

WYCHAVON

Statement of Accounts



2021-2022

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Welcome to our Statement of Accounts

Introduction

2021/22 was yet another challenging year for the Council and our communities as we saw a continuation of the unprecedented global pandemic and the many challenges it brought. The Council had to adapt to evolving events as the country moved through its roadmap of recovery and the full lifting of restrictions. It required flexibility and adaptability to respond to ever changing national and local circumstances. The response to the pandemic continued to be at the forefront of all Council activities for the whole of the financial year and has had an impact on every member of our community.

In the Summer of 2021 we developed a new Covid recovery plan that supports our role in leading and supporting our communities and economy. As we emerge from lockdown and an easing of restrictions, we can look ahead to aspirations for our district as a new form of normality is increasingly restored. We want to use the opportunities created by the pandemic, however unwanted, to reopen and rebuild our communities and economy in a way that improves people's lives, the places they live and society as a whole, rather than simply trying to restore everything that previously existed.

The plan is centred around the five key themes, these are:

Economic

- Supporting local businesses and the economy to recover from the economic shock of Covid-19, and supporting people with skills and employment.
- Addressing the potential long-term implications of the pandemic on high streets.

Social

- Supporting people and families made vulnerable/more vulnerable by Covid-19.
- Outlining plans to tackle the inequalities highlighted by the impact of the pandemic. Community
- Maintaining new connections and neighbourhood structures to enhance community resilience.
- Supporting VCS capacity adversely impacted by Covid-19.

Environmental

- Sustaining the positive environmental impacts of the lockdown as the economy begins to reopen and people transition to a new normal.

Organisational

- Restarting all services impacted by the pandemic.
- Reviewing how Covid-19 changed how the council operates and what changes should be maintained, including whether services can be delivered differently.
- Resetting budgets and seeking to address the financial impact of the pandemic.

The actions in the plan have been shaped by the findings and recommendations from the Local Government Association (LGA) Renewal and Recovery Panels and the Covid-19 Review Group's recommendations. The actions include a number of our promises, actions from service plans, some leftover actions from our original recovery plan and some new actions.

We also continued to tackle the other great challenge humanity faces – climate change – with the setting up of a Carbon Reduction Panel to enable focus on our key delivery aims from our Intelligently Green Plan. Our aim to make our District a more sustainable place to live for ourselves and future generations is continuing with focus and innovation.

Whilst the coronavirus pandemic resulted in significant unexpected financial pressures for the Council, strong financial management and efficiencies in the use of our resources have resulted in savings for the Council, and we have been able to set aside funding to further support our community and economy in the future. We are pleased to report that both our reserves and balances available remain healthy. Our element of an average Band D Council Tax bill in 2021/22 was just £120.08 and will continue to be in 2022/23. This has not changed since 2018/19 and we are proud to say is one of the lowest in England.

Supporting our communities and businesses to grow is of vital importance to us and we are developing an economic strategy to shape our future over this challenging time. We have produced 3 town prospectuses which give further strength and opportunity for investment in our District in the future.

The pages which follow explain the services we provide and how your Council Tax was spent during the year. Our statutory accounts have been prepared in line with International Financial Reporting Standards, but our easy-to-read Narrative Report explains the key issues in a way which we hope everyone will understand.

COUNCILLOR MARTIN KING

Executive Board Member – Resources & Investment

JAYNE PICKERING

Deputy Chief Executive

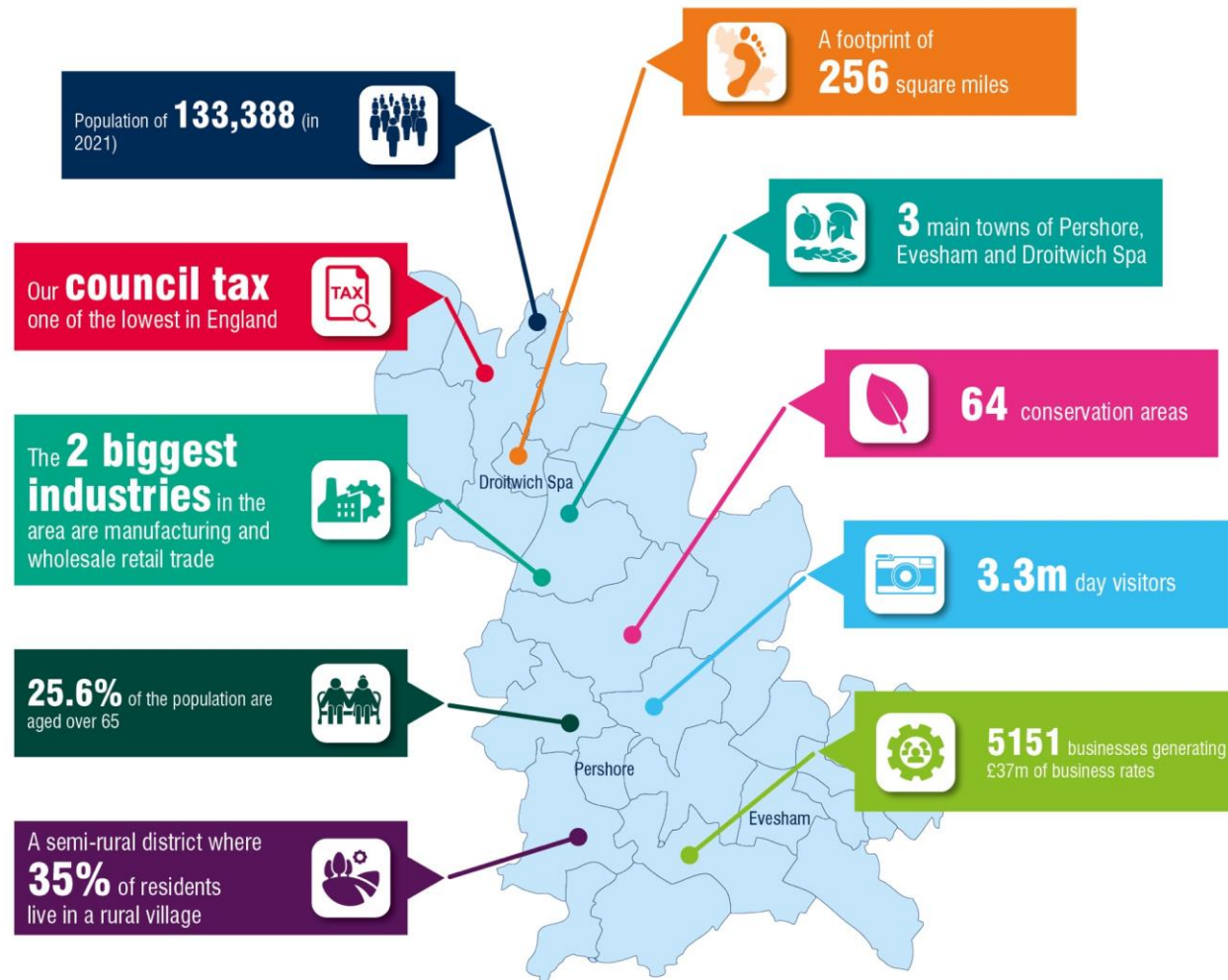
Wychavon District Council, Civic Centre, Queen Elizabeth Drive, Pershore WR10 1PT



Narrative Report

ABOUT THE DISTRICT

Wychavon lies in the south and eastern part of Worcestershire in the West Midlands region and is the largest of the six Worcestershire districts.



Narrative Report (continued)

ABOUT THE COUNCIL

Worcestershire has a two-tier system of local government, comprising Worcestershire County Council and six district councils. The County Council administers services such as education, waste disposal and social services across the whole of Worcestershire, whereas locally, Wychavon District Council operates a range of services including building regulation, homelessness, street cleaning, refuse collection, licensing, sport facilities, electoral administration, environmental health, community safety and the administration of council tax and business rates.

Policies at Wychavon District Council are directed by the political leadership (Leader and Executive Board) and implemented by the Senior Management Team.

The Council in 2021/22 was made up of 45 councillors as follows:

- Conservative Party – 35 councillors
- Liberal Democrat Party – 6 councillors
- Green Party – 3 councillors
- Independent – 1 councillor



Councillors are supported by the Senior Management Team (SMT) headed by the Council's Chief Executive, Vic Allison. Wychavon District Council shares a senior management team with Malvern Hills District Council and the management team is made up of seven officers including the Chief Executive. SMT are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services.

WYCHAVON STRATEGY 2020-2024

Wychavon is an entrepreneurial council that has gained recognition for major projects like building Pershore hospital, two Waitrose stores, regenerating and reopening the Droitwich Canals and supporting events like the British Asparagus Festival and Pershore Plum Festival. In February 2020 we agreed a bold new four-year plan that will protect and enhance our environment, continue to grow our economy and see us invest in the things that matter most to our communities.

Narrative Report (continued)

The strategic plan focuses our spending and resources over the next four years on three key priorities:

- **Supporting people**
- **Strong economy and places**
- **Sustainable environment**

The plan's 35 promises include:

- Working with partners to address disadvantage caused by the Covid-19 pandemic and improve outcomes for free school meal eligible children and their families across the district.
- Producing an ambitious economic strategy, setting out how we will support the recovery, regrowth and diversification of the local economy over the next two decades, by 31 March 2022.
- Working with partners to deliver a white-water facility in Pershore and a multi-purpose cycling attraction in Evesham including BMX pump track, mountain bike trails and simulated road circuit by 31 March 2024
- Reducing the average household black bin waste by 10% by 2024 and setting up at least five community fridges across the district to reduce food waste
- Investing £100,000 over four years to promote the growth of Wychavon's low carbon economy
- Working with partners to create and start to deliver master plans to help revitalise Droitwich, Pershore and Evesham town centres
- Investing £180,000 over three years to encourage businesses to take on apprentices
- Working with partners to create 10 hectares of new wetland and 30 hectares of habitats to improve biodiversity.

There is a pledge to reduce carbon emissions from our own operations by at least 50% by 2030 and to deliver 1,000 affordable new homes by 2024. Action will also be taken to boost community transport, tackle loneliness and social isolation and to create Wychavon's first health and wellbeing hub.

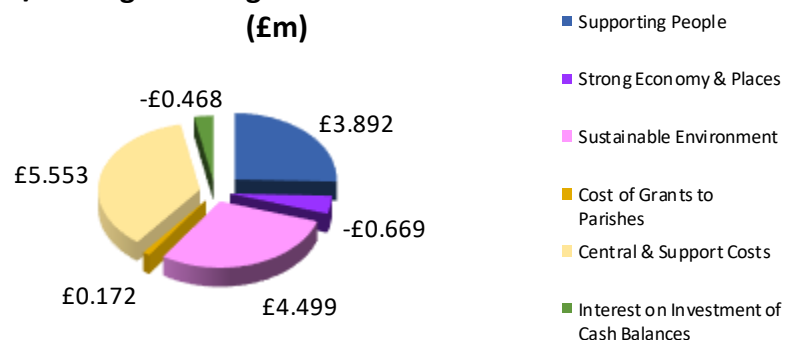
Covid-19 Recovery Framework Plan: we also have a 35 point recovery framework with four keys strands focusing on **our communities and the local economy** (helping rough sleepers and those at risk of homelessness, working with Foodbanks and the voluntary sector and providing business sector support), **resetting the business of the Council** (reviewing plans in the light of the impact of the pandemic), **recovery of the organization** (supporting staff to adjust to the new 'business as usual') and **councillors and democracy** (ensuring an orderly return to normal decision-making and supporting communities during the recovery phase).

Narrative Report (continued)

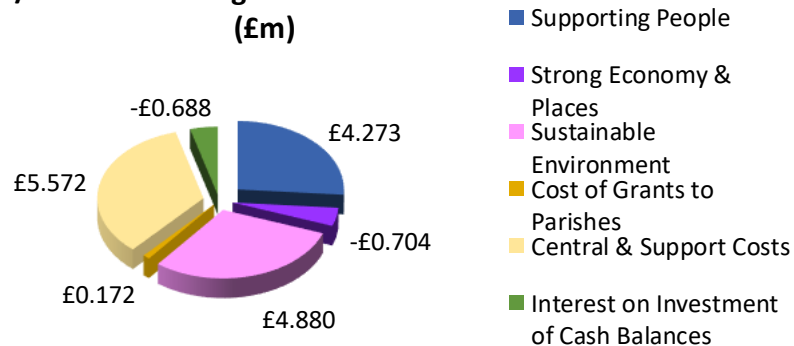
FINANCIAL PERFORMANCE

A net budget of £12.9m for 2021/22 was approved by full Council in February 2021. For a third year running Councillors agreed a freeze on council tax charges so Band D council tax remained at £120.08, the lowest council tax in Worcestershire and the fourth lowest in England.

2021/22 Original Budget Allocations to Services



2021/22 Revised Budget Allocations to Services



Supporting People covers services such as housing needs, elections, environmental health, leisure centres and public conveniences.

Sustainable Environment is the largest share of our priorities and includes waste collection and recycling, street cleansing and parks.

Our **Strong Economy and Places** priority includes car park and rental income (hence why the budget is negative) but also includes the planning, licensing and economic development services.

Our net budget was revised upwards to £13.5m in November 2021 to take account of recovery from the Covid-19 pandemic.

The net budget for our **Supporting People** priority increased by 10% as we continued to support our leisure centres which were building back revenue as we came out of lockdown.

Additional costs of our waste services, parks and open spaces and our community safety and environmental protection shared service saw an increase in our **Sustainable Environment** priority budgets. This was countered by a higher-than-expected level of income from Planning fees in our **Strong Economy & Places** priority and an increase in cash investments income.

Narrative Report (continued)

Where the Money Went

The 2021/22 outturn position is an underspend of £2.260m against the revised budget leading to a contribution to general reserves of £2.517m. This is reflective of strong financial management during a period of substantial change and uncertainty and was achieved through a monthly budget monitoring and challenge process which ensures that budget managers and directors are held accountable for variances to budgets, with budget monitoring reports circulated to all councillors quarterly.

2020-21		2021-2022			
Net Actual* Expenditure		Original* Budget	Revised Budget	Net Actual Expenditure	
£m	COUNCIL PRIORITIES	£m	£m	£m	
2.493	Supporting People	3.892	4.273	2.866	* includes CCLA Property Fund and Diversified Income Fund as well as interest from loans made by the Council.
(0.323)	Strong Economy & Places #	(0.669)	(0.704)	(1.586)	
4.330	Sustainable Environment	4.499	4.880	4.332	
4.759	Central & Support Costs	5.553	5.572	5.181	# excludes Special Levies.
11.259	NET COST OF SERVICES	13.275	14.021	10.793	
0.172	Cost of Grants to Parishes	0.172	0.172	0.172	
(0.861)	Interest and Investment Income	(0.468)	(0.688)	(0.749)	
10.570	NET EXPENDITURE (budgets shown in charts above)	12.979	13.505	10.216	
(4.655)	Non-specific Grants and Contributions	(3.366)	(3.366)	(3.594)	
(2.951)	Covid-19 Emergency Funding	(0.608)	(0.608)	(0.608)	
16.514	Transfer to (from) Earmarked Reserves	(4.199)	(0.553)	0.828	
0.344	Contribution to (from) Balances	0.091	0.257	2.517	underspend of £2.260m
19.822	TOTAL NET EXPENDITURE	4.897	9.235	9.359	
(2.652)	Business Rates	(2.652)	(2.652)	(2.652)	
(2.555)	Business Rates Growth	(2.000)	(2.000)	(2.876)	
(7.567)	Additional S. 31 Grant in lieu of extended reliefs	0	(4.338)	(3.576)	
(0.696)	Local Taxation Income Guarantee Scheme	0	0	0.000	
0.000	Lower Tier Services Grant	(1.100)	(1.100)	(1.107)	
(0.127)	Collection Fund Deficit - Council Tax	0.028	0.028	0.025	
0	Collection Fund Deficit - Business Rates	7.036	7.036	7.036	
6.225	PRECEPT ON COLLECTION FUND	6.209	6.209	6.209	

Narrative Report (continued)

It should be noted that the table above reflects the net amount to be met by local taxpayers and differs from the Net Cost of Service in the Comprehensive Income and Expenditure Statement (CIES) because of the exclusion of costs relating to depreciation, revenue expenditure funded from capital under statute (REFCUS) and certain pension adjustments. This is due to requirements in the Code of Practice on Local Authority Accounting which define proper accounting practices for local authorities and some transactions have to be reported differently in the financial statements to how they are reported in the budget.

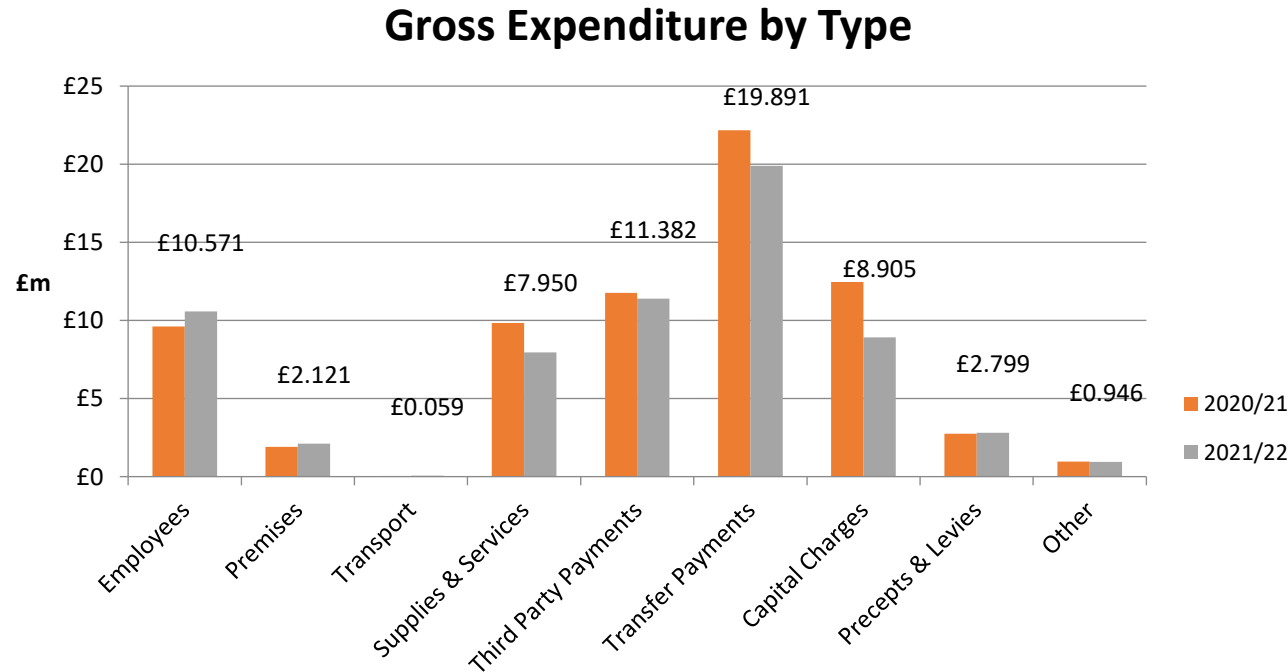
The variances contributing to an underspend of £2.260m are shown below. Additional government funding and a further national lockdown were not anticipated when the revised budget was set. This, combined with judicious spending, has allowed for an additional contribution to general reserves.

Major Budget Variances in 2021/22

	£m
Additional income from car parking	0.228
Additional planning fee income	0.202
Underspends across waste collection services	0.387
Underspend on New homes Bonus schemes	0.644
Underspend on Economic Development & Promotion grants combined with additional Welcome Back Fund income	0.143
Underspends in Policy Planning including employee vacancy savings	0.088
Refund from Worcestershire Regulatory Services and additional licensing fees	0.096
Underspend on grants to community groups	0.162
Underspend on leisure deficit recovery spending	0.177
Additional income received in Housing Needs	0.118
Underspends against Westlands & Social Mobility Phase 2 community programmes	0.064
Covid-19 new burdens funding	0.268
Underspends on the Malvern hosted Legal, Property and Building Control services	0.101
Additional investment income received	0.061
Additional contributions to reserves	(1.381)
Additional non-specific grants and contributions received	0.228
Additional business rates growth	0.876
Less S31 grant in lieu of extended retail reliefs received than estimated	(0.762)
Other smaller budget variances	0.560
	<u>2.260</u>

Narrative Report (continued)

The gross cost of service provision amounts to £64.624 in 2021/22 and has been analysed by type as shown below:



Our service expenditure is split between staffing (employees) and other running costs including capital charges. Running costs include the costs of running our buildings, transport, the payments we make to suppliers and contractors and the payments we make to people receiving benefits (called transfer payments here). Capital charges are made to cover the annual value of depreciation of our assets and also for any capital spend that does not increase the value of our assets.

The reduction in capital charges in 2021/22 relates to deferred charges for capital expenditure on assets that we don't own. Specifically this relates to two capital Housing grants (£7.8m Social Housing Decarbonisation and Green Homes grants which we incurred in 2020/21 only) and £3.7m voluntary right to buy grants transferred to a housing association which we incurred in 2021/22 only.

Narrative Report (continued)

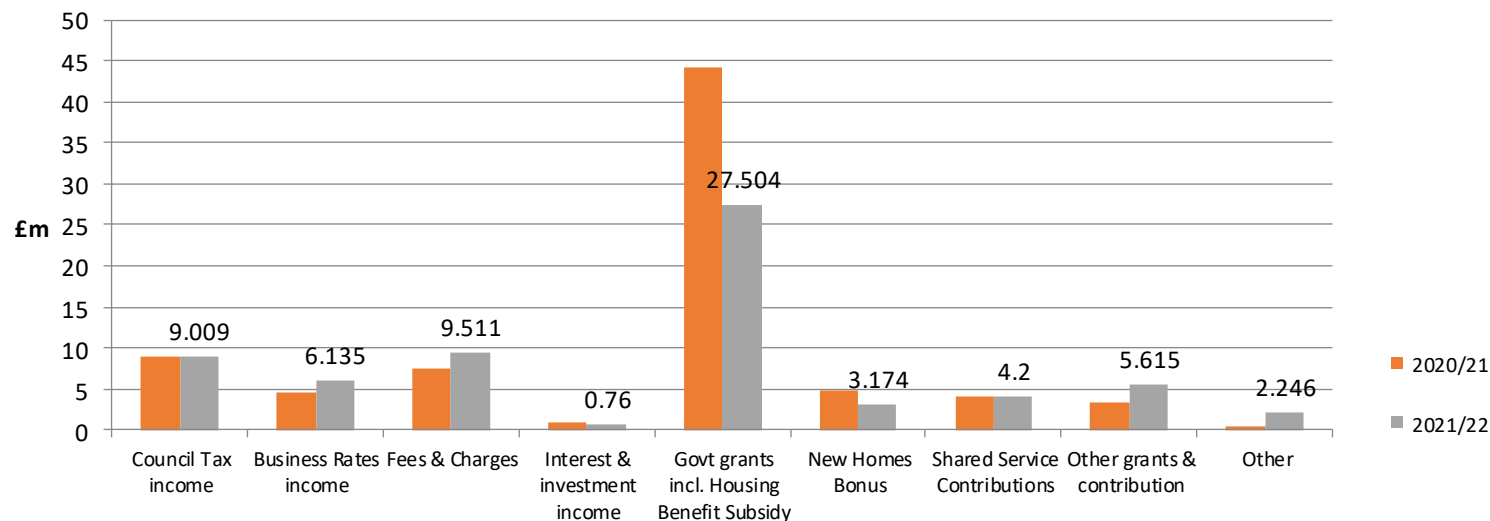
The reduction in transfer payments in 2021/22 relates to housing benefit payments which have been reducing year on year as customers move to Universal Credit (£1.5m) and is also due to £800k of mandatory Covid-19 Local Restrictions Grants which were paid to support local businesses in 2020-21 only.

The reduction in supplies and services in 2021/22 relates to spend on discretionary Covid-19 business grants to support local businesses that occurred in 2020-21 only.

Where the Money Came From

22% of our income is now raised through council tax and business rates but the government still provides our main source of income in the form of specific grants of which the largest is Housing Benefit Subsidy.

Where the Money Came From 2021/22



Narrative Report (continued)

The large reduction in government grants including Housing Benefit Subsidy is due to both a reduction in Housing Benefit Subsidy as customers moved to Universal Credit but mostly it is due to discretionary Covid-19 government support which the Council received in 2020-21 only.

The Covid-19 Pandemic

The Covid-19 pandemic continued to have an effect on the Council's finances in 2021/22 and restrictions were still in force at the start of the financial year, although the emphasis throughout the year was on re-opening businesses and high streets safely. The substantial financial losses seen during 2020/21 did not continue into 2021/22 and while some income streams such as car parking income remained lower than pre-pandemic levels, on the whole they recovered more quickly than expected. The council continued to receive central government support to offset any on-going losses and received £608k in Covid-19 Support grant, £1.1m in Lower Tier Service grant, £134k in Local Council Tax Support Grant and £227k as compensation against fees and charges losses in the first quarter of 2021/22.

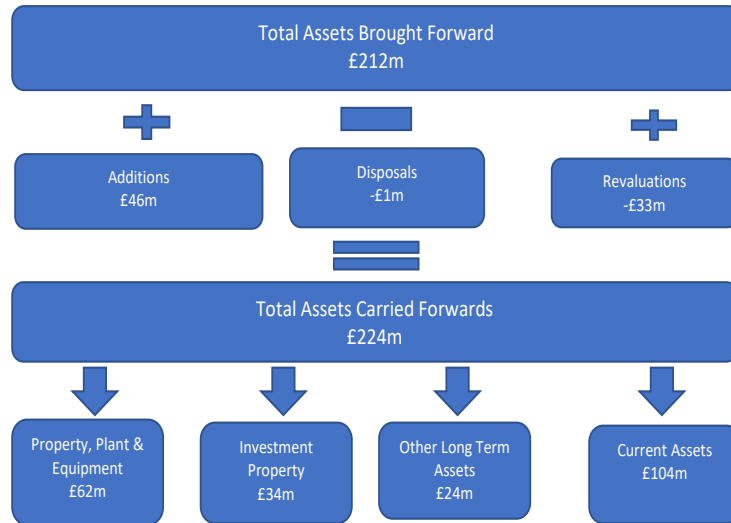
During 2021/22 the Council received £8.3m to assess and distribute Restart business grants to local businesses. A system was established to work in partnership with Civica to administer the grants scheme in line with the central government process and deadline requirements and post assessment took place to try to identify any fraudulent claims. This was achieved by website development to ensure those eligible had all the information and facilities required to make a grant claim and the use of third-party information to test for fraud. A further £1.5m was received in 2021/22 in the form of Additional Restrictions Grant to provide further discretionary funding to local businesses. The Council paid out, and received funding for, £462k in Self-Isolation Test and Trace payments supporting the most vulnerable residents who were obliged to self-isolate as a consequence of testing positive for Covid-19. The Council also received £297k in Household Support Grant and £157k in Contain Outbreak Management Fund

For the most part government funding has mitigated the in-year financial effects of the pandemic but the longer-term effects on business rates is still unclear as many businesses remained in receipt of significant reliefs from business rates during 2021/22. It is not until this support is removed that we will fully see the effect on non-payment.

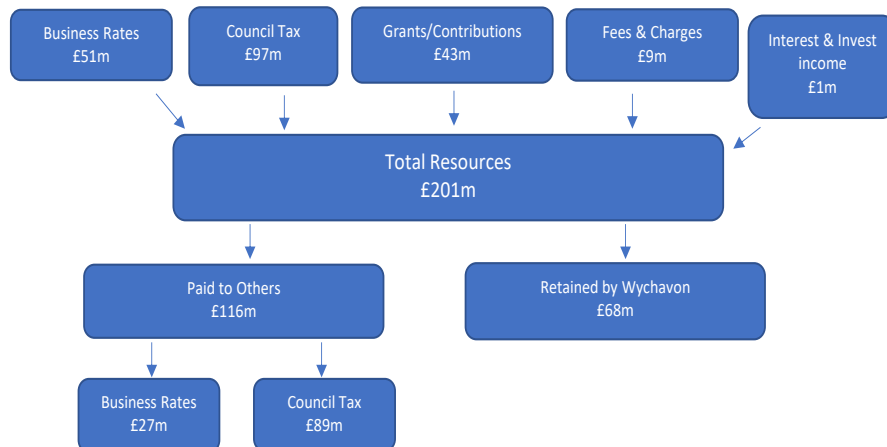
Narrative Report (continued)

Cashflows and Assets

CAPITAL CASHFLOWS



REVENUE CASHFLOWS



Wychavon District Council manages cashflows and assets in excess of £321m by:

- Collecting £51m in business rates. The Council keeps only a proportion of this with most going to central government and Worcestershire County Council.
- Collecting £97m in council tax. The largest share is paid over to Worcestershire County Council.
- Managing a £120m portfolio of land, buildings and other assets.
- Accounting for £53m of fees and charges, grant funding, rents and investment income which are used to help deliver services and keep council tax down.

Note: the Collection Fund deficits in 2020/21 and 2021/22 – a consequence of the Covid-19 pandemic – mean that more was paid out in Council Tax and Business Rates receipts to preceptors and retained by the billing authority than was collected in the year. The £51m collected in business rates in 2021/22 includes £14m of deficit payments paid by preceptors.

Narrative Report (continued)

Capital Strategy

The Council has a five-year capital investment programme of just over £37m.

Our revised plan for the year 2021/22 was to allocate £20.636m on capital projects but variations on some projects, mainly as a result of the pandemic, resulted in actual capital expenditure of £10.649m, a variation of £9.987m. The capital programme is not static and projects are added throughout the year; many projects are multi-year meaning that apportioning estimates of spend to specific years (profiling the spend) involves an element of estimation. The main variances are shown below:

- Road construction as part of the redevelopment of Vale Park (project underspend £213k, project not yet complete)
- Investment in the Worcester Six business park extension to encourage business relocation to Wychavon (£1m waiting on Worcestershire County Council to draw down the monies)
- Providing a development fund for continued investment in the Vale Park business centre in Evesham - (project underspend £395k. Completion now expected in 2022/23)
- Contribution towards Evesham cycling Centre (project underspend £1.465m. Project now expected to complete in 2022/23)
- Construction of a multi-user route between Evesham town centre and The Valley (project underspend £309k. Delayed due to on-going discussions with partners)
- Investment in public open spaces and parks across the district (project underspend £289k. Project completion now expected in 2022/23)
- Redevelopment of Evesham Public Hall (project underspend £1m. Project completion expected in future years.)
- A scheme to directly invest in new build housing in collaboration with a local registered housing provider (project underspend £226k)
- Construction of a new 3G football pitch in Droitwich (project underspend £530k. Completion now expected in 2022/23)
- A public toilet refurbishment programme including the installation of solar panels (project underspend £224k. Completion now expected in 2022/23)
- A scheme to provide Community Legacy Grants to parish councils for capital schemes (project underspend £951k). The scheme is now complete and the last grant bids are waiting to be claimed by community groups.

Narrative Report (continued)

Capital expenditure is financed from a combination of capital receipts, grant funding and the Councils' own financial resources. The table below shows our 2021/22 capital spend and how it was financed.

CAPITAL EXPENDITURE 2020/21	£m	FINANCING OF CAPITAL EXPENDITURE	£m
Priority - Supporting People			
Better Care Fund	880	Capital receipts	5,874
Public Toilet Refurbishment	101	Capital grants and Contributions	1,537
Active Travel	150	Capital expenditure charged to revenue (CERA)*	3,238
Almonry Close, Pershore	1,625	Internal borrowing	
The Hawthorns, Pinvin	2,085		
Droitwich 3G Pitch	1,795	TOTAL FINANCING	10,649
Evesham Cycling Centre	110		
Community Legacy Grants	1,145		
7 Merstow Place, Evesham	72		
Other small schemes	68		
	8,031		
Priority - Strong Economy & Places			
Pershore Northern Link road	150		
Wychavon Business Hub	48		
Support to Evesham Abbey Trust	34		
Vale Park Development Fund	1,532		
Additional card payment facilities in Car Parks	69		
Other small schemes	43		
	1,876		
Priority - Sustainable Environment			
Droitwich Park Footpath Improvements	106		
Parks Improvements Programme	137		
Other small schemes	57		
	300		
Priority - Central & Support			
Civic Centre Enhancements	442		
	442		
TOTAL CAPITAL EXPENDITURE 2020/21	10,649		

* including New Homes Bonus and Section 106 contributions

Narrative Report (continued)

Our Treasury Management Performance

The Council agreed a Treasury Management Policy and Strategy for 2021/22 in February 2021 and this is a key document in the management of the Council's finances. The actual income received from cash investments in 2021/2022 was £391k (compared to £503k in 2020/21) which was slightly lower than the revised budget for the year. The overall rate of return on sums invested during the year was 0.40% (compared to 0.66% in 2020/21) which was 0.25% above the target 7-day Sterling Overnight Index Average (0.60% above the 7-day LIBOR benchmark in 2020/21). The decrease since 2020/21 is due to the Bank of England keeping base rate low and therefore lower interest rates being on offer following the government's response to the economy due to Covid-19. In addition, the Council received £181k (£204k in 2020/21) as dividend income from its investment in a Local Authorities' Property Fund and a £128k further dividends (£163k in 2020/21) from a Diversified Income Fund. A further £50k was received (£9k received in 2020/21) in other interest.

The Council's primary treasury management focus continued to be centred on managing treasury risk as well as ensuring that the Council retained sufficient liquidity to support its service delivery aims and to pay out Business Support Grants to support local businesses as the country came out of lockdown. This was reflected in the counterparties named in the Treasury Management Strategy that the Council could either deposit cash with or lend money to. These were the Bank of England, the 4 major UK high street banking groups, Santander UK, Handelsbanken Plc, Close Brothers Ltd and Investec Bank Ltd, 7 Building Societies, 6 overseas banks (Commonwealth Bank of Australia, Australia and New Zealand Banking Group Ltd, Toronto Dominion Bank, United Overseas Bank Ltd, DBS Bank Ltd and First Abu Dhabi Bank PJSC) and other local authorities. The Treasury Management Strategy also allows the council to purchase units in Pooled Investment Funds such as money market funds with a AAA credit rating and 2 Pooled Investment Funds managed by CCLA Investment Management Ltd, namely the Local Authorities Property Fund and the Diversified Income Fund.

The Council has previously diversified some of its cash investments into directly owned property assets such as the Waitrose supermarket developments in Droitwich and Evesham (shown opposite) and Pershore Hospital & GP Surgery. The lease income from the investments in the Waitrose supermarkets, Pershore Hospital and GP Surgery was, after fair value adjustments, £1.829m in 2021/22 (£1.838m in 2020/21), securing a rate of return exceeding 7% on the original capital sum invested.



Narrative Report (continued)

Reserves and Balances Summary

Sound financial management and a strong track record of striking the right balance between spending and the need to maintain a core level of resources to support the revenue account means that we were able to withstand the effects of the Covid-19 pandemic and end the year with our finances in a healthy state and with our Council Tax still amongst the lowest nationally. The state of our financial well-being is reflected in the level of reserves that we hold.

We maintain several earmarked reserves. These are special reserves we keep for specific types of expenditure in the future. Examples include the Section 106 Developers' Contributions Reserve, New Homes Bonus Reserve and an Invest to Save Reserve. Whilst we used some £18.617m of earmarked reserves in the year we also added £17.609m, resulting in a net reduction of £1.008m and giving a net balance at the year-end of £71.663m*. Full details are given in Note 20 to the accounts, but the most significant net reduction to earmarked reserves was £0.916m from the Business Rates Equalisation Reserve and Collection Fund (a consequence of the timing of government grants for business rates reliefs).

We also hold revenue working balances to give us a cushion should something unexpected happen, as well as providing us with day-to-day cash flow cover. 2020/21 was an unusual year where spend in some service areas was suppressed as projects were delayed due to the pandemic, we lost significant amounts of fees and charges income but received substantial compensation from central government. In 2021/22 we saw a recovery in our fees and charges income. We also continued to receive some compensation from central government. The net effect was that working balances increased by £2.518m* during the year, giving a balance of £13.435m at the year end.

*From Movement in Reserves Statement

Pensions

The Council is a member of the Worcestershire County Council Pension Fund, a Local Government Pension Fund, and all staff can join this from the commencement of their employment with the Council. The Council's share of the net pension liability of the Fund on 31 March 2022, as estimated by the fund actuary, was £45.0m* compared to £43.8m* on 31 March 2021. The variation between years was largely due to changes in assumptions by the actuary.

Further details on changes in the Council's pension assets and liabilities can be found in Note 14 to the Core Financial Statements.

Narrative Report (continued)

It is important to understand that the net pension liability valuation on 31 March is as at one point in time only and as the fund assets are mainly invested in equities and bonds, then the value of these and therefore the net pension liability, can vary considerably as market values change.

*From Balance Sheet

Business Rates Retention Scheme

With effect from April 2013, the Government introduced a Business Rates Retention Scheme. This scheme was introduced with the aim of incentivising councils to grow the Business Rates base in their area by allowing them to retain a proportion of the increase in Business Rates yield each year to spend on Council services. Previously councils had paid all Business Rates income to the Government for redistribution. Under this scheme the Government also permits councils to work together to pool their Business Rates as this can be helpful in managing the ups and downs in Business Rates growth over a larger area. In 2021/22 Wychavon became a member of the Worcestershire Business Rates Pool, formed on 1 April 2021, along with all the Worcestershire councils.

After pooling locally and making the necessary payments to the Government, the Council generated £2.876m from business rates growth. Business Rates growth is largely due to new businesses being built in the district and increasing rateable values of properties following the 2017 Valuation Office listing. £2m of the business rates growth has been put into a Business Rates Equalisation Reserve for any future volatility in business rates income.

As a result of the Government's decision to continue to give business rates relief to retail, hospitality and leisure businesses due to Covid-19 for 2021/22, Wychavon received £3.576m of additional Section 31 grant to compensate the general fund for the deficit this created in the collection fund. Due to timing differences, this has been put into the Business Rates Equalisation Reserve and will be used to offset the deficit in 2021/22. The Council also received a £0.54m grant from the Local Tax Income Guarantee Scheme related to irrecoverable losses in business rates income.

Narrative Report (continued)

A Business Rates Appeals Provision is maintained against the number of appeals made to the Valuation Office. This provision increased by £1.9m, from £3.1m at the end of 2020/21, to £5.0m at the end of 2021/22. The increase in provision is mainly due to ongoing uncertainty about future appeals and having a robust provision is prudent. The government has ruled out appeals as a result of Material Changes of Circumstance (MCC) due to Covid-19 but as MCC appeals related to other factors have not been ruled out there is a risk that if successful, such appeals could be a call on the provision. Several appeals cases have been settled in 2021/22 and these were charged against the provision rather than against Business Rates income for the year.

Progress in the Year

This Narrative Report attempts to bring the figures in our statement of accounts alive by showing how we converted the cash into services. Highlights for each of our three priorities include:

Supporting People – supporting those most in need, reducing homelessness and delivering affordable homes, improving health and well-being, improving access to local transport

- Worked with partners to address disadvantage caused by the Covid-19 pandemic and improve outcomes for free school meal eligible children and their families. This included delivering a speech and language programme in 45 schools and communication champion training to early years settings, £60,000 of funding for breakfast clubs and wrap around care, running Off to a Flying Start sessions for staff from 24 early years settings and a pilot maths project in ten schools.
- Delivered 271 new affordable homes across the district, just over half of these were in rural areas. This represents good progress towards our target of 1,000 by March 2024, with a total of 495 affordable homes now delivered since the beginning of the plan period.
- Opened the Merstow Place scheme for housing and support for single homeless people in August at a cost of £650,000. All ten of the flats are now fully occupied and providing us with a rental income. Recruited a new support worker to provide daily support to the residents.
- Delivered a new 3G artificial turf football pitch at Droitwich Leisure Centre to the value of £700,000 and worked with Wychavon Leisure to ensure a sustainable management model and sports development programme to meet the needs of residents with further improvements.

Narrative Report (continued)

- The successful Sport England grant offer for the multi-purpose cycle facility in Evesham has been extended to April 2022 and all necessary permissions and agreements have now been obtained. A start date has been agreed for early 2022/23.
- Supported the creation of the Pershore health and wellbeing hub at a cost of £25,000 and a pilot wellbeing hub located at Westlands First School. Since it opened in June, the Pershore hub has had more than 900 visitors and the recently opened Westlands hub has started delivering wellbeing and counselling sessions.
- Progress on our promise to increase the range of community-based transport options available across the district has been limited this year, as our focus has been on supporting communities during the Covid-19 pandemic. However, the Village Connector community bus project exceeded its fundraising target on the Spacehive crowdfunding campaign and the Pershore Volunteer Centre's campaign to purchase an electric multi-person vehicle was also successful. We supported these two projects with £51,512 of our Ticket to Ride fund.
- Our Active Travel Officer has continued to work with the county council on the development of cycling and walking plans and a range of other cycling projects including new cycle shelters and lockers and better signage of cycle routes to and from stations.

Strong Economy and Places – growing the local economy, transforming our town centres, improving links, encouraging sustainable developments

- Completed all ten of the small, starter industrial units on Vale Park, Evesham with nine now occupied. Two further, larger units were constructed in the year on the site, with one now occupied and the other under offer. The Worcester Six business park extension progressed well throughout the year.
- Completed The Pillar business hub at the Civic Centre and, following promotion and negotiations, three occupiers are now in residence, leaving two small units still to be let.
- Despite the impact of the Covid-19 pandemic, we awarded 20 apprenticeship grants to small and medium-sized businesses in the year, with 14 paid from the Community Renewal Fund (CFR). We also awarded nine apprenticeship bursaries.
- The Business Energy Efficiency Programme and Low Carbon Opportunities Programme has been extended, offering businesses support to lower carbon emissions and for low carbon product or service development. As a result, our £100,000 investment has not been needed from the council for this. Instead, we will use the funding as our contribution to the low carbon programme in the UK Shared Prosperity Fund Investment Plan to achieve added value above this amount.

Narrative Report (continued)

- Developed and completed town centre investment prospectuses for Droitwich, Pershore and Evesham. Each plan focusses on future investment opportunities and development activities which we will implement in partnership with key local, regional and national partners.

Sustainable Environment – tackling climate change, reducing crime, minimising waste, improving the natural environment

- Took a range of actions to reduce our own carbon emissions. These included upgrading the Civic Centre windows funded through the Public Sector Decarbonisation Scheme and exploring options for decarbonising buildings in our estate, including the leisure centres, utilising support from Midlands Energy Hub. We are working with our waste contractors, FCC Environment, to trial alternative fuels in our waste, recycling and street cleaning fleet to help reduce our carbon emissions.
- Took action to tackle environmental and rural crime across the district through Community Days of Action, in partnership with other organisations, and secured funding to support private landowners to tackle fly tipping. We have continued to have a good response to our Adopt-a-Street campaign with 1,496 individuals now signed up. 69 residents signed up to the Green Dog Walkers' pledge in 2021/22 following promotion of the scheme.
- Created 14 pollinator areas in public open spaces to contribute to the delivery of the Worcestershire Pollinator Strategy, totaling 1.4 hectares. Volunteers have planted over 1,000 plug plants over the Avon Meadows local nature reserve to ensure species diversity, and support restoration to priority habitat floodplain meadow.
- Made a successful application, led by the county council, to the Natural Environment Investment Readiness Fund to enable assessment of local authority owned land for potential biodiversity enhancement, produce biodiversity baselines and costs for implementation of habitat restoration and creation. Analysis work is underway. Our application to the Defra Trees Call to Action Fund in partnership with Heart of England Forest, Stratford and Warwick District Councils was successful and will bring in almost £0.5million for the whole partnership project.

We also:

- Created 61,278m² of new employment space. Take-up was dominated by industrial space and was the highest out of all six Worcestershire districts, and the highest ever for Wychavon both in terms of space but also in the number of deals made (51 in 2021).
- Took 182 environmental enforcement actions.
- Achieved improvements to the design of eight major planning applications following our urban design comments.

LOOKING AHEAD

As we move into 2022/23, the Council continues to monitor closely the legacy of the Covid-19 pandemic on its businesses and on the local economy. The full effect on business rates will not be known until later in 2022/23 when we can see the effect on businesses of rates reliefs ceasing. The cost of living crisis is likely to have an effect on taxation, an increasingly important share of our resources, as well as an effect on services such as housing and homelessness. We will monitor closely the effect on both council tax and business rates, as well as services, throughout the year. We are fortunate to have a sound financial base however there are further challenges ahead including the outcome of the Government's Fair Funding Review and the planned business rates revaluation which were delayed further by the pandemic. There is also now the possibility that the impact of the pandemic will open up a much wider range of local government funding options for the Government including replacing the current business rates with an alternative business tax. With the other Worcestershire councils we continue to respond to consultations on these issues and to monitor proposals so that we can protect the Council's position as far as possible.

We continue to scrutinise budgets as part of our annual budget setting process to ensure that we keep our spending to a minimum and we continue to use transformation and efficiency processes to help us transform our services and make them even more efficient. As one of the South Worcestershire councils we continue to work with Civica, our strategic partner, to deliver a Revenues and Benefits service which continues to bring additional service and financial benefits for the Council and our residents. The Council continues to share a Chief Executive and Senior Management Team with Malvern Hills District Council, which has resulted in cost savings, better resilience and improved services for both councils.

The Council has made significant investment in the district in recent years, for example, at Vale Park, Droitwich and Evesham Leisure Centres and a Waitrose supermarket in the heart of Evesham. Over the next three years, to 2024, we aim to deliver 1,000 affordable homes across the district with at least 15% in rural areas, invest in the construction of at least 15 new houses for private rent, complete new football facilities in Droitwich, work with partners to deliver new sporting attractions in Evesham, and increase car parking provision at Droitwich Spa, Honeybourne and Pershore railway stations as well as improving connectivity between stations and the towns and between Worcestershire Parkway and the surrounding area. Investing in the local economy, we aim to let the final units of the new Wychavon Business Hub during 2022/23 which will help at least four innovative businesses to develop and grow.

Annual Governance Statement 2021/22

1. Scope and Responsibility

Wychavon District Council (WDC) is responsible for ensuring that

- its business is conducted in accordance with legal requirements and proper standards,
- public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

WDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, WDC is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

This Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government Framework.

2. The Purpose of the Governance Framework

The governance framework shown in the attached diagram comprises the cultural values, systems and processes, used by WDC to direct and control its activities, enabling it to engage, lead and account to the community. The framework enables WDC to monitor the achievement of its strategic objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of WDC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at WDC for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

Annual Governance Statement 2021/22 (continued)

3. The Governance Framework

The Council's purpose is "to be a leading, responsive and innovative council working to improve people's lives". WDC's priorities are reviewed annually and cascaded through the corporate planning process into service plans and the staff annual reviews and into individual personal objectives. WDC's performance management framework sets out how its objectives, priorities and promises are to be achieved. Monitoring of performance against agreed plans and strategies is undertaken by managers and reported quarterly to the Executive Board through the Signals of Success report. WDC's Constitution contains the necessary approvals and rules for governance, including delegations to Committees and Officers. During 2021/22 the Chief Executive as the Head of Paid Service, the Director of Legal & Governance as the Monitoring Officer, and the Deputy Chief Executive as the Chief Finance Officer, each carried statutory responsibilities relating to the governance of the Council.

Executive decision making is carried out through the Executive Board, the Planning Committee and the senior management team. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council and provide advice on the development of policies. The Audit Committee receives reports on the work of internal and external audit, sets its own work priorities and acts independently of member or officer influence.

WDC has approved a formal risk management strategy and regularly reviews and updates its strategic and operational risks. The Council continues to ensure that a risk management culture is embedded within service management with key risks being assigned to individuals for management.

WDC's Financial Regulations set out the parameters for the financial management of the Council; Heads of Service are responsible for the financial management of the services and activities delegated to them. Budget monitoring is carried out monthly at officer level, with monthly reports to all councillors. In addition, there are a range of both nationally and locally determined performance indicators against which performance is monitored during the year and the audited results are published on an annual basis.

4. Review of Effectiveness

Regulation 6 of the Accounts and Audit Regulations 2015 sets out WDC's responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the assurances provided by the Heads of Service who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and by comments made by the external auditors, other review agencies and inspectorates.

Annual Governance Statement 2021/22 (continued)

The Council Constitution clearly identifies the terms of reference, role and responsibilities of full Council, the Executive, Overview and Scrutiny, Audit and Standards Committees, all of which have fully understood governance responsibilities.

Throughout 2021/22, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit Committee and the Overview and Scrutiny Committee – as well as the statutory roles of the Chief Finance Officer and Monitoring Officer. The approach taken to compiling this statement is summarised on the Annual Governance Statement framework diagram overleaf.

Audit Committee

Audit Committee played a role by reviewing and monitoring internal control issues throughout the year. This included a review of risk management and updates to the corporate risk register, regular progress reports and updates from internal audit. In addition, the committee considered the reports issued by the external auditor such as the Annual Audit and Inspection letter, as well as Council's action plans in response to any recommendations.

Internal Audit

WDC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources.

During 2021/22 the Internal Audit team delivered a comprehensive programme including:

- Core financial audits which are designed to suitably assist the external auditors to reach their "opinion".
- A range of service area audits, follow up audits and special investigations which assisted the council to maintain/improve its control systems and risk management processes or implement/reinforce oversight of such systems.

Annual Governance Statement 2021/22 (continued)

Internal Audit's work programme helps to assure the Audit Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon,
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the WDC governance process.

Based on good audit practice, audit risk scores were reviewed during the year. The risk scores are used to prioritise and inform the audit plan for the following financial year for approval by the Audit Committee.

Internal Audit reports are considered by the relevant Director of Service and Deputy Chief Executive, before submission to the Audit Committee for further scrutiny. The reports have not identified any governance issues which have caused major concern during the course of the year: fifteen reports gave full or significant assurance and two moderate assurance. The Head of Internal Audit has concluded that control arrangements in 2021/22 are generally adequate and have effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.

Managers' Responsibility

Directors of Service are responsible for establishing and maintaining an adequate system of internal control within their own services. Head of Service are also required to sign off annual Governance and Internal Control returns where they will raise any items of concern. No major issues were identified by Directors of Service in 2021/22.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010). The Deputy Chief Executive has statutory responsibility for the proper management of the Council's finances and is a key member of the Senior Management Team.

External Audit and Other Review Agencies

WDC's external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter. The external auditors have issued an unqualified Value for Money conclusion.

5. Significant Governance and Internal Control Issues

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

6. Governance Changes in Response to the Covid-19 Pandemic

The Covid-19 pandemic required a number of reactive governance changes. Although the emphasis throughout 2021/22 was on reopening businesses and high streets, restrictions were still in force at the start of the financial year. All Councillor meetings which had moved to remote technology under the Coronavirus Act 2020 s78 returned to face-to-face meetings from 7 May 2021.

Other reactive governance changes such as homeworking, establishment of virtual meetings, building access arrangements, different working arrangements, and adherence to Government guidelines to ensure Wychavon services were maintained, continued throughout 2021/22.

The substantial financial losses sustained during 2020/21 did not continue into 2021/22 and while some income streams such as car parking remained lower than pre-pandemic levels, on the whole they recovered more quickly than expected. The council continued to receive central government support to offset any on-going losses and received £608k in Covid-19 Support grant, £1.1m in Lower Tier Service grant, £134k in Local Council Tax Support Grant and £477k as compensation against fees and charges losses in the first quarter of 2021/22.

During 2021/22 the Council received £8.3m to assess and distribute Restart business grants to local businesses. A system was established to work in partnership with Civica to administer the grants scheme in line with the central government process and deadline requirements and post assessment took place to try to identify any fraudulent claims. This was achieved by website development to ensure those eligible had all the information and facilities required to make a grant claim and the use of third party information to test for fraud. A further £1.5m was received in 2021/22 in the form of Additional Restrictions Grant to provide further discretionary funding to local businesses. The Council paid out, and received funding for, £462k in Self-Isolation Test and Trace payments supporting the most vulnerable residents who were obliged to self-isolate as a consequence of testing positive for Covid-19. The Council also received £297k in Household Support Grant and £157k in Contain Outbreak Management Fund.

Annual Governance Statement 2021/22 (continued)

7. Conclusion

To the best of our knowledge, the overall governance arrangements as described and detailed above have been operating effectively during the year. Our assessment, that the corporate governance is good, is supported by the findings and evidence indicated in this statement and a lack of identified corporate issues. In addition, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Any areas of improvement identified during the managers' annual survey will be progressed and will be monitored for implementation and operation during the year and any material areas of interest reported as part of next year's annual governance statement.

BRADLEY THOMAS

Leader of the Council

Date September 2022



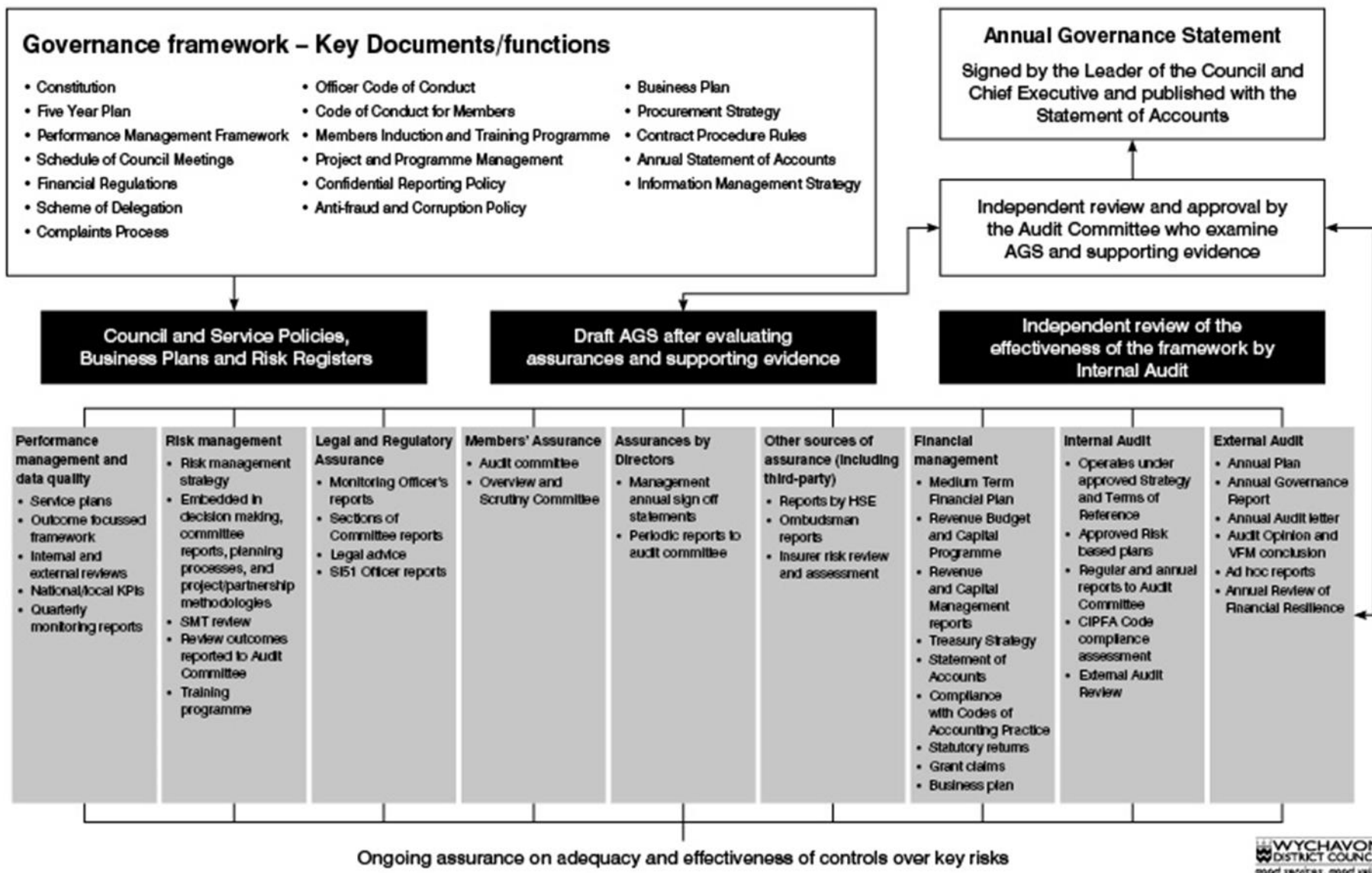
VIC ALLISON

Chief Executive

Date September 2022



Annual Governance Statement (AGS) Framework





Statement of Accounting Policies

Statement of Accounting Policies

1. General Principles

- 1.1 The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

- 2.1 Activity is accounted for in the year in which it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Expenditure is recorded in our accounts when services are received, rather than when we actually make a payment, and supplies are recorded as expenditure when we use them or as inventories on the Balance Sheet until that point. Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where income and expenditure have been recognised but cash has not been received/paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Apprenticeship Levy

- 3.1 The apprenticeship levy is payable by qualifying employers to provide funding to support apprenticeships. The expense for levy funded training is not a cash transaction for the Council but is recognised as an expense, being a tax based on employee cost. Payments received into the Council's digital apprenticeship service account are not cash transactions but are accounted for as a government grant and the income is recognised when the levy-funded training expense has been incurred.

4. Cash and Cash Equivalents

- 4.1 Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short-term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted to cash.

Statement of Accounting Policies (continued)

5. Charges to Revenue for Non-Current Assets

- 5.1 Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:
- Depreciation attributable to the assets used by the relevant service;
 - Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
 - Amortisation of intangible assets attributable to the service.
- 5.2 The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP contribution in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

6. Council Tax and National Non-Domestic Rates (Business Rates)

- 6.1 Billing authorities act as agents, collecting council tax and business rates on behalf of major preceptors (including government for business rates) and, as principals, collecting council tax and business rates for themselves. As a billing authority we are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.
- 6.2 The council tax and business rate income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However regulations determine the amount of council tax and business rates that must be included in the Council's General Fund. Therefore the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling amount in the MIRS. The Balance Sheet includes the Council's share of the end-of-year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory

Statement of Accounting Policies (continued)

arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Employee Benefits

- 7.1 **Benefits Payable During Employment:** the accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them as at 31 March each year even if we would never normally make payments for them, such as annual leave and time-off in lieu not yet taken. These are accrued for in the cost of services in the CIES but we currently consider the accrual immaterial for inclusion in our accounts.
- 7.2 **Termination Benefits:** these are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement age or an officer's decision to accept voluntary redundancy and are recognised immediately as an expense to the service in the CIES at the earlier of when the Council can no longer withdraw the offer or when we recognise costs of a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the MIRS appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year end.
- 7.3 **Post Employment Benefits:** as part of the terms and conditions of employment we offer one defined benefits scheme (retirement lump sums and pensions), administered by Worcestershire County Council. Although these benefits will not actually be payable until the employee retires, we account for post-employment benefits in the CIES at the time that employees earn their future entitlement.
- The liabilities of the Worcestershire County Council Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees;
 - Liabilities are discounted to their value at current prices using a discount rate prescribed by the actuary;
 - The assets of the pension scheme are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;

Statement of Accounting Policies (continued)

- Unitised securities – current bid price;
- Property – market value.

7.4 The change in the net pensions liability (also called the net defined benefit liability) is analysed into the following components:

- Service cost, comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which employees worked;
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES;
 - Net interest on the net defined benefit liability – i.e. net interest expense for the Council - the change during the year in the net defined benefit liability that arises from the passage of time – charged to the Financing and Investment Income and Expenditure line on the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurements, comprising:
 - The return in plan assets– excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension scheme – cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

7.5 In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting

Statement of Accounting Policies (continued)

standards. In the MIRS this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and pensioners and any such

amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- 7.6 **Discretionary Benefits:** we also have restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Fair Value Measurement

- 8.1 We value several classes of our assets at fair value. This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 8.2 We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates or subjective valuations. We assess the level of uncertainty by assigning our assets into three categories:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs for the asset or liability.

9. Financial Instruments

- 9.1 A financial instrument is defined as a transaction which generates an asset in the accounts of one organisation and a liability in the accounts of another. These are generally loans, investments or borrowings.

Statement of Accounting Policies (continued)

- 9.2 The disclosures relating to financial instruments within the Statement of Accounts are made to assist the reader to evaluate:
- The significance of financial instruments on the Council's financial position and performance, and
 - The risks arising from financial instruments and how the Council manages those risks.
- 9.3 **Financial Liabilities:** these are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For any external borrowing that the Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the CIES is the amount payable for the year according to the loan agreement.
- 9.4 **Financial Assets:** these are classified based on our business model for holding them and their cash flow characteristics. There are three main classes:
- amortised cost;
 - fair value through profit or loss (FVPL); and
 - fair value through other comprehensive income (FVOCI)
- 9.5 The Council's business model is to hold investments to collect contractual cash flows. Financial Assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument) which are measured at fair value through profit and loss. The Council does not hold any financial assets that are required to be measured at fair value through other comprehensive income.

Financial Assets Measured at Amortised Cost

- 9.6 Financial Assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial

Statement of Accounting Policies (continued)

assets of the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the CIES is the amount receivable for the year in the loan agreement.

9.7 However, the Council also recognises expected material credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis, including lease receivables and contract assets. Only lifetime losses are recognised for trade receivables

(debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis on 12-month expected losses. In both cases the Council calculates losses based on past due information.

9.8 The Council has made a loan to a voluntary organisation at less than market rate (soft loan). When soft loans are made a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Any interest received is credited to the Financing and Investment Income and Expenditure line in the CIES. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS. Any gains or losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income line of the CIES.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

9.9 Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

9.10 The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

Statement of Accounting Policies (continued)

10. Going Concern

10.1 Local Authorities cannot be created or dissolved without statutory prescription. The provisions of the CIPFA Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on the basis that the functions of the Council will continue in operational existence for the foreseeable future.

11. Grants

11.1 Grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. General grants we receive are shown as Taxation and Non-Specific Grant Income in the CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent it is held in an earmarked reserve.

11.2 Capital grants are also credited to the CIES when any relevant conditions governing their use have been met. This income is then reversed out and charged to the Capital Adjustment Account upon use, so the level of council tax is not affected. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve. Before the conditions are met, capital grants are also held on the Balance Sheet as a receipt in advance.

11.3 The Council has elected to charge a Community Infrastructure Levy (CIL). This levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. CIL regulations require a percentage of each amount levied to be retained by the Council to cover administration costs and a further percentage to be allocated to the Town and Parish Councils in which the development takes place. The remaining income will be used to fund a number of infrastructure projects to support the development of the district. CIL is received without outstanding conditions and it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for grants above.

12. Heritage Assets

12.1 Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important. These are required to be shown separately on the Council's Balance Sheet and are recognised and measured in accordance with the Council's accounting policies for Property, Plant and Equipment.

Statement of Accounting Policies (continued)

13. Intangible Assets

13.1 Intangible assets are non-financial non-current assets that do not have a physical substance and are controlled by the Council through custody or legal rights (such as software licences). We treat intangible assets in the same way as other non-current assets.

We gradually reduce the value of intangible assets on a straight-line basis over their useful life to reflect the consumption of the economic or service benefit and charge this to the CIES. Intangible assets are valued at amortised historic cost.

14. Inventories

14.1 Inventories are materials or supplies that will be consumed in producing goods or providing services. Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

15. Investment Properties

15.1 Investment property assets are those held for rental purposes or capital value appreciation or both, they are not used for the delivery of services. Investment properties are measured initially at cost and subsequently at fair value (See Accounting Policy 8). These properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to Financing and Investment Income and Expenditure in the CIES. The same treatment is applied to gains and losses on disposal.

15.2 Rentals received in relation to investment properties are credited to Financing and Investment Income and Expenditure in the CIES and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance so they are therefore reversed out of the General Fund balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than the de-minimis level of £10,000) the Capital Receipts Reserve.

16. Joint Operations

16.1 The Council participates in a number of Shared Services under contractual arrangements with other Councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements each participant in the arrangement accounts separately for its own transactions including the use of assets, liabilities, income, expenditure and cash flows.

Statement of Accounting Policies (continued)

16.2 The Council hosts the Revenues and Benefits Shared Service (SWRBSS) and the IT Shared Service and, as such, accounts for the income and expenditure incurred by these services, including expenditure paid to Civica, a strategic partner, in respect of the Revenues and Benefits service and income from Worcester City Council and Malvern Hills District Council, its partners in the arrangements. Additionally, the Council hosts the following services: Procurement, Human Resources including payroll, Planning Policy, Planning Support and Heritage.

17. Leases

17.1 Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings each element is considered separately for classification.

17.2 Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

17.3 **Council as Lessee for Operating Leases:** rentals payable are charged to the relevant service revenue account in the CIES on a straight-line basis over the term of the lease.

17.4 **Council as Lessor for Operating Leases:** rentals receivable are credited to Other Operating Expenditure line in the CIES on a straight-line basis over the term of the lease.

The Council has no material finance leases either as lessee or lessor.

18. Overheads and Support Services

18.1 All support service costs are held within the service area within which they are managed. This means effectively that the cost of the overheads are shown in total as 'Central and Support Costs' in the CIES.

19. Prior Period Adjustments, Changes in Accounting Policies and Estimates

19.1 Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Statement of Accounting Policies (continued)

19.2 Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

20. Property, Plant and Equipment

20.1 Assets that have physical substance, are held for use in the production or supply of services and that are expected to be used in more than one financial year are classified as Property, Plant and Equipment (PPE).

20.2 **Recognition:** our spending on buying, creating or improving PPE is classed as capital spending provided that it is probable that the future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably. Spending that does not provide a significant benefit in terms of value, asset life or service performance or which falls below our de minimis level of £10,000 is charged to our revenue account in full in the year it occurs

20.3 **Measurement:** assets are initially measured at cost including purchase price and any costs attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended.

20.4 The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance i.e. it will not lead to a variation in the cash flows of the Council.

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

- Community and infrastructure assets – historical cost for those assets with no determinable finite useful life, or depreciated historical cost for those assets with a determinable finite useful life, otherwise a nominal £1 to acknowledge their existence;
- Vehicles, plant, furniture and equipment – depreciated historical cost;
- Assets under construction – historical cost;
- All other assets – current value, which is further refined as:
 - Operational Property, Plant and Equipment, non-specialised – *existing use value*, which represents the 'value to business' and disregards potential alternate uses and any other characteristics of the property that would cause its market value to differ;

Statement of Accounting Policies (continued)

- Operational Property, Plant and Equipment, specialised – *depreciated replacement cost (DRC)*. This involves an assessment of the gross replacement cost of a modern equivalent asset, less any allowances for relevant obsolescence factors, together with an assessment of the market value of a site suitable for the modern equivalent asset;
- Non-operational Property, Plant and Equipment, *fair value* – being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, with that transaction taking place in the principal or most advantageous market for the asset;
- The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns.

20.6 Assets included in the Balance Sheet at fair value are reviewed sufficiently to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where gains arise from the reversal of a revaluation loss previously charged to a service revenue account in the CIES it is credited back to that service revenue account up to the revaluation loss previously charged.

20.7 Where decreases in value are identified they are accounted for as follows:

- 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 revenue account in the Comprehensive Income and Expenditure Statement.

20.8 The Revaluation Reserve contains revaluation gains since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

20.9 **Impairment:** assets are assessed at each year-end to identify 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 is recognised for the shortfall.

20.10 Where impairment losses are identified, they are accounted for as follows:

- 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;

Statement of Accounting Policies (continued)

- 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 revenue account in the CIES.
- 20.11 Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.
- 20.12 **Depreciation:** depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation on all PPE with the exception of assets without a determinable finite useful life (such as freehold land and certain community assets) and assets that are not yet available for use e.g. assets under construction. Where the Council does provide for depreciation, it does so on a straight-line basis; starting from the year following that in which the asset was bought or completed. Where an item of PPE has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is classed as significant if its value is greater than 20% of the total value of the asset. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.
- 20.13 **Disposals and Non-current Assets held for Sale:** when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continuing use it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure in the CIES. Gains in fair value are only recognised up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If the asset no longer meets the criteria to be classified as Asset Held for Sale i.e. the asset is no longer being actively marketed or there is no likelihood of disposal within twelve months, it is reclassified back to non-current assets and valued back to its carrying value before being classified as Assets Held for Sale. Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.
- 20.14 When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for disposal in excess of the de-minimis level of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used to fund new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to this Reserve from the General Fund Balance in the MIRS. The written-off value of disposals is not a

Statement of Accounting Policies (continued)

charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves.

21. Provisions and Contingent Liabilities

21.1 We put amounts of money aside to meet future specific service payments. For future events to be reflected in provisions they need to meet three tests:

- They must be the result of a past event;
- A reliable estimate can be made; and
- There must be a clear responsibility for the Council to make a future payment because of the past event.

21.2 Provisions are charged to the appropriate service line in the CIES when we become aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made they are charged to the provision already set up on the Balance Sheet. The Council maintains provisions for bad and doubtful debts in respect of council tax, business rates, housing benefit overpayments and sundry debtors. Provisions have been estimated in accordance with recommended practice and past experience. Provisions for bad and doubtful debts reduce the value of total debtors shown on the Balance Sheet.

21.3 A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

22. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

22.1 We undertake some capital spending during the year that does not result in the creation of an asset we own (e.g. housing grants). Any money we spend this way must be charged to the CIES but be funded from capital resources, and so, we make an adjustment in the MIRS equal to the expenditure to reverse this to the Capital Adjustment Account so there is no impact on the level of council tax.

Statement of Accounting Policies (continued)

23. Reserves

- 23.1 We keep reserves to pay for spending on projects we will carry out in future years, to protect us against unexpected events and to manage the financial risk of uncertainties we face. Reserves include 'earmarked reserves' which we set aside for certain policy purposes and other 'general reserves' which represent resources set aside for purposes such as general events and managing our cash flow.
- 23.2 Reserves are created by transferring amounts out of the General Fund balance. When expenditure is financed from a reserve, the expenditure itself is charged against the appropriate service line in the CIES. The reserve is then transferred back into the General Fund balance via the Movement in Reserves Statement (MIRS) so that there is no net charge against council tax for the expenditure.
- 23.3 Certain reserves are kept to manage the accounting processes for items such as non current assets, financial instruments, local taxation and retirement benefits and do not represent usable reserves for the Council. These are termed unusable reserves and more details are given in the relevant note to the Financial Statements.

24. VAT

- 24.1 VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.



Core Financial Statements

Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in year on reserve balances held by the Council.

		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
31 MARCH 2022	<i>see note</i>							
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021 carried forward		10,917	72,672	9,302	3,343	96,234	42,049	138,283
Movement in reserves during 2021/22								
Total Comprehensive Expenditure and Income		3,520	0	0	0	3,520	5,878	9,398
Adjustments between accounting basis and funding basis under Regulations	18	-2,011	0	(2,530)	560	-3,981	3,981	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		1,509	0	(2,530)	560	-461	9,859	9,398
Transfers (to)/from Earmarked Reserves	20	1,009	-1,009			0	0	0
Increase/(Decrease) in Reserves in Year		2,518	-1,009	(2,530)	560	-461	9,859	9,398
Balance at 31 March 2022 carried forward		13,435	71,663	6,772	3,903	95,773	51,908	147,681
31 MARCH 2021	<i>see note</i>							
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020		10,573	57,327	9,840	2,305	80,045	55,186	135,231
Movement in reserves during 2020/21								
Total Comprehensive Expenditure and Income		7,115	0	0	0	7,115	(4,063)	3,052
Adjustments between accounting basis and funding basis under Regulations	18	8,574	0	(538)	1,038	9,074	(9,074)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		15,689	0	(538)	1,038	16,189	(13,137)	3,052
Transfers (to)/from Earmarked Reserves	20	(15,345)	15,345	0	0	0	0	0
Increase/(Decrease) in Reserves in Year		344	15,345	(538)	1,038	16,189	(13,137)	3,052
Balance at 31 March 2021 carried forward		10,917	72,672	9,302	3,343	96,234	42,049	138,283

Balance Sheet

The **Balance Sheet** shows the value of assets and liabilities held by the Council. The net assets of the Council are matched by the reserves held by the Council. The reserves are presented within two categories, usable reserves and unusable reserves. Usable reserves may be used to provide services, subject to statutory limitations on their use and the need to maintain a prudent level of reserves for financial stability. Unusable reserves cannot be used to fund Council services.

as at 31 March 2021			as at 31 March 2022	
£000	£000	see note	£000	£000
60,374		21	62,044	
49		22	49	
32,854		23	33,981	
0		24	0	
8,948		25	100	
12,184		27	22,599	
1,058		28	1,008	
115,467				119,781
46,813		29	23,115	
24,003		30	12,874	
24,693		31	58,399	
358		25	9,127	
291		32	197	
96,158				103,712
(27,107)		33	(31,220)	
(27,107)				(31,220)
(1,262)		34	(2,014)	
(44,973)		14	(42,578)	
(46,235)				(44,592)
138,283				147,681
(96,234)		35	(95,773)	
(42,049)		19	(51,908)	
(138,283)				(147,681)

JAYNE PICKERING
Deputy Chief Executive
S151 Officer

Cash Flow Statement

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as relating to operating, investing, or financing activities.

2020/2021	2020/2021		2021/2022
£000	Restated £000		see note £000
(7,115)	(7,115)	Net surplus on the provision of services	(3,520)
(14,680)	(14,680)	Adjustments to net surplus or deficit on the provision of services for non cash movements	39 (18,070)
7,987	7,987	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	39 986
(13,808)	(13,808)	Net cash flows from Operating Activities	(20,604)
(13,400)	(13,400)	Investing Activities	40 (9,250)
17,704	17,704	Financing Activities - adjustment due to council tax and business rates creditors as a billing authority	(3,852)
(9,504)	(9,504)	Net increase in cash and cash equivalents	(33,706)
15,189	15,189	Cash and cash equivalents at the 1st April	31 24,693
24,693	24,693	Cash and cash equivalents at the 31st March	31 58,399

Cash Flow Statement (continued)

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing by the Council).

Cash is represented by cash-in-hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.



Notes to the Accounts

Note 1 Accounting Standards Issued but not yet Adopted

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024.

Note 2 Significant Changes in Accounting Policies

There have been no significant changes in accounting policies in 2021/22.

Note 3 Critical Judgements in Applying Accounting Policies

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

- The Council re-values its property assets on a rolling programme. All revaluations are undertaken by a RICS qualified person with specialist advice as appropriate. Investment properties are revalued annually, and an impairment review is also undertaken annually. When assets are revalued their useful life is assessed. During 2021/22 a number of assets were valued and their revised values are incorporated in the accounts.
- All assets with values of over £1m before depreciation have been deemed to be material and considered for componentisation, i.e. it has been considered whether any part of these assets should have a different useful life or method of depreciation. Each asset has been reviewed individually but generally they have been split into the following four components:
 - Land
 - Structure (including foundations)
 - Roof
 - Mechanical and electrical services (including boilers, heating systems, lifts)
- The Covid-19 pandemic has impacted global financial markets meaning that valuers have been faced with an unprecedented set of circumstances on which to base valuation judgements. However, the Council has a varied asset base and not all asset valuations will have been affected by Covid-19. Valuations of the asset types listed below have been reported on the basis of material uncertainty and represent 47% of the total asset base value:
 - Car Parks - Valuation method is net income/profit method. The practical effects of restrictions at the start of the financial year and the gradual return of people to our high streets has reduced the income received from car parks in 2021-22, albeit the recovery is better than we had expected. As a result, the valuation of the car parks for that period will be less than the pre-pandemic 2019-20 assessment but higher than the 2020-21 assessment. It is expected that in 2022-23 and beyond, car park income will be unaffected by Covid-19;
 - Public Conveniences - Valuation method is Depreciated Replacement Cost (DRC) using BCIS Tender Price Index. Build costs are influenced by various general economic factors, such as availability of labour, materials, Covid compliance, and competition. Since 2021 building costs have increased significantly and it's difficult to say for how long or how far this trend will develop but Covid-19 is unlikely to be a significant contributing factor going forwards;

Note 3 Critical Judgements in Applying Accounting Policies (continued)

- Leisure Centres – The majority were revalued by the Valuation Office Agency in 2020-21, while others were updated in-house. The 'Public Conveniences' statement applies equally to Leisure Centres;
- Offices – in the longer term this category is likely to be affected by Covid-19. Working from home is a trend that looks set to remain in place and organisations may look to make savings by divesting themselves of excess space. It is too early to assess if there is a developing structural change in office markets.

Those asset types which our Valuers have determined have valuations which have not been affected by Covid-19 are:

- Depots - unlikely to be affected as there is generally good demand for property type;
- Heritage, infrastructure assets, Vehicles, Plant & Equipment (VPE) and assets under construction – no effect. Assets under construction are valued at cost and VPE are valued at DRC;
- Investment properties – due to the asset base being in strong performing sectors (institutional healthcare and food retail through a household name) the impact of Covid-19 was financially positive. Since 2020 reliable income streams have become increasingly sought after.;
- Assets held for disposal - no effect expected given nature of assets being mainly land;
- Community and surplus assets – no or minimal fluctuations expected due to nature of assets. Community assets are held at historical cost.

All valuations are dated 31 March 2022 but for practical purposes the valuation exercise is started in January of each year. Any changes to valuations are reflected as necessary between January and March.

Where material uncertainty has been stated, this is to advise the reader that a level of caution should be taken however we are satisfied that the valuations are as accurate as possible given the data available at the time of the valuations. The valuers have emphasised the valuation date.

- The Council does not consider that it has any 'embedded' leases in its contracts with external suppliers, including the contract with FCC for provision of Refuse Collection and Recycling Services.
- The provision for business rates appeals is based on latest Valuation Office and government information. This information has been independently verified and analysed using a model which takes into account local knowledge, national trends and outcomes of previous appeals.

Note 4 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 that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because some figures cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2022 for which there is a significant risk of an adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Future economic conditions may mean that the Council will not be able to sustain its current spending on repairs and maintenance and this may bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £241k for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% per annum increase in the discount rate assumption would result in a decrease in the net pension liability of £1.844m.
Bad debt provisions	The Council has sundry debtor balances of £1.258m and Housing Benefit overpayment debtor balances of £1.276m. Provisions for bad or doubtful debts are made according to the age of the debt and, in the case of Housing Benefit overpayments, whether the debtor is a current recipient of Housing Benefit or not. A provision of £1.193m is in place for sundry debtor and for housing benefit overpayment debts.	If recoverability of these balances falls, the amount set aside as a provision for bad and doubtful debts would have to increase. For example, if recoverability falls by 10% an additional £253k would have to be set aside.
Business Rates appeals provision	The Council maintains a provision for outstanding business rates appeals. The provision has been calculated based on the current list of live appeals supported by a separate independent analysis as to the likely success rates and amounts payable. The total provision for 2021/22 attributable to Wychavon amounts to £2.013m (40% of £5.032m), an increase from £1.261m in 2020/21.	If the value of business rates appeals likely to succeed increased by 10%, the provision would need to increase by a further £201k.



Notes Supporting the Comprehensive Income and Expenditure Statement

Note 5 Material items of Income and Expense

A breakdown of net expenditure on services in 2021/22, identifying material items of income and expense during the year is shown below:

Priority - Supporting People

Total net spend of		£2.866m
Net spending included:		£m
Environmental Health		0.565
Public Conveniences		0.302
Customer Services		0.238
Youth and Arts initiatives and Sport Development		0.179
Register of Electors/Elections		0.174
Preventing Homelessness & other Housing needs		0.558
Net income from Pershore Hospital/Doctors' Surgery		(0.633)
Leisure facilities		0.619
Grants to community groups, parishes and other groups		0.567
		2.570

Priority - Strong Economy and Places

Total net spend of		£-1.586m
Net spending included:		£m
Car Parking	-	0.969
Net income from commercial properties including Waitrose stores		(1.256)
Economic development and promotion		0.286
Tourism		0.250
Planning		0.381
Licensing		(0.190)
Administration of Business Rates		(0.096)
Depots plus income from industrial sites in Droitwich and Evesham		(0.036)
		(1.631)

Priority - Sustainable Environment

Total net spend of		£4.4m
Net spending included:		£m
Street Cleaning		1.120
Refuse Collection		1.055
Recycling		1.156
Parks, recreation grounds and open spaces		0.917
		4.248

Central & Support Costs

Total net spend of		£5.181m
Net spending included:		£m
Support Service costs (Legal/HR/Finance/Property/Strategy & Comms/Member Support/ Internal Audit)		1.747
Information Technology		0.957
Senior Management Team		0.458
Civic Centre		0.482
Democratic Representation		0.372
Pension backfunding costs		1.051
		5.067

Note 6 Other Operating Expenditure

	2020/21	2021/22
	£000s	£000s
Parish council precepts and grants	2,743	2,799
Payments to the Government Housing Capital Receipts Pool	1	1
Gains/(Losses) on the disposal of non current assets	(102)	(64)
Total	2,642	2,736

Note 7 Financing and Investment Income and Expenditure

	2020/21	2020/21 Restated	2021/22
	£000s	£000s	
Pensions net interest cost less administration expenses	937	937	945
Interest receivable and similar income	(865)	(865)	(760)
Income and expenditure in relation to investment properties and changes in their fair values - see Note 23	(1,838)	(2,017)	(3,175)
Changes to fair value of investments in Pooled Investment Funds - see Note 27.	(267)	(267)	(1,055)
Total	(2,033)	(2,212)	(4,045)

Note 8 Taxation and Non-Specific Grant Income

	2020/21	2021/22
	£000s	£000s
Council Tax income	(8,848)	(9,009)
Business Rates	(4,649)	(6,135)
Revenue Support Grant	0	0
Non Specific Revenue Grants & Contributions	(7,762)	(6,909)
Capital grants and contributions	(3,193)	(2,117)
Right to Buy Clawback	(583)	(180)
Total	(25,035)	(24,350)

Note 9 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, Council Tax and Business Rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's priorities. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21			2021/22			
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
2,493	3,713	6,206	Supporting People	2,865	8,071	10,936
(323)	1,836	1,513	Strong Economy and Places	(1,577)	2,390	813
4,397	187	4,584	Sustainable Environment	4,400	366	4,766
4,759	249	5,008	Central and Support Costs	5,181	443	5,624
11,326	5,985	17,311	Net Cost of Services	10,869	11,270	22,139
(27,015)	2,589	(24,426)	Other Income and Expenditure	(12,379)	(13,280)	(25,659)
(15,689)	8,574	(7,115)	Surplus on the provision of Services	(1,510)	(2,010)	(3,520)
67,900			Opening General Fund Balance	83,589		
15,689			Plus Surplus on General Fund Balance in Year	1,509		
83,589			Closing General Fund Balance at 31 March	85,098		

A breakdown of the material items included in 'Net Expenditure chargeable to the General Fund Balance' column above is shown below:

2020/21			2021/22			
Depreciation and amortisation	Impairment of Assets	Revenues from external customers		Depreciation and amortisation	Impairment of Assets	Revenues from external customers
£000s	£000s	£000s		£000s	£000s	£000s
1,442	(27)	(1,058)	Supporting People	1,407	(19)	(1,171)
153	349	(4,069)	Strong Economy and Places	205	(34)	(5,378)
9	101	(1,984)	Sustainable Environment	9	243	(2,232)
1,020	0	(281)	Central and Support Costs	1,022	0	(332)
2,624	423	(7,392)	TOTAL	2,643	190	(9,113)

Note 9 Expenditure and Funding Analysis (continued)

Breakdown of Adjustments between Funding and Accounting Basis 2020/21:

Adjustments from general Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 9a)	Net change for Pensions Adjustments (Note 9b)	Other differences (Note 9c)	Total Adjustments
	£000s	£000s	£000s	£000s
Supporting People	10,788	183	(7,258)	3,713
Strong Economy and Places	533	281	1,022	1,836
Sustainable Environment	114	73	0	187
Central and Support Costs	1,020	(771)	0	249
Net Cost of Services	12,455	(234)	(6,236)	5,985
Other income and expenditure from the Expenditure and Funding Analysis	(13,058)	937	14,710	2,589
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(603)	703	8,474	8,574

Breakdown of Adjustments between Funding and Accounting Basis 2021/22:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 9a)	Net change for Pensions Adjustments (Note 9b)	Other differences (Note 9c)	Total Adjustments
	£000s	£000s	£000s	£000s
Supporting People	7,149	292	629	8,070
Strong Economy and Places	472	445	1,473	2,390
Sustainable Environment	253	113	0	366
Central and Support Costs	1,022	(579)	0	443
Net Cost of Services	8,896	271	2,102	11,269
Other income and expenditure from the Expenditure and Funding Analysis	(6,930)	945	(7,295)	(13,280)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,966	1,216	(5,193)	(2,011)

Note 9 Expenditure and Funding Analysis (continued)**Adjustment for Capital Purposes (Note 9a)**

This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or with conditions which were satisfied in the year.

Net Change for the Pensions Adjustments (note 9b)

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure - the net interest on the defined liability is charges to the CIES.

Other Differences (note 9c)

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

Note 9 Expenditure and Funding Analysis (continued)

- For Financing and Investment Income and Expenditure, the “other differences” column recognises impairment of financial assets and adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 10 Officer Remuneration

The remuneration paid to the Council’s senior employees is as follows:

Post Title		Salary	Travel Expenses	Subsistence Expenses	Lease Car Alternative	Pension Contributions	Total
		£	£	£	£	£	£
Joint Chief Executive	2021/22	134,279.10	44.10	0.00	4,599.96	24,573.04	163,496.20
	2020/21	86,575.03	0.00	0.00	3,066.64	15,843.23	105,484.90
Deputy Chief Executive and Section 151 Officer	2021/22	88,137.39	0.00	0.00	4,599.96	16,129.13	108,866.48
	2020/21	40,799.45	0.00	0.00	2,163.96	7,466.29	50,429.70
Director of Economy and Environment (to 24/08/2021)	2021/22	40,328.83	0.00	0.00	1,352.67	6,409.07	48,090.57
	2020/21	86,727.99	0.00	0.00	3,399.96	15,871.23	105,999.18
Director of Economy and Environment (from 13/12/2021)	2021/22	25,519.58	0.00	0.00	1,023.64	4,670.08	31,213.30
	2020/21	0.00	0.00	0.00	0.00	0.00	0.00
Director of Housing and Communities (to 24/08/2021)	2021/22	40,864.21	0.00	0.00	1,463.87	6,833.43	49,161.51
	2020/21	86,727.99	0.00	0.00	3,399.96	15,871.23	105,999.18
Director of Communities and Housing (from 06/12/2021)	2021/22	26,643.63	0.00	0.00	1,087.62	4,875.79	32,607.04
	2020/21	0.00	0.00	0.00	0.00	0.00	0.00

Note 10 Officer Remuneration (continued)

Notes:

- The Joint Chief Executive, the Director of Communities & Housing and the Director of Economy and Environment are joint posts working for both Wychavon District Council and Malvern Hills District Council. They are formally employed by Wychavon, and Malvern Hills District Council is recharged 43.5% of their remuneration.
- The Deputy Chief Executive and Section 151 Officer is part of the Joint Senior Management Team with Malvern Hills District Council but funded wholly by Wychavon District Council
- The Director of Planning & Infrastructure is a joint post with Malvern Hills District Council. The individual is employed by Malvern Hills District Council and Wychavon is recharged 56.5% of their remuneration.
- The Director of Legal & Governance is a joint post with Malvern Hills District Council. The individual is employed by Malvern Hills District Council and Wychavon is recharged 56% of their remuneration.

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

	2020/2021	2021/2022
Remuneration Band	Number of Employees	Number of Employees
£50,000 - £54,999	4	4
£55,000 - £59,999	4	1
£60,000 - £64,999	2	4

The numbers of exit packages with total cost per band are set out in the table below:

Exit package cost band (including special payments)	Total number of exit packages		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	0	1	0	16,271
£20,001 - £40,000	0	0	0	0
£40,000 - £60,000	0	0	0	0
Total cost included in bandings and in the CIES			0	16,271

Trade Union Facility Time:

Wychavon District Council recognises UNISON for collective bargaining purposes. Facility time details for the period 1 April 2021 to 31 March 2022 were as follows:

Note 10 Officer Remuneration (continued)

Number of employees who were relevant union officials in the relevant period	3
Full time equivalent employee number	2.76
Percentage of working hours spent on facility time:	
0% of working hours	0
1% to 50% of working hours	4
51% to 99% of working hours	0
100% of working hours	0
Total pay bill	£9,835,443
Total cost of facility time	£810
Percentage of pay spent on facility time	0.01%
Hours spent on paid facility time	62.5
Hours spent on paid trade union activities	4
Percentage of hours spent on paid facility time	0%

Note 11 Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	2020/2021	2021/2022
Total	£300,363	£312,669

Note 12 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

	2020/21	2021/22
	£000s	£000s
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year. 2021/22 includes The Redmond Review Local Audit Fees grant of £17,237.	33	17
Fees payable in respect to KMPG during the year for housing benefit subsidy audit (estimate for 21/22)	10	10
Fees payable in respect to Ernst & Young LLP during the year for housing benefit 40+ audit (estimate for 21/22)	10	10
PSAA - Refund of Fees	0	
Total	53	37

The external auditors Ernst & Young LLP were appointed to audit the Council's accounts and provide a value for money opinion with effect from the 2015/16 financial year. Following a tender process carried out by Public Sector Audit Appointments Limited (PSAA), on behalf of the Council, the same auditors have been appointed for a five-year period with effect from 2018/19. KMPG now do the Housing Benefit Subsidy audit with effect from 2021/22.

Note 13 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/2022:

	2020/2021	2021/2022
	£000s	£000s
Government Grants		
Credited to Taxation and Non Specific Income		
MHCLG - Covid-19 Emergency Grant Funding	(1,738)	(608)
MHCLG - New Homes Bonus	(4,732)	(3,174)
MHCLG - NNDR Section 31 Grants	(9,400)	(5,674)
MHCLG - Housing Renewal Grants - Capital - DFGs	(1,252)	(1,252)
MHCLG - Getting Building Fund	(600)	0
Football Foundation - Evesham 3G Pitch	(513)	(254)
BEIS - Public Sector Decarbonisation Scheme	(418)	0
MHCLG - Sales, Fees & Charges Compensation Grant	(1,212)	(227)
MHCLG - Local Taxation Income Guarantee Scheme - NNDR	(627)	(54)
MHCLG - Lower Tier Support Grant	0	(1,107)
Other	(183)	(192)
Total	(20,675)	(12,542)
Credited to Services		
DWP - Housing Benefits Subsidy	(21,310)	(19,608)
DWP - Housing Benefits Administration	(276)	(253)
MHCLG - Better Care Fund / Disabled Facilities Grants	0	0
MHCLG - Flexible Homelessness Support Grant	(223)	(354)
MHCLG - Council Tax Hardship Fund	(767)	0
MHCLG - Next Steps Accommodation Programme	(446)	0
MHCLG - Cyber Resilience Grant	(200)	0
BEIS - Social Housing Decarbonisation Grant	(5,800)	0
BEIS - Green Homes Grant Local Authority Delivery Scheme	(2,087)	0
BEIS - Local Authority Discretionary Fund	(1,480)	0
BEIS - Business Grants New Burdens	(247)	(339)
BEIS - Local Restrictions Support Grant (Open)	(761)	0
BEIS - Additional Restrictions Grant	(3,494)	(1,743)
Other	(1,210)	(1,566)
Total	(38,301)	(23,863)

	2020/2021	2021/2022
	£000s	£000s
Other Grants		
Credited to Services		
Sport England - National Leisure Recovery Fund	(290)	0
Other Grants	(370)	(624)
Total	(660)	(624)
Contributions		
Credited to Taxation and Non Specific Income		
Section 106 Contributions	(24)	(1,600)
Right to Buy Clawback	(570)	0
Voluntary Right to Buy Clawback	(13)	(180)
Community Infrastructure Levy	(330)	(585)
Other	(23)	(25)
Total	(960)	(2,390)
Credited to Services		
Malvern Hills District Council - Contributions to Shared Services	(2,267)	(2,318)
Worcester City Council - Contributions to Shared Services	(1,797)	(1,885)
Bromsgrove DC - Contribution to Parking Services	(242)	(243)
Other	(1,441)	(2,354)
Total	(5,747)	(6,800)

Note 14 Pension Costs

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

The council participates in one defined benefit pension scheme, the Local Government Pension Scheme (LGPS), administered by Worcestershire County Council. This is a funded, defined benefit, career average revalued earnings (CARE) scheme. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension 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 is the responsibility of the Pensions Committee of Worcestershire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note and below.

Transactions relating to post-employment benefits

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

Note 14 Pension Costs (continued)

	Local Government Pension Scheme	Local Government Pension Scheme	Unfunded Discretionary Benefits	Unfunded Discretionary Benefits	Total	Total
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
COMPREHENSIVE STATEMENT OF INCOME & EXPENDITURE						
Cost of services:						
Service cost comprising:						
- current service cost	(2,057)	(2,623)	0	0	(2,057)	(2,623)
- past service cost	0	0	0	0	0	0
- loss from settlements & curtailments	0	0	0	0	0	0
Financing and Investment Income & Expenditure						
- net interest expense	(857)	(872)	(54)	(47)	(911)	(919)
- administration	(26)	(26)	0	0	(26)	(26)
Total Post-Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	(2,940)	(3,521)	(54)	(47)	(2,994)	(3,568)
Other Post-employment Benefits Charged to the Comprehensive Statement of Income & Expenditure						
Remeasurements of the net defined benefit (pension) liability comprising:						
- Return on plan assets (excluding the amount included in the net interest expense)	12,962	2,924	0	0	12,962	2,924
- Actuarial gains and losses arising on changes in financial assumptions	(15,280)	83	(232)	0	(15,512)	83
- Actuarial gains and losses arising on changes in demographic assumptions	0	881	0	16	0	897
- Actuarial gains and losses arising on changes in experience	1,985	(287)	54	(6)	2,039	(293)
Total remeasurements recognised in Other Comprehensive Income	(333)	3,601	(178)	10	(511)	3,611
Cost of Business Combination (net)	0	0	0	0	0	0
Total Post-employment Benefits Charged to the Comprehensive Statement of Income & Expenditure	(3,273)	80	(232)	(37)	(3,505)	43
Movement in Reserves Statement						
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,940)	(3,521)	(54)	(47)	(2,994)	(3,568)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year						
- Employer's contributions payable to the scheme	2,100	2,171	191	181	2,291	2,352
- Retirement benefits payable to pensioners	2,966	2,901	191	181	3,157	3,082

Note 14 Pension Costs (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	Local Government Pension Scheme	Unfunded Discretionary Benefits	Unfunded Discretionary Benefits	Total	Total
	2020/2021	2021/22	2020/2021	2021/22	2020/2021	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation (liability)	114,469	116,336	2,344	2,200	116,813	118,536
Fair value of plan assets	(71,840)	(75,958)	0	0	(71,840)	(75,958)
Net liability arising from defined benefit obligation	42,629	40,378	2,344	2,200	44,973	42,578

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme	Local Government Pension Scheme	Unfunded Discretionary Benefits	Unfunded Discretionary Benefits	Total	Total
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	57,837	71,840	0	0	57,837	71,840
Interest income	1,494	1,505	0	0	1,494	1,505
Remeasurement gain/(loss):						
- The return on plan assets, excluding the amount included in the net interest expense	12,962	2,924	0	0	12,962	2,924
Administration expenses	(26)	(26)	0	0	(26)	(26)
Employer contributions	2,100	2,171	191	181	2,291	2,352
Employee contributions	439	445	0	0	439	445
Benefits paid	(2,966)	(2,901)	(191)	(181)	(3,157)	(3,082)
Other - Business combinations	0	0	0	0	0	0
Closing balance at 31 March	71,840	75,958	0	0	71,840	75,958

Note 14 Pension Costs (continued)

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme 2020/21	Local Government Pension Scheme 2021/22	Unfunded Discretionary Benefits 2020/21	Unfunded Discretionary Benefits 2021/22	Total 2020/21	Total 2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance as at 1 April	99,293	114,469	2,303	2,344	101,596	116,813
Current service cost	2,057	2,623	0	0	2,057	2,623
Interest cost	2,351	2,377	54	47	2,405	2,424
Employees' contributions	439	445	0	0	439	445
Past service cost (gain)	0	0	0	0	0	0
Remeasurement (gains) and losses:						
- Experience (gain)/loss	(1,985)	287	(54)	6	(2,039)	293
- Actuarial (gains)/ losses arising from changes in demographic assumptions	0	(881)	0	(16)	0	(897)
- Actuarial (gains)/losses arising from changes in financial assumptions	15,280	(83)	232	0	15,512	(83)
Losses on curtailment	0	0	0	0	0	0
Liabilities extinguished on settlements	0	0	0	0	0	0
Benefits paid	(2,966)	(2,901)	(191)	(181)	(3,157)	(3,082)
Liabilities assumed on business combinations	0	0	0	0	0	0
Closing balance as at 31 March	114,469	116,336	2,344	2,200	116,813	118,536

Note 14 Pension Costs (continued)

Local Government Pension scheme assets comprised:

	Fair Value of Scheme Assets	
	2020/21 £000s	2021/22 £000s
Cash and cash equivalents	16	19
Equity Instruments:		
- UK quoted	86	87
- Overseas quoted	22,491	18,594
- PIV UK Managed Funds	9,976	10,465
- PIV UK Managed Funds (overseas equities)	28,354	30,356
- PIV Overseas Managed Funds	88	605
Sub-total Equity Instruments	60,995	60,107
Bonds:		
- Other Bonds	64	0
- UK Government Fixed	0	1,230
- LGPS Central Global Pooled Funds	0	1,071
Sub-total Bonds	64	2,301

	Fair Value of Scheme Assets	
	2020/21 £000s	2021/22 £000s
Property:		
- European Property Funds	1,373	0
- UK Property Debt	275	529
- Overseas property Debt	206	352
- UK Property Funds	1,442	3,347
- Overseas REITs	69	0
Sub-total Property	3,365	4,228
Alternatives:		
- UK Infrastructure	2,798	3,578
- European Infrastructure	1,990	2,385
- US Infrastructure	1,493	1,988
- UK Stock Options	249	318
- Overseas Stock Options	62	(159)
- Corporate Private Debt	808	1,193
Sub-total Alternatives	7,400	9,303
Total Assets	71,840	75,958

All scheme assets have quoted prices in active markets.

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.

Both the Local Government Pension Scheme and unfunded discretionary benefits liabilities have been estimated by Mercer Limited, an independent firm of actuaries. The last full valuation of the scheme was at 31 March 2019.

Note 14 Pension Costs (continued)

The principal assumptions used by the actuary have been:

	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Male	22.7 years	22.6 years
- Female	25.1 years	25.0 years
Longevity at 65 for future pensioners:		
- Male	24.4 years	24.1 years
- Female	27.1 years	27.0 years
Other:		
Rate of inflation (CPI)	2.7%	3.4%
Rate of increase in salaries	4.2%	4.9%
Rate of increase in pensions	2.8%	3.5%
Rate of discounting scheme liabilities	2.1%	2.8%

The estimation of the defined benefit pension obligation (pension liability) is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on the reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption being 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 sensitivity analysis which considers the impact on an increase/decrease in investment returns does not impact on the defined benefit obligation (pension liability), but on the plan assets. However, movement on the level of plan assets will impact on the pension fund deficit, so it has been included for information.

Note 14 Pension Costs (continued)

	Impact on the Defined Benefit Obligations in the Scheme		Impact on Plan Assets
	£000s		
Longevity (increase or decrease in 1 year) * increase in longevity increases liability	3,556		0
Rate of inflation (increase or decrease by 0.1%) * increase in inflation increases liability	1,874		0
Rate of increase in salaries (increase or decrease by 0.1%) * increase in salaries increases liability	208		0
Rate of discounting scheme liabilities (increase or decrease by 0.1%) * increase in discount decreases liability	1844		0
Change in 2020/21 investment returns (increase or decrease by 1%) * increase in investment returns increases asset	0		758

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years from the last pension valuation on 31 March 2019. Funding levels are monitored on an annual basis.

The Council anticipates it will pay £2.371m expected contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2021/22.

Statutory arrangements for funding the pension fund deficit mean that the financial position of the Council remains healthy, as the deficit will be made good either through improved fund performance or increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Note 14 Pension Costs (continued)**Pensions Liability Relating to the Worcestershire Shared Service Joint Committee**

Wychavon's Regulatory Services (Environmental Health and Licensing) functions are carried out by the Worcestershire Shared Services Partnership arrangement between various Worcestershire Authorities. This shared service is hosted by Bromsgrove District Council. The income and expenditure incurred by the shared service is accounted for in the host authority's accounts. The assets and liabilities of the pension scheme are the joint responsibility of the partnership and are accounted for in full in the host authority's accounts.

The pension assets and liabilities for the shared services that are attributable to Wychavon at 31 March 2022 are as follows:

	Regulatory Services	Regulatory Services
	31 March 2021	31 March 2022
	£000s	£000s
Present Value of Liabilities	(9,253)	(9,375)
Fair Value of Assets	6,128	6,431
Surplus or (Deficit) in the Scheme	(3,125)	(2,944)

Note 15 Revenue from Contracts with Service Recipients

The following amounts are included in the Comprehensive Income and Expenditure Account for Contracts with Service Recipients:

Revenue from Contracts with Service Recipients		
2020/21		2021/22
£000s		£000s
1,983	Sustainable Environment	2,231
2,719	Strong Economy and Places	4,224
331	Supporting People	386
239	Central and support costs	300
5,272		7,141

Note 15 Revenue from Contracts with Service Recipients (continued)

All material income from the Councils contracts with Service Recipients is accounted for as received so there are no material items on the balance sheet relating to Contracts with Service Recipients.

In addition, there is no further revenue expected to be recognised in future related to performance obligations unsatisfied or potentially satisfied at the year end.

Note 16 Expenditure on Publicity

Councils are required to identify the cost of publicity during the year which has been included in the Income and Expenditure Account.

Publicity is defined as “any communication, in whatever form, addressed to the public at large or to a section of the public”. The figures shown below are inclusive of recruitment advertising.

	2020/2021	2021/2022
	£000s	£000s
Total spend on publicity	133	314

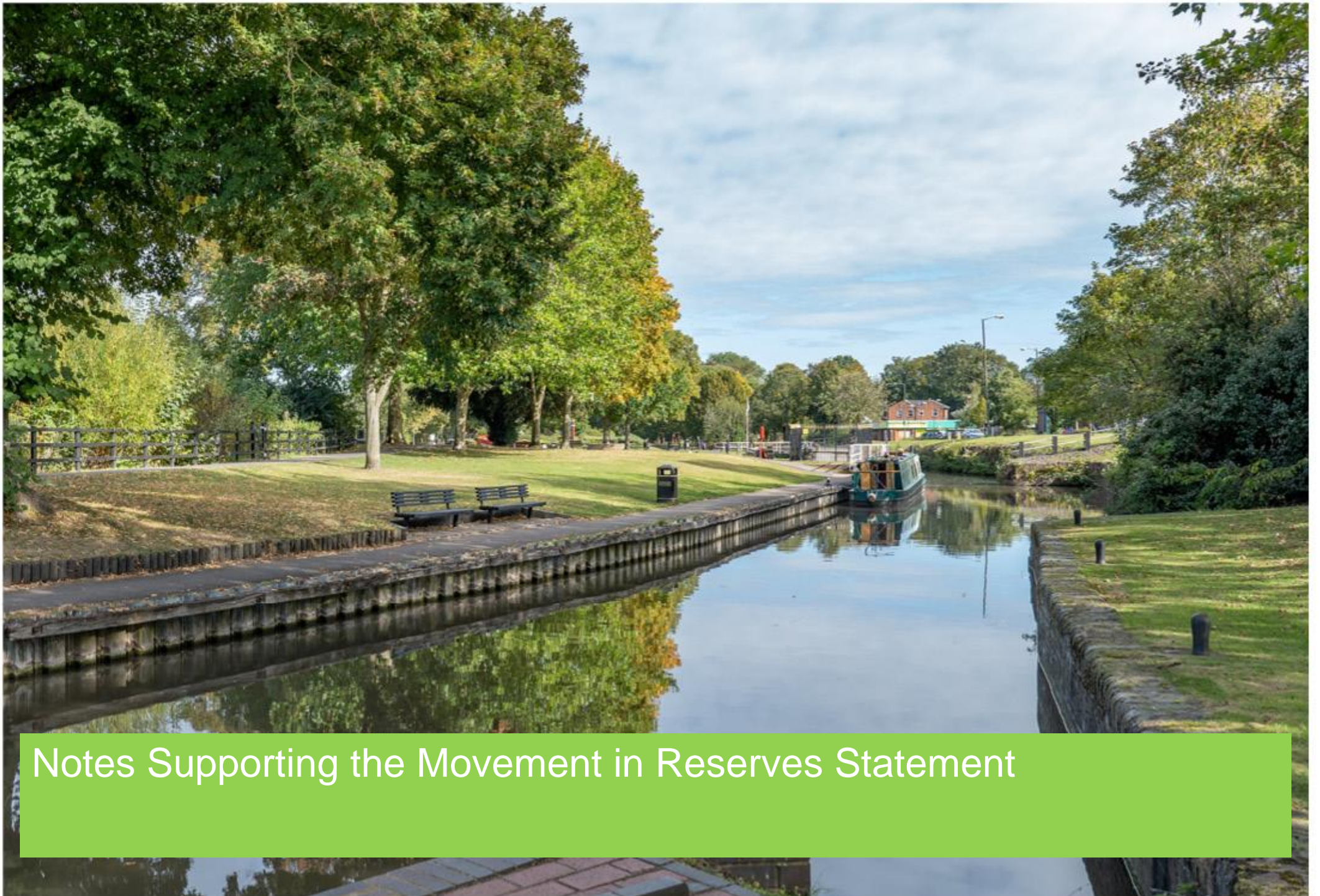
The increased spend for 2021/22 compared to 2020/21 is mainly due to a campaign, financed from central government, to help the local economy recover post Covid-19 restrictions.

Note 17 Building Control

Councils are required to publish their costs of providing a Building Control service and the income generated. For the chargeable service, income is not expected to exceed expenditure when averaged out over a three-year rolling period.

Note 17 Building Control (continued)

	Non-chargeable		Chargeable	
	2020/2021	2021/2022	2020/2021	2021/2022
	£000s	£000s	£000s	£000s
Expenditure	0	0	187	205
Income	0	0	(209)	(257)
Net cost of service	0	0	(22)	(52)



Notes Supporting the Movement in Reserves Statement

Note 18 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2020/2021	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Changes for depreciation and impairment of non current assets	3,047	0	0	(3,047)
Movement in the fair value of Investment properties	34	0	0	(34)
Revenue expenditure funded from capital under statute	9,407	0	0	(9,407)
Minimum Revenue Provision	(200)	0	0	200
Kickstart Loan movement in value	(2)	0	0	2
Application of grants to capital financing	(1,312)	0	0	1,312
	10,974	0	0	(10,974)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the CIES	(1,881)	0	1,881	0
Revenue contribution to capital	(9,011)	0	0	9,011
Application of grants to capital financing	0	0	(843)	843
	(10,892)	0	1,038	9,854
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the CIES	(100)	100	0	0
Repayments of improvements grants	(3)	3	0	0
Payments to Housing Capital Receipts Pool	1	(1)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,228)	0	1,228
Capital expenditure written back to Capital Receipts	0	1	0	(1)
Right to Buy clawback	(583)	583	0	0
Repayment of loan principal	0	4	0	(4)
	(685)	(538)	0	1,223
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	2,994	0	0	(2,994)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,291)	0	0	2,291
	703	0	0	(703)
Adjustments involving Pooled Investment Adjustments Account				
Adjustment to fair value of pooled investments in accordance with statutory requirements	(267)	0	0	267
	(267)	0	0	267
Adjustments involving the Financial Instrument Adjustments Account				
the year in accordance with statutory requirements	(224)	0	0	224
	(224)	0	0	224
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and NNDR credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	8,965	0	0	(8,965)
Total Adjustments	8,574	(538)	1,038	(9,074)

Note 18 Adjustments between Accounting Basis and Funding basis under Regulations (Continued)

	Usable Reserves			
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movements in Unusable Reserves £000s
2021/2022				
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Changes for depreciation and impairment of non current assets	2,833	0	0	(2,833)
Movement in the fair value of Investment properties	(1,126)	0	0	1,126
Revenue expenditure funded from capital under statute	6,062	0	0	(6,062)
Non current assets written off on disposal	922	0	0	(922)
Minimum Revenue Provision	(200)	0	0	200
Kickstart Loan movement in value	(6)	0	0	6
Capital Grants and Contributions Applied	(399)	20	0	379
	<u>8,086</u>	<u>20</u>	<u>0</u>	<u>(8,106)</u>
Statement				
Capital expenditure charged against the General Fund	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the CIES	(1,717)	0	1,717	0
Revenue contribution to capital	(3,238)	0	0	3,238
Application of grants to capital financing				
Capital contribution to revenue				
Application of grants to capital financing	0	0	(1,157)	1,157
	<u>(4,955)</u>	<u>0</u>	<u>560</u>	<u>4,395</u>
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the CIES	(986)	986	0	0
Payments to Housing Capital Receipts Pool	1	0	0	(1)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(4,365)	0	4,365
Capital expenditure written back to Capital Receipts	0	0	0	0
Right to Buy clawback	(180)	180	0	0
Repayment of loan principal	0	2,158	0	(2,158)
Loans advanced	0	(1,509)	0	1,509
	<u>(1,165)</u>	<u>(2,550)</u>	<u>0</u>	<u>3,715</u>
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	3,568	0	0	(3,568)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,352)	0	0	2,352
	<u>1,216</u>	<u>0</u>	<u>0</u>	<u>(1,216)</u>
Adjustments involving Pooled Investment Adjustments Account				
Adjustment to fair value of pooled investments in accordance with statutory requirements	(1,056)	0	0	1,056
	<u>(1,056)</u>	<u>0</u>	<u>0</u>	<u>1,056</u>
Adjustments involving the Financial Instrument Adjustments Account				
the year in accordance with statutory requirements	59	0	0	(59)
	<u>59</u>	<u>0</u>	<u>0</u>	<u>(59)</u>
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and NNDR credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(4,196)	0	0	4,196
Total Adjustments	(2,011)	(2,530)	560	3,981

Note 19 Unusable Reserves

	31 March 2021	31 March 2022
	£000s	£000s
Revaluation Reserve	38,547	38,681
Financial Instruments Adjustment Account	971	911
Capital Adjustment Account	56,364	58,504
Pensions Reserve	(44,973)	(42,578)
Deferred Capital Receipts Reserve	87	86
Pooled Investment Funds Adj. Account	(211)	844
Collection Fund Adjustment Account	(8,736)	(4,540)
TOTAL UNUSABLE RESERVES	42,049	51,908

Revaluation Reserve

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

- revalued downwards or impaired 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

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

	2020/21	2020/21
	£000s	£000s
Balance at 1 April	(44,109)	(38,547)
Upward revaluation of assets	(4,567)	(5,985)
Downward revaluation of assets and impairment	8,119	3,717
Amounts written out to the Capital Adjustment Account	2,010	2,042
Accumulated gains on assets sold or scrapped	0	92
Balance at 31 March	(38,547)	(38,681)

Note 19 Unusable Reserves (continued)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The account is used to manage interest free loans made to Droitwich Boxing Club in 2013/14 and Evesham Abbey Trust in 2021/22, which are deemed to be soft loans.

A loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest forgone over the life of the loan. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax and managed by a transfer to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Financial Instruments Adjustment Account also recognises lease incentives resulting from rent free periods. The CIPFA Code states that these incentives should be recognised over the term of the lease. Details of these incentives are recorded at Note 38.

As stated above, over time the expense is posted back to the General Fund Balance in accordance with statutory arrangements.

	2020/2021	2021/2022
	£000s	£000s
Balance at 1 April	747	971
Soft loans	2	(5)
Deferred rental income	222	(54)
Balance at 31 March	971	912

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, for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair values to

Note 19 Unusable Reserves (continued)

an historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 18 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2020/2021	2020/2021
	£000s	£000s
Balance as at 1 April	(54,250)	(56,364)
<i>Statement</i>		
Charge for the depreciation and impairment of non-current assets	3,047	2,833
Revenue expenditure funded from capital under statute	9,407	6,062
Changes to the value of outstanding loans	(1)	(1,509)
Income and Expenditure Account	0	830
	(41,797)	(48,148)
Adjusting amounts written out of the Revaluation Reserve	(2,010)	(2,042)
<i>Net amount written out of the cost of non-current assets consumed in the year</i>	(43,807)	(50,190)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure applied to capital financing	(1,228)	(4,365)
	(10,323)	(3,364)
Application of grants to capital financing from the Capital Grants Unapplied Account	(843)	(1,412)
	(56,201)	(59,331)
Capital expenditure charged against General Fund	(200)	(200)
Repayment of loan principal	3	2,153
Expenditure Statement	34	(1,126)
Balance as at 31 March	(56,364)	(58,504)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the

Note 19 Unusable Reserves (continued)

benefits earned by the past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/2021	2021/2022
	£000s	£000s
Balance as at 1 April	(43,759)	(44,973)
Remeasurement gains or losses on pensions assets and liabilities as per the actuary	(511)	3,611
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,994)	(3,568)
Employer's pension contributions and direct payments to pensioner's payable in the year	2,291	2,352
Asset opening balance adjustment	0	0
Balance at 31 March	(44,973)	(42,578)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/2021	2021/2022
	£000s	£000s
Balance as at 1 April	(88)	(87)
Transfer to the Capital Receipts Reserve upon receipt of cash	1	1
Balance as at 31 March	(87)	(86)

Note 19 Unusable Reserves (continued)

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustments Account holds the difference on the Council's investments in the Local Authorities Property Fund and Diversified Income Fund, in order to show it at market value rather than at cost.

	2020/2021	2021/2022
	£000s	£000s
Balance as at 1 April	(478)	(211)
Notional gain/(loss) on investment	267	1,055
Balance as at 31 March	(211)	844

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2019/2020	2020/2021
	£000s	£000s
Balance as at 1 April	229	(8,736)
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(211)	130
Amount by which Business Rate income credited to the Comprehensive Income & Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(8,754)	4,066
		* see Note 20
Balance as at 31 March	(8,736)	(4,540)

Note 20 Transfers to/from Earmarked Reserves

This note shows the amounts set aside from the General Fund balances in earmarked reserves, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Balance at 1 April 2021	Receipts in year	Payments in year	Total in year	Balance at 31 March 2022
	£000s	£000s	£000s	£000s	£000s
Developer s106 Cont-WDC Projects	(13,987)	(2,300)	1,970	(330)	(14,317)
Developer s106 Cont-Non WDC	(5,269)	(358)	726	368	(4,901)
Developer s106 Cont-WDC Non Projects	(1,735)	0	0	0	(1,735)
New Homes Bonus	(16,140)	(3,174)	2,438	(736)	(16,876)
Business Rates Equalisation	(7,106)	(10,110)	7,036	(3,074)	(10,180)
Evesham Town Centre Development	(8,600)	0	200	200	(8,400)
Business Rates Covid-19	(4,480)	0	0	0	(4,480)
Covid-19	(1,908)	(450)	126	(324)	(2,232)
Economic Development	(1,153)	0	86	86	(1,067)
Flexible Homeless Support Fund (MHCLG)	(460)	(150)	0	(150)	(610)
Invest To Save	(360)	0	9	9	(351)
Pensions Risk	0	(300)	0	(300)	(300)
Community Grants	(100)	(197)	60	(137)	(237)
Wychavon Leisure Support	(665)	0	459	459	(206)
Treasury Investments (Brexit & Markets)	(500)	0	300	300	(200)
Community Housing Fund	(180)	0	6	6	(174)
Pershore Hospital Maintenance	(151)	0	0	0	(151)
Sports Development	(54)	(81)	0	(81)	(135)
Neighbourhood Planning	(124)	(40)	34	(6)	(130)
Cyber Resilience Fund	(200)	0	110	110	(90)
Housing & Plan. Delivery Grant (HPDG)	(136)	0	70	70	(66)
CCLA Pooled Funds	(211)	0	211	211	0
Homelessness Reduction Act Initiatives	(150)	0	150	150	0
Willow Court Enabling Works	(117)	0	117	117	0
Other Miscellaneous Reserves (49 reserves)	(1,319)	(448)	519	71	(1,248)
Subtotal	(65,105)	(17,608)	14,627	(2,981)	(68,086)
Collection Fund (timing difference)**	(7,567)	0	3,990	3,990	(3,577)
TOTAL EARMARKED RESERVES	(72,672)	(17,608)	18,617	1,009	(71,663)

** The government granted business rates relief to retail, hospitality, and leisure businesses during 2020/21 and compensated councils for the loss of income with a Section 31 grant. These reliefs must be shown as a deficit on the Council's share of income in the Collection Fund Adjustment Account (CFAA) (see note 19) while the grant income must be shown in the Council's General Fund.

Note 20 Transfers to/from Earmarked Reserves (continued)

The reserves have been set up for the following purposes:

Reserve	Purpose
Developer s106 Contributions - WDC projects	To fund future Wychavon projects of the type stated within the various individual agreements.
Developer s106 Contributions - non-WDC projects	To fund future non Wychavon projects of the type stated within the various individual agreements.
Developer s106 Contributions - WDC non projects	To fund the maintenance of adopted open spaces.
New Homes Bonus	To fund the future costs of the various projects as per the agreed New Homes Bonus protocol.
Business Rates Equalisation	To set aside the Business Rates growth achieved in the Business rates Retention Scheme for use in offsetting possible deficits in future years.
Evesham Town Centre Development	To fund the project from revenue over the life of the asset created.
Business rates Covid-19	To fund the effects on Business rates of the Covid-19 pandemic.
Covid-19	To help fund the recovery from the Covid-19 pandemic.
Economic Development	To fund future initiatives to help the local economy.
Flexible Homeless Support Funds	To set aside funds received from MHCLG for future projects.
Invest to Save	To fund equipment and projects that in the longer term will result in savings to the Council.
Pensions Risk	To help fund any potential future losses.
Community Grants	To fund approved grant applications from local groups and organisations for projects.
Wychavon Leisure Support	To provide support during and immediately after the Covid-19 pandemic
Treasury Investments (Bexit & Markets)	To help fund any potential future losses.
Community Housing Fund	A government grant to support community-led housing developments.
Pershore Hospital Maintenance	To fund the future replacement of major plant and equipment.
Sports Development	To fund sports development projects
Neighbourhood Planning	To set aside funds received from MHCLG for later stages of the Plan setting process.
Cyber Resilience Fund	To set aside funds received from MHCLG for future projects.
Housing Planning Delivery Grant	To fund future housing and planning initiatives.
CCLA Pooled Funds	To help offset any potential future losses.
Homelessness Reduction Act Initiatives	To set aside funds received from MHCLG for future projects.
Willow Court Enabling Works	To fund works necessary to bring the property up to a certain standard.
Other Miscellaneous Reserves	Includes the following: Youth Bus, Homelessness Prevention, Reduction of Household Black Bin Waste, Abbey Gates, Business Support & Regeneration, Rapid Rehousing, Leisure Centre Repairs, Civic Centre Plant, Domestic Abuse Support Fund, Custom / Self Build, Brexit Issues, Electric Vehicle Charging Points.



Notes Supporting the Balance Sheet

Note 21 Movement of Property, Plant and Equipment

The freehold and leasehold properties which make up the Council's property portfolio have been valued internally at 31 March 2022 by A Galvin and T Wright, MRICS Registered Valuers, on the undermentioned bases and in accordance with the RICS Appraisal and Valuation Manual – Valuation of Local Council Assets for Financial Statements.

The basis of valuation is as set out in the Statement of Accounting Policies. Plant and machinery are included in the valuation of buildings. Valuations are performed on a rolling basis to cover all the assets over a five year cycle. Where classes of assets have not been valued in the current year, these assets are reviewed to ensure that their carrying amount does not differ materially from their fair value.

Comparative movements in 2021/22 are as follows:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2021	80,858	6,292	20	928	12,322	1,531	101,951
Additions	1,599			299	114	1,008	3,020
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,140			(56)	184		2,268
Assets reclassified (to)/from Held for Sale							0
Reclassifications	23				(675)	(23)	(675)
At 31 March 2021	84,620	6,292	20	1,171	11,945	2,516	106,564
Accumulated Depreciation and Impairment							
At 1 April 2021	31,754	6,161	0	570	2,454	638	41,577
Depreciation Charge	2,531	20			92		2,643
Impairment losses/(Reversals) recognised in the Surplus/Deficit in the Provision of Services	28			244	(82)		190
Derecognition - Disposal	36				74		110
At 31 March 2021	34,349	6,181	0	814	2,538	638	44,520
Net Book Value							
at 31 March 2022	50,271	111	20	357	9,407	1,878	62,044
at 31 March 2021	49,104	131	20	358	9,868	893	60,374

Note 21 Movement of Property, Plant and Equipment (continued)

Comparative movements in 2020/21 are as follows:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2019	84,151	6,282	20	827	9,836	1,916	103,032
Additions	379	10	0	101	245	436	1,171
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,672)	0	0	0	120	0	(3,552)
Assets reclassified (to)/from Held for Sale	0	0	0	0	1,300	0	1,300
Reclassifications	0	0	0	0	821	(821)	0
At 31 March 2020	80,858	6,292	20	928	12,322	1,531	101,951
Accumulated Depreciation and Impairment							
At 1 April 2019	29,149	6,142	0	469	2,132	638	38,530
Depreciation Charge	2,531	19	0	0	74	0	2,624
Impairment losses/(Reversals) recognised in the Surplus/Deficit in the Provision of Services	74	0	0	101	248	0	423
Derecognition - Disposal	0	0	0	0	0	0	0
At 31 March 2020	31,754	6,161	0	570	2,454	638	41,577
Net Book Value							
at 31 March 2020	49,104	131	20	358	9,868	893	60,374
at 31 March 2019	55,002	140	20	358	7,704	1,278	64,502

Note 21 Movement of Property, Plant and Equipment (continued)

Information on Assets Held: non-current assets held by the Council include the following:

	Number as at 31 March 2021	Number as at 31 March 2022
Civic Centre	1	1
Leisure Centres with Swimming Pools	3	3
Outdoor Swimming Pools	1	1
Pay & Display Car Parks	23	23
Depots	2	2
Parks and Open Spaces (sites)	117	117
Public Conveniences	11	11
Retail Units	11	11
Hospital	1	1
GP Surgery	1	1

Assets are being depreciated based on their remaining useful life using the following expected life-spans:-

Asset	Lifespan (years)
Civic Centre	65
Roof	60
Mechanical and electrical	25
Droitwich Spa Lido and buildings	61
Roof	35
Mechanical and electrical	37
Leisure centres	56-70
Roof	40-42
Mechanical and electrical	34-37
Public conveniences	65
Supermarket	45
Roof	30
Mechanical and electrical	25
Other buildings	individual
IT hardware	3-5
Hospital and GP Surgery, Pershore	65
Roof	50
Mechanical and electrical	25

Note 21 Movement of Property, Plant and Equipment (continued)

Revaluations - changes in asset values, net of impairment, may be summarised as follows:

	31 March 2021	31 March 2022
	£000s	£000s
Public Conveniences	98	(60)
Parking	(4,507)	(70)
Depots	65	110
Parks and Open Spaces	0	
Swimming Pools and Leisure Complexes	(77)	1,626
Offices	749	533
Investment Properties	0	
Heritage	0	
Surplus Assets	120	184
Assets held for Disposal	0	
Assets Under Construction	0	
Vehicles Plant and Equipment	0	
Community Assets	0	(56)
Sundry Land/Properties	0	
Total	(3,552)	2,267

Note 22 Heritage Assets

	Brine Pumping Station	Other Land & Buildings	Total Assets
	£000s	£000s	£000s
Cost or Valuation @ 1 April 2021	48	1	49
Addition	0	0	0
Revaluation Increase	0	0	0
Other Movements	0	0	0
Depreciation	0	0	0
Cost or Valuation @ 31 March 2022	48	1	49
Cost or Valuation @ 1 April 2020	48	2	50
Addition	0	0	0
Revaluation Increase	0	0	0
Other Movements	0	(1)	(1)
Depreciation	0	0	0
Cost or Valuation @ 31 March 2021	48	1	49

Note 23 Investment Properties

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

	2020/2021	2021/2022
	£000s	£000s
Rental income from investment property	(2,733)	(2,048)
Net Gains / losses from fair value adjustments	34	(1,127)
Total	(2,699)	(3,175)

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

	2020/2021	2021/2022
	£000s	£000s
Balance at start of the year	32,864	32,854
Acquisitions	24	0
Net gains / (losses) from fair value adjustments	(34)	1,127
	32,854	33,981

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market

conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

Note 23 Investment Properties (continued)

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process

The investment property portfolio has been valued at 31 March 2022 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Note 24 Intangible Assets

The Council accounts for its software as intangible assets and not as part of the hardware item of Property, Plant and Equipment, as it is not an integral part of a particular IT system.

All software is depreciated over 5 years, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets for 2021/22 is fully amortised with a net carrying value of zero. Any future purchase of intangible assets will be charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

Note 24 Intangible Assets (continued)

	2020/2021		2021/2022	
	Other Assets £000s	Total £000s	Other Assets £000s	Total £000s
- Gross carrying amounts	1,108	1,108	1,108	1,108
- Accumulated amortisation	(1,108)	(1,108)	(1,108)	(1,108)
Net carrying amount at start of year	0	0	0	0
Additions - purchases	0	0	0	0
Amortisation for the period	0	0	0	0
Net carrying amount at end of year	0	0	0	0
Adjusted carrying amounts:				
- Gross carrying amounts	0	0	0	0
- Accumulated amortisation	0	0	0	0
	0	0	0	0

Note 25 Assets Held for Sale

	Current Assets		Non-current assets	
	2020/2021 £000s	2021/2022 £000s	2020/2021 £000s	2021/2022 £000s
Balance outstanding at start of year	358	358	10,248	8,948
Assets newly classified as held for sale				
Property, Plant and Equipment	0	575	0	100
Expenditure	0	57	(1)	0
Revaluation losses	0	(52)	1	0
Revaluation gains	0	9	0	0
Assets declassified as held for sale				
Property, Plant and Equipment	0	8,948	(1,300)	(8,948)
Assets sold	0	(768)	0	0
Balance outstanding at year-end	358	9,127	8,948	100

Major assets included in the balance outstanding at 31 March 2022 are Land at Vale Park, Evesham and land at Milestone Ground, Broadway. However, the balance shown at Note 25 does not reflect the true value of these assets at that date.

The CIPFA Code dictates that upward revaluations cannot take place while an asset is categorised as Held for Sale. However, the internal valuers valued the assets above as:
Land at Vale Park, Evesham – £6.6m
Land at Milestone Ground, Broadway - £18m

Note 26 Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (also see Notes 27 to 30 below):

	Current (Short Term)				Non Current (Long Term)					
	Investments		Debtors		Investments		Debtors		Total	
	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022
<u>Financial Assets</u>	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fair value through profit or loss	0	0	0	0	9,789	10,845	0	0	9,789	10,845
Amortised Cost	46,813	23,115	20,055	10,381	2,395	11,754	1,058	1,008	70,321	46,258
Total Financial Assets	46,813	23,115	20,055	10,381	12,184	22,599	1,058	1,008	80,110	57,103
Non-financial assets	0	0	3,948	2,493	0	0	0	0	3,948	2,493
Total as per Balance Sheet	46,813	23,115	24,003	12,874	12,184	22,599	1,058	1,008	84,058	59,596

	Current (Short Term)				Non Current (Long Term)					
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022
<u>Financial Liabilities</u>	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Amortised Cost	0	0	(26,289)	(24,315)	0	0	0	0	(26,289)	(24,315)
Total Financial Liabilities	0	0	(26,289)	(24,315)	0	0	0	0	(26,289)	(24,315)
Non-financial liabilities	0	0	(818)	(6,905)	0	0	0	0	(818)	(6,905)
Total as per Balance Sheet	0	0	(27,107)	(31,220)	0	0	0	0	(27,107)	(31,220)

Note 26 Financial Instruments (continued)

Value and Classification of Financial Instruments

All the financial and non-financial assets and liabilities above are carried at 'fair value'. Details of how fair value is determined for each type of financial instrument is given in the Council's accounting policy 9 on Financial Instruments. Loans and Receivables are classed as Financial Assets at amortised cost and Creditors are classed as Financial Liabilities at amortised cost. Payments in advance and receipts in advance are classed as Non-Financial Assets and Liabilities respectively.

Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.

Material Soft Loans made by the Council

Included in the long-term loans above is a loan of £100k which was made to Droitwich Boxing Club in 2013/14 plus a loan granted to Evesham Abbey Trust in 2021/22 of £68k. These loans are interest free and are deemed to be material soft loans. The interest rate at which the loans have been made is arrived at by using a fair market rate of 4%. No allowance has been added to cover the risk that the loans might not be repaid as they are supported by legal agreements plus a charge on the property for the Droitwich Boxing Club loan.

	2020/2021	2021/2022
	£000s	£000s
Balance at start of year:		
Opening balance	52	50
Loans granted	0	68
Loans repaid	(4)	(4)
Increase in discounted amount during the year	2	4
Closing balance at end of year	50	118

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. As such, the key risks in relation to its financial assets are Credit Risk, the possibility that other parties might fail to pay amounts due to the Council; Liquidity Risk, the possibility that the Council might not have funds available to meet its commitments to make payments; Refinancing Risk, the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms and Market Risk, the possibility that financial loss might arise for the Council as a result of changes in interest rates.

Note 26 Financial Instruments (continued)

The Council uses risks management practices in Treasury Management not only to minimise the risks stated above but also to manage cash flows, maximise interest receivable, etc. It minimises its risks using the following measures:

- by adopting the requirements of the CIPFA Treasury Management in the Public Services Code of Practice.
- by approving annually in advance prudential indicators for the following five years, limiting the Council's borrowing and maximum and minimum exposures to fixed and variable rates, the maturity structure of debt and exposure to investments maturing beyond a year
- by approving a Treasury Management Strategy annually, which includes an investment strategy for the forthcoming year.

In addition, Treasury Management Practices setting out clear operational procedures are followed and reviewed on a day-to-day basis.

Credit Risk - This is minimised by use of a specified list of investment counterparties, each one having a set monetary and duration maximum limit. The Council receives credit rating details from its treasury management advisers daily. It also monitors various websites and the Financial Times newspaper daily. Any counterparty consistently falling below a satisfactory level will be removed from the list. During the year it will not be used unless it returns to a satisfactory level and the Council is confident that it will remain so. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies 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. However, the credit risk for the Council's financial investments in total have not increased significantly since initial recognition due to the nature of the investments made. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all the Council's deposits but there was no evidence on 31 March 2022 that this was likely to crystallise. The Council's treasury management investments on 31 March, except those with CCLA Investment Management Ltd (see below) and Investec Bank Limited which has chosen not to obtain a credit rating, had credit ratings between A- (Close Brothers Limited) and AA- (Handelsbanken Plc, plus 4 other local authorities).

The Council has cash invested in a Money Market Fund, Diversified Income Fund, and Local Authorities' Property Fund, all managed by CCLA Investment Management Ltd. This company does not have a specific credit rating. However, the trustee of the Local Authorities' Property Fund is the Local Authorities' Mutual Investment Trust (LAMIT), a body controlled by members and officers appointed by the Local Government Association, amongst others.

The fair value of the Council's investments in the CCLA funds on 31 March is the quoted market price. Full details are given below.

Note 26 Financial Instruments (continued)

Fund	Original Investment	Value as at 31 March 2022
	£000s	£000s
CCLA Local Authorities' Property Fund	£5,000	£5,477
CCLA Diversified Income fund	£5,000	£5,368

The Council's maximum exposure on other, non-treasury management, financial assets is limited to the carrying value of its debtors. Around 78% of the Council's current debtor balance of £26.554m (before provision for doubtful debts) relates to central government bodies and local authorities (see Note 30) and these debtors are assumed to have good credit worthiness. An aged analysis of the Council's remaining debtors relating to other entities and individuals and Housing Benefit Overpayment debtors as at 31 March 2021 is shown in the table below:

	Individual Debtors & Other Entities	Housing Benefit Overpayment Debtors	Individual Debtors & Other Entities	Housing Benefit Overpayment Debtors
	31 March 2021	31 March 2021	31 March 2022	31 March 2022
	£000s	£000s	£000s	£000s
Less than 3 months	2,276	112	754	51
3 to 6 months	82	80	48	50
6 to 12 months	123	96	75	93
More than 12 months	1,685	1,197	2,367	1,074
	4,166	1,485	3,244	1,268

Significant provisions have been made for doubtful debts in respect of the above sums and it is therefore considered that there should be no further impairment of these debts.

Liquidity Risk – The Council manages its liquidity position through the risk management practices and procedures referred to above as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. The Council's Money Plan (medium term financial strategy) ensures sufficient monies are raised to cover annual expenditure. In the event of an unexpected cash

Note 26 Financial Instruments (continued)

requirement the Council has significant balances and access to borrowing to cover day to day cash flow need. There is therefore no significant liquidity risk.

Re-financing Risk and Market Risk – The Council has several strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. These include investing in asset classes other than cash, such as the Local Authorities' Property Fund and Diversified Income Fund which are financial assets held for sale. In addition, during periods of falling interest rates and where economic circumstances make it favourable, the treasury management team may take fixed rate cash investments for longer periods to secure better long-term returns. Movements in interest rates have a complex impact on the Council as some investments have variable rates and some have fixed interest rates for different periods of time. If, however, all interest rates were 1% higher, investment income credited to the Comprehensive Income and Expenditure Statement in 2021/22 would have increased by £972k. Conversely the approximate impact of a 1% fall would result in a decrease in investment income by that amount.

Items of Income, Expense, Gains and Losses

The table below shows the net gains, losses and interest revenue received on Financial Instruments during the year.

	2020/21	2021/22
	Surplus or Deficit on the Provision of Services £000	Surplus or Deficit on the Provision of Services £000
Net (gains) / losses on:		
Financial assets measured at fair value through profit or loss	(267)	(1,055)
Total net gains / losses	(267)	(1,055)
Interest revenue:		
Financial assets measured at amortised cost	(861)	(760)
Total Interest Revenue	(861)	(760)

The main movement year on year is due to the increased fair value of the council's investments in the CCLA Diversified Income Fund and CCLA Local Authorities' Property Fund, both of which saw improved performance as the economy recovered from the negative effects of the Covid-19 pandemic.

Note 27 Long Term Investments

	31 March 2021	31 March 2022
	£000s	£000s
CCLA Local Authorities' Property Fund	4,659	5,477
CCLA Diversified Income Fund	5,130	5,368
Loans to organisations	2,395	11,754
	12,184	22,599

As stated in the Financial Instruments note above, the value of the Council's long-term investments has been reviewed along with all financial instruments shown in the Balance Sheet, to ensure that the accounts show these at 'fair value'. On 31 March 2022 the CCLA Local Authorities' Property Fund and the Diversified Income Fund are classified as Financial Investments held at Fair Value through Profit and Loss and are valued at market value at the balance sheet date. Loans to other organisations are valued at amortised cost. The value of the two CCLA investments had notionally decreased due to the adverse effects of the Covid-19 pandemic. As the economy recovered so did the value of these investments. On 31 March 2022 Loans to Organisations included 2 new £5.0m (£10m in total) treasury loans to another council, hence the increase from the previous year.

Note 28 Long Term Debtors

	31 March 2021	31 March 2022
	£000s	£000s
Deferred Lease Payments	993	939
Housing Advances - Private	0	0
- Council Houses	2	1
Home Improvement Loans (Kickstart)	63	68
	1,058	1,008

Note 29 Short Term Investments

This represents amounts held as deposits with banks, building societies, and other local authorities which mature within one year or less.

	2020/2021	2021/2022
	£000s	£000s
Balance at 31 March	46,813	23,115

Note 29 Short Term Investments (continued)

As stated in Note 26 Financial Instruments, the value of the Council's short-term investments has been reviewed, along with all financial instruments shown in the Balance Sheet, to ensure that the accounts show these at 'fair value'. In practice this means that the valuation of these investments on 31 March 2022 includes accrued interest at the Balance Sheet date. The main reason why the balance held at 31 March 2022 was significantly lower than the same time the previous year, was that the interest rate on offer for short term investments was not much higher than cash equivalent investments. As the latter carried less notional risk, investments were made in that category instead, as can be seen in Note 31.

Note 30 Short Term Debtors

	2020/2021	2021/2022
	£000s	£000s
Central Government Bodies	10,800	3,388
Other Local Authorities	9,857	5,635
NHS Bodies	40	61
Other Entities and Individuals	5,857	5,142
	26,554	14,226
/less Provision for Bad Debts	(2,551)	(1,352)
	24,003	12,874

Note 31 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2021	31 March 2022
	£000s	£000s
Cash held by the Authority	382	417
Short-term deposits	24,311	57,981
	24,693	58,398

The increase in cash balances on 31 March 2022 is mainly due to central government cash received for business support grants which we had to keep liquid to allow for prompt payment of the grants to local businesses. Also, as mentioned in Note 29, the interest rate on offer for cash equivalent investments was not significantly lower than those on offer for short term investments, but notionally carried less risk. Therefore, more cash was invested in cash equivalents rather than short term than would normally have been the case. It was also anticipated that the Bank of England would shortly be increasing its interest Base Rate which would lead to an increase in investment rates on offer and so cash was kept liquid in order to take advantage of this.

Note 32 Inventories

	Waste Bins	
	2020/2021	2021/2022
	£000s	£000s
Balance outstanding at start of year	280	291
Purchases	26	0
Consumed during the year	(15)	(94)
Balance outstanding at year-end	291	197

Note 33 Short Term Creditors

	31 March 2021	31 March 2022
	£000s	£000s
Central Government Bodies	(13,768)	(19,704)
Other Local Authorities	(4,704)	(3,871)
NHS Bodies	(2)	(1)
Other Entities and Individuals	(8,633)	(7,644)
	(27,107)	(31,220)

Note 34 Provisions

	Balance at	Receipts	Payments	Balance at
	31 March 2021	in year	in year	31 March 2022
	£000s	£000s	£000s	£000s
Business Rates Appeals (attributable to Wychavon)	(1,261)	(752)		(2,013)
Other Provisions	(1)			(1)
	(1,262)	(752)	0	(2,014)

Note 34 Provisions (continued)

Business Rates Appeals attributable to Wychavon:

To cover the cost of appeals against valuations for Business Rates purposes. The provision is estimated based on information from the District Valuer and the Government. It is supported by a separate independent report taking into account both national and local knowledge regarding which appeals are likely to be successful and the possible value of these appeals.

Note 35 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 20 (Earmarked Reserves).

	31 March 2021	31 March 2022
	£000s	£000s
General Fund Balance	10,917	13,435
Earmarked Reserves	72,672	71,664
Capital Receipts Reserve	9,302	6,771
Capital Grants Unapplied	3,343	3,903
Total Usable Reserves	96,234	95,773

Note 36 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR is analysed below.

	2020/2021	2021/2022
	£000s	£000s
Opening Capital Financing Requirement	10,431	11,479
Capital Investment		
Property, Plant and Equipment	1,193	3,078
Revenue Expenditure Funded from Capital under Statute	9,407	6,062
Capital Debtors	1,224	1,509
Sources of Finance		
Capital Receipts	0	(4,365)
Loan repayments	0	(2,159)
Government Grants and Other Contributions	(10,576)	(4,775)
Earmarked Reserves (Minimum Revenue Provision set aside)	(200)	(200)
Closing Capital Financing Requirement	11,479	10,629
Explanation of movements in year:		
Movement in Capital Debtors balance	1,224	(650)
Evesham Town Centre Development to be funded by internal borrowing	24	0
Minimum Revenue Provision	(200)	(200)
Increase (decrease) in Capital Financing Requirement	1,048	(850)

Note 37 Capital Commitments

There were no material contractual commitments for capital projects at 31 March 2022. Our proposed capital expenditure is as follows:

	2022/2023	2023/2024	Future Years
Priorities	£000s	£000s	£000s
Supporting People	6,536	1,572	4,718
Strong Economy & Places	4,591	0	0
Sustainable Environment	30	0	0
Central & Support	0	0	0
	11,157	1,572	4,718
Major Schemes included above:			
Vale Park Development	950	0	0
Evesham Cycling Centre	452	0	0
Better Care Fund	1,572	1,572	4,718
Council Investment in Housing	3,147	0	0
Evesham Public Hall	3,200	0	0

Note 38 Leases

Council as Lessor

Operating Leases

The Council leases out property under operating leases for the following purposes:

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

Note 38 Leases (continued)

The Council has granted the following, which are accounted for as operational leases:

1. To Waitrose Limited - land and store adjacent to The Saltway, Droitwich, at £595,000 per annum (minimum) for 26 years and 3 months, commencing April 2005. The rent was reviewed to £700,000 per annum on 28 February 2010. A further rent review was undertaken on 11 January 2016 and 28 February 2020 no increase in rent was the outcome.
2. To Worcestershire Health and Care NHS Trust – hospital, Queen Elizabeth Drive, Pershore, at £307,151 per annum for 25 years, commencing 28 October 2006. The rent was reviewed to £325,000 on 15th December 2009, £328,000 per annum on 15th December 2012, £331,500 per annum on 15 December 2015 and £341,500 on 15 December 2018.
3. To The Partners of Pershore Medical Centre – health centre, Queen Elizabeth Drive, Pershore, at £224,978 per annum for 25 years, commencing 28 October 2006. The rent was reviewed to £274,500 per annum on 23 November 2009, £276,000 per annum on 23 November 2012, £278,950 from 23 November 2015. The rent was further reviewed to £287,500 on 23 November 2018.
4. To PJK Investments (Riverside Evesham) Limited – ground floor of Riverside Shopping Centre, Evesham, at 9% of the rental income from retail units, for 175 years, from 31 March 1989. (£85,500 was received in 2021/22).
5. To Waitrose Limited – Waitrose, Merstow Green, Evesham, at £499,950 per annum adjusted for the rent free period to £447,248 per annum for the straight-line charge over the lease term. For 21 years commencing 23 July 2018 with an initial rent free period to 08/10/2020.

The accounts were adjusted in 2018/19 and 2019/20 to take account of the rent free period adjustments.

6. To A. F. Blackmore & Son Limited (trading as SPAR) – Blake Avenue Shop, Droitwich, at £45,000 per annum adjusted for the three month rent free period to £44,000 per annum for the straight-line charge over the lease term. For 15 years commencing 1 December 2018.
7. To Carsmetix Limited – Units 1 to 4 Willmotts Business Centre, Pershore at £78,032 per annum plus VAT, straight-line charge adjusted for a £15,000 reduction in rent for the first year to £77,032. For 15 years commencing 03/03/2020. Unit C at £4,475 per annum plus VAT, commencing 03/03/2020 to 28/09/2024, Unit C was vacated 01/11/2021 giving a revised income in 2021/22 of £2,610.44.

Note 38 Leases (continued)

- To Opkill Limited – Units A1 and A2 Willmotts Business Centre, Pershore at £5,500 and £3,500 per annum plus VAT, commencing 03/03/2020 to 24/07/2022, the rent was subsequently reduced to £4,750 per annum for both units, this was agreed in 2020/21.
 - To Cybertech Digital Limited – Unit B Willmotts Business Centre, Pershore at £5,500 per annum plus VAT, commencing 03/03/2020 to 12/07/2021.
8. To Bradsett Limited – Sites 7 & 21 Berry Hill Industrial Estate, Droitwich at current rental income of £37,000. Commencing 25/03/1966 for 99 years assigned to Bradsett Limited 23/04/2004. Rent reviews at years 33 and 66.
9. To Dyson Properties (West Midlands) Limited – site 28B Berry Hill Industrial Estate, Droitwich at a current rental income of £12,735. Commencing 18/06/1975 for 99 years, lease assigned to Dyson Properties (West Midlands) Limited 024/04/2020. Rent reviews at years 33 and 66.
10. To Wales and The West Utilities Limited – Site Number 5 Four Pools Industrial Estate, Evesham at a current rental income of £5,800. Commencing 16/10/1978 for 99 years with rent reviews every 7 years. Lease assigned to Wales and The West Utilities Ltd 26/03/2019.

The operating leases detailed above are held by the authority as Investment Properties. Any additions, impairments or revaluations are accounted for and recorded in Note 23.

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

	2020/2021	2021/2022
	£000s	£000s
Not later than one year	1,793	1,788
Later than one year and not later than five years	7,078	7,145
Later than five years	22,740	23,330
	31,611	32,263

Note 38 Leases (continued)

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £216,032 contingent rents were received by the Council (2020/21 £213,121).

Council as a Lessee

The Council leases a few property assets and some of the leases that were previously treated as operational leases were re-classified as finance leases upon IFRS implementation. All of these were considered to be immaterial in value and thus no adjustments have been made to the accounts in respect of leased assets.



Notes Supporting the Cash Flow Statement

Note 39 Cash Flow Statement – Operating Activities

The cash flows for the operating activities include the following:

	2020/2021	2021/2022
	£000s	£000s
Interest received	(430)	(986)

The surplus on the provision of services has been adjusted for the following non-cash movements:

	2020/2021	2021/2022
	£000s	£000s
Depreciation of non-current assets	(2,624)	(2,643)
Impairment and downward valuations of non-current assets	(423)	(190)
Movement in pension liability	(703)	(1,216)
Adjustments involving the Financial Instrument Adjustments Account	2	(5)
Adjustments involving the Investment Adjustments Account	266	1,056
(Increase)/Decrease in provisions	(1,261)	(752)
Carrying amount of non-current assets and non current assets held for sale, sold or de-recognised	0	(921)
Other non-cash items charged to the net surplus or deficit on the provision of services	(11)	1,128
Increase/(Decrease) in inventories	11	(94)
Increase/(Decrease) in debtors	447	(6,889)
(Increase)/Decrease in creditors	(12,368)	(7,544)
Net Non-Cash Movements	(16,664)	(18,070)

Note 39 Cash Flow Statement – Operating Activities (continued)

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

	2020/2021	2021/2022
	£000s	£000s
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	100	986
Capital Grants credited to surplus on the provision of services	7,887	0
Net adjustments that are investing or financing	7,987	986

Note 40 Cash Flow Statement – Investing Activities

	2020/2021	2021/2022
	£000s	£000s
Purchase of property, plant & equipment, investment property and intangible assets	1,182	5,829
Purchase of short-term and long-term investments	55,814	61,350
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(8,009)	(929)
Proceeds from short and long term investments	(54,500)	(75,500)
Capital Grants Received (Govt)	(7,887)	0
Net cash flows from investing activities	(13,400)	(9,250)



Other Notes and Supplementary Accounts

Note 41 Related Parties

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

UK Government

The UK Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in detail in Note 13.

Local Government

The Council provides a number of services on behalf of other local authorities and has service level agreements for these arrangements. The services include a car parking administration service for Wyre Forest District Council, Malvern Hills District Council and Telford & Wrekin Council, a car parking service for Redditch Borough Council, Bromsgrove District Council and for Stratford on Avon District Council, and a CCTV service for Worcester City Council.

In addition, the Council provides a procurement service for Worcester City Council and Malvern Hills District Council, as well as a Land Drainage service for Worcestershire County Council, Malvern Hills District Council and Worcester City Council. The value of these services, amounts received and any amounts outstanding at 31 March 2022 are included in the table below:

Note 41 Related Parties (continued)

Service	Council	Value of Service in 2021/22	Amount Received in 2021/22	Payment from Wychavon outstanding at 31/03/2022	Receipt due to Wychavon outstanding at 31/03/2022
		£	£	£	£
Car parking administration	Wyre Forest District Council	61,470	(61,470)	0	0
Car parking administration	Malvern Hills District Council	27,898	(31,087)	3,189	0
Car parking administration	Telford & Wrekin Council	15,100	(16,434)	1,334	0
Car parking administration	North Warwickshire Borough Council	4,167	(6,250)	2,083	0
Car parking services	Redditch Borough Council	62,767	(62,767)	0	0
Car parking services	Bromsgrove District Council	243,141	(243,141)	0	0
Car parking services	Stratford-upon-Avon District Council	47,676	(47,676)	0	0
CCTV	Worcester City Council	47,700	(47,700)	0	0
Procurement service	Worcester City Council	56,243	(56,243)	0	0
Procurement service	Malvern Hills District Council	19,805	(19,085)	0	0
South Worcestershire Land Drainage Partnership	Worcestershire County Council	54,000	(54,000)	0	0
South Worcestershire Land Drainage Partnership	Malvern Hills District Council	40,000	(40,000)	0	0
South Worcestershire Land Drainage Partnership	Worcester City Council	14,000	(14,000)	0	0

Members

Members of the Council have direct control over the Council's financial and operating policies. Members' allowances paid in 2021/22 are shown in Note 11. The Council maintains a register of Councillors' interests that is regularly updated and available for public inspection. During 2021/22, a number of Wychavon District Councillors were also members of Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority, West Mercia Police and Crime Panel and town and parish councils, all of which are preceptors of the Council. In 2021/22 the Council had member representatives on the following outside bodies:

- Cotswold Area of Outstanding Natural Beauty Conservation Board
- Coventry Charity
- Deacle & Prince Henry's Education Foundation

Note 41 Related Parties (continued)

- Evesham Arts Centre Management Committee
- Number 8 – Company Board (Persnore Arts Centre)
- Peopleton Parish Land Trustees
- Persnore Volunteer Centre
- Persnore Youth Fellowship – Riverside Centre
- Smith Memorial Collection Trust
- Parking and Traffic Regulations Outside London Adjudication Joint Committee
- Vale of Evesham Commerce & Tourism Association (VECTA)
- Vale of Evesham Volunteer Centre Management Committee
- Welcome to Our Future
- Worcestershire Local Access Forum
- Wychavon & Malvern CAB (Citizens Advice Bureau)

Members also represent the Council on the Worcestershire Regulatory Services Board.

In 2021/22 the Council paid grants and contributions of £5,082 to Cotswold Area of Outstanding Natural Beauty Board. Wychavon Citizens Advice Bureau were paid £37,500 in relation to an ongoing SLA, £96,426 Household Support Grant, £1,292 Covid Local Support Grant, and a £5,000 DEFRA Grant. The Persnore Volunteer Centre was paid £5,000 as part of an ongoing SLA, £10,000 Household Support Grant, £2,042 Covid Local Support Grant, £1,300 COMF (IMT) funding, £262 total Additional Restrictions Grant, and £91 Social Car Scheme.

In 2021/22 some Members registered an interest in companies or organisations that the Council paid grants or contributions to during the year. EW Huxley & Son was paid a £5,000 contribution towards the Evesham Angling Festival. The Council paid a grant of £5,819 to Gloverspiece School from the Breakfast Club Grant Fund. The Council paid PGA Management £262 total Additional Restrictions Grant.

Officers

There is a single Joint Senior Management Team for both Wychavon District Council and Malvern Hills District Council. The Council's Joint Chief Executive, Vic Allison, is also the Chief Executive of Malvern Hills District Council and has been in this post since 1st August

Note 41 Related Parties (continued)

2020. Other shared posts include the Director of Economy and Environment, the Director of Communities & Housing, the Director of Planning & Infrastructure and the Director of Legal and Governance.

The Joint Director of Housing and Communities until 24th August 2021, Stephen Gabriel, was a Board Member of Trident Group. He took up this position in September 2019 and was remunerated to cover expenses.

Operations Jointly Controlled by the Council

The Council is a member of the Worcestershire Regulatory Services Board. This partnership is a jointly controlled operation which is hosted by Bromsgrove District Council.

Revenues and Benefits, Building Control and IT are managed as shared services in South Worcestershire. The South Worcestershire Joint Committee was dissolved in October 2016 and management boards are now responsible for the strategic management of these services.

In addition, Worcester City Council hosts Worcestershire Internal Audit Shared Service and the Council is a partner in this arrangement.

The value of these services, payments and receipts and any outstanding amounts are detailed in the table below:

Note 41 Related Parties (continued)

Shared Service / Council	Value of Service in 2021/22	Payment / Receipt in 2021/22	Payment from Wychavon outstanding as at 31/03/2022	Receipt due to Wychavon outstanding at 31/03/2022
	£	£	£	£
Regulatory Services – Bromsgrove District Council	768,473	744,312	24,161	0
Building Control – Malvern Hills District Council	162,077	204,935	0	(42,858)
Revenues & Benefits – Worcester City Council	1,233,402	(1,260,000)	26,598	0
Revenues & Benefits – Malvern Hills District Council	560,610	(572,700)	12,090	0
Revenues & Benefits – Wychavon District Council	1,009,138	(1,009,138)	0	0
IT Service – Worcester City Council	595,584	(595,584)	0	0
IT Service – Malvern Hills District Council	361,152	(361,152)	0	0
IT Service - Wychavon District Council	627,264	(627,264)	0	0
Internal Audit - Worcester City Council	74,200	74,760	0	(560)

Joint working with Malvern Hills District Council

As detailed under the ‘Officers’ section of this Note, there is a Joint Senior Management Team in place for Wychavon District Council and Malvern Hills District Council. Details of payments between the two Councils for these employees are included under Note 10, Officer Remuneration.

Further joint working between the two Councils includes:

- A shared Legal Service hosted by Malvern Hills District Council.
- A shared Communications Service, with posts hosted by both Councils and recharged accordingly.
- A shared Housing Service hosted by Wychavon District Council.
- A shared Heritage Service hosted by Wychavon District Council.
- A shared Planning Policy Service hosted by Wychavon District Council.
- A shared Corporate Database Service hosted by Wychavon District Council.

Note 41 Related Parties (continued)

- A shared Planning Administration Service hosted by Wychavon District Council and
- A shared Development Management & Planning Enforcement Service hosted by Malvern Hills District Council.
- A shared HR Service hosted by Wychavon District Council.
- Management of Wychavon's Property Service by Malvern Hills District Council.
- A joint Carbon Reduction Officer post employed by Malvern Hills District Council.

The value of these services, payments and receipts and any outstanding amounts are detailed in the table below:

Service	Value of Service in 2021/22 £	Payment / Receipt in 2021/22 £	Payment from Wychavon outstanding as at 31/03/2022 £	Receipt due to Wychavon outstanding at 31/03/2022 £
Legal Shared Service	321,334	233,027	88,307	0
Communications - Wychavon District Council	22,609	(22,609)	0	0
Communications - Malvern Hills District Council	24,839	18,509	6,330	0
Housing Shared Service	323,820	(246,690)	0	(77,130)
Heritage Shared Service	161,276	(125,175)	0	(36,101)
Policy Planning Shared Service	270,581	(191,025)	0	(79,556)
Corporate Database Shared Service	85,682	(64,000)	0	(21,682)
Planning Administration Shared Service	160,006	(130,500)	0	(29,506)
Development Management & Planning Enforcement Shared Service	948,183	718,136	230,047	0
HR Shared Service	163,152	(125,213)	0	(37,939)
Property Service Management	38,168	32,428	5,740	0
Community Safety and Environmental Protection	148,188	88,215	59,973	0
Carbon Reduction Officer	25,622	(18,371)	7,251	0

Note 42 Events After the Balance Sheet Date

The Deputy Chief Executive (S151 Officer) authorised the Statement of Accounts on **XXX 2022**. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that there are no non-adjusting events after the Balance Sheet date.

Note 43 Contingent Liabilities

At 31 March 2021, the Council had one contingent liability as follows:

- **Municipal Mutual Insurance - Employers Liability Policy**

On 28 March 2012, a Supreme Court judgement in the Employers Liability Policy 'trigger litigation' relating to mesothelioma claims found against Municipal Mutual Insurance Limited (MMI), a previous insurer of the Council, which ceased writing insurance business on 30 September 1992 and went into run off. The directors of MMI triggered MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006) on 13 November 2012 and appointed Ernst and Young to manage the businesses, affairs and assets of MMI in accordance with the terms of the Scheme. In 2013/14 the Council, a scheme creditor, paid MMI a levy of £7,720 and in early 2016/17 the Council paid a further levy of £24,976 as part of this Scheme of Arrangement. Although we believe that a significant proportion of the liability under this scheme has now been settled, there is a possibility of further levies from MMI and it is still the case that the final liability is unknown.

- **Business Rates Appeals**

The Council's Collection Fund account shows that there is a provision of £5m at 31 March 2022 for potential Business Rates appeals, of which 40% is attributable to Wychavon District Council, 50% to the Government, 9% to Worcestershire County Council and 1% to Hereford and Worcester Fire Authority. Although the Council has been prudent in setting its Business Rates appeals provision, there is still some uncertainty around the volume of refunds which will be liable under the new three stage appeal mechanism of Check, Challenge and Appeal. In addition there is an increasing risk of appeals being allowed for Material Change of Circumstance (MCC) although the government have ruled that MCC as a result of Covid-19 is to be disallowed. If the number and scale of successful appeals exceed the provision, then the cost of this will need to be funded from the Council's reserves.

Note 44 Going Concern Disclosure

The CIPFA Code (paragraph 2.1.2.9 of the Code) confirms that local authority accounts must be prepared on a going concern basis.

The continued Covid-19 restrictions in place at the start of 2021/22 created significant issues for many businesses and residents and as a result from April 2021, Council income was affected detrimentally although not as badly as was expected and services started to recover quickly during 2021/22. The government continued to provide support for lost income and additional costs borne by authorities because of the crisis and the Council received £2.069m in this regard in 2021/22 for Covid-19 Support grant (£608k), Lower Tier Services grant (£1.1m), Local Council Tax Support grant (£134k) and compensation against lost fees and charges (£227k).

Our balances at 31 March 2022 compared to prior years are as follows:

Date	General Fund	Housing Revenue	Earmarked Reserves
31/03/2021	£10.917m	n/a	£72.672m
31/03/2022	£13.435m	n/a	£71.663m

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

We reduced relevant income budgets as part of the 2021/22 budget process, particularly those budgets for car parking but as income recovered more quickly than expected in many areas we increased many budgets to near pre-pandemic levels during the 2022/23 budget process. The longer-term impact on local taxation is not yet clear especially as some businesses continued to receive business rates relief throughout 2021/22.

The council has undertaken an assessment of the impact on 2021/22 and 2022/23, considering liquidity, general fund balances and reserves. Our current medium-term financial plan assumes a surplus of £55k in 2022/23 with no use of reserves other than those earmarked for specific purposes and a general fund balance in excess of £11m. It assumes a deficit of £1.380m in 2023/24 due to loss of new Homes Bonus and assumed loss of Business Rates Growth leaving a general fund balance of £9.8m.

A detailed cashflow forecast has been prepared covering the period to 31st July 2023. This demonstrates the Council has sufficient liquidity throughout the period to meet requirements without using any longer-term investments or borrowing.

Collection Fund Accounts 2021/22

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Business Rates (non-domestic rates) and Council Tax, and illustrates how these have been distributed to the Government, preceptors and the Council's General Fund.

The Collection Fund is managed and administered by Wychavon District Council, as the billing authority, on behalf of the council tax payers and business rate payers within its area. All sums levied from Council Tax and Business Rates are paid into the Fund together with relevant Government grants. Payments out of the Fund include precept payments to Central Government, Worcestershire County Council, the Police and Crime Commissioner for West Mercia, Hereford & Worcester Fire Authority, Wychavon District Council and Town and Parish Councils to fund their net service requirements.

Collection Fund Accounts 2021/22 (continued)

REVENUE ACCOUNT	2020/2021		2021/2022		Notes
	Business Rates	Council Tax	Business Rates	Council Tax	
	£000s	£000s	£000s	£000s	
INCOME					
Council Tax Receivable	0	(92,147)		(96,510)	1
Business Rates Receivable	(27,542)	0	(37,280)		2
Total Income	(27,542)	(92,147)	(37,280)	(96,510)	
EXPENDITURE					
Apportionment of Previous Year Surplus/(deficit)					
Central Government	1,130	0	(7,813)	0	
Wychavon District Council	106	127	(7,035)	(25)	
Worcestershire County Council	2,978	947	1,323	(192)	
Police and Crime Commissioner for West Mercia	0	163	0	(33)	
Hereford & Worcester Fire Authority	43	63	(137)	(13)	
	4,257	1,300	(13,662)	(263)	
Precepts, Demands and Shares					
Central Government	21,588	0	22,206	0	
Wychavon District Council - General Fund	17,271	6,224	17,765	6,209	
Wychavon District Council - Special Levies	0	68	0	68	
Worcestershire County Council	3,886	67,958	3,997	69,487	
Police and Crime Commissioner for West Mercia	0	11,673	0	12,420	
Hereford & Worcester Fire Authority	432	4,457	444	4,533	
Town and Parish Councils	0	2,571		2,696	
	43,177	92,951	44,412	95,413	
Charges to Collection Fund					
Write Offs / (Ons)	2,733	62	(2,675)	(11)	
Interest	0	0	0	0	
Increase / (Decrease) in Provision for Appeals	2,220	0	1,878	0	
Cost of Collection	187	0	189	0	
Renewable Energy Disregard	371	0	644	0	
Transitional Protection Payable/(Receivable)	476	0	281	0	
	5,987	62	317	(11)	
Movement on the Fund Balance					
Fund Balance on 1 April	14,408	(1,356)	40,287	810	
(Surplus) / Deficit for the Year	25,879	2,166	(6,213)	(1,371)	
Fund Balance on 31 March	40,287	810	34,074	(561)	

Note 1 to the Collection Fund Council Tax Base

Council tax income derives from charges made to domestic properties. Each property was classified into one of eight valuation bands (A-H), based on their market value as at 1 April 1991.

The council tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts and exemptions apply) expressed as an equivalent number of Band D dwellings was calculated for 2021/22 as follows:

Tax Band	Property Value	Equivalent No. of Dwellings	Band D Ratio	Band D Equivalent
Disabled Band A		16.2	5/9	9
A	up to £40,000	4,224.0	6/9	2,816
B	between £40,001 and £52,000	8,809.7	7/9	6,852
C	between £52,001 and £68,000	11,183.6	8/9	9,941
D	between £68,001 and £88,000	7,289.0	9/9	7,289
E	between £88,001 and £120,000	6,961.9	11/9	8,509
F	between £120,001 and £160,000	6,168.5	13/9	8,910
G	between £160,001 and £320,000	4,345.8	15/9	7,243
H	over £320,000	199.5	18/9	399
Total		49,198.2		51,968
Less adjustment for non-collection (0.5%)				-260
Council Tax Base				51,708
(Band D Equivalent figures have been rounded)				

Note 1 to the Collection Fund Council Tax (continued)

Council Tax Levy at Band D

The basic amount of council tax for 2021/22 for a band D property was as follows:

Worcestershire County Council	£1,343.83
Police and Crime Commissioner for West Mercia	£240.19
Wychavon District Council*	£120.08
Hereford & Worcester Fire Authority	£87.68
	£1,791.78
ADD Town and Parish Councils (average)	£50.81
Average Council Tax Levy at Band D*	£1,842.59

*Before special levies

Note 2 to the Collection Fund Business Rates/National Non Domestic Rates (NNDR)

The Council is responsible for collecting Business Rates (non-domestic rates) for its area which are based on local rateable values multiplied by a national uniform rate. The total local rateable value at 31 March 2022 was £113,802,072 (as per the Valuation Office) and national uniform rate was 51.2p and 49.9p for small businesses.

Following the localisation of Business Rates (non-domestic rates), the Council now pays the rates collected over to the Government and major preceptors – Worcestershire County Council and Hereford & Worcester Fire Authority, in accordance with a payment schedule determined at the start of the financial year and retains an amount for itself. The Council is also a member of the Worcestershire Business Rates Pool, meaning that levy and safety net payments are calculated on a pooled basis rather than on an individual Council basis.

Note 3 to the Collection Fund Surplus and Deficits

The Collection Fund surplus for Council Tax as at 31 March 2022 was £561k (31 March 2021 £810k deficit). An estimated surplus for the year of £900k was declared in January 2022 and this was taken into account by the Council and its preceptor authorities when setting the Council Tax for 2022/23.

The Collection Fund deficit for Business Rates as at 31 March 2022 was £11.482m (31 March 2021 £17.695m deficit). An estimated Business Rates deficit of £15.299m was declared in January 2022 and this was taken into account by the Council and its preceptor authorities when producing the 2022/23 NNDR1 Government return. The deficit is due to significant business rates reliefs available to businesses during the Covid-19 pandemic in 2020/21 and 2021/22 resulting in less business rates collectable income.

The table below shows the split of the Council Tax and Business Rates (surpluses) / deficits between the preceptors.

Preceptor	Council Tax	Council Tax	Business Rates	Business Rates
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Central Government	0	0	9,829	5,741
Wychavon District Council	79	(51)	8,649	4,593
Worcestershire County Council	594	(407)	(960)	1,033
Police and Crime Commissioner for West Mercia	98	(76)	0	0
Hereford & Worcester Fire Authority	39	(27)	177	115
Total	810	(561)	17,695	11,482

Note 4 to the Collection Fund Other Information

Council Tax 2021/22

	Worcestershire County Council £000s	Police and Crime Commissioner for West Mercia £000s	Hereford & Worcester Fire Authority £000s	Wychavon District Council £000s	Total £000s
Debtors (in Arrears)	2,174	389	139	270	2,972
Provision for Non-Payment	(209)	(37)	(13)	(26)	(285)
Creditor (in Advance)	(1,520)	(272)	(97)	(189)	(2,078)
Amounts Written Off / (On)	50	9	3	6	68

Business Rates 2021/22

	Central Government £000s	Worcestershire County Council £000s	Hereford & Worcester Fire Authority £000s	Wychavon District Council £000s	Total £000s
Debtors (in Arrears)	474	85	10	379	948
Provision for Non-Payment	(166)	(30)	(3)	(133)	(332)
Creditor (in Advance)	(321)	(58)	(7)	(257)	(643)
Provision for Appeals	(2,516)	(453)	(50)	(2,013)	(5,032)
Amounts Written Off / (On)	30	5	1	24	60

Note 5 to the Collection Fund Collection Rates

The Council's collection rates are detailed in the table below:

Collection Rate	2020/21	2021/22
	%	%
Council Tax	98.61	98.54
Business Rates	89.83	97.41



Glossary, Statement of Responsibilities & Auditor's Report

Glossary

ACCOUNTING PERIOD

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1st April. The end of the accounting period is the balance sheet date

ACCOUNTING POLICIES

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

ACCRUAL

This is an accounting concept used when preparing accounts and is carried out to ensure that items of income and expenditure are shown in the accounting period that they are earned or incurred, not as the money is received or paid.

ACTUARY

An expert who puts a value to pension scheme assets and liabilities.

ACTUARIAL GAINS AND LOSSES

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

AMORTISED COST

This is the written down value of an asset or liability e.g. the value after depreciation or impairment has been applied.

ASSET

An asset is something that Wychavon owns that has a value, such as premises, equipment or cash.

- A **current** asset is one that will be used or cease to have material value by the end of the next financial year e.g. inventories (stock) and debtors
- A **long term** or **non current** asset provides Wychavon benefits for a period of more than one year e.g a building like the Civic Centre.

ASSETS UNDER CONSTRUCTION

Assets that are partly completed at the balance sheet date

AUDIT OF ACCOUNTS

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

BALANCE SHEET

A financial statement summarising the council's assets, liabilities and other balances at the end of each accounting period.

BILLING AUTHORITY

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

BUDGET

A budget is a financial statement that expresses an organisation's service delivery plans and capital programmes in monetary terms.

Glossary (continued)

BUSINESS RATES OR NATIONAL NON-DOMESTIC RATES (NNDR)

This is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business property has a rateable value. The Government determines how much a business has to pay per £ of rateable value each year. Prior to April 2013 all NNDR income collected by the council was paid over to the Government for redistribution. From April 2013 councils have been able to retain a proportion of NNDR growth to supplement their own income

CAPITAL CHARGES

This is a charge made to an organisation's Comprehensive Income and Expenditure Statement to reflect the cost of utilising long term assets in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of long term assets e.g. property, plant or equipment that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing long term asset. Also included in this definition is expenditure that does not add value to a council asset but is permitted to be capitalised and is treated as Revenue Expenditure funded from Capital under Statute (REFCUS).

CAPITAL RECEIPT

These are the proceeds from the sale of non current assets, such as land or buildings. Capital receipts cannot be used to fund revenue services.

CAPITAL FINANCING

This term describes the various sources of money used to pay for capital expenditure. There are various options available – the methods used by Wychavon District Council are financing from general or earmarked reserves, usable capital receipts, capital grants and capital contributions.

CAPITAL PROGRAMME

This is a financial summary of planned capital expenditure that Wychavon intends to carry out over a specified time period.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The code of practice provides a framework for publishing local authority statutory accounts based on accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), modified to reflect specific statutory requirements.

CIPFA

Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

A separate fund recording the expenditure and income relating to council tax and national non-domestic business rates.

COMMUNITY ASSETS

This is the land and property Wychavon intends to own forever. They generally have no determinable useful life and there are often restrictions regarding their sale. Examples of Wychavon

Glossary (continued)

District Council's community assets are its parks and open spaces.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This is a statement of the council's net revenue costs (or cost of providing services) in the year. The surplus or deficit for the year shown on this statement is reconciled to the use of Council's reserves in the linked Movement in Reserves Statements (MIRS)

CONSISTENCY

This is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way – both within an accounting period and from one accounting period to the next.

CONTINGENT LIABILITY

This is a possible financial obligation that arises from past events and whose existence will only be confirmed by the occurrence of uncertain future events not within the council's control.

COUNCIL TAX BASE

The amount calculated by each billing authority from which the entitlement of its share is derived.

CREDITOR

This is the amount of money the council owes to others for goods and services that have been supplied in the accounting period but not paid for.

DEBTOR

This is the amount of money others owe the council for goods and services that they have received but have not paid for by the end of the accounting period.

DEPRECIATION

This is a charge made to the Comprehensive Income and Expenditure Statement each year that reflects the reduction in the value of property, plant and equipment used to deliver services.

DONATED ASSETS

These are assets that have been given to the council by benefactors and for which no consideration has been paid.

EARMARKED RESERVES

Amounts set aside for purposes falling outside the definition of provisions.

EVENTS AFTER THE BALANCE SHEET DATE

Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are authorised for issue by the responsible financial officer.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Glossary (continued)

FINANCE LEASE

This is a lease where the risk or reward of holding the asset is taken on by the lessee.

FINANCIAL INSTRUMENTS

These are transactions which generate an asset in the accounts of one organisation and a liability in the accounts of another.

GENERAL FUND

This is the account in which annual running costs of the council and income, including grant income, are held, with the balance on the account being the amount chargeable to the council tax payers.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are unrestricted.

IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the Council's accounts present a 'true and fair view' of the financial position of the Council.

INVESTMENT PROPERTY

Land and buildings non-current assets held only for investment potential.

HERITAGE ASSETS

These are assets that are deemed to have cultural, environmental or historical significance and that are held principally for their contribution to knowledge and culture.

HOUSING ACT ADVANCES

These are loans that Wychavon has previously made to individuals or housing associations to help fund the cost of constructing, acquiring or improving homes. Loans to individuals are termed mortgages.

HOUSING BENEFITS

This is the national system for giving financial assistance to individuals towards certain housing costs. The Revenues and Benefits Shared Service administers the scheme for Wychavon residents. The Government subsidises the cost of the service. From October 2018, individuals in receipt of Housing Benefits are gradually being moved by the Government to a Government-managed scheme called Universal Credit.

IMPAIRMENT

This is a reduction in the value of an asset as shown in the balance sheet to reflect its true value.

INCOME

This is the money that the council receives or expects to receive from any source including fees, charges, sales, grants and interest.

Glossary (continued)

INVENTORIES (OR STOCKS)

These are items that have been bought to use on a continuing basis but are stored and have not yet been used. Examples are wheeled bins for waste and recycling collection and consumables.

INVESTMENT PROPERTIES

These are the assets owned by the council that it does not directly occupy or use in the delivery of services. The main objective of owning these assets is to generate income for the council.

LIABILITY

The council has a liability that has to be included in its accounts when it owes money to others. There are several types of liability:-

- A **current** liability is a sum of money that will or might be payable during the next accounting period e.g. creditors.
- A **deferred** liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

MATERIALITY

This is one of the main accounting concepts. It ensures that the accounts include all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

MOVEMENT IN RESERVES STATEMENT

A statement which analyses movements in the council's usable and unusable reserves during the year.

OPERATING LEASE

This is a lease where the ownership and risk and reward of holding an asset remains with the lessor.

PRECEPT

The levy made by one authority to another to finance its expenditure.

PROVISION

This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with any certainty.

PRUDENCE

An accounting concept used in preparing the accounts that ensures that income is only included in the accounts if it is considered likely that it will be received.

PRUDENTIAL INDICATORS

A set of indicators that inform the council as to whether their capital investment plans are affordable, prudent and sustainable.

RATEABLE VALUE

The annual assumed rental value of a property that is used for business purposes.

Glossary (continued)

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:-

- one party has direct or indirect control of the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets, liabilities or services between the council and its related party irrespective of whether a charge is made.

The materiality of related party transactions is judged both in terms of their significance to the council and its related party.

RESERVES

A reserve is an amount set aside in the accounts to be spent in future years. Reserves of a revenue nature are available and can be spent or earmarked for a specific purpose at the council's discretion.

REVENUE EXPENDITURE

The day to day expenses associated with the provision of services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Capital expenditure which does not create or add to the value of an item of property, plant or equipment belonging to the council.

REVENUE SUPPORT GRANT

A general grant paid by the Government to local authorities as a contribution towards the cost of their services.

TRUST FUNDS

Funds administered by the authority for such purposes as prizes, charities, and specific projects.

UNUSABLE RESERVES

Reserves that cannot be applied by the council to fund expenditure or reduce council tax

USABLE RESERVES

Reserves that can be applied by the council to fund expenditure or reduce council tax.

WORK IN PROGRESS

The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

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 council, that officer is the Deputy Chief Executive.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The S151 Officer's Responsibilities

The S151 Officer (the Deputy Chief Executive) is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the S151 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.

The S151 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.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the council at the reporting date and of its expenditure and income for the year ended 31 March 2022.

Statement of Responsibilities for the Statement of Accounts (continued)

JAYNE PICKERING

Deputy Chief Executive

S151 Officer

Approval of the Statement of Accounts

I confirm that this Statement of Accounts, including the Comprehensive Income and Expenditure Statement on page 49 and the Balance Sheet on page 51, was approved by the Audit Committee at its meeting held on XX September 2022.

Signed on behalf of Wychavon District Council.

COUNCILLOR ADRIAN HARDMAN

Chairman of the Audit Committee

XX November 2022