overall policies and strategies for the County Council and by monitoring the way in which these are implemented.

Full Council meetings are held regularly throughout the year. Council is responsible for agreeing the main policies and priorities for all services, including the County Council's budget. Cabinet is responsible for most day to day Council decisions. The Leader of the Council, Simon Geraghty, appoints councillors to the Cabinet and these Cabinet members have specific areas of responsibility. There are currently nine members of Cabinet. Cabinet makes its decisions in line with overall policies, priorities and budget. All of its decisions are made in accordance with governance arrangements and details of Cabinet meetings are available on the County Council website in the County Democracy and Councillor Information section. The work of Council is supported by a number of other committees:



Further information about the County Council's governance arrangements can be found on the County Council website in the Council, Democracy and Councillor Information section and in the Annual Governance Statement which forms part of this document.

The County Council is operationally managed by the Strategic Leadership Team, comprising the Chief Executive, directors from the three directorates and the Chief Financial Officer.

## Looking ahead

The 2023/24 budget was approved at Council on 16 February 2023 with the detailed proposals presented to Cabinet on 2 February 2023.

This budget and Medium-Term Financial Plan were approved taking account of the inflationary pressures the Council faces. Future funding levels remain uncertain as the Council awaits confirmation from central government of funding for 2024/25 onwards. Further delays to the long-awaited fair funding review and a reset of the business rates baseline as well as the current national financial pressures in respect of inflation and cost of living are likely to have a significant impact on the Council's medium-term financial plan.

The Council refreshed its Corporate Plan in 2022; considering an estimate of national and local economic recovery, alongside confirmation of the extent of any increased cost pressures or reductions in income.

All of this means that maintaining sound and resilient Earmarked Reserves and General Fund Balance is crucial.

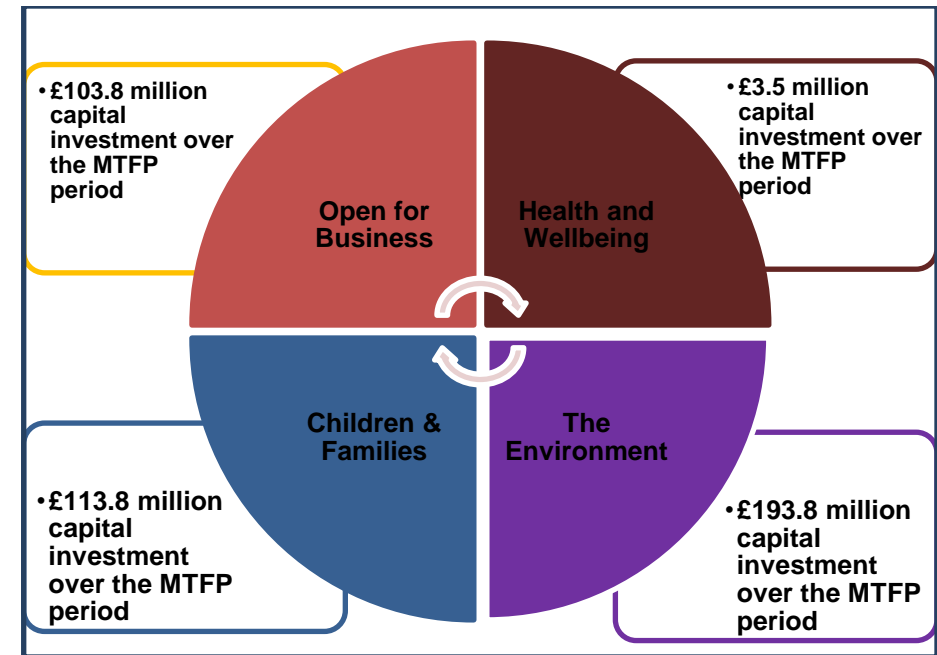
The paragraphs below set out details of the current budget for 2023/24.

## Expenditure

The net revenue budget requirement for 2023/24 is £400.8 million. That is a net £27.6 million more than 2022/23. However, to achieve a balanced budget a programme of efficiency, reform and income proposals totalling £22.4 million were approved by Council in February 2023.

The Medium-Term Financial Plan confirms the commitment to continue to resource the Council's Corporate Plan priorities. It

includes a capital programme of £432.7 million to deliver regeneration, infrastructure and other changes during 2022-24.



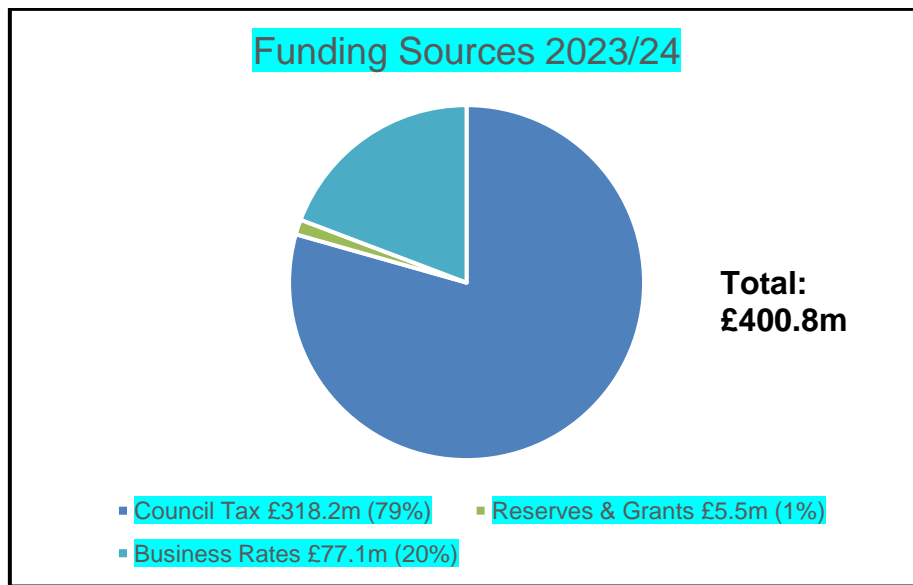
We are supporting this with a commitment to invest £17.8 million to ensure that the County Council is operating efficiently, new ways of work in a post pandemic environment, including more digitally enabled operations and closer working with our key partners.

## Funding

The main sources of the County Council's income are collected locally, with local taxation through Council Tax and the Adult Social Care Precept accounting for close to 80% of core funding income in 2023/24.

Reserves to cover the overspends discussed earlier in this narrative.

The County Council has accounted for the activity of Worcestershire Children First through group accounts and these can be found at pages 140 to 150 in the 2022/23 Statement of Accounts.



In 2022/23, the County Council and six District Councils plus Hereford and Worcester Fire and Rescue Authority were members of a pool formed under the Business Rates Retention Scheme which resulted in a benefit to Worcestershire residents of around £4.0 million.

### **Medium Term Financial Plan 2023/24-2026/27**

The Medium-Term Financial Plan takes account of the Corporate Plan commitment, the cost of providing our services and current central government funding announcements. Our current assumptions will need to be updated during 2023/24 in light of likely levels of Central Government funding, local taxation income and inflation.

### **Worcestershire Children First**

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) which was launched on 1<sup>st</sup> October 2019 has returned a break-even position in their third full year of trading, as per their 2022/23 financial statements. This is after support from Council



## Statement of Responsibilities

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This sets out the respective responsibilities of the County Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.

### The 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.

### Approval of Accounts

The date that the Statement of Accounts was approved is xxx. All known material events that have occurred up to and including this date which relate to 2022/23 or before are reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015 I certify that the Statement of Accounts 2022/23 provides a true and fair view of the financial position of the County Council at 31 March 2023 and its income and expenditure for the year 2022/23.

**Stephanie Simcox, Interim  
Chief Financial Officer**

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 2022/23 on xxxx.

**Nathan Desmond, Chairman  
of the Audit & Governance  
Committee**



**Worcestershire County Council  
Draft Annual Governance  
Statement 2022/23**

## Introduction

The Annual Governance Statement is a review of our activities to ensure that the County Council is carrying out its functions effectively. This statement explains how the County Council has discharged its governance responsibilities during 2022/23 and the key governance mechanisms in place.

Our risk management process is a key part of our governance arrangements and provides assurance that:

- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

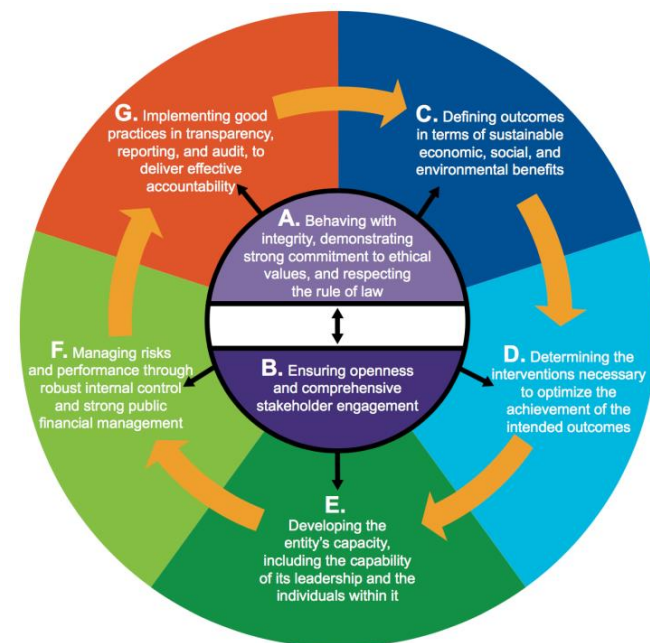
## The purpose of the Governance Framework

The County Council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by processes which strengthen corporate governance such as the Corporate Risk Management Group.

Our system of internal control is designed to manage risk to a reasonable level and is based on an ongoing process to identify and manage risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage

them efficiently, effectively and economically. It cannot eliminate all risk of failure but provides reasonable assurance of effectiveness.

This Annual Governance Statement is published in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016. The Council aims to achieve good standards of governance by adhering to the seven core principles: shown in the diagram below, which illustrates the various principles of good governance in the public sector and how they relate to each other.



## Overview of Governance Framework

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The governance framework outlined above has been in place throughout 2022/23 and maintained to the date of the approval of the Statement of Accounts. Key governance arrangements during 2022/23 comprised the following (full detail is provided in the County Council's Constitution).

The Council has a Leader and Cabinet executive model, with the following key responsibilities:

<b>The Cabinet</b>	The Leader and the Cabinet are responsible for all County Council's functions except those required by law or the Constitution to be those of full Council. Executive functions can be discharged, as delegated by the County Council's Constitution to the relevant committee, individual cabinet member or officer.
<b>Audit &amp; Governance Committee</b>	The Committee oversees the audit and corporate governance arrangements of the County Council including annual audit plans and reports of internal and external auditors, the County Council's system of internal control, risk management and prevention and detection of fraud and corruption.
<b>Overview &amp; Scrutiny Committees</b>	The Board's main responsibilities include commissioning work for scrutiny panels and establishing scrutiny task groups to ensure that significant issues are subject to appropriate review and scrutiny.
<b>Standard &amp; Ethics Committee</b>	The Committee ensures that high standards of conduct are maintained by County Councillors and co-opted members by reference to the Council's Code of Conduct.

Functions, powers and duties are delegated to officers by the Council, Leader and Cabinet, with the following key responsibilities:

<b>Strategic Leadership Team</b>	The County Council's Strategic Leadership Team is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. The Team provide leadership, determine policy and uphold expected standards of behaviour.
<b>Chief Officer Group</b>	The Chief Officer Group has collective responsibility for overseeing the implementation of cross organisational strategy and the development and implementation of operational plans, policies,



	procedures and budgets prior to Senior Leadership Team and Committee approval. The Group promotes robust, fit for purpose governance across the County Council.
<b>Head of Paid Service (the Chief Executive)</b>	The Chief Executive is responsible for overseeing policy development and planning, corporate performance, and community leadership, alongside the effective leadership, management and performance of the Strategic Leadership Team.
<b>Assistant Director for Legal and Governance (the Monitoring Officer)</b>	The Monitoring Officer is responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the Council and the production of associated codes, conventions and protocols.
<b>Chief Finance Officer</b>	The Chief Financial Officer is responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial regulations, standing orders, a scheme of delegation and an independent and objective Internal Audit function.
<b>Chief Internal Auditor and Head of Risk Management</b>	<p>The Chief Internal Auditor and Head of Risk Management is responsible for ensuring effective management of the Council's risks, including evaluating controls and mitigations as part of a risk-based internal audit approach.</p> <p>The Risk and Assurance Manager, supported by the Corporate Risk Management Group, maintains the Corporate Risk Register, monitoring identified risks, controls and mitigating actions. Directorate Leadership Teams monitor and review directorate risk registers and allocate resources to ensure risks management arrangements are effective.</p>
<b>External Audit</b>	External Audit report on the Statement of Accounts and review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Review of Effectiveness

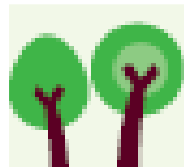
The review of effectiveness is informed by the work of Chief Officers and senior managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Chief Internal Auditor. The results of the annual review of the effectiveness of the Council's governance arrangements during 2022/23 are set out in the table below and demonstrate how the Council has complied with the seven principles of the CIPFA/Solace Framework. Areas for improvement are included as part of the assessment and a detailed action plan will be developed to ensure that work is undertaken to deliver these improvements. Progress against the plan will be reported to the Audit and Governance Committee on a quarterly basis.

Principle	Assessment of the effectiveness of governance arrangements during 2022/23
<p><b>Core Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>Key aspects of the Council's governance arrangements during 2022/23:</p> <p>We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations.</p> <p>These include:</p> <ul style="list-style-type: none"> <li>• Codes of conduct for officers and members. This is to ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council. Both Members and Officers are bound by the seven principles of public life (the Nolan Principles) The Council adopted the LGA code of conduct for members at its meeting on 18 May 2023;</li> <li>• The inclusion of ethical values in policies and procedures for all areas;</li> <li>• A complaints procedure ensuring appropriate investigation and response</li> <li>• A Whistleblowing Policy which enables employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns;</li> <li>• A commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010; and</li> <li>• Our Constitution, which sets out the conditions to ensure that all officers, key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions.</li> <li>• Formal recognition of the Trade Unions in our processes and change.</li> </ul>

	<p>Areas where it is recognised that governance arrangements could be further strengthened are set out below. The Council's new Monitoring Officer started on 1 March 2023 and a new S151 Officer starts on 19 June 2023. They will focus on the issues highlighted below and will provide updates on significant issues at subsequent Committee meetings :</p> <ul style="list-style-type: none"> <li>• There is a need to regularly review the Council's Constitution and related policies and procedures to ensure that Officer and Member responsibilities are clearly documented and promote a culture of accountability and strong ethical values. As a result of Covid-19 prioritisation a review is needed, this will include improvements to strengthen the monitoring of compliance with legislative and governance requirements should be included in this review with clearly communicated consequences where behaviours do not demonstrate integrity.</li> <li>• Alongside this a need for training of Officers and Members to increase constitutional awareness and individual responsibility for compliance will ensure that these values become embedded in behaviour.</li> <li>• Processes to support the delivery of the Council's ethical values should be strengthened in areas such as Declarations and Registers of Interest, using a model of training and declaration, to promote consistency and transparency.</li> <li>• A review of Members' roles and delegations on boards and companies.</li> </ul>
<p><b>Core Principle B:</b> Ensuring openness and comprehensive stakeholder engagement</p>	<p>Key aspects of the Council's governance arrangements during 2022/23:</p> <p>The Chief Executive, Chief Officer Group and Strategic Leadership Team value are committed to ensuring every employee is engaged and feedback is sought, listened to and acted upon. There are strong relationships with the Council's recognised Trade Unions and the Council remains committed to building and maintaining strong employee relations. Monthly Staff Briefings are held by the Chief Executive and Senior Leaders.</p> <p>Engagement includes:</p> <ul style="list-style-type: none"> <li>• In response to increased remote working, the Council has strengthened engagement with staff through regular communication from the Chief Executive and at directorate level. The use of Slido enables staff to engage directly with the Chief Executive.</li> <li>• Improvements in technology facilitate hybrid working practices and support the pastoral needs of staff.</li> </ul>

	<ul style="list-style-type: none"> <li>• Annual Staff Survey. Responses have informed the development of the Workforce Strategy 2021-2024. Wellbeing and career development insight and feedback is shared at mid-year and end of year review points.</li> <li>• Feedback from events and surveys help to inform the Council’s four corporate priorities: supporting Children and families, promoting Health and Well Being, protecting the Environment and championing Open for Business.</li> </ul> <p>Areas where it is recognised that governance arrangements could be further strengthened include:</p> <ul style="list-style-type: none"> <li>• Improved co-ordination of the Council’s external inspection and regulatory report framework, to inform assurance and improve information sharing and collaboration across stakeholders.</li> <li>• There is a need for increased clarity, via the review of the Council’s Constitution, of elected Member responsibilities relating to engagement and communication with Officers, residents and businesses.</li> </ul>
<p><b>Core Principle C:</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>Key aspects of the Council’s governance arrangements during 2022/23 include:</p> <p>Our Corporate Plan: Shaping Worcestershire’s Future 2017-22, identifies four key priorities that help us shape the future vision for Worcestershire and focus the delivery of our services. The refreshed Corporate Plan 2022-27 continues with the Council’s priorities building on the progress made in recent years to drive improvements for the County to 2027.</p> <div style="display: flex; align-items: flex-start;"> <div style="margin-right: 20px;">      </div> <div> <p><b>Open for Business</b> – we have a significant programme of improvements in workforce skills, employment, infrastructure and productivity. We are aiming to become a financially self-sufficient Council and to achieve this aim we are promoting and supporting businesses in the County and those looking to relocate here.</p> <p><b>Children and Families</b> – we have a strong focus on improving outcomes for the children, young people and families of Worcestershire. We support schools with achieving a good or outstanding rating by Ofsted and facilitating young people achieving five or more good GCSEs and support young people moving successfully into employment. These services are delivered in conjunction with our wholly owned company, Worcestershire Children First.</p> </div> </div>





**The Environment** - Worcestershire's environment is one of our key features and contributes to enhancing the quality of life for residents and visitors. We are committed to improving our infrastructure networks, including transport and digital technology to support business and encourage investment. We also have a key focus on minimising waste which goes to landfill.



**Health and Wellbeing** – we are working with local partners to support our residents to be healthier, live longer, have better quality of life and remain independent for as long as possible. Our focus on adult social care aims to keep people with care and support needs as independent as possible by providing choice in how to live their lives.

The Council's Sustainability Policy promotes the principles of sustainable development through: green economy, action to tackle climate change, protecting and enhancing the natural environment and fairness and improving wellbeing. To demonstrate its sustainability policy commitment the Council has committed to:

- Promoting sustainability at a strategic level;
- Lead by example in addressing the Council's operational impacts on the community and environment; and
- Promoting sustainable development throughout the county.

The Council reports on progress through the annual Corporate Environmental Report.

Areas where it is recognised that governance arrangements could be further strengthened include:

- The need for a mechanism to enable transparent and timely performance reporting (to replace the Balanced Scorecard) linked to the priorities and objectives outlined in the Corporate Plan 2022-27.
- A focus on Environmental, Social and Governance arrangements, including specific internal audit assignments and as part of wider deliverables with a focus on measurable outcomes.

<p><b>Core Principle D:</b> Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p>Key aspects of the Council’s governance arrangements during 2022/23 include:</p> <p>The County Council's planning process works to support and optimise delivery and identify and mitigate any risks.</p> <ul style="list-style-type: none"> <li>• Each key area of focus identifies several aims and targets and responsibility for achieving these lies with individual directorates, and relevant aims and targets are included in individual service delivery plans.</li> <li>• Risks are managed by the Chief Internal Auditor and Head of Risk Management, supported by the Risk and Assurance Manager and Corporate Risk Management Group. The process has been embedded during 2022/23 with a closer link to the audit programme and an increased focus on identifying emerging risks.</li> <li>• The Council has robust processes in place to support financial planning and sustainability. The budget is informed by the Medium-Term Financial Plan with key risks and assumptions clearly identified and reported to members, supported by a strategy and financial planning process. Budget proposals are subject to review and scrutiny by relevant stakeholders, including elected Members as well as through meetings with Trade Union Representatives and the Schools Forum. In 2020/21, the external audit report identified no weaknesses in the Council’s arrangements to ensure financial sustainability and no improvement recommendations were made.</li> <li>• Progress against the Corporate Plan is monitored and reported to councillors on a regular basis.</li> </ul> <p>Areas where it is recognised that that governance arrangements could be further strengthened include:</p> <ul style="list-style-type: none"> <li>• Increased strategic engagement with the risk management process, including nominating a strategic lead at SLT level to co-ordinate the identification of risks and mitigating actions, to ensure that strategic decisions are informed by effective consideration of relevant risks.</li> <li>• In addition to improvements in performance monitoring arrangements, there is a need for a robust system of accountability for performance against corporate, financial and management targets.</li> </ul>
<p><b>Core Principle E:</b> Developing the entity’s capacity, including the</p>	<p>Key aspects of the Council’s governance arrangements during 2022/23 include:</p>

capability of its leadership and the individuals within it

- To deliver our objectives, we rely on our staff to carry on the great work they already do daily which is underpinned by Our People Values:
  - **Customer Focus** - putting the customer at the heart of everything we do
  - **'Can do' Culture** – being proactive to achieve excellence
  - **Freedom within Boundaries** – courage to make constructive change
- Our Workforce Strategy 2021 - 2024 is designed to build a workforce with personal and collective organisational resilience. The strategy is to be used by each Service area to develop their annual workforce plans, supported by their HR Operations Partners
- Mandatory learning is in place for all staff and monitored by directorate leadership teams. The Council has launched a new learning management system for 2022/23, which supports the Workforce Strategy by enhancing the learning experience of staff and enabling greater transparency for employees and managers.
- Our Annual Performance Review Cycle forms a key part of our organisational workforce planning. Employees and line managers meet regularly to plan and monitor progress against personal and organisational objectives and support employee wellbeing. Indicative ratings are recorded at mid-year review point, with formal ratings recorded at end of year performance reviews.
- CIPFA published the Financial Management (FM) Code in October 2019. The Code sets out 17 Financial Management Standards against which local authorities are required to perform a self-assessment. The results of the 2021/22 self-assessment was presented to Audit & Governance Committee in November 2022 and actions to address areas identified for improvement will be implemented during 2023/24.

Areas where it is recognised that that governance arrangements could be further strengthened include:

- The capacity and capability of Members and Officers should be further developed through enhanced arrangements for tailored training relevant to individual roles and responsibilities, with core competencies including finance, HR and decision making at the fore of that.
- There is a need to promote management accountability and communicate consequences for non-compliance in all Council policies.

	<ul style="list-style-type: none"> <li>• The development of audit arrangements to review the effectiveness of the performance cycle and highlight areas for improvement.</li> </ul>
<p><b>Core Principle F:</b> Managing risks and performance through robust internal control and strong public financial management</p>	<p>Key aspects of the Council’s governance arrangements during 2022/23 include:</p> <ul style="list-style-type: none"> <li>• Risk management involves the identification, analysis and control of threats or events that adversely affect the achievement of the County Council's strategic and operational objectives. It also enables positive risks to be taken to innovate and improve service provision. The Risk Management Strategy details the methodology for evaluating corporate risk management arrangements and its delivery is supported by the Corporate Risk Management Group.</li> <li>• The County Council's Anti-Fraud and Corruption Strategy embeds effective standards in countering fraud, corruption and theft. The Chief Financial Officer is responsible for ensuring this Strategy is applied and that the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is followed.</li> <li>• The County Council supports and submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.</li> <li>• Financial Regulations form part of the Constitution and set out our financial management framework for ensuring we make the best use of the money we have available to spend. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are duly complied with, as well as reflecting best professional practice and decision-making.</li> </ul> <p>Areas where it is recognised that that governance arrangements could be further strengthened include:</p> <ul style="list-style-type: none"> <li>• A review of the Constitution and enhanced training across Officers and Members to ensure responsibilities are clear as noted above at Core Principal A. This should include the Council’s contract procedure rules.</li> <li>• Monitoring arrangements to identify and take action to address issues of non-compliance with corporate procedures.</li> <li>• Clearer links between the governance framework and decision making ability to ensure activity is aligned to policies and procedures and supported by robust internal controls.</li> </ul>

<p><b>Core Principle G:</b> Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<p>Key aspects of the Council's governance arrangements during 2022/23 include:</p> <ul style="list-style-type: none"> <li>• A large amount of information is available on the County Council website which gives details of the working of the organisation, what we spend, and how our decisions are made.</li> <li>• The Forward Plan provides information about the matters on which the County Council will make decisions. Formal agenda, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the County Council is planning to take, and the decisions taken.</li> <li>• Our Monitoring Officer has a specific duty to ensure the County Council, its officers and elected councillors maintain the highest standards in all they do.</li> <li>• Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit.</li> <li>• We are registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. We have a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office.</li> </ul> <p>Areas where it is recognised that that governance arrangements could be further strengthened include:</p> <ul style="list-style-type: none"> <li>• To ensure that there is an effective and transparent scrutiny process, a strengthening of arrangements for briefing sessions between Members and Officers.</li> <li>• Improved arrangements for cross-party briefings and working groups to ensure Members have sight of key issues to enable informed decision making.</li> <li>• Greater focus on the Council's performance measures and cohesive public reporting through improved performance monitoring and holding to account against corporate targets.</li> </ul>
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## Audit and Audit Assurances

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The Council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and an assessment of the County Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2021/22, Grant Thornton gave an unqualified audit opinion on the financial statements with no significant weaknesses identified in our Value for Money (VFM) arrangements.

Internal audit services are provided by the County Council's in-house team. The team's role is to enhance and protect the County Council's value by providing risk-based and objective assurance, advice and insight. It is responsible for reviewing the adequacy of internal controls across all areas of the County Council and its services are managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

The work of the Internal Audit team is supported by external providers for specialist reviews such as technical audits of IT systems. Further assurance is provided by reviews undertaken by external agencies including OFSTED, the Care Quality Commission, the Office of the Information Commissioner and other Local Authority Inspectorates.

The Audit & Governance Committee approve the Internal Audit Charter and Audit Plan which outline the role of Internal Audit, its

responsibilities and independence and the planned programme of audit work.

A flexible audit plan has enabled work to be focused on key risks and the Chief Internal Auditor has maintained close links with the leadership of the Council to ensure that adequate assurance and organisational coverage is delivered. Based on the results of assurance and advisory work undertaken during the year, the Chief Internal Auditor's annual opinion is that the control environment provides **moderate assurance** that the significant risks facing the County Council are addressed.

## Significant Governance Considerations

Recurrent Considerations / Brought Forward from 2021/22	Update on Progress/Action taken to address the issue in 2022/23
<p><b>Serious harm or death of a child or young person</b> Safeguarding risk because of serious harm or death of a child or failure to safeguard children. Reputational risk as a result of poor inspection or service breakdown.</p>	<p>Safeguarding issues continue to be monitored and managed through the WCF Governance Structures and partnership working with the Worcestershire Safeguarding Children Partnership (WSCP) and other local strategic partners. Quality Assurance measures are in place throughout the service through audit and service user feedback. Safeguarding and activity has been monitored by the WSCP Safeguarding Practice Review Board and Get Safe Partnership Board. Last year's Annual Governance statement highlighted the sustained improvement in Children's Social Care recognised by the DfE by the early removal of the "Support and Supervision" phase in June 2022. This improvement continues to be validated through the outcomes of external Inspections, adoption and fostering services in 2022-23 which were both rated "good".</p> <p>At the time of finalising the Annual Governance Statement our standard inspection of our Childrens Services is currently taking place by Ofsted (15 -26 May 2023) which we have been expecting and the service is well prepared.</p>
<p><b>Activity exceeds budget allocation</b> Inadequate budgets and / or ineffective financial management will impact on the County Council's ability to effectively provide services and impair our ability to forward plan. The level of earmarked and general reserves could also be impacted by any unplanned draw down.</p>	<p>Regular budget monitoring and forecasting remain a focus of our financial management processes. Management accounts, which report actual income and expenditure against budgeted and forecast performance, have been prepared on a monthly basis and the achievement of savings targets and use of Council reserves has been monitored throughout the year as part of ongoing activity to consider financial sustainability and inform our assessment of going concern.</p>
<p><b>Serious harm or death of an adult with care and support needs</b> A safeguarding risk because of serious harm / death from failure to safeguard an adult with care and support needs, whether the local authority is meeting those needs or not. We also face reputational risk as a result of service breakdown.</p>	<p>A Safeguarding Adult Board is in place with representation from safeguarding partners. A centralised Adult Safeguarding Team located within the Safeguarding Hub ensures competency of staff, information sharing and consistency in decision making. The Adult Safeguarding Team are aligned with the Area Teams and 3 Conversations processes. Staff are assessed against WSAB safeguarding competency framework. As part of the CQC assurance self-assessment (pending CQC inspection of local authority adult social care services as of April 2023) the effectiveness of both the Safeguarding Team and Safeguarding Adults Board will be reviewed, and outcomes of safeguarding process and practice will be assessed against the statutory safeguarding framework and how effectively we have embedded the 'Making Safeguarding Personal' approach</p>

2022/23 New Governance Considerations	Identified Actions
<p><b>Non-compliance with Corporate Policies and Procedures across all disciplines.</b></p>	<p>A review of the Council's Constitution and supporting policies and procedures will be performed to ensure that responsibility and accountability is defined and the consequences for non-compliance across Officers and Members are clearly communicated and that action is taken where instances of non-compliance are identified.</p>



## Issues identified for 2023/24

A number of the issues and corresponding action plans noted above will continue to be the key focus for the County Council's leadership in 2023/24:

- Financial Management & Resilience: ensuring that financial monitoring is supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of agreed savings plans.
- An assurance gap analysis of decision making, including boards and roles of directors to help drive a constitutional refresh to support and strengthen effective business decision making. This will include schemes of delegation and contract procedure rules.
- Strengthen the Council's performance framework, including service plans linked to performance and medium-term financial plans.
- Further enhance the working between Officers and Members, including Officer Register of Interests.
- Focus on core competency training and development for all employees, in particular HR, finance, decision making and performance management.

## Certification

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To the best of our knowledge, the governance arrangements, as defined above have been effective. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review and through the County Council's Corporate Risk Management Group, as well as the Audit & Governance Committee.

**Paul Robinson**

**Chief Executive**

**Date:**

**Simon Geraghty**

**Leader of the County Council**

**Date:**



**Worcestershire County Council  
Draft Statement of Accounts  
2022/23**

## Introduction to the Statutory Accounts

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The Statutory Accounts presents Worcestershire County Council's (the County Council) financial position in line with statutory reporting requirements. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and the Accounts and Audit Regulations 2015 (as amended). The main objective of the Code is to give a true and fair view of the financial position of the County Council, including information about financial position, performance, the results of stewardship of management and any risks and uncertainties.

### Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in year of providing services by the County Council. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement. The Expenditure and Funding Analysis note reconciles the position between taxation related expenditure and accounting related transactions. The surplus or deficit on the provision of services shows the true economic cost of providing the County Council's services.

### Movement in Reserves Statement

This shows the movement on the different reserves held, analysed into usable and unusable reserves. The net increase / decrease before transfers to / from earmarked reserves shows the statutory

General Fund balance before any discretionary transfers are undertaken.

### Balance Sheet

This shows the value of the assets and liabilities of the County Council, with the net assets matched by the reserves held. Reserves are categorised as usable, i.e. those the County Council can use to provide services, and unusable, i.e. those which cannot be used to provide services.

### Cash Flow Statement

This shows the change in cash and cash equivalents of the County Council, and classifies the cash as operating, investing and financing activities. The amount of net cash 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, grant income and fees and charges.

### Notes to the Accounts

These give further detail in support of the information provided in the main accounts. Notes are only provided where the amounts involved are material. Materiality is determined by the nature or magnitude of the disclosure and the potential for the user of the accounts being influenced by any omission. The notes include the relevant accounting policies which explain the basis for the figures included in the accounts and details of relevant estimates and judgements. Any estimations which are likely to lead to a material adjustment next year in the 2022/23 accounts are evaluated and detailed in the notes.

## **Group Accounts**

Group accounts are presented, in addition to the Council's single entity statements, to provide a full picture of the Council's economic activities and position. The Group Accounts comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet;
- Group Cash Flow Statement; and
- Notes to the Group Accounts.

## Comprehensive Income and Expenditure Statement

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23	
Expenditure	Income	Net		Expenditure	Income	Net	Note
£m	£m	£m		£m	£m	£m	
<b>Service Expenditure Analysis</b>							2,3,4,5,6.1
345.9	(205.4)	140.5	People	359.3	(213.3)	145.9	7
383.1	(263.4)	119.7	Children's Services	454.9	(313.6)	141.4	6.3,7
114.7	(30.3)	84.4	Economy & Infrastructure	126.3	(42.4)	83.9	
36.3	(8.7)	27.6	Commercial & Change	43.8	(0.5)	43.4	
36.2	(6.4)	29.8	Finance, HR & Chief Executive	59.0	(36.0)	23.0	
<b>916.2</b>	<b>(514.2)</b>	<b>402.0</b>	<b>Net Cost of Services</b>	<b>1,043.4</b>	<b>(605.7)</b>	<b>437.6</b>	
2.0	(0.4)	1.6	Other operating expenditure	5.3	(2.1)	3.2	8
86.5	(30.2)	56.3	Financing, investment income & expenditure	81.9	(40.5)	41.4	9
0.3	(431.5)	(431.2)	Taxation & non-specific grant income and expenditure	0.3	(439.3)	(439.0)	6.2,10
<b>1,005.0</b>	<b>(976.3)</b>	<b>28.7</b>	<b>(Surplus) / deficit on the provision of services</b>	<b>1,130.8</b>	<b>(1,087.7)</b>	<b>43.1</b>	
<b>Other comprehensive income and expenditure:</b>							
		(47.6)	(Surplus) on revaluation of property, plant & equipment			(93.8)	14.3
		4.9	Downward revaluations on non-current assets charged to Revaluation Reserve			24.2	14.3
		(59.1)	Remeasurement of the net defined benefit liability/(asset)			(521.2)	
		(101.8)	<b>Total other comprehensive income and expenditure</b>			<b>(590.7)</b>	
		(73.1)	<b>Total comprehensive income and expenditure (surplus) / deficit</b>			<b>(547.6)</b>	

## Movement in Reserves Statement 2022/23

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2022</b>	<b>14.3</b>	<b>157.7</b>	<b>172.0</b>	<b>2.7</b>	<b>63.5</b>	<b>238.3</b>	<b>(37.1)</b>	<b>201.2</b>
Movement in reserves during 2022/23:								
Total Comprehensive Income and Expenditure	(43.1)	0.0	(43.1)	0.0	0.0	(43.1)	590.7	547.6
Adjustments between accounting basis & funding basis under regulations (Note 11)	20.6	9.1	29.7	(2.7)	13.6	40.6	(40.6)	0.0
Transfer to/(from) earmarked reserves	22.5	(22.5)	0.0	0.0	0.0	0.0	0.0	0.0
Increase / (decrease) in 2022/23	0.0	(13.4)	(13.4)	(2.7)	13.6	(2.5)	550.1	547.6
<b>Balance at 31 March 2023 carried forward</b>	<b>14.3</b>	<b>144.2</b>	<b>158.6</b>	<b>0.0</b>	<b>77.1</b>	<b>235.7</b>	<b>513.1</b>	<b>748.8</b>
Note Reference		12.1				12	13	

## Movement in Reserves Statement 2021/22 Comparison

	General Fund (Non-Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2021</b>	<b>13.0</b>	<b>137.9</b>	<b>150.9</b>	<b>2.7</b>	<b>71.3</b>	<b>224.9</b>	<b>(96.8)</b>	<b>128.1</b>
<b>Movement in reserves during 2021/22:</b>								
<b>Total Comprehensive Income and Expenditure</b>	(28.7)	0.0	(28.7)	0.0	0.0	(28.7)	101.8	73.1
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 11)</b>	44.9	4.9	49.8	0.0	(7.7)	42.1	(42.1)	0.0
<b>Transfer to/(from) earmarked reserves</b>	(14.9)	14.9	0.0	0.0	0.0	0.0	0.0	0.0
<b>Increase / (decrease) in 2021/22</b>	<b>1.3</b>	<b>19.8</b>	<b>21.1</b>	<b>0.0</b>	<b>(7.7)</b>	<b>13.4</b>	<b>59.7</b>	<b>73.1</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>14.3</b>	<b>157.7</b>	<b>172.0</b>	<b>2.7</b>	<b>63.5</b>	<b>238.3</b>	<b>(37.1)</b>	<b>201.2</b>
Note Reference		12.1				12	13	

## Balance Sheet

31 March 2021	31 March 2022		31 March 2023	No te	31 March 2021	31 March 2022		31 March 2023	Note
£m	£m		£m		£m	£m		£m	
1,083.9	1,146.1	Property, plant and equipment	1,238.2	14,15	(2.6)	(1.4)	Long-term provisions	(1.5)	
1.7	1.7	Heritage assets	1.7		(456.5)	(409.9)	Long-term borrowing	(416.4)	16
4.0	4.5	Intangible assets	0.0		(609.3)	(586.7)	Other long-term liabilities	(114.7)	21
3.0	3.0	Long-term investments	1.9	16,17	(24.8)	(26.2)	Grants receipts in advance	(30.4)	22
108.6	104.2	Long-term debtors	102.4	18	(1,093.2)	(1,024.2)	<b>Long-term liabilities</b>	<b>(563.0)</b>	
<b>1,201.2</b>	<b>1,259.5</b>	<b>Long term assets</b>	<b>1,344.2</b>		128.1	201.2	<b>Net assets</b>	<b>748.8</b>	
5.7	5.4	Non-Operational Assets	4.5	14.8			<b>Financed by:</b>		
35.2	7.9	Short-term investments	0.3	29	224.9	238.3	Usable reserves	(235.7)	12
1.4	1.4	Inventories	1.7		(96.8)	(37.1)	Unusable reserves	(513.1)	13
79.0	85.9	Short-term debtors	117.4	18	128.1	201.2	<b>Total reserves</b>	<b>(748.8)</b>	
67.3	42.8	Cash and cash equivalents	44.2	19					
<b>188.6</b>	<b>143.4</b>	<b>Current assets</b>	<b>168.0</b>						
(71.3)	(78.2)	Short-term borrowing	(119.1)						
(91.1)	(91.1)	Short-term creditors	(81.3)	20					
(6.1)	(8.2)	Short-term grants receipts in advance	(0.2)						
<b>(168.5)</b>	<b>(177.5)</b>	<b>Current liabilities</b>	<b>(200.5)</b>						



## Cash Flow Statement

2021/22	2022/23	
£m	£m	Note
(28.7) Net surplus/(deficit) on the provision of services	(43.1)	
107.4 Adjust net (surplus)/deficit for non-cash movements	84.6	
(56.4) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(68.1)	
<b>22.3 Net cash flows from operating activities</b>	<b>(26.7)</b>	23.1
(1.9) Net cash flows from investing activities	(8.5)	23.2
(44.9) Net cash flows from financing activities	36.6	23.3
<b>(24.5) Net increase/(decrease) in cash or cash equivalents</b>	<b>1.4</b>	
<b>Cash and cash equivalents</b>		19
67.3 Balance at 1 April	42.8	
42.8 Balance at 31 March	44.2	
<b>(24.5) Movement in cash and cash equivalents increase / (decrease)</b>	<b>1.4</b>	

## Notes to the Financial Statements

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These comprise further information about material items, a summary of significant accounting policies, detail of entries in the prime Statements and other explanatory information and disclosures.

- |  |  |
|--|--|
| 1 General accounting policies  | 19 Cash & cash equivalents   |
| 2 Expenditure & funding analysis   | 20 Creditors   |
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| 6 Grants & contribution income   | 24 Officers remuneration   |
| 7 Section 75 framework partnership agreements                            | 25 Termination benefits & exit packages  |
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| 9 Financing & investment income & expenditure                            | 27 Leases  |
| 10 Taxation & non-specific grants  | 28 External audit costs  |
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| 12 Usable reserves   | 30 Events after the reporting period   |
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| 14 Property, plant & equipment   | 32 Prior period adjustments  |
| 15 Private finance initiatives (PFI)                                     | 33 Assumptions made about the future and other major sources of estimation uncertainty |
| 16 Financial instruments   | 34 Pension Schemes   |
| 17 Long term investments   |  |
| 18 Debtors   |  |

## 1. General accounting policies

The Statement of Accounts summarises the County Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The County Council is required by the Accounts and Audit Regulations 2015 (as amended) to prepare an annual Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and International Financial Reporting Standards (IFRS). The Accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future. There is no material uncertainty in respect of this assessment of going concern.

Local authority school assets, liabilities, reserves and cash flows are recognised in the County Council's financial statements. Maintained schools comprise: 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.

The County Council has determined, 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.

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. The Statement of Accounts contains estimated figures based on assumptions made by the County Council. Estimates are made considering historical experience, current trends and other relevant factors. Actual results may potentially be different from the assumptions and estimates used by the County Council and relevant notes include an assessment of the potential material impact of any changes in estimates which lead to significant risk of material adjustment in 2022/23.

## 2. Expenditure and funding analysis

The Expenditure and Funding Analysis (EFA) demonstrates how the funding available to the County Council for the year has been applied in providing services in comparison with those resources consumed or earned by the County Council. It also shows how this expenditure is allocated for decision-making purposes between the County Council's services. Income and expenditure are presented more fully in the Comprehensive Income and Expenditure Statement. Service analysis within the accounts is based on the County Council's operational directorates.

	2022/23				
	Net expenditure for internal reporting	Adjustments to arrive at Net Expenditure chargeable to the General Fund Balance	Net Expenditure chargeable to General Fund Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CI&ES
	£m	£m	£m	£m	£m
People	165.6	(27.9)	137.7	8.2	145.9
Children's Services	115.7	(18.1)	97.6	43.8	141.4
Economy & Infrastructure	58.5	(6.5)	52.0	31.9	83.9
Commercial & Change	7.2	22.8	29.9	13.4	43.4
Finance, HR & Chief Executive	33.6	11.4	45.0	(22.0)	23.0
<b>Net Cost of Services</b>	<b>380.5</b>	<b>(18.2)</b>	<b>362.3</b>	<b>75.4</b>	<b>437.6</b>
Other Income and Expenditure	(373.2)	24.4	(348.8)	(45.7)	(394.5)
<b>Net (Surplus)/deficit</b>	<b>7.3</b>	<b>6.1</b>	<b>13.5</b>	<b>29.7</b>	<b>43.1</b>
Opening General Fund Balance			172.0		
Less Deficit on General Fund Balance in Year			(13.5)		
<b>General Fund Balance</b>			<b>158.6</b>		

	2021/22				
	Net expenditure for internal reporting	Adjustments to arrive at Net Expenditure chargeable to the General Fund Balance	Net Expenditure chargeable to General Fund Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CI&ES
	£m	£m	£m	£m	£m
People	150.7	(13.9)	136.8	3.7	140.5
Children's Services	106.8	(5.7)	101.1	18.6	119.7
Economy & Infrastructure	55.0	(9.8)	45.2	39.2	84.4
Commercial & Change	6.7	7.2	13.9	13.7	27.6
Finance, HR & Chief Executive	35.0	(3.0)	32.0	(2.2)	29.8
<b>Net Cost of Services</b>	354.2	(25.2)	329.0	73.0	402.0
Other Income and Expenditure	(355.5)	5.4	(350.1)	(23.2)	(373.3)
<b>Net (surplus)/deficit</b>	(1.3)	(19.8)	(21.1)	49.8	28.7
Opening General Fund Balance	0.0	0.0	150.9	0.0	0.0
Less Deficit on General Fund Balance in Year	0.0	0.0	21.1	0.0	0.0
<b>General Fund Balance</b>			172.0		

In respect of the net revenue outturn, the County Council's 2022/23 General Fund budget and actual spend figures are in the table below:

	<b>Original budget</b>	<b>Actual</b>	<b>Variance</b>
	£m	£m	£m
<b>Total General Fund (a)</b>	<b>373.2</b>	<b>386.7</b>	<b>13.5</b>
<b>Funded by:</b>			
Council tax	(301.3)	(301.3)	0.0
Revenue grants	(2.5)	(2.5)	0.0
Business rates retention scheme	(68.7)	(68.7)	0.0
Collection fund surplus	(2.9)	(2.9)	0.0
Contribution from earmarked reserves	2.2	2.2	0.0
<b>Total funding (b)</b>	<b>(373.2)</b>	<b>(373.2)</b>	<b>0.0</b>
<b>Movement on General Fund (a) + (b)</b>	<b>0.0</b>	<b>13.5</b>	<b>13.5</b>

More details about the County Council's revenue spending on services are given in the Comprehensive Income and Expenditure Statement and subsequent notes.

### 3. Note to the expenditure and funding analysis

This note provides additional analysis of the adjustments between the funding and accounting basis column in note 2 (Expenditure and funding analysis) and details the movement from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

2022/23	Capital adjustments not included in internal reporting	Pension adjustments not included in internal reporting	Other adjustments not included in internal reporting	Recharges and internal training included in internal reporting, removed for financial statements	Reserve movements included in internal reporting, removed for financial statements	Total adjustments to arrive at net expenditure chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
Adjustments from management reporting and General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
People	0.0	1.2	(2.4)	(18.4)	(8.3)	<b>(27.9)</b>	1.1	7.1	0.0	<b>8.2</b>
Children's Services	0.0	1.6	(18.7)	(1.7)	0.7	<b>(18.1)</b>	22.1	12.1	9.6	<b>43.8</b>
Economy & Infrastructure	0.0	0.5	(5.5)	(6.8)	5.4	<b>(6.5)</b>	29.3	2.6	(0.1)	<b>31.9</b>
Commercial & Change	0.0	0.4	(2.9)	22.7	2.6	<b>22.8</b>	10.6	2.4	0.5	<b>13.4</b>
Finance, HR & Chief Executive	10.4	(3.7)	(2.6)	4.3	3.0	<b>11.4</b>	(25.0)	2.1	0.9	<b>(22.0)</b>
<b>Net Cost of Services</b>	<b>10.4</b>	<b>0.0</b>	<b>(32.0)</b>	<b>0.0</b>	<b>3.4</b>	<b>(18.2)</b>	<b>38.1</b>	<b>26.3</b>	<b>10.9</b>	<b>75.4</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	0.0	0.0	32.0	0.0	(7.7)	<b>24.4</b>	(45.7)	0.0	0.0	<b>(45.7)</b>
<b>Difference between General Fund surplus or deficit and CI&amp;ES Surplus or Deficit on the Provision of Services</b>	<b>10.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.2)</b>	<b>6.1</b>	<b>(7.6)</b>	<b>26.3</b>	<b>10.9</b>	<b>29.7</b>

Adjustments for capital purposes adds in depreciation, impairment and revaluation gains and losses in the service lines. For other income and expenditure includes the statutory charges for capital financing and investment and capital grant adjustments.

Net change for the pensions adjustments represents the removal of the employer pension contributions made by the County Council as allowed by statute and the replacement with current and past service costs.

Other adjustments not included in internal reporting include the financial accounting adjustments for employee leave accrual and PFI adjustments and the reallocation of transactions above and below the net cost of services.

2021/22 Adjustments from management reporting and General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Capital adjustments not included in internal reporting	Pension adjustments not included in internal reporting	Other adjustments not included in internal reporting	Recharges and internal training included in internal reporting, removed for financial statements	Reserve movements included in internal reporting, removed for financial statements	Total adjustments to arrive at net expenditure chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
People	0.2	1.3	(8.8)	(8.6)	2.0	(13.9)	1.0	2.7	0.0	3.7
Children's Services	1.0	1.7	(6.4)	1.3	(3.3)	(5.7)	10.3	3.5	4.8	18.6
Economy & Infrastructure	0.0	0.5	(12.3)	(3.8)	5.8	(9.8)	38.1	1.1	0.0	39.2
Commercial & Change	(0.7)	0.5	(0.3)	7.3	0.4	7.2	12.7	1.0	0.0	13.7
Finance, HR & Chief Executive	5.9	(13.6)	(13.5)	3.8	14.4	(3.0)	(17.0)	10.3	4.5	(2.2)
<b>Net Cost of Services</b>	<b>6.4</b>	<b>(9.6)</b>	<b>(41.3)</b>	<b>0.0</b>	<b>19.3</b>	<b>(25.2)</b>	<b>45.1</b>	<b>18.6</b>	<b>9.3</b>	<b>73.0</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	0.0	9.6	(4.2)	0.0	0.0	5.4	(23.2)	0.0	0.0	(23.2)
<b>Difference between General Fund surplus or deficit and CI&amp;ES Surplus or Deficit on the Provision of Services</b>	<b>6.4</b>	<b>0.0</b>	<b>(45.5)</b>	<b>0.0</b>	<b>19.3</b>	<b>(19.8)</b>	<b>21.9</b>	<b>18.6</b>	<b>9.3</b>	<b>49.8</b>



#### 4.Segmental reporting

The segments below represent the County Council's directorate structure which is used for internal reporting.

<b>2022/23</b>	<b>People</b>	<b>Children's Services</b>	<b>Economy &amp; Infrastructure</b>	<b>Commercial &amp; Change</b>	<b>Finance, HR &amp; Chief Executive</b>	<b>Total</b>
	£m	£m	£m	£m	£m	£m
Income for Fees and Charges	(52.3)	(14.1)	(28.3)	(33.7)	(19.1)	(147.6)
Depreciation and Impairment	1.5	5.3	36.1	16.1	0.0	59.0
Premises Costs	12.2	14.6	(9.2)	6.1	0.8	24.4
Transport Costs	2.8	0.3	2.9	0.0	2.3	8.4
Third Party Payments	273.0	65.4	65.2	0.0	0.5	404.2

<b>2021/22</b>	<b>People</b>	<b>Children's Services</b>	<b>Economy &amp; Infrastructure</b>	<b>Commercial &amp; Change</b>	<b>Finance, HR &amp; Chief Executive</b>	<b>Total</b>
	£m	£m	£m	£m	£m	£m
Income for Fees and Charges	(86.8)	(10.9)	(27.2)	(7.3)	(6.0)	(138.2)
Depreciation and Impairment	1.3	3.6	32.7	11.9	0.0	49.5
Premises Costs	12.7	14.1	(10.3)	5.5	1.1	23.1
Transport Costs	4.1	0.7	2.2	0.0	0.1	7.1
Third Party Payments	258.8	55.6	72.6	(0.7)	1.1	387.4

## 5. Expenditure and income analysed by nature

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. 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 authority.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised at the point that the service is provided or is charged for. It is not considered that this would be materially different from recognising revenue from contracts with service recipients when, or as, the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de minimis of £5,000.

Value Added Tax (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.

<b>2021/22 Expenditure and Income analysed by nature</b>	<b>2022/23</b>
£m	£m
237.4 Employee benefits expenses	260.7
630.2 Other service expenses	727.2
49.5 Depreciation amortisation and impairment	59.0
26.8 Loss on disposal of non-current assets	11.3
60.8 Interest payments	72.2
0.3 Precepts and levies	0.3
<b>1,005.0 Total Expenditure</b>	<b>1,130.8</b>
<b>Income</b>	
(138.2) Fees and charges and other service income	(147.6)
(346.9) Income from council tax and business rates	(370.9)
(396.2) Grants and contributions credited to services	(421.5)
(84.6) Grants and contributions credited to taxation and non-specific grant income	(68.4)
(30.2) Interest and Investment Income	(31.4)
19.8 Other	(47.9)
<b>(976.3) Total Income</b>	<b>(1,087.7)</b>
<b>28.7 Net Deficit/(Surplus) on Provision of Services</b>	<b>43.1</b>

\*

## 6. Grant and contribution income

Government grants, third-party contributions, and donations are recognised as due to the County Council when there is reasonable assurance that:

- the County Council is acting as principal (as opposed to agent)
- the County Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts are credited to the Comprehensive Income and Expenditure Statement once the conditions attached to the grant or contribution have been satisfied. Where the conditions have not been satisfied they are carried in the Balance Sheet as creditors or receipts in advance and credited to the relevant service line once the conditions are met.

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

2021/22	2022/23
£m	£m
<b>People Services</b>	
18.5 Improved Better Care Fund	19.0
16.2 Better Care Fund (contribution)	15.9
6.2 Disabled Facilities Grant	6.2
2.8 Independent Living Fund	2.8
12.1 Social Care Grant – Adults’ Elements	15.6
0.2 Care Act	0.2
0.0 Adult Social Care Discharge Fund	2.0
0.0 Market Sustainability and Fair Cost of Care	1.6
0.0 Shared Care Record Program Grant	0.6
0.1 Other Adult Services	0.5
30.4 Public Health	31.2
2.0 Other Public Health	2.5

<b>2021/22</b>	<b>2022/23</b>
5.3 Libraries & Community	12.1
4.7 Bromsgrove Schools PFI Grant	4.7
0.0 Homes for Ukraine - Education and Childcare Funding	2.1
3.5 Covid-19 Adult Social Care Infection Control Fund	0.6
6.0 Covid-19 Hospital Discharge (CCG) Contribution	0.0
0.2 Covid-19 Test and Trace Service Support Grant	0.0
15.9 Covid-19 Contain Outbreak Management Fund	0.0
0.7 Covid-19 Testing Grants	0.0
2.4 Covid-19 Winter Grant Scheme	0.0
4.6 Covid-19 Workforce Support Grant	0.0
3.9 Covid-19 Housing Support Grant	7.9
1.5 Covid-19 Holiday Activities & Food Programme	1.7
<b>137.2 Total People Services</b>	<b>127.2</b>
<b>Children's Services</b>	
218.8 Dedicated Schools Grant	234.9
8.0 Pupil Premium	8.6
4.1 Other Education & Skills	3.9
3.4 Universal Free School Meals	3.6
1.4 Post 16 Learning Skills Council	1.9
1.6 Other Children's Social Care	2.3
2.1 Unaccompanied Asylum-Seeking Children	3.8
1.3 Youth Grants	1.6
0.5 Transport	0.6

<b>2021/22</b>	<b>2022/23</b>
0.0 Services Grant – Children’s Element	3.0
3.6 Social Care Grant – Children’s Element	6.2
0.0 Supplementary Schools Grant	3.5
1.7 Covid-19 Grants for Schools	1.8
<b>246.5 Total Children’s Services</b>	<b>275.7</b>
<b>Economy &amp; Infrastructure</b>	
1.8 Waste Disposal PFI Grant	1.8
1.1 Transport	1.6
0.1 Environment / Winter Damage	0.1
2.1 Other	2.4
1.7 Community Renewal Fund	1.0
0.3 Covid-19 Bus Support Services Grant	0.0
<b>7.1 Total Economy &amp; Infrastructure</b>	<b>6.9</b>
<b>Commercial &amp; Change</b>	
0.6 Other	0.1
<b>0.6 Total Commercial &amp; Change</b>	<b>0.1</b>
<b>Finance, HR &amp; Chief Executive</b>	
1.5 New Homes Bonus	1.5
0.0 Homes for Ukraine Grant – Thank you payments & tariff	11.4
0.0 Services Grant – Chief Executive Element	1.4
0.8 Other	0.9
0.5 Covid-19 Clinically Extremely Vulnerable Grant	0.0

<b>2021/22</b>	<b>2022/23</b>
0.4 Covid-19 Home to School Transport Grant	0.0
0.6 Covid-19 Omicron	0.0
1.0 Covid-19 Practical Support for those self-isolating	0.2
<b>4.8 Total Finance, HR &amp; Chief Executive</b>	<b>15.4</b>
<b>396.2 Total Credited to Services</b>	<b>425.3</b>

## 6.2 Comprehensive Income and Expenditure Statement – credited to taxation and non-specific grant income

2021/22	2022/23
£m	£m
<b>Credited to taxation and non-specific grant income:</b>	
8.6 Business Rate Reliefs – S31 Grant	10.4
0.0 Revenue Support Grant	0.0
0.0 Levy Account Surplus Grant	0.5
4.6 Covid-19 Local Council Tax Support Grant	0.0
0.4 Covid-19 75% Local Tax Income Guarantee – Council Tax	0.0
20.8 Covid-19 LA Support Grant	0.0
0.0 Covid-19 Sales, Fees and Charges Support Grant	0.6
<b>34.4 Total non ring-fenced Government grants</b>	<b>11.5</b>

2021/22	2022/23
£m	£m
<b>Capital grants</b>	
18.7 Structural maintenance	22.4
2.4 Transport	2.4
4.9 Basic Needs	8.1
4.7 LA Schools Condition Allocation	6.3
6.0 Worcestershire Local Growth Fund	0.0
1.8 European Regional Development Fund	1.8
0.1 Broadband Project	0.0
4.2 Other Capital Grants	8.6



<b>2021/22</b>	<b>2022/23</b>
<b>42.8 Total Capital Grants</b>	49.6
7.4 Other contributions	7.3
<b>50.2 Total Capital Grants and Contributions</b>	<b>56.9</b>
<b>84.6 Total credited to taxation and non-specific grant income</b>	<b>68.4</b>

### 6.3 Dedicated Schools Grant

The County Council's expenditure on schools is primarily funded by Dedicated Schools Grant (DSG) from the Department for Education (DfE). An element of the DSG is recouped by the DfE to fund academy schools in the county. DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, including county-wide education services and Individual Schools Budget.

The overall DSG deficit is £20.3 million and will be carried forward against future DSG income. Within the central expenditure, High Needs expenditure overspent by £11.08 million in 2022/23 (an increase from the £6.3 million High Needs overspend in 2021/22).

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2022/23 before academy and high needs recoupment	98.3	402.0	500.3
Academy and high needs recoupment 2022/23	0.0	(265.8)	(265.8)
<b>Total DSG after High Needs and Academy Recoupment 2022/23</b>	<b>98.3</b>	<b>136.2</b>	<b>234.5</b>
Plus: brought-forward from 2021/22	0.0	0.0	0.0
Less: carry-forward to 2023/24 agreed in advance	0.0	0.0	0.0
In-year adjustments	0.4	0.0	0.4
<b>Final budgeted distribution for 2022/23</b>	<b>98.7</b>	<b>136.2</b>	<b>234.9</b>
Actual Central Expenditure	107.7	0.0	107.7
Actual ISB deployed to Schools	0.0	136.2	136.2
<b>In year carry forward to 2023/24</b>	<b>(9.0)</b>	<b>0.0</b>	<b>(9.0)</b>
<b>DSG unusable reserve at the end of 2021/22</b>			<b>(11.3)</b>
Addition to DSG unusable reserve at the end of 2022/23			(9.0)
<b>Total DSG unusable reserve at the end of 2022/23</b>			<b>(20.3)</b>

## 7. Section 75 framework partnership agreements

The County Council has a Section 75 joint agreement relating to the commissioning of health and social care services in Worcestershire, which includes The Better Care Fund, between the County Council and NHS Herefordshire and Worcestershire Clinical Commissioning Group. The agreement is classified as a Joint Operation, as there is joint control, and the activity is primarily to provide services to the parties within their boundaries. Within the Section 75 agreement there are budgets primarily managed by the Clinical Commissioning Group, budgets primarily managed by the County Council, pooled budgets (jointly controlled) and aligned budgets. Where services are primarily managed by the County Council the income and expenditure are 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 pooled budgets. Where services are hosted by the County Council, but primarily managed by the Clinical Commissioning Group, the income and expenditure are not reflected in the County Council's accounts.

Partnership expenditure (outturn) has been split to show what is primarily managed by the Clinical Commissioning Group and the County Council for 2022/23. Included in the County Council contribution is £28.7 million Better Care Fund.

Partnership income	Partnership expenditure	Net partnership expenditure	CCG managed	WCC contribution		Partnership income	Partnership expenditure	Net partnership expenditure	CCG managed	WCC contribution
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
(121.2)	121.2	0.0	56.4	64.8	Consolidated Adult Social Care Services	(121.8)	125.9	4.1	47.7	78.2
(22.1)	22.1	0.0	10.1	12.0	Consolidated Children's and Education Services	(23.9)	23.9	0.0	10.3	13.6
<b>(143.3)</b>	<b>143.3</b>	<b>(0.0)</b>	<b>66.5</b>	<b>76.8</b>		<b>(145.7)</b>	<b>149.8</b>	<b>4.1</b>	<b>58.0</b>	<b>91.8</b>

The County Council had outstanding balances with the Clinical Commissioning Group at 31 March 2023 of £2.1 million debtors (2021/22 £1.2 million) and £0.2 million creditors (2021/22 £0.2 million).

## 8. Other operating expenditure

2021/22	2022/23
£m	£m
0.4 Admin Expenses Pension	0.4
1.2 Loss on disposal of non-current assets	2.7
<b>1.6</b>	<b>3.2</b>

The loss on disposal relates to the removal of assets from the Balance Sheet where the County Council does not have control of the use of the asset.

## 9. Financing and investment income and expenditure

Financing and investment income and expenditure includes interest receivable and payable on the County Council's investment portfolio, the interest element of the pension fund liability and losses on the transfer of schools to other bodies at nil consideration.

2021/22	2022/23
£m	£m
28.7 Interest payable and similar charges	28.6
9.3 Net interest of the net defined pension liability	12.2
25.6 Loss on transfer of schools to other bodies (e.g. academies)	8.6
0.0 (Increase)/Impairment in value of long-term investments	1.1
(7.3) Interest receivable and similar income	(9.1)
<b>56.3</b>	<b>41.4</b>

## 10. Taxation and non-specific grants

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, with transactions and balances allocated between the districts and the County Council. The Comprehensive Income & Expenditure Statement includes the County Council's proportion of the net surplus or deficit and the Balance Sheet includes amounts to reflect the County Council's share of council tax debtors, overpayments and council tax creditors and monies owed or paid in advance in relation to payments from the district councils.

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 County Council maintains balances for National Non-Domestic Rates (NNDR) arrears, impairment allowances, prepayments and overpayments in its underlying accounting records. NNDR transactions and balances are allocated between the County Council, the District Councils and Central Government.

Government grants and third-party contributions and donations are recognised as due to the County Council when there is reasonable assurance that:

- the County Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors or receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line or to Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

<b>2021/22 Taxation and non-specific grants</b>	<b>2022/23</b>
£m	£m
(287.2) Council tax income	(302.4)
(59.7) Non-domestic rates	(68.5)
(34.4) Non-ring-fenced government grants	(11.5)
(50.2) Capital grants and contributions	(56.9)
0.3 Environment Agency	0.3
<b>(431.2)</b>	<b>(439.0)</b>

## 11. Adjustments between accounting basis and funding basis under regulation

This note consolidates the adjustments required through the County Council's reserves to convert the surplus or deficit on the CIES to the movement on the General Fund Balance.

2022/23	Usable Reserves				
	General Fund (Non-earmarked balances)	General Fund (Earmarked reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Depreciation of non-current assets	53.1	0.0	0.0	0.0	(53.1)
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions applied	(56.9)	0.0	0.0	0.0	56.9
Revenue expenditure funded from capital under statute	15.9	0.0	0.0	0.0	(15.9)
Net loss on disposal of non-current assets	14.6	0.0	0.0	0.0	(14.6)
Statutory provision for the financing of capital investment	(25.0)	0.0	0.0	0.0	25.0
Capital expenditure charged against the General Fund	(11.9)	0.1	0.0	0.0	11.7
Revaluation to Capital Adjustment Account	5.9	0.0	0.0	0.0	(5.9)
Capital Grants and Contributions unapplied credited to the CI&ES	0.0	0.0	0.0	56.9	(56.9)
Application of grants to capital financing transferred to Capital Adjustment Account	0.0	0.0	0.0	(43.3)	43.3
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(3.4)	0.0	3.4	0.0	0.0
Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	(6.1)	0.0	6.1
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	55.8	0.0	0.0	0.0	(55.8)

	Usable Reserves				
	General Fund (Non-earmarked balances)	General Fund (Earmarked reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Employer's pension contributions and direct payments to pensioners payable in the year	(29.6)	0.0	0.0	0.0	29.6
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	1.9	0.0	0.0	0.0	(1.9)
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)	0.0	0.0	0.0	0.6
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	0.6	0.0	0.0	0.0	(0.6)
Transfer of in-year Schools balance deficit to Unusable Reserve	0.0	9.0	0.0	0.0	(9.0)
<b>Total Adjustments</b>	<b>20.6</b>	<b>9.1</b>	<b>(2.7)</b>	<b>13.6</b>	<b>(40.6)</b>

2021/22	Usable Reserves				
	General Fund (Non-earmarked balances)	General Fund (Earmarked reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Depreciation of non-current assets	50.2	0.0	0.0	0.0	(50.2)
Amortisation of intangible assets	1.5	0.0	0.0	0.0	(1.5)
Capital grants and contributions applied	(50.2)	0.0	0.0	0.0	50.2
Revenue expenditure funded from capital under statute	13.0	0.0	0.0	0.0	(13.0)
Net loss on disposal of non-current assets	28.4	0.0	0.0	0.0	(28.4)
Statutory provision for the financing of capital investment	(16.9)	0.0	0.0	0.0	16.9
Capital expenditure charged against the General Fund	(0.6)	0.1	0.0	0.0	0.5
Revaluation to Capital Adjustment Account	(2.1)	0.0	0.0	0.0	2.1
Capital Grants and Contributions unapplied to the CI&ES	0.0	0.0	0.0	50.2	(50.2)
Application of grants to capital financing transferred to Capital Adjustment Account	0.0	0.0	0.0	(57.9)	57.9
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(1.5)	0.0	6.2	0.0	(4.7)
Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	(6.2)	0.0	6.2
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	46.6	0.0	0.0	0.0	(46.6)
Employer's pension contributions and direct payments to pensioners payable in the year	(28.0)	0.0	0.0	0.0	28.0



	<b>Usable Reserves</b>				
<b>2021/22</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	(3.6)	0.0	0.0	0.0	3.6
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	11.0	0.0	0.0	0.0	(11.0)
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	(2.9)	0.0	0.0	0.0	2.9
Transfer to in year Schools balance deficit to unusable reserve	0.0	4.8	0.0	0.0	(4.8)
<b>Total Adjustments</b>	<b>44.9</b>	<b>4.9</b>	<b>0.0</b>	<b>(7.7)</b>	<b>(42.1)</b>

## 12. Usable Reserves

The County Council sets aside specific amounts that can be used 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 may only be used to fund capital expenditure or repay debt). Where expenditure is to be financed from a reserve, the expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement and an amount is then transferred from the reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

	<b>Opening Balance 01/04/22</b>	<b>Contributions To</b>	<b>From</b>	<b>Closing Balance 31/03/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General fund	14.3	0.0	0.0	14.3
Earmarked specific reserves	157.7	(115.6)	102.2	144.3
Capital grants unapplied	63.6	(43.3)	56.9	77.2
Capital receipts reserve	2.7	(7.2)	4.5	0.0
<b>Total Usable Reserves</b>	<b>238.3</b>	<b>(166.1)</b>	<b>163.6</b>	<b>235.7</b>

### 12.1 Transfers to/from Earmarked Reserves

The County Council sets aside amounts from the General Fund in earmarked reserves to provide financing for future expenditure plans to support specific areas of our corporate plan priorities. These amounts are then drawn down as required. Our earmarked reserves position and plans are reviewed annually and plans for future use are approved by Cabinet and Council as part of the annual budget setting process.

	Balance at 31 March 2022	Transfers out	Transfers in	Balance at 31 March 2023	Purpose of the reserve
	£m	£m	£m	£m	
<b>Open for Business</b>					
Revolving Investment Fund	7.6	(7.8)	0.7	0.5	Investment in the local economy which delivers income to support future investment
Open for Business	5.2	(1.7)	9.3	12.8	Supporting measures to grow our local economy
Local Authority Business Growth Initiative	0.5	(0.1)	0.0	0.4	Residual Local Authority Business Growth Initiative funding
Sub regional mineral plan	0.4	(0.5)	2.2	2.1	Funds held to support the delivery of the sub regional mineral plan
Growing Places reserve	1.9	(0.4)	0.0	1.5	Supporting growth in the local economy
Broadband Programme	3.9	(1.2)	0.7	3.4	Reserves to support digital connectivity
Other	2.5	(1.0)	0.7	2.2	Lower value reserves covering, for example, apprenticeships
<b>Children &amp; Families</b>					
Safeguarding	1.9	(1.9)	2.0	2.0	Risk reserve maintained to support unexpected safeguarding costs that could arise through the contract with Worcestershire Children First.

	<b>Balance at 31 March 2022</b>	<b>Transfers out</b>	<b>Transfers in</b>	<b>Balance at 31 March 2023</b>	<b>Purpose of the reserve</b>
Home to School Transport Risk Reserve	0.4	(0.4)	0.0	0.0	Risk reserve to support SEND student travel provision
Education and High Needs	2.4	0.0	0.0	2.4	Reserve maintained to cover general education and high needs block expenditure
High Needs Transformation Reserve	0.0	(6.0)	11.0	5.0	Reserve set aside for work to tackle pressures in High Needs funding
Children's Revenue Grants	8.5	(4.8)	2.2	5.9	Grants held by the service for draw down as required
<b>The Environment</b>					
Regeneration and Infrastructure	0.5	0.0	0.0	0.5	Supporting measures to grow our local economy
Revenue grants unapplied	1.8	(1.4)	10.4	10.8	Grants held by the service for draw down as required
Waste Transformation Reserve	1.0	(1.0)	0.0	0.0	Reserve set aside to support waste contract and transformation services
Infrastructure Project Support	2.0	(1.0)	0.0	1.0	Supporting new infrastructure projects
Other	0.2	0.0	0.0	0.2	Lower value reserves

	Balance at 31 March 2022	Transfers out	Transfers in	Balance at 31 March 2023	Purpose of the reserve
<b>Health and Wellbeing</b>					
Public Health	9.7	(0.9)	0.57	9.3	Balances from the Ring-fenced Public Health Grant held to support the service against future changes in funding
Revenue grants unapplied	8.3	(9.1)	10.7	9.9	Grants held by the service for draw down as required
Unused grants carried forward	17.6	(15.4)	0.8	3.0	Grants held by the service for draw down as required
<b>Efficient Council</b>					
Transformation / Change Reserve	3.3	(5.7)	4.4	2.0	Financing invest-to-save schemes to change the shape and design of the County Council
Communities Support Reserve	0.0	(0.2)	4.5	4.3	Grants funding the settlement of Afghan, Syrian and Ukraine visitors to Worcestershire
Digital Reserve	3.3	(2.9)	0.0	0.4	Supporting the development of digitally enabled operations as part of the organisational review
Elections	0.1	0.0	0.2	0.3	Annual amounts set aside to provide County Council elections, which happen every 4 years
Property Management	1.0	(0.6)	0.0	0.4	Funding for property-related expenditure
Insurance	9.1	(2.1)	1.4	8.4	Covering claims below the County Council's insurance policy excess

	<b>Balance at 31 March 2022</b>	<b>Transfers Out</b>	<b>Transfers in</b>	<b>Balance at 31 March 2023</b>	<b>Purpose of the reserve</b>
Business Rates Pool	26.2	(19.9)	3.6	9.9	To enable smoothing of the impact of changes to the Business Rates retention across the Pool and changes in national funding levels, including rate appeal losses and any fall in rates collected
Coroners Major Inquests	0.5	(0.1)	0.0	0.4	Amounts set aside to cover significant inquest costs
Councillors Divisional Fund	1.2	(0.5)	0.5	1.2	Funds to support Councillors' local discretionary spend
Fleet Surplus Reserve	0.1	0.0	0.0	0.1	Fleet support
Future Capital Investment	8.0	(9.9)	6.8	4.9	Monies set aside to fund future planned capital expenditure
Financial Services Reserve	1.6	0.0	0.0	1.6	Funding to support the employers' pension contributions
Finance and Whole Council Revenue Grants	0.0	0.0	0.1	0.1	Grants held by the service for draw down as required
Smarter Ways of Working	2.0	0.0	0.0	2.0	Monies set aside to enable new ways of working
Financial Risk Reserve	11.8	(5.4)	23.1	29.5	Amount set aside to support financial risk
<b>Other reserves (not available for core spend)</b>					
Schools balances held under delegation	5.4	(5.4)	4.5	4.5	Balances held for individual maintained schools

	<b>Balance at 31 March 2022</b>	<b>Transfers Out</b>	<b>Transfers in</b>	<b>Balance at 31 March 2023</b>	<b>Purpose of the reserve</b>
Schools ICT PFI Reserve	0.1	(0.1)	0.1	0.0	PFI grant funding supporting the ongoing delivery of the programme
Bromsgrove High School PFI Advance	1.4	(0.1)	0.0	1.4	PFI grant funding supporting the ongoing delivery of the programme
Waste Contract PFI Grant	6.3	(8.1)	1.8	0.0	To fund pressures relating to the increase on household waste disposal costs as the number of households in the County increases
<b>Total</b>	<b>157.7</b>	<b>(115.6)</b>	<b>102.2</b>	<b>144.3</b>	

### 13. Unusable Reserves

These reserves are set aside but cannot be used to provide services, including those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and those that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Opening Balance 01/04/22	Contributions		Closing Balance 31/03/23	Purpose of the reserve
		To	From		
	£m	£m	£m	£m	
Pensions reserve	(458.0)	(89.0)	577.1	30.1	Movement in remeasurement of the net defined liability
Accumulated absences adjustment account	(5.7)	(6.3)	5.6	(6.3)	Balances relating to the accumulated holiday due but not taken in year
Financial instruments adjustment account	(1.0)	0.0	0.0	(1.0)	Valuation gains and losses on financial instruments carried at fair value
Capital adjustment account	217.0	(85.2)	88.9	220.7	An accounting mechanism used to reconcile the different rates at which assets are depreciated
Revaluation reserve	228.7	(57.6)	120.0	291.1	Unrealised gains and losses arising from revaluations of long-term assets
Collection fund adjustment accounts	(6.8)	(5.7)	11.2	(1.2)	Surplus or deficit arising from agency arrangements
DSG Adjustment Account	(11.3)	(9.0)	0.0	(20.3)	Accumulated DSG deficit
<b>Total Unusable Reserves</b>	<b>(37.1)</b>	<b>(252.8)</b>	<b>802.8</b>	<b>513.1</b>	



## 14. Property, Plant and Equipment

Physical assets that support the delivery of our services and have a life of more than one financial year, are classified as Property, Plant and Equipment (PPE).

### Recognition

Expenditure on PPE is capitalised on an accrual basis in the accounts, provided that it is probable that the future economic benefits (including service potential) associated with the item will flow to the Authority, that the cost of the item can be measured reliably, and that it exceeds the Authority's de minimis threshold. This may include 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 the Authority. The Council does not capitalise borrowing costs.

Expenditure which is maintenance only in which case it is charged to the Comprehensive Income and Expenditure Statement when it is incurred. The County Council applies a de minimis level of £5,000 for the capitalisation of expenditure on Property, Plant and Equipment. Items of expenditure below this de minimis level are charged to the relevant service within the Comprehensive Income and Expenditure Statement in the reporting period it is incurred. There is no de minimis level for capitalisation for Schools.

Purchased assets are initially measured at cost. Non-purchased assets (including donated assets) are measured at fair value, or at the carrying amount where there is no commercial substance (e.g. via exchange). The detailed bases for measuring assets are given below:

- Land and buildings – Current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Vehicles, plant and equipment - Current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Infrastructure – Depreciated historical cost
- Community assets – Depreciated historical cost
- Assets under construction – Historical cost

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account so that there is no impact on the level of council tax.

Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) or that are not yet available for use (e.g. assets under construction) are not depreciated. The calculation is on a straight-line basis over the remaining useful life of the assets as estimated by the valuer. Newly acquired assets are depreciated from the mid-point of the year. Vehicles are depreciated over the life of the asset. Equipment is generally depreciated over a 5-year life, with IT equipment depreciated over 3 years.

## **Infrastructure Assets**

Accounts are prepared to reflect the December 2022 amendment to Local Authorities (Capital Finance and Accounting) (England) regulations 2003. The gross historical cost and accumulated depreciation for Infrastructure Assets has not been separately reported; instead, the net book value and movement in the year has been disclosed with total Property, Plant & Equipment balances reconciled to the Balance Sheet total. Further explanation of the Council's accounting policy in respect of Highways Network Infrastructure Assets is noted below.

## 14.1 Movements

2022/23

	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment <sup>^</sup>	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>							
<b>At 1 April 2022</b>	<b>500.8</b>	<b>183.8</b>	<b>0.3</b>	<b>4.0</b>	<b>107.9</b>	<b>796.8</b>	<b>200.2</b>
Additions	3.2	0.1	0.0	0.0	24.6	27.9	0.2
Revaluation increases / (decreases) recognised in Revaluation Reserve	50.5	0.0	4.3	0.0	0.0	54.8	17.4
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(5.9)	0.0	(0.1)	0.1	0.0	(5.9)	0.0
Derecognition - disposals	(9.0)	0.0	0.0	(0.2)	0.0	(9.2)	0.0
Derecognition - other	(14.9)	(63.9)	0.0	0.0	0.0	(78.8)	0.0
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified to other categories	1.0	0.0	0.0	(1.0)	0.0	0.0	0.0
Other movements in cost or valuation	2.0	1.2	0.0	0.0	(82.9)	(79.7)	0.0
<b>At 31 March 2023</b>	<b>527.7</b>	<b>121.2</b>	<b>4.5</b>	<b>2.9</b>	<b>49.6</b>	<b>705.9</b>	<b>217.8</b>

<sup>^</sup>Total Property, Plant & Equipment excluding Infrastructure Assets

2022/23

	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment <sup>^</sup>	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2022</b>	<b>(28.6)</b>	<b>(76.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(104.8)</b>	<b>(13.3)</b>
Depreciation written out to the Revaluation Reserve	(4.6)	0.0	0.0	0.0	0.0	(4.6)	0.0
Depreciation charge	(3.7)	(9.2)	0.0	(0.1)	0.0	(13.0)	(6.3)
Derecognition - disposals	0.4	0.0	0.0	0.0	0.0	0.4	0.0
Derecognition - other	15.2	63.8	0.0	0.0	0.0	79.0	0.0
Assets reclassified to other categories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in depreciation and impairment	15.1	0.0	0.0	0.0	0.0	15.1	1.0
<b>At 31 March 2023</b>	<b>(6.2)</b>	<b>(21.6)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(27.9)</b>	<b>(18.6)</b>
<b>Net book value</b>							
<b>At 31 March 2023</b>	<b>521.5</b>	<b>99.6</b>	<b>4.5</b>	<b>2.8</b>	<b>49.6</b>	<b>678.0</b>	<b>199.2</b>
<b>At 31 March 2022</b>	<b>472.2</b>	<b>107.6</b>	<b>0.3</b>	<b>4.0</b>	<b>107.9</b>	<b>692.0</b>	<b>186.9</b>

<sup>^</sup>Total Property, Plant & Equipment excluding Infrastructure Assets

<b>Infrastructure Assets</b>	<b>£m</b>
<b>Opening Net book value at 1 April 2022</b>	<b>454.1</b>
Additions	62.1
Other movements in cost or valuation	79.9
Depreciation charge	(35.9)
<b>Closing Net book value at 31 March 2023</b>	<b>560.2</b>

<b>Reconciliation to Balance Sheet</b>	<b>£m</b>
Net book value of PPE excluding Infrastructure Assets	678.0
Net book value of Infrastructure Asset	560.2
<b>Total Net book value of PPE at 31 March 2022</b>	<b>1,238.2</b>

## Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

### Infrastructure Assets - Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

### Infrastructure Assets - Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Infrastructure Assets - Depreciation

Depreciation is provided for on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed using industry standards where applicable.

## **Infrastructure Assets - Disposals and derecognition**

When a component of the network is disposed of or decommissioned, the carrying amount of the component 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that, from the introduction of the IFRS based Code, when parts of an asset are replaced or restored, the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

2021/22

	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment <sup>^</sup>	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>							
<b>At 1 April 2021</b>	<b>496.8</b>	<b>173.8</b>	<b>0.3</b>	<b>3.9</b>	<b>87.8</b>	<b>762.6</b>	<b>193.8</b>
Additions	2.5	1.2	0.0	0.2	42.8	46.7	
Revaluation increases / (decreases) recognised in Revaluation Reserve	27.1	6.0	0.0	(0.7)	0.0	32.4	10.2
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(0.4)	3.1	0.0	0.8	0.0	3.5	3.0
Derecognition - disposals	(26.3)	(0.5)	0.0	(0.2)	0.0	(27.0)	(6.9)
Derecognition - other	(1.2)	0.0	0.0	0.0	0.0	(1.2)	0.0
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	(1.3)	0.0	(1.3)	0.0
Assets reclassified to other categories	(1.3)	0.0	0.0	1.3	0.0	0.0	0.0
Other movements in cost or valuation	3.6	0.2	0.0	0.0	(22.7)	(18.9)	0.1
<b>At 31 March 2022</b>	<b>500.8</b>	<b>183.8</b>	<b>0.3</b>	<b>4.0</b>	<b>107.9</b>	<b>796.8</b>	<b>200.2</b>

<sup>^</sup>Total Property, Plant & Equipment excluding Infrastructure Assets

2021/22

	Land and Buildings	Vehicles, plant, furniture & equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment <sup>^</sup>	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2021</b>	<b>(25.9)</b>	<b>(71.2)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>0.0</b>	<b>(97.4)</b>	<b>(12.9)</b>
Depreciation written out to the Revaluation Reserve	(3.4)	0.0	0.0	0.0	0.0	(3.4)	(0.2)
Depreciation charge	(4.3)	(10.1)	0.0	0.0	0.0	(14.4)	(5.4)
Derecognition - disposals	0.6	0.6	0.0	0.3	0.0	1.5	0.1
Derecognition - other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified to other categories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in depreciation and impairment	4.4	4.5	0.0	0.0	0.0	8.9	5.2
<b>At 31 March 2022</b>	<b>(28.6)</b>	<b>(76.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(104.8)</b>	<b>(13.3)</b>
<b>Net book value</b>							
<b>At 31 March 2022</b>	<b>472.2</b>	<b>107.6</b>	<b>0.3</b>	<b>4.0</b>	<b>107.9</b>	<b>692.0</b>	<b>186.9</b>
<b>At 31 March 2021</b>	<b>470.9</b>	<b>102.6</b>	<b>0.3</b>	<b>3.6</b>	<b>87.8</b>	<b>665.2</b>	<b>180.9</b>

<sup>^</sup>Total Property, Plant & Equipment excluding Infrastructure Assets



<b>Infrastructure Assets</b>	<b>£m</b>
<b>Opening Net book value at 1 April 2021</b>	<b>418.7</b>
Additions	48.9
Other movements in cost or valuation	18.9
Depreciation charge	(32.4)
<b>Closing Net book value at 31 March 2022</b>	<b>454.1</b>

<b>Reconciliation to Balance Sheet</b>	<b>£m</b>
Net book value of PPE excluding Infrastructure Assets	692.0
Net book value of Infrastructure Asset	454.1
<b>Total Net book value of PPE at 31 March 2022</b>	<b>1,146.1</b>

## 14.2 Revaluations

Asset categories are revalued at least every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. This also ensures compliance with the CIPFA Local Authority Code of Practice, which states that valuations shall be carried out at intervals of no more than five years. Further revaluations are carried out where there have been material changes. Assets are revalued where completed capital expenditure represents more than 15% of the asset's opening net book value or is greater than £100,000. Non-property assets with short useful lives and/or low values are valued at depreciated historical cost and where there is no market-based evidence of current value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used. The County Council's valuations as at 31 March 2023 have been completed by:

Mark Aldis (Hons) MRICS RICS Registered Valuer IRRV  
Wilks Head & Eve LLP  
3<sup>rd</sup> Floor 55 New Oxford Street  
London  
WC1A 1BS

Where increases in value are identified, the carrying amount of the asset is increased with a corresponding entry for the gain in the Revaluation Reserve.

Where decreases in value are identified, they are accounted for by:

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

Upon revaluation (upwards or downwards) previously accumulated depreciation is eliminated and the asset shown at the newly revalued figure.

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 by:

- 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 subsequently reversed, 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.

## Revaluations

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m
Net book value as at:								
31 March 2023	476.7	0.0	0.0	4.5	0.0	0.0	481.2	99.2
31 March 2022	6.6	94.9	0.0	0.0	0.1	0.0	101.6	97.2
31 March 2021	29.3	0.0	0.0	0.0	0.1	0.0	29.4	0.0
31 March 2020	6.4	0.0	0.0	0.0	0.8	0.0	7.2	2.8
31 March 2019	2.2	0.0	0.0	0.0	1.5	0.0	3.7	0.0
Held at cost	0.3	4.7	560.2	0.0	0.3	49.6	615.1	0.0
<b>Total cost or valuation</b>	<b>521.5</b>	<b>99.6</b>	<b>560.2</b>	<b>4.5</b>	<b>2.8</b>	<b>49.6</b>	<b>1238.2</b>	<b>199.2</b>

### 14.3 Revaluation reserve

The revaluation reserve contains revaluation gains arising from increases in the value of PPE assets. The balance is reduced when assets with accumulated gains are:

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

2021/22	2022/23
£m	£m
<b>203.4 Opening Balance at 1 April</b>	<b>228.7</b>
47.6 Revaluations upwards during the year	93.8
(3.4) Depreciation of revaluations	(4.6)
(4.9) Revaluations downwards during the year	(24.2)
(14.0) Disposal of revaluations	(2.6)
<b>228.7 Closing Balance at 31 March</b>	<b>291.1</b>

#### 14.4 Downward revaluations and disposal losses

Disposal proceeds more than £10,000 are categorised as capital receipts and used for new capital investment or set aside to reduce the County Council's underlying need to borrow (the Capital Financing Requirement). Gains or losses arising from the derecognition of an asset recognises the difference between the disposal proceeds and carrying value of the asset and is included in the Surplus or Deficit on the Provision of Services. There is then a credit to the Capital Receipts Reserve equal to the disposal proceeds and a debit to the Capital Adjustment Account for the carrying amount of the fixed asset disposal.

Schools converting to academy status are transferred for nil consideration.

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<b>2021/22</b>	<b>2022/23</b>
<b>£m</b>	<b>£m</b>
8.2 Downward revaluations - other land and buildings	35.7
0.0 Downward revaluations – vehicles, plant, furniture & equipment	0.0
0.0 Downward revaluations - non-operational	0.0
26.9 Disposal losses – other land & buildings	11.3
<b>35.1</b>	<b>47.0</b>

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## 14.5 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

2021/22	2022/23
£m	£m
<b>213.8 Balance at 1 April</b>	<b>217.0</b>
Capital Financing:	
6.2 Capital receipts	11.2
57.9 Capital grants and contributions	43.3
0.5 Revenue contributions to capital expenditure	11.7
0.0 Capital reserve	0.0
<b>64.6</b>	<b>66.2</b>
2.1 Downward revaluations charged to Comprehensive Income and Expenditure Statement	(5.9)
(48.3) Depreciation charged to Comprehensive Income and Expenditure Statement	(48.5)
12.3 Minimum revenue provision adjustment	14.7
4.6 Minimum revenue provision PFI adjustment	10.3
(13.0) REFCUS adjustment	(15.9)
(14.4) Disposal of non-current assets	(12.1)
(4.7) Other adjustments	(5.1)
<b>217.0 Closing Balance at 31 March</b>	<b>220.7</b>

## 14.6 Contractual commitments for property, plant and equipment

As at 31 March 2023 the County Council has a capital programme comprising capital projects amounting to £249.5 million (2021/22 £146.1 million) for 2023/24 and future years. As at 31 March 2023, the following contracts have been entered into for the construction or enhancement of PPE.

<b>Major schemes where contracts have been let:</b>	<b>£m</b>
Worcestershire A4440 Southern Link Road Dualling	5.0
Column Replacement Programme	4.0
Kepax Bridge	6.3
<b>Sub-total</b>	<b>15.4</b>
Committed schemes less than £2 million	16.3
<b>Major schemes where contracts have been let:</b>	<b>31.7</b>

## 14.7 School assets

The land and buildings utilised in the provision of education services across the County are recognised in accordance with the asset recognition tests as they are judged to apply to the different type of arrangements. The accounting treatment of the schools' land and buildings is as follows:

- Community schools – land and buildings are legally held by the County Council and are shown in full on the Balance Sheet. Valuation of these assets is at depreciated replacement cost to reflect the specialist nature of the assets;
- 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, legal ownership in conjunction with the substantive rights to the asset and future economic benefits sit with the relevant church body. Accordingly, 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, legal ownership in conjunction with the substantive rights to the asset and future economic benefits sit with the relevant church body. The County Council has use of the assets but is not able to exert substantive control over them or to receive any future economic benefits. Accordingly, 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. Where the County Council has retained the freehold of the land, the land is held on the County Council balance sheet at a nominal value to reflect its restricted use.
- Local authority schools which are due to convert to academy status post balance sheet date are treated as non-adjusting post balance sheet date events. Where a school transfers after 31 March 2022, details are given in the Events after the Balance Sheet date note at the end of the accounts.

	<b>Number of schools at 31 March 2023</b>	<b>Value held on Balance Sheet at 31 March 2023</b>	<b>Status</b>
		£m	
<b>Community</b>	48	236.3	On Balance Sheet
<b>PFI</b>	7	73.4	On Balance Sheet
<b>Voluntary controlled</b>	37	1.9	Off Balance Sheet
<b>Voluntary aided</b>	22	0.2	Off Balance Sheet
<b>Academy</b>	124	0.0	Off Balance Sheet
<b>Foundation</b>	1	0.0	Off Balance Sheet
<b>Free School</b>	4	0.0	Off Balance Sheet
	<b>243</b>	<b>311.8</b>	

#### 14.8 Non-operational assets

Assets held for sale are actively marketed and, as such, are not depreciated.

<b>2021/22</b>		<b>2022/23</b>
<b>£m</b>		<b>£m</b>
<b>5.4</b>	Assets Held for Sale	<b>4.5</b>



## 14.9 Capital expenditure and capital financing

2021/22	2022/23
£m	£m
<b>787.0 Opening capital financing requirement</b>	<b>816.1</b>
<b>Capital investment:</b>	
97.6 Property, plant and equipment	91.0
13.0 Revenue expenditure funded from capital under statute	15.9
<b>110.6 Total Capital Investment</b>	<b>106.9</b>
<b>Sources of finance:</b>	
(6.2) Capital receipts	(11.2)
(57.9) Government grants & other contributions	(43.3)
Sums set aside from revenue:	
(0.5) Direct revenue contributions	(11.7)
(12.3) MRP/loans fund principal (excluding PFI)	(14.7)
(4.6) MRP/loans fund principal (PFI)	(5.7)
<b>816.1 Closing Capital Financing Requirement</b>	<b>836.3</b>
(155.0) Long-term liabilities (PFI liabilities)	(144.8)
<b>661.1 Underlying need to borrow</b>	<b>691.5</b>

<b>Explanation of movements in year</b>	
29.1 Increase in underlying need to borrow	20.2
<b>29.1 Increase / (decrease) in Capital Financing Requirement</b>	<b>20.2</b>

Minimum Revenue Provision (MRP) is a charge to the General Fund and is shown in the Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement, with a matching entry in the Capital Adjustment Account. It represents an annual contribution from revenue towards the provision for the reduction in our overall borrowing requirement. 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 on an annuity basis 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.
- For PFI assets, the MRP charge is based on the useful economic life relevant to each asset.

The total MRP charge in 2022/23 is £20.4m represented by £14.7m charged in respect of non-PFI assets and £5.7m in respect of PFI assets.

## 15. Private finance initiatives (PFI)

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the County Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the County Council at the end of the contracts at no additional charge, the County Council carries the property, plant and equipment used under the contracts on its Balance Sheet. The original recognition of these property, plant and equipment at their fair value is balanced by the recognition of a liability for amounts due to the PFI provider. Property, plant and equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the County Council.

The amounts payable to the PFI contractors each year are analysed into five elements:

- a) Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- b) Finance cost – a percentage interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement under Financing, investment income & expenditure.
- c) Contingent rent – differences in the amount to be paid for the property arising during the contract, debited or credited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement.
- d) Payment towards liability – applied to write down the Balance Sheet liability, current and long term, towards the PFI operator.
- e) Lifecycle replacement costs – the annual payment implicit in the contract is funded and treated as a prepayment on the Balance Sheet and recognised as property, plant and equipment when the contractor incurs the expenditure.

The County Council has 3 PFI contracts providing waste services (including energy from waste), 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 original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the County Council. The significant PFI contracts are as follows:

### 15.1 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 Councils 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. Actual takeover by Mercia Waste Management Limited was achieved in March 2017. Completion of the takeover tests by Mercia Waste Management Limited was achieved as planned in August 2017.

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 Limited. 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.

### **15.2 Bromsgrove Schools PFI**

In December 2005 the County Council entered into a 30-year contract with Invesis UK Ltd (previously known as BAM PPP UK Limited and prior to that as 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.

### **15.3 Worcester Library and History Centre (The Hive) PFI**

In January 2010 the County Council entered into a PFI contract with Galliford Try Investments Ltd (now DiF Infra 3 UK Limited) 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 ('the University') 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.

## 15.4 Value of assets and liabilities under PFI contracts

	PPE - land & buildings			Total	PPE -	Total
	Waste disposal	Bromsgrove schools	The Hive		vehicle, plant & equipment	
					Waste disposal	
	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2022</b>	<b>5.4</b>	<b>57.0</b>	<b>24.4</b>	<b>86.8</b>	<b>100.1</b>	<b>186.9</b>
Additions	0.0	0.2	0.0	0.2	0.0	0.2
Revaluations	0.0	15.5	2.0	17.5	0.0	17.5
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	(0.2)	0.0	0.0	(0.2)	(5.2)	(5.4)
<b>Balance at 31 March 2023</b>	<b>5.2</b>	<b>72.7</b>	<b>26.4</b>	<b>104.3</b>	<b>94.9</b>	<b>199.2</b>

### Finance lease liability

	Waste disposal	Bromsgrove schools	The Hive	Total
	£m	£m	£m	£m
<b>Balance at 31 March 2022</b>	<b>(91.3)</b>	<b>(47.4)</b>	<b>(16.4)</b>	<b>(155.1)</b>
Additions	0.0	0.0	0.0	0.0
Payments	8.1	1.5	0.6	10.3
<b>Balance at 31 March 2023</b>	<b>(83.2)</b>	<b>(45.9)</b>	<b>(15.7)</b>	<b>(144.8)</b>

### 15.5 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	9.8	31.9	10.6	<b>52.2</b>
Payments due within 2 to 5 years	69.1	25.0	20.2	<b>114.3</b>
Payments due within 6 to 10 years	34.5	31.7	18.7	<b>84.8</b>
Payments due within 11 to 15 years	28.4	30.2	7.7	<b>66.2</b>
Payments due within 16 to 20 years	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>141.7</b>	<b>118.8</b>	<b>57.1</b>	<b>317.5</b>

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

## 16. Financial instruments

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability to another party. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments. The term includes financial assets such as bank deposits, investments and loans and accounts receivable and financial liabilities including borrowings and amounts payable. They are recognised on the Balance Sheet when the County Council becomes party to the contractual provisions of the Financial Instrument and are carried in-line with the requirements of IFRS 9.

The fair value calculations have been provided by the County Council's Treasury Management advisors for PWLB loans, LOBO loans, PFI Liabilities and shares in unlisted companies.

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

## 16.1 Income, expense, gains and losses on Financial Instruments 2022/23

The gains and losses on financial instruments recognised in the Comprehensive Income and Expenditure Statements are shown in the following table:

Financial Liabilities	Financial Assets		Total		Financial Liabilities	Financial Assets		Total
Amortised Cost	Amortised Cost	Fair value through profit and loss			Amortised Cost	Amortised Cost	Fair value through profit and loss	
£m	£m	£m	£m		£m	£m	£m	£m
(28.7)	0.4	0.0	(28.3)	Interest expense	(28.6)	(0.0)	0.0	(28.7)
0.0	7.4	(0.2)	7.2	Interest income	1.3	9.1	0.9	11.2
0.0	0.0	(0.1)	(0.1)	Increase/(decrease) in fair value	0.0	0.0	(1.1)	(1.1)
0.0	0.0	0.0	0.0	Fee expense	(0.1)	0.0	0.0	(0.1)
<b>(28.7)</b>	<b>7.8</b>	<b>(0.3)</b>	<b>(21.2)</b>	<b>Net gain / (loss) for the year</b>	<b>(27.4)</b>	<b>9.1</b>	<b>(0.2)</b>	<b>(18.6)</b>

## 16.2 Financial assets

Financial assets are classified as either:

- Amortised Cost – where the County Council holds the asset to collect payments of principal and interest and the cashflows arising not subject to variations in capital value. These are recognised on the Balance Sheet when we become party to the contractual provisions of the instrument and are initially valued at fair value, with subsequent measurement at amortised cost.
- Fair Value through profit and loss – in all other cases. These are recognised on the Balance Sheet when we become party to the contractual provisions of the instrument and are initially valued at fair value, with subsequent measurement at market price for instruments with quoted prices or discounted cash flow for instruments with fixed and determinable payments.



The financial assets disclosed in the balance sheet are analysed across the following categories:

31 March 2022			Category	31 March 2023		
Long-term	Current	Total		Long-term	Current	Total
£m	£m	£m		£m	£m	£m
	8.0	8.0	Amortised cost	0.0	0.0	0.0
3.0	(0.1)	2.9	Financial assets at fair value through profit & loss	1.9	0.3	2.2
<b>3.0</b>	<b>7.9</b>	<b>10.9</b>	<b>Total Investments</b>	<b>1.9</b>	<b>0.3</b>	<b>2.2</b>
0.0	4.3	4.3	Cash	0.0	0.0	0.0
0.0	0.0	0.0	Cash equivalents at amortised cost	0.0	(21.5)	(21.5)
0.0	38.5	38.5	Fair value through profit & loss	0.0	65.8	65.8
<b>0.0</b>	<b>42.8</b>	<b>42.8</b>	<b>Total Cash</b>	<b>0.0</b>	<b>44.2</b>	<b>44.2</b>
<b>104.2</b>	<b>57.4</b>	<b>161.6</b>	Debtors*	<b>102.4</b>	<b>79.4</b>	<b>181.8</b>
<b>107.2</b>	<b>108.1</b>	<b>215.3</b>	<b>Total financial assets</b>	<b>104.4</b>	<b>123.9</b>	<b>228.2</b>
*The debtors figure stated is lower than the debtors shown on the Balance Sheet as it excludes the following amounts which do not meet the definition of a financial asset: payments in advance and non-exchange transactions						
0.0	28.5	28.5	<i>Debtors which do not meet the definition of a financial instrument</i>	0.0	38.0	38.0
104.2	85.9	190.1	Balance Sheet Debtors Total	102.4	117.4	219.8

### 16.3 Financial liabilities

Financial liabilities are recognised on the Balance Sheet once there is a contractual obligation and are initially measured at fair value and carried at amortised cost. 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.

31 March 2022			Category	31 March 2023		
Long-term	Current	Total		Long-term	Current	Total
£m	£m	£m		£m	£m	£m
(409.9)	(78.2)	(488.1)	Financial liabilities at amortised cost	(392.0)	(143.5)	(535.5)
(0.0)	(43.4)	(43.4)	Creditors*	(0.0)	(0.0)	(0.0)
(155.1)	(0.0)	(155.1)	Other financial liabilities (PFI) at amortised cost	(144.8)	(0.0)	(144.8)
<b>(565.0)</b>	<b>(121.6)</b>	<b>(686.6)</b>	<b>Total financial liabilities</b>	<b>(536.8)</b>	<b>(143.5)</b>	<b>(680.3)</b>
*The creditors figure stated is lower than the debtors shown on the Balance Sheet as it excludes the following amounts which do not meet the definition of a financial asset:						
(0.0)	(47.7)	(47.7)	<i>Creditors which do not meet the definition of a financial instrument</i>	0.0	(81.3)	(81.3)
(0.0)	(91.1)	(91.1)	Balance Sheet Creditors Total	0.0	(81.3)	(81.3)

## 16.4 Fair value of financial assets and liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions.

Financial liabilities and financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of remaining cash flows at 31 March 2023 using fair value techniques appropriate to the characteristics of each instrument, using the following methods and assumptions:

- Loans taken out by the Council have been valued by discounting contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- The carrying value of long-term instruments, represented by long-term debtors, is deemed to be a reasonable proxy for fair value as this debtor will be repaid by 31 March 2024 and therefore the discounting of future cashflows over this two year period is not a material difference.
- The fair values of finance lease and PFI scheme liabilities have been calculated by discounting the contractual cashflows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is deemed to be not materially different to the carrying amount.

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

<b>Level 1</b>	Fair value is derived from quoted prices in active markets for identical assets or liabilities
<b>Level 2</b>	Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability
<b>Level 3</b>	Fair value is determined using unobservable inputs

## Fair value of financial assets

31 March 2021				31 March 2022		
Balance Sheet value	Fair value	Fair value level		Fair value level	Balance Sheet value	Fair value
£m	£m				£m	£m
			<b>Financial asset held at fair value through profit &amp; loss</b>			
(0.1)	(0.1)	1	Short-term investments	1	(0.0)	(0.0)
38.5	38.5	1	Cash and cash equivalents	1	44.2	44.2
3.0	3.0	3	Long-term investments (Malvern Hills Science Park)	3	1.9	1.9
<b>41.4</b>	<b>41.4</b>		<b>Subtotal</b>		<b>46.1</b>	<b>46.1</b>
			<b>Financial asset held at amortised cost</b>			
104.2	104.2	1	Long-term debtors <sup>^</sup>	1	102.4	102.4
8.0	8.0	1	Investments	1	2.2	2.0
<b>112.2</b>	<b>112.2</b>		<b>Sub total</b>		<b>104.6</b>	<b>102.4</b>
<b>153.6</b>	<b>153.6</b>		<b>Total</b>		<b>150.7</b>	<b>150.5</b>
61.7			Assets for which fair value is not disclosed*		77.5	
<b>215.3</b>	<b>153.6</b>		<b>Total Financial Assets 228.2</b>		<b>228.2</b>	<b>150.5</b>
			<b>Recorded on Balance Sheet as:</b>			
104.2			Long term loans and advances		102.4	102.4
3.0			Long term investments		1.9	1.9
7.9			Short-term investments		0.3	0.3
57.4			Short-term Debtors		79.4	79.4

42.8			Cash and cash equivalents		44.2	
<b>215.3</b>			<b>Total Financial Assets</b>		<b>228.2</b>	

^ The carrying value of long-term debtors is deemed to be a reasonable proxy for fair value as this debtor will be repaid by 31 March 2024 and therefore the discounted cashflows over the remaining 2 year period are not materially different.

\*The fair value of short term financial assets including trade receivables is assumed to approximate to the carrying amount.

### Fair value of financial liabilities

31 March 2022				31 March 2023		
Balance Sheet value	Fair value	Fair value level		Fair value level	Balance Sheet value	Fair value
£m	£m				£m	£m
			<b>Financial liabilities held at amortised cost</b>			
406.5	439.9	2	Long term PWLB Loans	2	392.3	327.8
81.6	103.7	2	Other Long Term Loans	2	92.6	91.0
155.1	196.0	1	PFI liabilities	1	144.8	112.5
<b>643.2</b>	<b>739.6</b>		<b>Total financial liabilities held at amortised cost</b>		<b>629.7</b>	<b>531.3</b>
43.4			Liabilities for which fair value is not disclosed*		50.6	
<b>686.6</b>	<b>739.6</b>		<b>Total financial liabilities</b>		<b>680.3</b>	<b>531.3</b>
			<b>Recorded on Balance Sheet as:</b>			
43.4			Short term Creditors		0.0	
78.2			Short term Borrowings		119.1	
409.9			Long term Borrowings		416.4	
155.1			Other long term liabilities		144.8	
<b>686.6</b>			<b>Total Financial Liabilities</b>		<b>680.3</b>	

\*The fair value of short term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their Balance Sheet carrying amount as these balances comprise a number of loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at the end of the financial year) arising from a commitment to pay interest to lenders at above current market rates.

### **16.5 Nature and extent of risks arising from financial instruments**

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. Risk management is carried out by a central treasury team under policies approved by the County Council in the Treasury Management Strategy.

The Strategy imposes a maximum sum and duration that the County Council can invest in an institution, depending upon the quality of credit rating. The Strategy for 2022/23 was approved by Council on 17 February 2022.

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

#### **Credit risk**

Credit risk is the possibility that other parties might fail to pay amounts due to the County Council.

#### Credit Risk Management Practices

The Council's credit risk management practices are set out within its Annual Treasury Management Strategy (ATMS). With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The ATMS requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The ATMS also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below: -

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

All credit ratings are monitored daily and changes to ratings are notified to the Council by Link Asset Treasury Solutions, creditworthiness service. If a downgrade results in the financial institution / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £25.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits but there was no evidence at the 31st March 2023 that this was likely to crystallise

The credit risk in respect of Trade Debtors is considered at Note 18. For our other Financial Assets Held at Amortised Cost, we have considered the credit risk, including any additional impact arising as a result of the COVID-19 pandemic:

- Cash and Cash Equivalents - No material risk on the basis that these are liquid assets.
- Short-term investments – No material risk. The Short-term investments balance at 31 March 2021 comprises a single deposit at another local authority with a short-term maturity date; the expected credit loss was assessed by our Independent Treasury Advisors as a trivial sum.
- Capital Advances treated as a Loan – No material risk. In respect of the loan arrangement to Mercia Waste, we assess the 12 month potential credit loss; as this has been quantified as not material, we see no reason to revise our assessment in light of the Covid-19 impact given that:
  - The nature of the Counterparty's activity (waste management), which has continued to operate during the pandemic and will continue to operate as the economy reopens; and
  - The nature of the underlying asset (clean power generation), notwithstanding short-term energy price fluctuations, we do not anticipate any risk of obsolescence, loss of amenity or other factors that would suggest an impairment in the value of the asset.

## 17. Long term investments

<b>31 March 2022</b>	<b>31 March 2023</b>
£m	£m
3.0 Malvern Hills Science Park	1.9
<b>3.0 Total</b>	<b>1.9</b>

### 17.1 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; this has been judged not to give the County Council a controlling influence. In addition, the County Council holds Preference shares of 957,103 shares (957,103 in 2021/22) and 6,190 P2 shares (6,190 2021/22). The preference shares carry no voting rights. These are the only Level 3 investments held by the County Council. The County Council's investment, measured at fair value in 2022/23, is £1.9 million (2021/22 £3.0m). This is shown on the Balance Sheet as a Long-Term investment, and the asset is held at Fair Value Through Profit and Loss (included in note 16.2). The value of the shares has been reviewed following publication of the Company's 2021/22 accounts. There is one Cabinet member on the Board.



## 18. Debtors

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

31 March 2022	31 March 2023
£m	£m
<b>Long term debtors:</b>	
0.9 Trade receivables	4.2
103.3 Capital loans and advances	98.2
<b>104.2</b>	<b>102.4</b>
<b>Short term debtors:</b>	
50.2 Trade receivables	73.5
8.6 Prepayments	14.2
14.0 VAT	8.4
12.5 Council Tax	18.7
0.5 NNDR	2.7
0.1 Other receivables	0.0
<b>85.9</b>	<b>117.4</b>
<b>190.1 Total debtors</b>	<b>219.8</b>

The County Council does not generally allow credit for trade receivables debtors, however £19.2 million of balances are past due date for payment and can be analysed as follows. The current impairment allowance for trade debtors in the Balance Sheet is £6.2 million (£2.5 million for general Trade Debtors and £3.7 million for Fairer Charging Clients), a decrease of £1.0 million on the March 2022 figure.

	£m
One to three months	4.2
Three to six months	3.3
Six months to one year	3.2
More than one year	8.4
<b>Total</b>	<b>19.2</b>

### 19. Cash and cash equivalents

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

	Opening Balance 01/04/2022	Movement During the Year	Closing Balance 31/03/2023
	£m	£m	£m
Bank current accounts	4.3	(25.9)	(21.6)
Short Term investments held as cash	38.5	27.3	65.8
<b>Total cash and cash equivalents</b>	<b>42.8</b>	<b>1.4</b>	<b>44.2</b>

## 20. Creditors

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

<b>31 March</b>	<b>31 March</b>
<b>2022</b>	<b>2023</b>
<b>£m</b>	<b>£m</b>
<b>Short-term creditors</b>	
(49.9) Trade payables	(39.7)
(8.8) Receipts in Advance	(6.8)
(5.6) Employee Leave Accrual	(6.3)
(12.1) Council Tax	(20.1)
(6.7) NNDR	(0.9)
(8.0) Other payables	(7.5)
<b>(91.1) Total creditors</b>	<b>(81.3)</b>

## 21. Other long-term liabilities

<b>2021/22</b>	<b>2022/23</b>
<b>£m</b>	<b>£m</b>
(155.1) PFI liabilities	(144.8)
(429.4) Re-measurement of the net defined benefit surplus/(deficit)	31.8
(2.2) Teachers' Pension scheme Added year surplus/(deficit)	(1.7)
<b>(586.7) Other Long-term Liabilities</b>	<b>(114.7)</b>

## 22. Grants and contributions receipts in advance

<b>31 March 2022</b>	<b>31 March 2023</b>
24.1 Section 106 Town and Country Planning Act 1990	28.2
2.1 Section 278 Highways Act 1980	2.2
8.2 Short-term Grants Received in Advance	0.2
<b>26.2</b>	<b>30.6</b>

## 23. Cash activities

### 23.1 Operating activities

2021/22	2022/23
<b>£m</b>	<b>£m</b>
0.3 Interest received	0.9
(29.4) Interest paid	(28.6)
<b>2021/22</b>	<b>2022/23</b>
<b>£m</b>	<b>£m</b>
<b>The surplus/deficit on the provision of services has been adjusted for the following non-cash movements</b>	
50.3 Depreciation	53.1
(2.2) Downward revaluations	(5.9)
1.4 Amortisation	0.0
(1.7) (Increase) / decrease in impairment for bad debts	1.0
(1.4) (Decrease) / Increase in creditors	(21.2)
(3.5) (Increase) / decrease in debtors	(31.5)
44.4 Movement in pension liability	53.1
0.0 (Increase)/ decrease in Inventories	0.3
28.5 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	11.3
(8.4) Other non –cash items	24.3
<b>107.4</b>	<b>84.5</b>

**The surplus/deficit on the provision of services has been adjusted for the following items that are investing or financing activities**

(6.2) Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11.2)
(50.2) Any other items for which the cash effects investing or financing cash flows	(56.9)
<b>(56.4)</b>	<b>(68.1)</b>

**23.2 Investing activities**

<b>2021/22</b>	<b>2022/23</b>
<b>£m</b>	<b>£m</b>
(97.5) Purchase of property, plant & equipment and intangible assets	(91.0)
(41.0) Purchase of short-term & long-term investments	(173.9)
6.7 Other payments for investing activities	6.4
6.2 Proceeds from the sale of property, plant & equipment and intangible assets	11.2
68.1 Proceeds from short-term & long-term investments	181.9
55.6 Other receipts from investing activities	56.9
<b>(1.9) Net cash flows from investing activities</b>	<b>(8.5)</b>

Other receipts from investing activities (£56.9 million) are represented by Capital Grants of £56.9 million and other Capital Receipts of £0.0 million.

### 23.3 Financing activities

2021/22	2022/23
£m	£m
0.0 Cash receipts of short-term & long-term borrowing	101.0
2.6 Other receipts from financing activities	0.0
(7.9) Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-Balance Sheet PFI contracts	(10.3)
(39.6) Repayments of short and long-term borrowing	(54.1)
<b>(44.9) Net cash flows from financing activities</b>	<b>36.6</b>

## 24. Officers' remuneration

Short-term employee benefits, including wages and salaries, paid annual and sick leave for current employees, are recognised as an expense in the year in which the service is provided to the County Council.

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

All amounts paid to or receivable by County Council employees, including salary, expenses allowances and compensation for loss of employment, where this total is more than £50,000 are given in the table below. Senior Officer remuneration are excluded and reported separately.

2021/22			Total Remuneration to Employees	2022/23		
Teachers	Non-Teachers	Total		Teachers	Non-Teachers	Total
62	37	99	£50,000 to £54,999	68	91	159
40	24	64	£55,000 to £59,999	51	42	93
30	22	52	£60,000 to £64,999	36	24	60
26	5	31	£65,000 to £69,999	18	24	42
18	3	21	£70,000 to £74,999	23	10	33
10	4	14	£75,000 to £79,999	13	2	15
6	0	6	£80,000 to £84,999	8	0	8
3	4	7	£85,000 to £89,999	8	3	8
2	3	5	£90,000 to £94,999	9	9	9
2	1	3	£95,000 to £99,999	11	4	11
2	2	4	£100,000 to £104,999	1	1	1
0	2	2	£105,000 to £109,999	0	0	0
1	1	2	£110,000 to £114,999	0	0	0
0	0	0	£115,000 to £119,999	0	0	0
0	0	0	£120,000 to £124,999	0	0	0
0	1	1	£125,000 to £129,999	0	0	0



0	1	1	£130,000 to £134,999	0	0	0
0	1	1	£135,000 to £139,999	0	0	0
0	0	0	£140,000 to £144,999	0	0	0
0	0	0	£145,000 to £169,999	0	0	0
0	0	0	£170,000 to £174,999	0	0	0
0	0	0	£175,000 to £179,999	0	0	0
0	0	0	£180,000 to £184,999	0	0	0
0	1	1	£185,000 to £189,999	0	0	0
<b>202</b>	<b>112</b>	<b>314</b>		<b>229</b>	<b>210</b>	<b>439</b>

## 24.2 Senior employees' remuneration

Senior employees are defined as those whose salary is more than £150,000 per annum, and those employed in statutory chief officer posts or who report directly to the Chief Executive.

Post Title		Salary	National Insurance	Expense allowances	Pension Contributions	Total	Position start date	Position end date
		£	£	£	£	£		
<b>Chief Executive, Paul Robinson</b>	<b>2022/23</b>	<b>188,526</b>	<b>26,057</b>	<b>35</b>	<b>35,337</b>	<b>249,954</b>		
	2021/22	186,719	24,547		34,998	246,264		
<b>Director of Children's Services^</b>	<b>2022/23</b>	<b>140,989</b>	<b>19,236</b>	<b>781</b>	<b>26,450</b>	<b>187,455</b>		
	2021/22	126,557	16,244	834	23,722	167,357		
<b>Director of Economy &amp; Infrastructure</b>	<b>2022/23</b>	<b>138,435</b>	<b>18,750</b>		<b>25,948</b>	<b>183,133</b>		

	2021/22	136,525	17,593		25,590	179,708	
<b>Director of Commercial &amp; Change</b>	<b>2022/23</b>	<b>129,680</b>	<b>16,654</b>	<b>127</b>	<b>23,383</b>	<b>169,843</b>	
	2021/22	128,390	16,497		24,205	169,092	
<b>Director of Public Health</b>	<b>2022/23</b>	<b>10,693</b>	<b>1,469</b>	<b>23</b>	<b>1,347</b>	<b>13,529</b>	30/04/2022
	2021/22	112,492	14,303		16,301	143,096	*
<b>Chief Financial Officer</b>	<b>2022/23</b>	<b>101,499</b>	<b>13,582</b>	<b>258</b>	<b>19,025</b>	<b>134,363</b>	12/03/2023
<b>Interim Chief Financial Officer</b>	<b>2022/23</b>	<b>4,949</b>	<b>615</b>		<b>928</b>	<b>6,492</b>	<b>13/03/2023</b>
	2021/22	105,186	13,773		20,365	139,324	
<b>Assistant Director Legal &amp; Governance</b>	<b>2022/23</b>	<b>107,865</b>	<b>11,035</b>		<b>9,740</b>	<b>128,638</b>	<b>30/09/2022</b>
<b>Assistant Director Legal &amp; Governance</b>	<b>2022/23</b>	<b>9,155</b>	<b>1,070</b>		<b>1,709</b>	<b>11,893</b>	<b>01/03/2023</b>
	2021/22	105,908	13,395	97	19,851	139,251	
<b>Assistant Director for Human Resources &amp; Engagement</b>	<b>2022/23</b>	<b>96,283</b>	<b>12,655</b>		<b>18,048</b>	<b>126,985</b>	
<b>Director of People</b>	<b>2022/23</b>	<b>96,450</b>	<b>12,859</b>		<b>18,079</b>	<b>127,387</b>	<b>01/07/2022</b>
	2021/22	139,844	18,228		25,468	183,540	
<b>Total</b>	<b>2022/23</b>	<b>1,091,555</b>	<b>142,510</b>	<b>1,224</b>	<b>192,561</b>	<b>1427,839</b>	
	<b>2021/22</b>	<b>1,041,621</b>	<b>134,580</b>	<b>931</b>	<b>190,500</b>	<b>1,367,632</b>	

## 25. Termination benefits and exit packages

This discloses both exit packages for employees who have left the County Council in 2022/23 and any provisions for packages which have been agreed where the employee will leave at a future date. The cost includes redundancy costs, costs of pension added years and any other departure costs. Termination Benefits are charged in the year in which they are paid or on an accrual basis if appropriate.

Where enhancement of retirement benefits is made the amount charged is the amount payable by the County Council to the Pension Fund or pensioner in the year.

2021/22			2022/23	
Total number of exit packages	Total cost of exit packages	Exit package cost band (including redundancy, pension strain, and settlement payments)	Total number of exit packages	Total cost of exit packages
	£m			£m
23	0.1	£0 - £20,000	44	0.3
3	0.1	£20,001 - £40,000	8	0.2
1	0.1	£40,001 - £60,000	0	0.0
0	0.0	£60,001 - £80,000	1	0.1
0	0.0	£80,001 - £100,000	0	0.0
0	0.0	£100,001 - £150,000	0	0.0
0	0.0	£150,001 - £200,000	0	0.0
0	0.0	£200,001 - £250,000	0	0.0
0	0.0	£250,001 - £300,000	0	0.0
0	0.0	£300,001 - £350,000	0	0.0
0	0.0	£350,001 - £400,000	0	0.0
<b>27</b>	<b>0.3</b>	<b>Total Termination Packages</b>	<b>53</b>	<b>0.6</b>

## **26. Related parties**

The Council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

### **26.1 UK Central Government**

The UK 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 (note 6 refers), and sets the terms of many of the relationships that the County Council has with other organisations.

### **26.2 Elected Members**

Elected members of the County Council have direct control over the County Council's financial and operating policies. A total of £1.0 million allowances and expenses were paid to members in 2022/23 (2021/22 £1.0 million). Elected members of the County Council may be involved with other local organisations that provide services for or receive services from the County Council. Transactions for these organisations have been reviewed and there are no related party disclosures to be made for elected members.

### **26.3 Officers**

Officers of the County Council may be involved with other local organisations that provide services for or receive services from the County Council. Transactions for these organisations have been reviewed and there are no related party disclosures to be made for officers.

### **26.4 Section 75 Framework Partnership Agreements**

The County Council has an integrated commissioning unit with Health through a Section 75 arrangement including the Better Care Fund (details given in note 7). Monitoring is through the Integrated Commissioning Executive Officers Group (ICEOG) and agreed and controlled through the Clinical Commissioning Group Board and the Health and Wellbeing Board.

## **26.5 Worcestershire County Council Pension Fund**

At the year-end the County Council charged the Pension Fund £1.8 million (2021/22 £1.8 million) for expenses incurred in administering the Pension Fund. Further details are given in the Defined Benefit Pension Scheme notes.

## **26.6 West Mercia Energy Joint Committee**

The County Council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME 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. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The County Council spent £3.4 million with WME in 2022/23 (2021/22 £4.1 million) and this is reflected in the Comprehensive Income and Expenditure Statement.

## **26.7 Place Partnership Limited**

Place Partnership Limited was a single asset management company co-owned by the County Council, Hereford & Worcester Fire Authority, Warwickshire Police and West Mercia Police and each party had equal shares and equal voting rights.

Place Partnership Limited ceased to trade on 31 March 2021 and services relating to the County Council were transferred in house. A notice of appointment of liquidator was filed with Companies House on 14 April 2022. No further costs are expected to be incurred by the partners.

## **26.8 Severn Arts**

Severn Arts is a Private Company Limited by Guarantee that provides education in music and the Arts within Worcestershire. The County Council appoints one out of the ten trustees. This is a Related Party because the trustee appointed is a key management personnel of the County Council.

The company commenced trading on 1<sup>st</sup> June 2018, after a transfer of service provision and assets from the County Council. As part of the transfer, the County Council loaned Severn Arts £0.4 million, which is to be paid back in monthly instalments over 7 years with 4.78% interest per annum. There is a loan balance of £0.3 million outstanding at 31 March 2023 (2021/22 £0.3 million).

## **26.9 Worcestershire Children First**

Worcestershire Children First is a Private Limited Company by Guarantee without share capital and is 100% owned and controlled by Worcestershire County Council. The company was incorporated on 4<sup>th</sup> July 2018 and commenced trading on 1<sup>st</sup> October 2019. The company is principally engaged in the provision of social care and educational services for children and families across Worcestershire. The company has been identified as a subsidiary as it is 100% owned by the Council, and therefore the Council is deemed to have single control. Group Accounts have been prepared because the subsidiary is assessed to be material.

In 2022/23, the Council spent £148.2 million (2021/22 £128.1 million) on services from the company and received £8.3 million (2021/22 £7.7 million) in income from the provision of support services. This is reflected in the single entity Comprehensive Income and Expenditure Statement. There is a debtor

of £4.1 million (2021/22 £3.9 million) and a creditor of £3.3 million (2021/22 £1.5 million) outstanding at 31 March 2023 and these balances are included in the single entity Balance Sheet.

The company's Board includes 1 Director who is employed by the Council and 2 Elected members of the Council; these individuals did not receive any remuneration from the company during the year.

### **26.10 Tickenhill Trust**

Worcestershire County Council is sole trustee for the Tickenhill Collection, registered charity 527509. This collection of rural life artefacts are managed by the Joint Museums Committee with Worcester City Council. The Trust has no income or expenditure, and therefore is not included in the Council's Comprehensive Income and Expenditure Statement. The assets are included on the Council's balance sheet under Heritage Assets.

## 27 Leases

### 27.1 The County Council as lessee – operating leases

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

The County Council's outstanding obligations under lease agreements as at 31 March 2023 totalled £14.1 million (31 March 2022 £13.4 million).

	£m
Leases expiring in less than 1 year	1.2
Leases expiring between 1 and 5 years	3.6
Leases expiring in 5 years+	9.3
	<b>14.1</b>

Operating lease payments of £1.2 million were charged to the Comprehensive Income and Expenditure Statement in 2022/23.

	£m
Minimum lease payments	1.2
Contingent rents	0.0
(Sublease payments receivable)	0.0
	<b>1.2</b>

### 27.2 The County Council as lessor – operating leases

Where an asset is leased by the County Council to a third party as an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

The County Council's outstanding obligations under lease arrangements as at 31 March 2023 totalled £7.7 million (31 March 2022 £11.2 million).

	£m
Leases expiring in less than 1 year	1.9
Leases expiring between 1 and 5 years	3.7

	<b>£m</b>
Leases expiring in 5 years+	2.1
	<b>7.7</b>

Operating lease receipts of £1.4 million were received in 2022/23 million).

	<b>£m</b>
Contingent rents	1.4
	<b>1.4</b>

## 28 External audit costs

2021/22	2022/23
£m	£m
0.2 Fees payable regarding external audit services	0.1

A fee of £140k was paid to Grant Thornton in 2022/23. This fee comprises £140k main statutory audit fees. Non audit fees of £7.5k were paid to Grant Thornton in respect of certification of the Teacher's Pension Fund.

## 29 Short term investments

31 March 2022	31 March 2023
£m	£m
7.9 Short term investments	0.3
<b>7.9 Total</b>	<b>0.3</b>



### 30 Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is approved. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made of the nature of the events and their estimated financial effect.

The financial statements have not been adjusted for the following events which took place after 31 March 2023; they provide information relevant to the Council's financial position but do not relate to conditions existing at that date.

#### Non-adjusting events

At the date of publication of the accounts, there are no non-adjusting events to disclose.

#### Academy Conversions

At the date of publication of the accounts, XX schools have converted to academy status since 31 March 2023. Schools which convert after the reporting period are non-adjusting events and are reported below for information.

Name of School	Date of Conversion	Asset value at 31 March 2023

### **31 Accounting standards issued but not yet adopted**

The County Council is required to disclose the impact on an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 Code will introduce the following amendments:

#### **IFRS 16: Leases**

IFRS 16 will require local authorities that are lessees to recognise a lease on their balance sheet as a right-of-use asset with a corresponding lease liability (there are exemptions for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024. The County Council will continue to review its lease arrangements to assess the impact of the change.

#### **Annual Improvements to IFRS Standards 2018-2020**

The annual IFRS improvement programme notes 4 changed standards

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

These accounting standards are not expected to have any significant impact for the Council.

## **32 Prior Period Adjustments**

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Change in estimates are accounted for prospectively, whereas changes in accounting policies are applied retrospectively. Material errors in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **a) Adjustments to Group Statements 2021/22**

The Group Statements include adjustments throughout for 2021/22, to reflect the value of WCF Net Assets at year-end, which were £1.1m.

### 33 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or events that are otherwise uncertain. Estimates are made based on historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Property plant &amp; equipment valuations</b>	<p>The Council's external valuers provide valuations at 31 March based on a 5-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p>	<p>Valuations are compiled by an expert using recognised measurement techniques and based on professional guidance. The underlying data is considered to be reliable and the scope to use judgement and change assumptions is limited.</p> <p>The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure the value of the Council's assets are not materially misstated.</p> <p>A variation of 5% in the value of the Council's Land &amp; Building assets (Net Book Value at 31 March 2023 of £521.5 million) would be approximately £26.1 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the Comprehensive Income and Expenditure Statement and/or increase to the Revaluation Reserve and/or gains charged to the Comprehensive Income and Expenditure Statement.</p>
<b>Pension Liability</b>	<p>The net liability to pay pensions is calculated every three years with annual updates in the intervening</p>	<p>The effect on the net pension surplus (£30.1 million at 31 March 2023) of changes in individual assumptions can be measured. For instance:</p>

	<p>years. A firm of actuaries (Mercer) is engaged to provide the Council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<ul style="list-style-type: none"> <li>• An increase of 0.05% in the discount rate assumption would increase the value of the net pension surplus by approximately £79.6 million.</li> <li>• An increase of 0.25% in the inflation assumption would decrease the value of the net pension surplus by approximately £42.9 million.</li> <li>• An increase of 0.25% in the assumed pay assumption would decrease the value of the net pension surplus by approximately £4.1 million.</li> <li>• An increase of one year assumed in life expectancy would decrease the value of the net pension surplus by approximately £21.6 million.</li> </ul> <p>Further information is included in the Defined Benefit Pension Scheme notes.</p>
<p><b>Fair Value Measurement</b></p>	<p>When the fair value of financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following valuation techniques:</p> <ul style="list-style-type: none"> <li>• For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the Balance Sheet date;</li> <li>• For Level 3 inputs, valuations based on most recent valuations adjusted using indexation and impairment review as appropriate.</li> </ul>	<p>Where the fair value of financial instruments is measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the Balance Sheet date. All valuations are undertaken by expert valuers in accordance with methodologies and bases for estimation set out in the professional standards.</p> <p>As most estimates are based on current market information, material changes to the carrying values are not expected.</p> <p>Significant changes in any of the unobservable inputs could result in a significantly lower or higher fair value measurement for these assets.</p>

## 34 Pension Schemes

Post-employment benefits include pensions and retirement lump sums. Employees of the County Council may be members of:

- The Local Government Pensions Scheme (a defined benefit scheme), administered by the County Council under national regulations;
- The Teachers' Pension Scheme (a defined benefit scheme), administered by the Teachers' Pensions Agency on behalf of the Department for Education; or
- The NHS Pension Scheme (a defined benefit scheme), administered by the Department of Health.

### 34.1 Defined benefit pension schemes

#### Teachers' Pension Scheme

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

In 2022/23 the County Council paid £14.7 million (2021/22 £15.3m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 23.7% (2021/22 23.7%) of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to teachers' added years it has awarded, together with the related increases. In 2022/23 these amounted to £0.2 million (2021/22 £0.3m), representing 0.4% (2021/22 0.4%) of pensionable pay. The County Council's Actuary has calculated a long-term liability of £1.7 million in respect of these payments that will decline over time and this is included in the balance sheet under other long-term liabilities.

#### NHS Pension Scheme

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

In 2022/23 the County Council paid £0.1 million (2021/22 £0.1m) to the NHS Superannuation Scheme, which represents 14.4% (2021/22 14.4%) of NHS pensionable pay.

#### Defined benefit pension schemes

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis.
- The assets of the Pension Fund attributable to the County Council are included in the Balance Sheet at their fair value.

In relation to retirement benefits the General Fund is charged with the amount payable by the County Council to the Pension Fund or directly to pensioners in the year, not the amount calculated by the relevant accounting standards. In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with

debits for the cash paid to the Pension Fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows and not as benefits are earned by employees.

The County Council administers and participates in the Worcestershire County Council Pension Fund. Retirement benefits are determined independently of the investments of the Pension Fund, and the County Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The County Council and participating employees pay contributions into the fund which are 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. As the statutory Administering Authority and Scheme Manager for the Fund, the County Council is responsible for ensuring effective stewardship of the Pension Fund's affairs. The County Council has established a Pension Committee to discharge its responsibility for the management of the administration of the Pension Fund. Policy is determined in accordance with the Pensions Fund Regulations. The management of the Pension Fund's assets is operated through thirteen specialist external managers.

The three principal risks to the scheme are:

- Market risk (volatility in stock prices, increase in interest rates and fluctuations in currency exchange rates);
- Credit risk where a borrower does not make payments as promised; and
- 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.

The Court of Appeal decision on the 28 June 2019 in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") ruled that the transitional protection afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The County Council's actuary has included a calculation for the anticipated impact of the judgement on the pensions' liability. The additional costs are sensitive to the assumptions made. Relevant entries are included below as McCloud judgement liability.

### 34.2 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:

2021/22		2022/23
£m		£m
	<b>Comprehensive Income &amp; Expenditure Statement</b>	
	<b>Cost of services:</b>	
36.9	Current service cost	43.1
0.0	Current service cost – McCloud judgement	0.0
0.0	Past service cost	0.1
0.0	Settlements and curtailments	0.1
	<b>Other Operating Expenses</b>	
0.4	Administration expenses	0.4
	<b>Financing &amp; investment income &amp; expenditure</b>	
32.1	Interest on Pensions Liabilities	43.6
(22.8)	Interest on Pensions Assets	(31.4)
46.6	<b>Total post-employment benefit charged to the surplus or deficit on the Provision of Services</b>	55.9
2021/22		2022/23
£m		£m



	<b>Re-measurement of the net defined liability charged to the Comprehensive Income &amp; Expenditure Statement</b>	
<b>(44.2)</b>	Return on Plan assets (excluding the amount included in net interest expense)	62.2
<b>4.2</b>	Actuarial (gain) / loss arising on changes in experience	75.6
<b>(7.0)</b>	Actuarial (gain) / loss arising on changes in financial assumptions	(632.9)
<b>(11.9)</b>	Actuarial (gain) / loss arising on changes in demographic assumptions	(25.6)
<b>0.0</b>	Increase/(Decrease) in Teacher's Pension Liability	(0.5)
<b>(12.3)</b>	<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>465.3</b>
	<b>Movement in Reserves Statement</b>	
<b>(46.6)</b>	Reversal of net charges made to the surplus or deficit for the Provision of Services for post-employment benefits in accordance with the Code of Practice	<b>(55.8)</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<b>28.0</b>	Employer's contributions payable to the scheme	<b>29.1</b>

### 34.3 Pension gains and losses charged to the Comprehensive Income and Expenditure Statement

<b>2021/22</b>	<b>2022/23</b>
£m	£m
44.2 Return on Plan Assets (excluding the amount included in net interest expense)	(62.2)
(4.2) Actuarial gain / (loss) arising on changes in experience	(75.6)
7.0 Actuarial gain / (loss) arising from changes in financial assumptions	632.9
11.9 Actuarial gain / (loss) arising on changes in demographic assumptions	25.6
0.2 (Increase)/decrease in Teachers Pension Liability	0.5
<b>59.1 Total gain / (loss)</b>	<b>521.2</b>

#### 34.4 Pension assets and liabilities recognised in the Balance Sheet

<b>2021/22</b>	<b>2022/23</b>
£m	£m
(1,566.6) Present value of liabilities	(1,045.6)
1,137.2 Fair value of assets	1,077.4
<b>(429.4) (Deficit) / Surplus in the scheme</b>	<b>31.8</b>

Statutory arrangements for funding pension fund deficits mean that the financial position of the County Council is consistent with previous financial years. Any deficit on the local government pension 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 paid.

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

This table gives detail of the assets and liabilities as calculated by the County Council’s actuary. The financial assumptions included are based on yield assumptions on corporate bonds and are impacted by the duration of our employee liabilities. Increases in benefits and pensions included in these assumptions are based on CPI. Salary growth assumptions are based on long-term “real” salary inflation assumptions. Further information is given in note 34.7 which breaks down the fund investment assets, note 34.8 which provides the underlying assumptions for calculations included and note 34.10 which estimates the impact of any sensitivities in these assumptions.

Reconciliation of present value of the scheme liabilities:

<b>2021/22</b>	<b>2022/23</b>
£m	£m
<b>(1,541.6) Opening balance at 1 April</b>	<b>(1,566.6)</b>
(36.9) Current service cost	(43.1)
(32.1) Interest cost	(43.6)
(5.7) Contributions by scheme participants	(6.4)
<b>Remeasurement (gains) and losses:</b>	
(4.2) Actuarial gain / (loss) arising on changes in experience	(75.6)
7.0 Actuarial gain / (loss) arising on changes in financial assumptions	626.6
11.9 Actuarial gain / (loss) arising on changes in demographic assumptions	25.6
35.1 Benefits paid	37.7
0.0 Business combinations	0.0
0.0 Past service cost – McCloud Judgement	(0.1)
0.0 Curtailments	(0.1)
<b>(1,566.6) Closing balance at 31 March</b>	<b>(1,045.6)</b>

Reconciliation of fair value of the scheme assets:

2021/22	2022/23
£m	£m
<b>1,097.7 Opening balance at 1 April</b>	<b>1137.2</b>
22.8 Interest Income	31.4
44.2 Return on plan assets, excluding the amount included in the net interest expense	(62.2)
(0.4) Administration expenses	(0.4)
2.3 Employer contributions	2.7
0.0 Business combinations	0.0
5.7 Contributions by scheme participants	6.4
(35.1) Benefits paid	(37.7)
<b>1,137.2 Closing balance 31 March</b>	<b>1,077.4</b>

### 34.6 Pensions Reserve

2021/22	2022/23
£m	£m
<b>(498.4) Balance at 1 April</b>	<b>(458.0)</b>
44.2 Return on Plan assets (excluding the amount included in net interest expense)	(62.2)
(4.2) Actuarial gain / (loss) arising on changes in experience	(75.6)
7.0 Actuarial gain / (loss) arising on changes in financial assumptions	626.6
11.9 Actuarial gain / (loss) arising on changes in demographic assumptions	25.6
0.0 Business combinations	0.0
(46.6) 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	(55.8)
2.3 Employer's pensions contributions & direct payments to pensioners payable in the year	2.7

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25.6 Employer's pension contributions – prepayment adjustment	26.3
0.2 Decrease in Teachers Pension Liability	0.5
<b>(458.0) Balance at 31 March</b>	<b>30.1</b>

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### 34.7 Local Government Pension Scheme assets

2021/22	Quoted	2022/23
£m	(Y/N)	£m
<b>Equities:</b>		
1.3 UK Quoted	Y	1.1
278.4 Overseas quoted	Y	240.7
156.7 Pooled Investment Vehicle – UK Managed Funds	N	135.5
454.6 Pooled Investment Vehicle – UK Managed Funds – (overseas equities)	N	393.0
9.1 Pooled Investment Vehicle – Overseas Managed Funds	N	7.8
<b>Bonds:</b>		
0.0 UK Corporate	-	0.0
0.0 Overseas Corporate	-	0.0
0.0 Other Bonds	Y	0.0
18.4 UK Government Fixed	Y	14.9
16.0 LGPS Central Global Pooled Funds	Y/N	12.9
0.0 Overseas Government	-	0.0
<b>Property:</b>		
0.0 European Property Fund	N	0.0
7.9 UK Property Debt	N	11.6
5.3 Overseas Property Debt	N	7.7
50.1 UK Property Fund	N	73.3
0.0 Overseas REITS	N	0.0
<b>Alternatives:</b>		
53.6 UK Infrastructure	N	62.6

35.7 European Infrastructure	N	41.8
29.8 US Infrastructure	N	34.8
4.8 US Stock Options	N	5.6
(2.4) Overseas Stock Options	N	(2.8)
17.9 Corporate Private Debt	N	20.9
<b>Cash:</b>		
0.0 Cash Instruments	N	0.8
0.0 Cash Accounts	N	7.3
0.0 Net Current Assets	N	7.7
<b>1,137.2 Total</b>		<b>1077.4</b>

### 34.8 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 31 March 2020, with an effective date of 1 April 2021. The principal assumptions used by the actuary are:

<b>2021/22</b>	<b>2022/23</b>
<b>Mortality assumptions</b>	
<b>Longevity at 65 for current pensioners (years):</b>	
22.6 Men	22.0
25.0 Women	24.2
<b>Longevity at 65 for future pensioners (years):</b>	
24.1 Men	23.3
27.0 Women	26.1
<b>Financial assumptions</b>	
3.4% Rate of CPI inflation	2.7%
4.9% Rate of increase in salaries	4.2%
3.5% Rate of increase in pensions	2.8%
2.8% Rate for discounting scheme liabilities	4.8%

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.

### **34.9 Assumptions made about the future and estimate uncertainties**



Item	Uncertainties	Effect if actual results differ from assumptions
<b>Property and infrastructure valuations (Level 3 investments)</b>	<p>The Fund's directly held investment properties are valued at fair value by independent valuers in accordance with RICS valuation professional standards, whilst infrastructure investments are valued at fair value by independent experts. There is continuing uncertainty regarding the property and infrastructure valuations due to the time that it will take to fully realise the impact of COVID-19 upon these illiquid assets as well as the growing concerns as to inflation rises. The valuations have been updated based on the information available as at 31 March 2022 and may be subject to variations as further market information becomes available. Investments are valued each month as per the latest quarterly statements available to our custodian, which are usually received between 45 and 60 days after quarter end, +/- any activity post statement date.</p>	<p>The total value of indirect property investments in the financial statements is £221.9m (£221.9m in 2021/22). There is a risk that this investment may be under or overstated in the accounts.</p> <p>The total value of direct infrastructure investments in the financial statements is £426.7m (£426.7m in 2021/22). There is a risk that this investment may be under or overstated in the accounts.</p>

### 34.10 Impact on the Defined Benefit Obligation in the Scheme (Liabilities)

	Increase in rate of	Increase/(decrease) in Assumption
		£m
Discount Rate	0.5%	(79.6)
Inflation	0.3%	42.9
Pay	0.3%	4.1
Life Expectancy	1 year	21.6

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

The weighted average duration of the defined benefit obligation for scheme members is 17 years (2021/22 17 years). The County Council anticipates payments of £2.4 million expected contributions to the scheme in 2023/24.

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

To follow after Audit

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**Worcestershire County Council  
Draft Group Accounts 2022/23**

# Group Accounts and Supporting Notes

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## Group Accounts

### Introduction

In order to provide a fuller picture of the Council's economic activities and financial position, the accounting statements of the Council and Worcestershire Children First have been consolidated.

The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been included in the group accounts where they are materially different from those of the Council's single entity accounts.

### Results of Subsidiary

#### Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) was successfully launched on 1<sup>st</sup> October 2019 and operational responsibility for the delivery of all of Children's services on behalf of Worcestershire County Council was transferred on that date.

For 2022/23, the company's (unaudited) results showed a profit for the year of £1 (one pound) and net assets of £1.1 million.

A full copy of the company's accounts can be obtained from the Directors, Worcestershire Children First, County Hall, Spetchley Road, Worcester WR5 2NP. The accounts are audited by Grant Thornton (UK) LLP.

## Group Comprehensive Income and Expenditure Statement

Restated 2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
Expenditure	Income	Net		Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
0.0	(1.2)	(1.2)	Turnover	0.0	(1.8)	(1.8)
<b>Service Expenditure Analysis</b>						
345.9	(197.7)	148.2	People	359.3	(213.3)	145.9
376.6	(263.4)	113.2	Children's Services	457.1	(313.6)	143.6
114.7	(30.3)	84.4	Economy & Infrastructure	126.3	(42.4)	83.9
36.3	(8.7)	27.6	Commercial & Change	43.8	(0.5)	43.4
36.2	(6.4)	29.8	Finance, HR & Chief Executive	59.0	(36.0)	23.0
909.7	(507.7)	402.0	<b>Net Cost of Services</b>	<b>1,045.6</b>	<b>(607.6)</b>	<b>438.0</b>
1.9	(0.4)	1.5	Other operating expenditure	5.3	(2.1)	3.2
86.5	(30.2)	56.3	Financing, investment income & expenditure	81.9	(40.9)	41.0
0.3	(431.5)	(431.2)	Taxation & non-specific grant income and expenditure	0.3	(439.3)	(439.0)
998.4	(969.8)	28.6	<b>(Surplus) / deficit on the provision of services</b>	<b>1,133.0</b>	<b>(1,089.9)</b>	<b>43.1</b>
		0.0	Tax expenses of subsidiary	0.0	0.0	0.0
		<b>28.6</b>	<b>Group (surplus)/deficit</b>			<b>43.1</b>
<b>Other comprehensive income and expenditure</b>						
	(47.6)		(Surplus) on revaluation of property, plant & equipment			<b>(93.8)</b>
	4.9		Downward revaluations on non-current assets charged to Revaluation Reserve			24.2
	(59.1)		Remeasurement of the net defined benefit liability/(asset)			(521.2)
	<b>(101.8)</b>		<b>Total other comprehensive income and expenditure</b>			<b>(590.7)</b>

Restated 2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
	(73.2)	Total comprehensive income and expenditure (surplus) / deficit				(547.6)

## Group Movement in Reserves Statement 2022/23

	General Fund (Non- Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of subsidiary	Total Reserves attributable to Council
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2022</b>	<b>14.3</b>	<b>157.7</b>	<b>172.0</b>	<b>2.7</b>	<b>63.6</b>	<b>238.3</b>	<b>(37.1)</b>	<b>201.2</b>	<b>1.1</b>	<b>202.3</b>
<b>Movement in reserves during 2022/23:</b>										
Total Comprehensive Income and Expenditure	96.8	0.0	96.8	0.0	0.0	96.8	590.7	687.5	(139.9)	547.6
Adjustments between group accounts and authority accounts	(139.9)	0.0	(139.9)	0.0	0.0	(139.9)	0.0	(139.90)	139.9	0.0
<b>Net increase/ (decrease) before transfers</b>	<b>(43.1)</b>	<b>0.0</b>	<b>(43.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(43.1)</b>	<b>590.7</b>	<b>547.6</b>	<b>0.0</b>	<b>547.6</b>
Adjustments between accounting basis and funding basis under regulations	20.6	9.1	29.7	(2.7)	13.6	40.6	(40.6)	0.0	0.0	0.0
Transfer to/(from) earmarked reserves	22.5	(22.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Increase / (decrease) in 2022/23</b>	<b>0.0</b>	<b>(13.4)</b>	<b>(13.4)</b>	<b>(2.7)</b>	<b>13.6</b>	<b>(2.5)</b>	<b>550.1</b>	<b>547.6</b>	<b>0.0</b>	<b>547.6</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>14.3</b>	<b>144.2</b>	<b>158.6</b>	<b>0.0</b>	<b>77.1</b>	<b>235.7</b>	<b>513.1</b>	<b>748.8</b>	<b>1.1</b>	<b>749.9</b>

\*See Note 32 for Prior Period Adjustment

### Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

2021/22		2022/23
£m		£m
(120.4)	Elimination of intra-group transactions	(139.9)
(120.4)	<b>Total adjustments between Group Accounts and Authority Accounts</b>	<b>(139.9)</b>

### Reconciliation between Retained Earnings in Worcestershire Children First's Statements and Closing Balance on Council's share of Reserves of subsidiary

2021/22 Restated		2022/23
£m		£m
1.1	Retained Earnings at 31 March	1.1
0.0	Accumulated consolidation adjustments at the start of the year	0.0
0.0	Consolidation adjustments during the year	0.0
1.1	<b>Council's share of reserves of subsidiary</b>	<b>1.1</b>



## Group Movement in Reserves Statement 2021/22

	General Fund (Non- Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of subsidiary	Total Reserves attributable to Council
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2021 Restated*</b>	<b>13.0</b>	<b>137.9</b>	<b>150.9</b>	<b>2.7</b>	<b>71.3</b>	<b>224.9</b>	<b>(96.8)</b>	<b>128.1</b>	<b>1.1</b>	<b>134.2</b>
<b>Movement in reserves during 2021/22:</b>										
Total Comprehensive Income and Expenditure	91.7	0.0	91.7	0.0	0.0	91.7	101.8	193.5	(120.3)	73.2
Adjustments between group accounts and authority accounts	(120.4)	0.0	(120.4)	0.0	0.0	(120.4)	0.0	(120.4)	120.4	0.0
<b>Net increase/ (decrease) before transfers</b>	<b>(28.7)</b>	<b>0.0</b>	<b>(28.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(28.7)</b>	<b>101.8</b>	<b>73.1</b>	<b>0.1</b>	<b>73.2</b>
Adjustments between accounting basis and funding basis under regulations	44.9	4.9	49.8	0.0	(7.7)	42.1	(42.1)	0.0	0.0	0.0
Transfer to/(from) earmarked reserves	(14.9)	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Increase / (decrease) in 2021/22</b>	<b>1.3</b>	<b>19.8</b>	<b>21.1</b>	<b>0.0</b>	<b>(7.7)</b>	<b>13.4</b>	<b>59.7</b>	<b>73.1</b>	<b>0.1</b>	<b>78.3</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>14.3</b>	<b>157.7</b>	<b>172.0</b>	<b>2.7</b>	<b>63.6</b>	<b>238.3</b>	<b>(37.1)</b>	<b>201.2</b>	<b>1.1</b>	<b>202.3</b>

\*See Note 32 for Prior Period Adjustment

## Group Balance Sheet

Restated * 31 March 2021 £m	Restated * 31 March 2022 £m		31 March 2023 £m	Not e
1,083.9	1,146.1	Property, plant and equipment	1,238.2	
1.7	1.7	Heritage assets	1.7	
4.0	4.5	Intangible assets	0.0	
3.0	3.0	Long-term investments	1.9	
108.6	104.2	Long-term debtors	102.4	
<b>1,201.2</b>	<b>1,259.5</b>	<b>Long term assets</b>	<b>1,344.4</b>	
5.7	5.4	Non-Operational Assets	4.5	
35.2	7.9	Short-term investments	0.3	
1.4	1.4	Inventories	1.7	
78.1	73.8	Short-term debtors	122.0	3
81.2	56.5	Cash and cash equivalents	55.5	4
<b>201.6</b>	<b>145.0</b>	<b>Current assets</b>	<b>183.9</b>	
(71.3)	(78.2)	Short-term borrowing	(119.1)	
(103.0)	(101.8)	Short-term creditors	(96.0)	
(6.1)	(8.2)	Short-term grants receipts in advance	(0.2)	
<b>(180.4)</b>	<b>(188.2)</b>	<b>Current liabilities</b>	<b>(215.3)</b>	

Restated * 31 March 2021 £m	Restated * 31 March 2022 £m		31 March 2023 £m
(2.6)	(1.4)	Long-term provisions	(1.5)
(456.5)	(409.9)	Long-term borrowing	(416.4)
(604.3)	(576.5)	Other long-term liabilities	(114.7)
(24.8)	(26.2)	Grants receipts in advance	(30.4)
<b>(1,088.2)</b>	<b>(1,014.0)</b>	<b>Long-term liabilities</b>	<b>(563.0)</b>
<b>134.2</b>	<b>202.3</b>	<b>Net assets</b>	<b>749.9</b>
<b>Financed by:</b>			
231.0	239.4	Usable reserves	(236.8)
(96.8)	(37.1)	Unusable reserves	(513.1)
<b>134.2</b>	<b>202.3</b>	<b>Total reserves</b>	<b>(749.9)</b>

\*See Note 32 for Prior Period Adjustment

## Group Cash Flow Statement

2021/22		2022/23
Restated*		
£m		£m
(28.6)	Net surplus/(deficit) on the provision of services	(43.1)
107.1	Adjust net (surplus)/deficit for non-cash movements	82.2
(56.4)	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(68.5)
<b>22.1</b>	<b>Net cash flows from operating activities</b>	<b>(29.5)</b>
(1.9)	Net cash flows from investing activities	(8.1)
(44.9)	Net cash flows from financing activities	36.6
<b>(24.7)</b>	<b>Net increase/(decrease) in cash or cash equivalents</b>	<b>(1.0)</b>
	<b>Cash and cash equivalents</b>	
81.2	Balance at 1 April	56.5
56.5	Balance at 31 March	55.5
<b>(24.7)</b>	<b>Movement in cash and cash equivalents increase / (decrease)</b>	<b>(1.0)</b>

## Notes to the Group Accounts

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### 1. Group boundary

Worcestershire Children First (WCF) is private limited company by guarantee and a 100% wholly owned subsidiary of Worcestershire County Council.

The company is a subsidiary of the Council for accounting purposes and its results have been consolidated into the Group Accounts on a line by line basis using the acquisition basis of consolidation.

### 2. Accounting policies

The financial statements of WCF have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Differences between these standards and the Code would have no material impact on the Group Statements.

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 issued by the Chartered Institute of Public Finance (CIPFA). In preparing the Group Accounts, the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments as necessary;
- Consolidated the financial statements of the company with those of the Council on a line by line basis; and
- Eliminated in full: balances, transactions, income and expenditure between the Council and its subsidiary.

The group accounting policies are not significantly different from those used to prepare the Council's single entity statements with the exception of the policy noted below:

- Pensions – the Group Accounts have been prepared incorporating the requirements of IAS19: Retirement Benefits for the treatment of pension costs. IAS19 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employee rather than the year in which the pension and employer's contributions are actually paid. The Pension Reserve represents the net liability for future pension costs. The financial statements of WCF have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The financial position under FRS102 is not significantly different under IAS19.

- Debtors in the single entity financial statements are initially measured at fair value and then measured at amortised cost. Debtors in the financial statements of the subsidiary are initially measured at transaction price less attributable transaction costs and then subsequently at amortised cost.

### 3. Group short term debtors

31 March 2022	31 March 2023
Restated	
£m	£m
<b>Short term debtors:</b>	
38.1 Trade receivables	77.7
8.0 Prepayments	14.2
14.6 VAT	8.7
12.5 Council Tax	18.7
0.5 NNDR	2.7
0.1 Other receivables	0.0
<b>73.8 Total short term debtors</b>	<b>122.0</b>

#### 4. Cash and cash equivalents

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

	Opening Balance 01/04/2022	Movement During the Year	Closing Balance 31/03/2023
	£m	£m	£m
Bank current accounts	18.0	(28.3)	(10.3)
Short Term investments held as cash	38.5	27.3	65.8
<b>Total cash and cash equivalents</b>	<b>56.5</b>	<b>(1.0)</b>	<b>55.5</b>

## Glossary of Terms

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Accounting policies	The principles, rules and procedures used in the preparation of the accounts
Accruals	The recognition of income and expenditure as goods and services are provided, not when cash is received or paid
Actuary	An independent company which advises on the assets and liabilities of the pension 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 County Council or other authority acting as an intermediary
Amortisation	The drop-in value of intangible assets as they become out of date
Asset	<p>A resource controlled by the County Council because of past events and from which economic benefits or service potential is expected. Assets can be:</p> <ul style="list-style-type: none"><li>• Intangible – assets of non-physical form, e.g. patents, goodwill, trademarks and copyrights</li><li>• Property, plant and equipment – assets which give the Council benefits for more than one year</li><li>• Community – assets held in perpetuity which may have restrictions on their disposal</li><li>• Infrastructure – assets such as highways and footways</li><li>• Non-operational – assets not directly used for service provision</li><li>• Heritage – assets held solely for historical, artistic, or environmental qualities</li></ul>
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 assets, being the interest costs of external loans and monies used to repay debt
Capital receipts	Income from the sale of capital assets
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 of the fund 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



Derivative	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 (EIR)	The rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument. When calculating the EIR, the County 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	A corporate bond in the form of 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 County Council arising from past events, the settlement of which is expected to result in an outflow of resources
Minimum revenue provision (MRP)	The statutory amount set aside from the revenue budget which can be used 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	A method of obtaining the use of an asset 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
PPE (Property, Plant & Equipment)	For the purposes of the Statement of Accounts, the Council's property, plant & equipment is abbreviated to PPE.
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. These can be either: <ul style="list-style-type: none"> <li>• Usable – those which can be used to provide services</li> <li>• Unusable – those which cannot be used to provide services</li> </ul>

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

