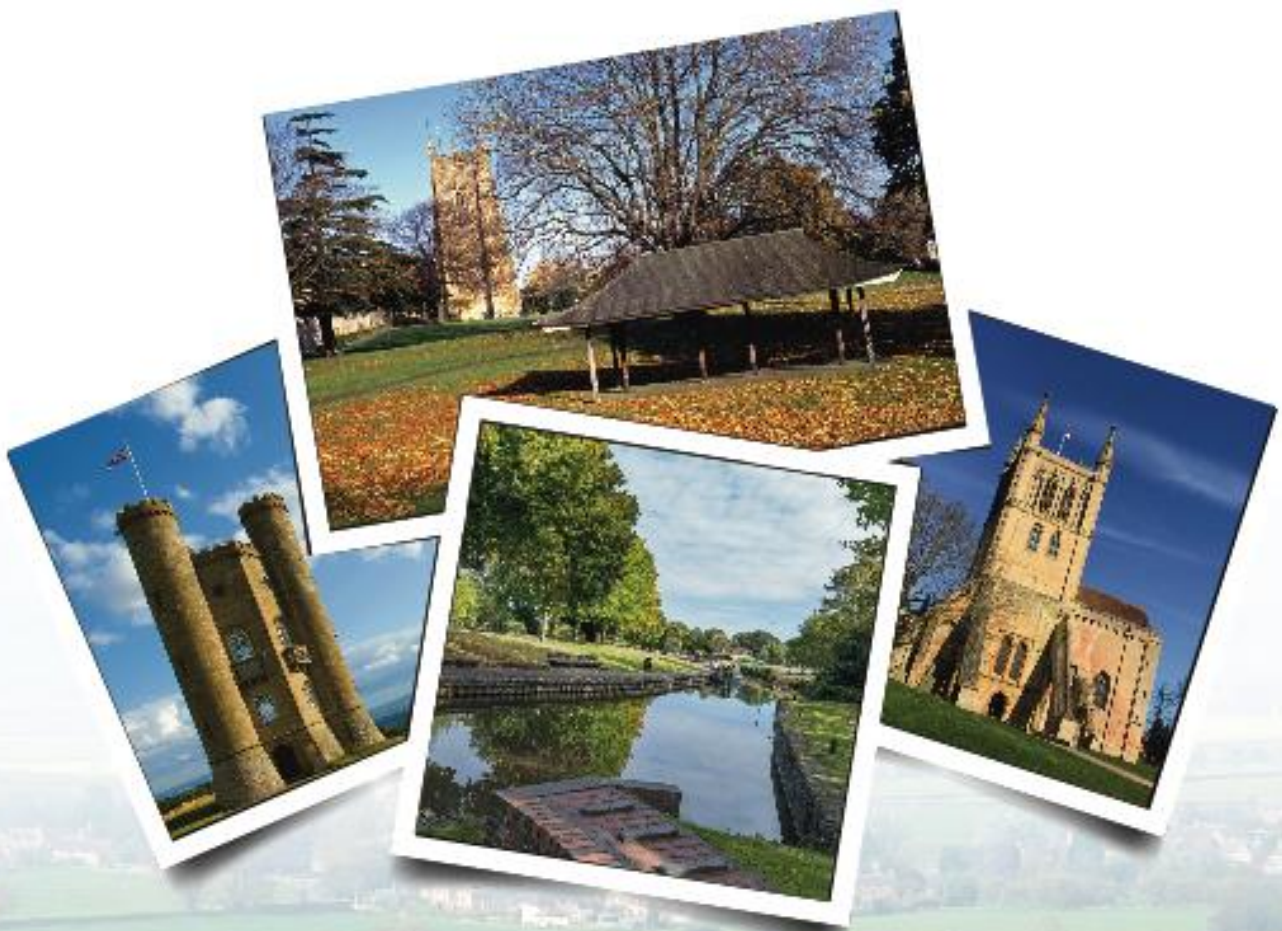


WYCHAVON

Statement of Accounts



2019-2020

 **WYCHAVON**
DISTRICT COUNCIL
good services. good value

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WELCOME TO OUR STATEMENT OF ACCOUNTS

Introduction

2019/20 was another successful year for us. This was the fourth and final year of our 2016-2020 strategy with our three priorities – people, place and prosperity. We have continued to build on Wychavon's reputation as a great place to live and for businesses to locate. This was confirmed when the district was once again named as one of the best areas to live in the country and the second best place to live in the West Midlands (2020 Halifax Quality of Life Survey).

Our 2019/20 performance highlights include hosting the OVO Energy Tour of Britain in Pershore, which attracted 30,000 spectators with an estimated economic gain of £746,000. We helped create 195 new jobs through our investments at Vale Park, Waitrose Evesham and Worcester Six. We delivered a synthetic 3G pitch and pavilion in Evesham costing £1.4 million including a £576,000 grant from the Football Foundation. The County Council awarded us £268,000 for our social mobility work and £105,000 for community connectedness and transport projects.

We supported a successful lottery bid to provide support and outreach in our most deprived ward in Droitwich and prevented over 100 households from becoming homeless. We determined a total of 1,367 planning applications, supported the delivery of 299 affordable homes and maintained a five year supply of housing sites. We received over 7,000 representations to the preferred options consultation on the South Worcestershire Development Plan review. We also installed 22 new electric vehicle charging points, constructed a new cycle path in Evesham and created and managed a range of pollinator friendly habitats in our parks and open spaces. We approved £890,000 of Community Legacy Grant funding and £338,552 of New Homes Bonus funding to support a wide range of community projects across the district.

We continue to be recognised for our sound financial management and providing good value services. Owing to the ongoing reductions in Government grant and the need to be wholly reliant on Council Tax and locally retained Business Rates, we have continued with the themes outlined in our Grow, Save, Charge business plan. It is hoped that this approach will allow us to continue to protect services and keep council tax increases to a minimum.

The Coronavirus pandemic will result in significant unexpected financial pressures for the Council, mainly through reduced income. Revenue savings and business rates performance in 2019/20, have provided the Council with a windfall which will be used in the response to the pandemic and the recovery of our economy and communities.

We are pleased to report that we have achieved an underspend against our revenue budget in 2019/20 and our level of reserves and balances remain healthy.

We collect Council Tax for the County Council, the Police and Crime Commissioner, the Fire Authority and town and parish councils as well as ourselves. Our element of an average Band D Council Tax bill in 2019/20 was just £120.08, which was the same amount as in 2018/19.

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 Ron Davis

Executive Board Member – Resources & Investment

Jayne Pickering

Deputy Chief Executive

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

NARRATIVE REPORT

The Council has followed the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the U.K. 2019/2020, which is based on International Financial Reporting Standards, in putting together our statement of accounts. This means that the Council's accounts are presented in a format which should make comparison with the accounts of other local authorities and those of other public sector, voluntary sector and private sector bodies as easy as possible.

The accounts present the financial position of the Council for the year ended 31 March 2020. Our accounting policies are outlined later in this document and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Deputy Chief Executive is the statutory officer responsible for the proper administration of the Council's financial affairs. She is required by law to confirm that the Council's systems can be relied on to produce an accurate statement of accounts. Her statement of assurance for 2019/20 appears on page 101.

THE CORE FINANCIAL STATEMENTS

An explanation of the purpose of each of the Core Financial Statements is given below:

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost of providing Council services during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax payers. Councils raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This Statement shows the movement in the year in the different reserves held by the Council, divided into 'usable reserves' (i.e. those that can be used to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves' (i.e. those that hold unrealised gains and losses e.g. the Revaluation Reserve or those that hold timing differences e.g. the Collection Fund Adjustment Account). The Surplus or Deficit on Provision of Services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the amount held on behalf of Council Tax payers, i.e. the General Fund Balance, because of the 'Adjustments between Accounting Basis and Funding Basis under Regulations' detailed in Note 7 to the accounts and any transfers to and from Earmarked Reserves as detailed in Note 8.

THE CORE FINANCIAL STATEMENTS (continued)

Balance Sheet

This Statement shows the value, as at the Balance Sheet date, of the assets and liabilities of the Council. The net assets of the Council (i.e. assets less liabilities) are matched by the reserves held by the Council. Reserves are divided into two categories, 'useable reserves' and 'unusable reserves' (see definitions of these under Movement in Reserves Statement above).

Cash Flow Statement

This Statement shows the movement during the year in the Council's cash and cash equivalent balances. It shows how the Council generates and uses cash by classifying cash flows as those for operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of Council Tax and locally retained Business Rates, grant income or from fees and charges. 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.

Notes to the Financial Statements

These notes explain, in more detail, the individual items shown in the Financial Statements.

Collection Fund and Notes

In addition, the Council is required to publish a supplementary financial statement known as the Collection Fund. This statement and the supporting notes reflect the Council's statutory obligation as a billing authority. It shows the transactions in relation to collection of Council Tax from council taxpayers and Business Rates from businesses and their distribution to precepting authorities and the Government.

Restatement of 2018/19 Balances

Throughout this document the reader will see that elements of the Core Financial Statements have been restated. The restatement relates to an error in the way we accounted for rent free periods in two of our lease agreements in previous years. The CIPFA Code states that income from operating leases should be recognised on a straight-line basis over the lease term therefore an adjustment was made as follows to account for income during rent free periods:

Waitrose Evesham in 2018/19 £308,785.03

Spar – Blake Avenue 2018/19 £14,666.67

The total adjustment was therefore £323k.

REVENUE ACCOUNT SUMMARY

The Council's revenue account, known as the General Fund, bears the net cost of providing day-to-day services. In this section of the Narrative Statement we:

- compare actual spending to budget;
- explain the big differences;
- explain where the money came from;
- show where the money went;
- describe our treasury management performance;
- show how capital spend compares to budget;
- summarise our reserves and balances and describe our pensions liability; as well as
- looking at progress in the year and looking ahead.

Comparing actual spending to budget

The Council's financial plans for the year were supported by a Band D Council Tax of £120.08 – this is the lowest Council Tax in Worcestershire and is significantly less than the national average of £185.27 for shire district councils.

Our net expenditure budget for the year was set at the beginning of the year at £11.242m. This represented the net cost of services, taking into account:

- £0.519m worth of income from our cash investments;
- £7.026m income from fees and charges for services provided; and
- £27.330m of specific government grants.

The total net expenditure budget for the year was to be financed by:

- £4.165m of business rates, including £1.5m of estimated Business Rates Growth;
- £6.100m of council tax income, including special levies of £0.057m

It also assumed the following:

- Net use of £0.222m of earmarked reserves, taking into account New Homes Bonus and other non-specific grant receipts.
- a contribution of £0.140m from general reserves.

The net expenditure budget was revised during the course of the year to £10.970m, a decrease of £0.272m, broken down as follows:

- £0.718m of savings from additional treasury management investment income, overachievement of planning fee income and savings from waste budgets; and
- £0.446m due to additional costs including the replacement of car parking machines and increases in IT costs.

The revised budget resulted in a planned contribution from general reserves of £0.064m, a reduction of £0.076m when compared to the original budget for the year.

The final net expenditure figure for the year was £8.575m and this meant that the Council could make a contribution of £0.859m to general reserves (a difference of £0.923m compared to the revised budget) as well as a net contribution of £10.660m to Earmarked

Reserves (excluding Section 106 developers' contributions and other contributions to capital spend), thus boosting the level of the Council's financial resources for use in future years.

Explaining the big differences

The major variances between the revised budget forecasts and actual spending, leading to an increased contribution to general reserves of £0.923m were as follows:

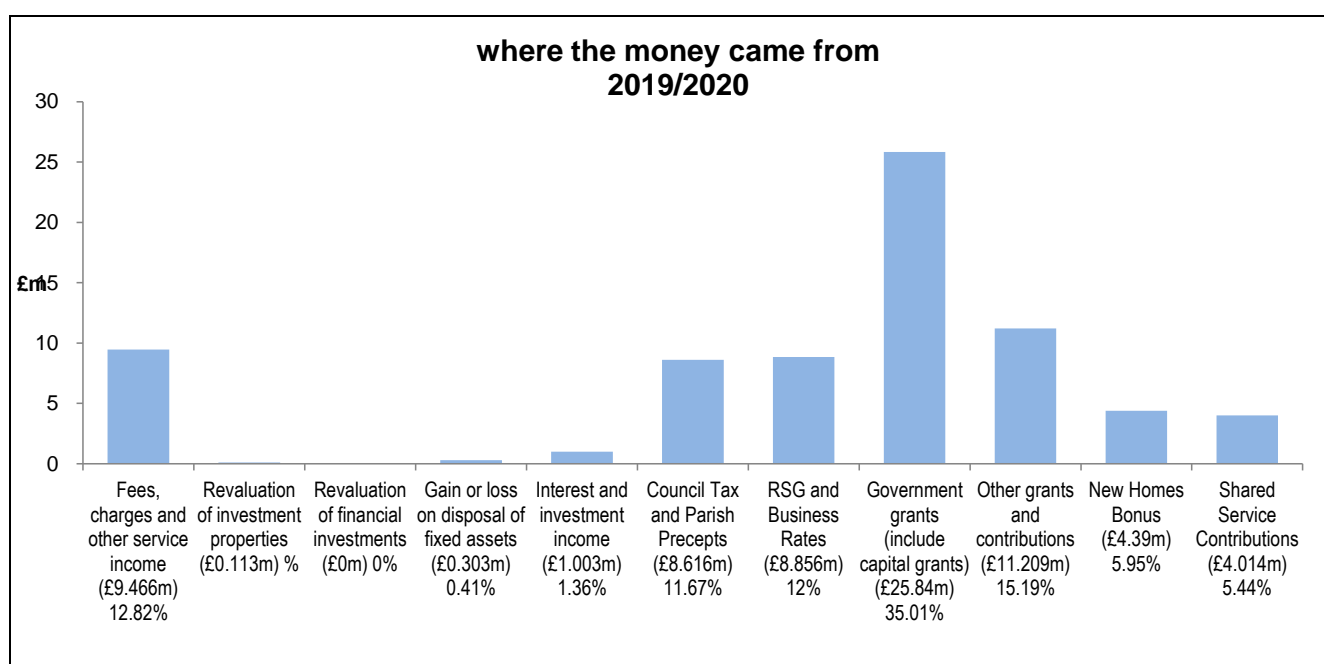
	£000s
Net savings from street cleansing and other waste services budgets	188
Salary savings as a result of vacant posts throughout the year	84
Additional planning fees income and savings in contributions to shared services hosted by Malvern Hills District Council	182
Over-achievement of licensing income	60
Underspend on sundry properties as a result of delays in carrying out enabling works to Willow Court	145
Underspend on IT equipment and licence fees	152
Adjusted provision for bad debts	217
Other small variances in budgets	166
Underspends on the use of earmarked reserves including New Homes Bonus allocations to parish councils. These savings will be returned to the specific earmarked reserve	1088
Other non-specific revenue grants and contributions	117
Treasury Management - additional investment income	113
Business Rates growth greater than budgeted combined with a reduction in the provision for the impact of successful appeals	4,707
Additional contribution to reserves. This includes £4.5m from the additional business rates income to deal with losses following the Covid-19 pandemic and to support the council's recovery plan.	(6,296)
INCREASED CONTRIBUTION TO GENERAL FUND BALANCES	923

Where the money came from

The following table and graph provide an analysis of our actual main sources of income for the year:

Categories of Income	2018/19 £000s	2018/19 restated * £000s	2019/20 £000s
Fees, charges and other service income	8845	9169	9466
Revaluation of investment properties	0	0	113
Revaluation of financial investments	134	134	0
Gain or loss on disposal of fixed assets	39	39	303
Interest and investment income	819	819	1003
Income from council tax payers incl. for parish precepts	8338	8338	8616
Revenue Support Grant and Business Rates	4963	4963	8856
Other Government Grants incl. Housing Benefit Subsidy	29327	29327	25840
Other grants and contributions	7854	7853	11209
New Homes Bonus	4116	4116	4390
Shared service contributions	3807	3807	4014
	68242	68565	73810

* See Note 28.



The Government provides our main source of income (35%) in the form of specific grants, of which the largest grant by far is in respect of Housing Benefits Subsidy. The above analysis has been prepared in order to meet accounting requirements (it is a supporting note to the Expenditure and Funding Analysis at Note 4 to the accounts and also to the Comprehensive Income and Expenditure Account) and therefore, due to accounting adjustments, there are some slight differences between the amounts shown above and those shown elsewhere in the Narrative Statement, including the table below, particularly in respect of Business Rates and Council Tax.

Where the money went

The following table provides a high level summary of our net expenditure on Council services against original and revised budgets for the year by priority and in the same format as our budget summary:

GENERAL FUND - COMPARISON OF NET EXPENDITURE WITH ESTIMATES				
2018-19		2019-2020		
Net Actual*		Original*	Revised	Net Actual
Expenditure		Estimate	Estimate	Expenditure
£000s	COUNCIL PRIORITIES	£000s	£000s	£000s
1,182	People	1,744	1,737	1,413
4,676	Place #	5,026	4,770	4,311
(2,823)	Prosperity	(638)	(527)	(1,770)
5,261	Central & Support Costs	5,457	5,705	5,449
8,296	NET COST OF SERVICES	11,589	11,685	9,403
172	Cost of Grants to Parishes	172	172	172
(817)	Interest and Investment Income	(519)	(887)	(1,000) *
7,651	NET EXPENDITURE	11,242	10,970	8,575
(4,131)	Non-specific Grants and Contributions	(4,390)	(4,390)	(4,507)
5,766	Transfer to (from) Earmarked Reserves	4,168	4,364	10,660
838	Contribution to (from) Balances	(140)	(64)	859
10,124	TOTAL NET EXPENDITURE	10,880	10,880	15,587
(2,618)	Business Rates	(2,665)	(2,665)	(2,665)
(1,319)	Business Rates Growth	(1,500)	(1,500)	(6,207)
(251)	Revenue Support Grant	0	0	0
0	Collection Fund Surplus - Council Tax	(101)	(101)	(101)
0	Collection Fund Surplus - Business Rates	(571)	(571)	(571)
5,936	PRECEPT ON COLLECTION FUND	6,043	6,043	6,043
	(Excluding parish precepts)			

Notes relating to the chart above:

*includes CCLA Property Fund and Diversified Income Fund dividends as well as interest from loans made by the council.

'Place' figures exclude special levies.

The main variations leading to the £5.463m increase between 2018/19 actual total net expenditure of £10.124m and 2019/20 actual total net expenditure of £15.587m are:

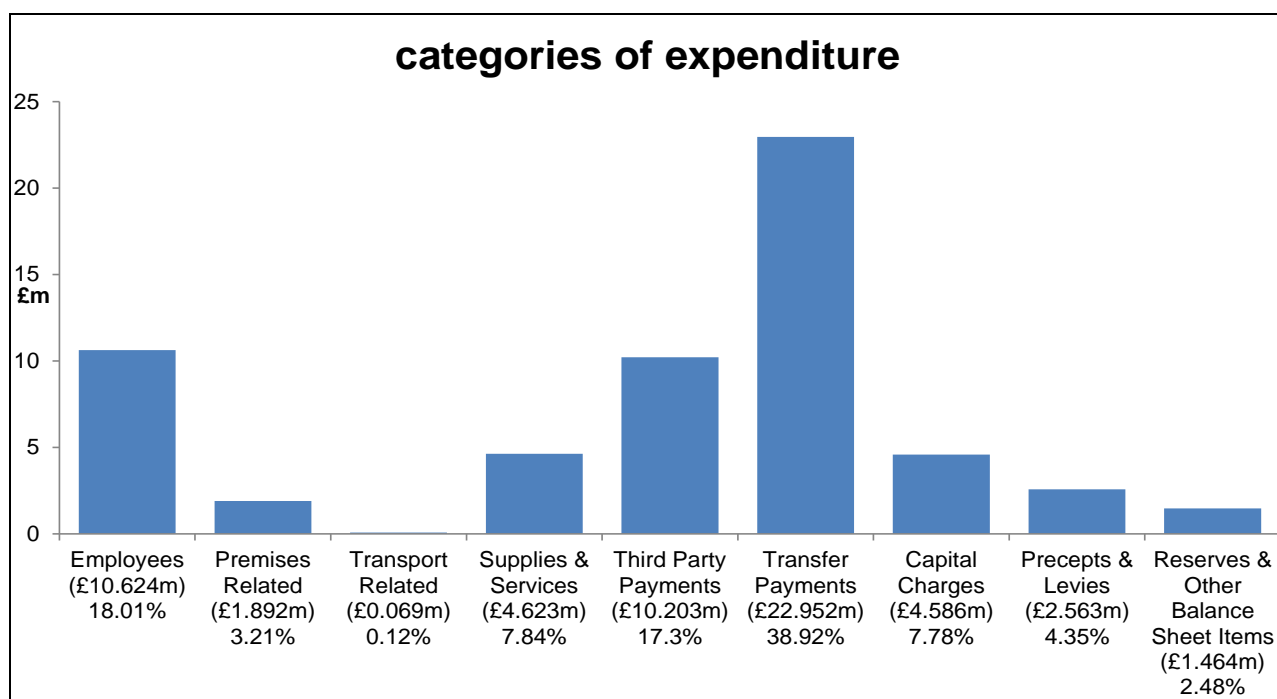
	£000s
Cost of inflation in 2019/20	340
Increased expenditure and reduced income from parking budgets	298
District elections in 2019/20	179
Additional resources towards the prevention of homelessness and other housing needs	164
One-off income in 2018/19 in relation to the Business rates Pool risk reserve	1,172
Net Increase in transfer to Earmarked Reserves	4,518
Other net variances	382
Less Grow Save Charge savings	(597)
Additional investment income	(183)
Reduced bad debt provisions 2019/20, compared to a net increase in 2018/19	(264)
Savings on the Waste, Recycling and Street Cleaning Contract	(436)
Reduced expenditure of New Homes Bonus monies by Parish Councils	(110)
Total	5,463

The Council continues to budget for and make savings and increased income in line with its Grow Save Charge Business Plan and this demonstrates economy, efficiency and effectiveness in its use of resources.

The following table presents our gross spend in 2019/20, showing the main types of expenditure that we incur. Again, it is a supporting note to the Expenditure and Funding Analysis at Note 4 to the accounts, as well as the Comprehensive Income and Expenditure Statement. Our service expenditure is split between staffing (employee) costs 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.

CATEGORIES OF EXPENDITURE	2018/2019	2019/2020
	£000	£000
1 Employees	8,878	10,624
2 Premises Related Costs	1,869	1,892
3 Transport Related Costs	73	69
4 Supplies & Services	4,372	4,623
5 Third Party Payments	10,099	10,203
6 Transfer Payments	26,625	22,952
7 Capital Charges	4,578	4,586
8 Precepts & Levies	2,439	2,563
9 Other Reserves & Balance Sheet Movements	1,231	1,464
	<u>60,164</u>	<u>58,976</u>

A pictorial representation of the above analysis is also shown in the chart below:



Whilst the above summaries are interesting, they don't show how we used the money to deliver our key priorities. Below we highlight some of the major areas of spend under each of the priorities:

Priority 1 – People

- **Total net spend of £1.413m**

Net spending included:

Environmental Health	£592k
Public Conveniences	£353k
Customer Services	£303k
Youth and Arts Initiatives and Sport Development	£249k
Register of Electors / Elections	£307k
Preventing Homelessness & other Housing Needs	£235k
Net income from Pershore Hospital / Doctors' Surgery	(£648k)

Priority 2 – Place

- **Total net spend of £4.311m**

Net spending included:

Street Cleansing	£1,183k
Refuse Collection	£907k
Recycling	£590k
Parks, Recreation Grounds and Open Spaces	£760k
Policy Planning & Heritage	£665k
Grounds Maintenance	£365k

Priority 3 – Prosperity

- **Total net income of £1.770m**

Net income included:

Net income from Off Street Parking	(£1,429k)
Net income from Sundry Properties (including Droitwich Waitrose)	(£863k)
New Homes Bonus (spend by Parishes)	£338k
Economic Development & Promotion	£269k
Tourism	£205k

Priority 4 – Central & Support Costs

- **Total net spend of £5.449m**

Net spend included:

Pension Backfunding Costs	£1,442k
Support Service costs (Legal / HR / Finance / Property / Strategy and Communications / Committee and Member Support / Internal Audit)	£1,936k
Information Technology	£699k
Senior Management Team	£444k
Civic Centre	£441k
Democratic Representation	£371k

Our treasury management performance

The Council agreed a Treasury Management Policy and Strategy for 2019/20 prior to the commencement of the year and this is a key document in the management of the Council's finances. The actual income received from cash investments in 2019/2020 was £648k (compared to £450k in 2018/19) which was higher than the revised budget for the year. The overall rate of return on sums invested during the year was 0.95% (compared to 0.80% in 2018/19) which was 0.29% (0.17% in 2018/19) above the target 7-day LIBOR benchmark. In addition, the Council received £210k (£210k in 2018/19) as dividend income from its investment in the Local Authorities Property Fund, £84k (£83k in 2018/19) from the Diversified Income Fund, plus a further £61k (£76k in 2018/19) 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. 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, 5 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 and the Pershore Hospital & GP Surgery project. The lease income from the investments in the Waitrose supermarket in Droitwich, Pershore Hospital and GP Surgery was £1.329m in 2019/20, securing a rate of return in excess of 7% on the original capital sum invested. The Waitrose Supermarket in Evesham was developed more recently and enjoyed a rent free period in 2019/20. A return will start being made on this investment in 2020/21.

CAPITAL ACCOUNT SUMMARY

Our capital account shows the income and expenditure transactions we make when we:

- buy or sell land or property;
- build new property;
- improve our properties; and
- provide grants to others for the above.

In this section of the Narrative Report we will:

- compare our actual capital spending with budget and detail the main project on which money was spent;
- explain where the money came from.

Comparing actual spending to budget

Our original budget plan for the year was to spend £4.393m on capital projects. Variations on some projects resulted in actual capital expenditure of £5.145m (compared to £7.491m in 2018/19) which was £0.752m more than the original budget but £7.063m less than the revised budget. Our capital scheme spending is shown below:

CAPITAL EXPENDITURE 2019/20	
	£000
PRIORITY 1 - People	
Public Convenience refurbishment	282
Evesham 3G Pitch & Pavilion	955
Other Small Schemes (2 schemes)	30
Total - Priority 1 capital schemes	1,267
PRIORITY 2 - Place	
Better Care Fund	893
Corporation Meadow footpath & cycle way	100
Tibberton CLT	414
Electric Vehicle Charging Points	67
Other Small Schemes (4 schemes)	113
Total - Priority 2 capital schemes	1,587
PRIORITY 3 - Prosperity	
Strategic Land Investment Fund	1,594
Community Legacy Grants	265
Car Park improvements	135
Civic Centre - replacement boiler & enhancements	190
Other Small Schemes (5 schemes)	107
	2,291
TOTAL CAPITAL EXPENDITURE 2019/20	5,145

Where the money came from

The table below shows how we paid for our capital spending:

FINANCING OF CAPITAL EXPENDITURE	
	£000s
Capital Receipts	733
Capital Grants	893
Capital Contributions	201
Capital Expenditure Charged to Revenue Account (CERA)*	3,359
Internal Borrowing	(41)
	5,145
*including New Homes Bonus and Section 106 Contributions	

Our capital receipts were the main source of funding for capital projects in 2019/20. We began 2019/20 with £4.516m of capital receipts that could be used to fund capital expenditure and ended it with £11.824m. Of this £8.125m has been earmarked for affordable housing in accordance with agreements we have made with the Registered Providers that purchased our housing stock.

The table below shows the capital receipts we received in the year and the amount that was used to fund capital expenditure.

2018/19	CAPITAL RECEIPTS	2019/20
£000		£000
	MOVEMENTS IN YEAR	
5,911	Balance unapplied at beginning of year	4,516
	Proceeds from	
473	- Right To Buy clawback agreement	6,538
1,729	- Sale of other assets	973
79	- Repayment of loan principal	524
15	- Repayment of Improvement Grants	6
	Less Capital Receipts Applied	
(3,691)	- Financing of capital expenditure	(733)
0	- Loans to external organisations	
4,516	Balance unapplied at year-end	11,824

Note: The table above gives some detail on the movement in the Capital Receipts Reserve. The totals, however, are the same as those shown in the Movement in Reserves Statement.

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 our finances are in a healthy state and our Council Tax is amongst the lowest nationally. The state of our financial well-being is reflected in the level of reserves that we hold.

We maintain a number of 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 £6.507m of earmarked reserves during the course of the year we also added £15.490m, giving a net balance at the year end of £57.327m*. Full details are given in Note 8 to the accounts but the most significant (net) additions to earmarked reserves were £2.071m to the Business Rates Equalisation Reserve, £4.480m to the Business Rates Covid-19 Reserve and £1.789m to the New Homes Bonus Reserve.

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. Thanks largely to savings identified in the council's Grow Save Charge business plan and also those in the "explaining the big differences" section of this narrative statement, the working balance increased by £0.659m* during the year giving a balance of £10.373m at the year end.

*From Movement In Reserves Statement

PENSIONS LIABILITY

The Council is a member of the Worcestershire County Council Pension Fund, a Local Government Pension Fund, and all staff are able to join this from the commencement of their employment with the Council. The Council's share of the net pension liability of the

Fund at 31 March 2020, as estimated by the fund actuary, was £43.8m* compared to £44.4m* at 31 March 2019. 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 26 to the Core Financial Statements.

It is important to understand that the net pension liability valuation at 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. From 1 April 2019 the Government introduced a 75% Business Rates Retention Pilot scheme which allowed participating councils to retain 75% of the increase in business rates yield, a much larger proportion than had previously been allowed. Wychavon District Council, along with other Worcestershire councils, took part in the pilot and a new Worcestershire Business Rates Pool was formed on 1 April 2019 to maximise the scheme potential.

After pooling locally and making the necessary payments to the Government, the Council generated £3.6m from business rates growth. In addition to the strong growth in the business rates base the Council also generated £2.6m from a collective Pool decision to review and reduce provisions previously made for the impact of successful appeals. In total therefore the Council generated £8.8m under the 75% Business Rates Retention Pilot scheme. This was £4.7m more than the revised 2019/20 budget of £4.1m.

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. £2.071m of the business rates growth and appeals provision reduction has been put into a Business Rates Equalisation Reserve for any future volatility in business rates income.

A Business Rates Appeals Provision is maintained against the number of appeals made to the Valuation Office. This provision reduced by £4.4m, from £5.3m at the end of 2018/19, to £0.9m at the end of 2019/20. Several appeals cases have been settled in 2019/20 and these were charged against the provision rather than against Business Rates income for the year. As mentioned above the Worcestershire Business Rates Pool took a collective

decision to reduce provisions to reflect the latest known position on outstanding appeals which was significantly less than had been previously thought following the introduction of the Valuation Office's 'Check, Challenge, Appeal' process.

PROGRESS IN THE YEAR

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

People – healthy, happy, active and supported

- Completed a combined footpath and cycle way at Corporation Meadow in Evesham at a cost of £100k and successfully hosted a stage of the men's Tour of Britain cycle race in Pershore.
- Progressed work to improve social mobility in the district including awarding £18,780 of grant funding to 20 schools and early years settings, work on developing a new early years hub in Evesham and attracting £268,000 of match-funding from the County Council.
- We delivered a synthetic 3G pitch and pavilion in Evesham costing £1.4 million; this was part funded by a £576,000 grant from the Football Foundation.
- Work commenced on an extensive Section 106 funded project in Inkberrow involving the bowls, football and tennis clubs and play area.
- Supported a successful lottery bid to provide support and outreach in the Droitwich West award, helped the community centre to become self-sustaining and supported more positive activities for children and their families including over 200 swimming sessions in partnership with Wychavon Leisure.
- Prevented 102 households from becoming homeless and relieved 178 cases of homelessness.
- With Malvern Hills District Council we hosted a 'Protect Your Business, Protect Your Staff' event to raise awareness of business crime, cyber crime and modern day slavery.
- Organised a drama production about child criminal exploitation and county lines drug dealing for around 1500 school students across Wychavon and Malvern Hills.
- Invested £282k in refurbishing public conveniences in Pershore and Broadway and installed energy efficiency and water saving features in Droitwich and Evesham. In January 2020 Wychavon's toilets were named the best in England after receiving the title in the annual Loo of the Year Awards. Three of Wychavon's toilets received the new Diamond Award status while the others received Platinum status making it the best set of results Wychavon has ever achieved.

Place – green, clean and safe with quality, affordable homes

- Improved the standards of 256 private sector homes and supported the delivery of 299 new affordable homes, nearly a third of these were in rural areas.
- Carried out a test of a roadside littering trial with Keep Britain Tidy and delivered a successful '30 Days of Zero' waste campaign, which included plastic reduction measures.

- Retained five Green Flag awards for our parks by continuing to maintain high standards across the parks and investing in play areas and infrastructure.
- Installed 20 new litter bins in Evesham, launched the Adopt a Street scheme and took 164 out-of-court enforcement actions for environmental offences..
- Installed another Changing Places facility at the Church Close public toilets in Broadway.
- Invested £67k in the installation of an additional 22 electric vehicle charging points in our car parks to help reduce the district's carbon footprint and began work on a new Intelligently Green Plan.
- Established new habitats for pollinators in Droitwich, Evesham and Pershore and more are planned.
- Contributed to the development of a National Lottery Heritage Fund 'Heritage Horizons' bid under the umbrella of the Local Nature Partnership to create a project focused on wildlife networks and connectivity.

Prosperity – vibrant communities with quality jobs and skills

- Our investments at Worcester Six, Vale Park and Waitrose have resulted in the creation of 195 jobs.
- Our bid with Malvern Hills District Council for the Ticket to Ride community connectedness project was successful. This has secured an additional £105,000 for community transport schemes in Wychavon on top of our existing commitment, as well as funding to develop a South Worcestershire Good Neighbour Network.
- Since September 2017 177 Wychavon businesses have benefitted from business start-up workshops and 40 have received a business start-up grant.
- Carried out extensive work with councillors, partners and other stakeholders to shape the development of town centre masterplans.
- Continued work delivering the tourism action plan. Highlights include supporting the new Evesham Walking Festival, attracting nearly 4000 subscribers to our festivals and events e-newsletter and significant increases in social media followers.
- Ran a series of workshops for town and parish councils, voluntary and community groups on a range of topics that more than 170 people attended.

We also:

- Retained Customer Service Excellence

For more information search online for Wychavon performance.

LOOKING AHEAD

As we move into 2020/21, the Council continues to monitor closely the impact of the wider economy on its business, especially in light of the effects of the Covid-19 pandemic. We have reacted to the outcome of disappointing local government finance settlements in recent years by consulting our residents regarding our strategic spending and taxation options for the future, resulting in our Grow, Save, Charge business plan (available on our website). The aim of the plan was to protect services wherever possible and for Wychavon

to become a self-funded Council with income streams from investments, Council Tax and Business Rates and selling services, before our Government grant disappeared in 2019/20. The current Grow, Save, Charge business plan covers the period 2016-2021 but with delays in the Government's Spending Review and a consequent lack of clarity for our finances, as well as income losses from the impact of Covid-19, work on the new business plan will now begin in 2020/21 and will be effective from 2021/22.

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.

Whilst we are fortunate to have a sound financial base, there are still many challenges ahead, including the outcome of the Governments Fair Funding Review and the planned business rates revaluation, which were due to be in place by 2020/21 but are now delayed, and recovery from income losses due to Covid-19. There is also now the possibility that the impact of the Covid-19 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.

The Council has made significant investment in the district in recent years, for example, at Vale Park, Droitwich and Evesham Leisure Centres, a new council depot and a Waitrose supermarket in the heart of Evesham. Over the next four years, from 2021 to 2024, we aim to deliver 1,000 affordable homes across the district with at least 15% in rural areas, create new facilities to provide housing and support to single homeless people in Wychavon, build new football facilities in Droitwich and additional sports facilities in Pershore, work with partners to deliver new sporting attractions in Evesham and Pershore, and increase car parking provision at Droitwich Spa, Honeybourne and Pershore railway stations.

With some uncertainties still surrounding the impact of Brexit and the future of our relationship with the EU we have, in order to provide some resilience for the Council, created a Treasury Investments (Brexit and market conditions) Earmarked Reserve of £0.5m, from previously received investment income, for use in funding any subsequent unexpected losses.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

- 1.1 The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 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, not simply when cash payments are made or received. In particular:
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
 - Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
 - 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 or 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. Government Grants and Contributions

- 3.1 Government grants and other contributions in relation to revenue expenditure are accounted for and recognised in the accounting statements when there is reasonable assurance that the Council will comply with any conditions attached to the payments (or in the year received, if there are no conditions attached) and that the payments have been or will be received. They are either matched in the relevant service revenue account in the Comprehensive Income and Expenditure Statement with the related expenditure or credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement if they are Government grants such as Formula grants received to fund general revenue expenditure.

- 3.2 Capital grants and contributions that relate to capital expenditure are recognised in the year that the conditions of the grant and contributions are met or in the year received if there are no conditions attached. They are credited to the relevant service revenue account or to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement as appropriate and are reversed out of the General Fund Balance in the Movement in Reserves Statement.
- 3.3 Where the grant has yet to be used to fund capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.
- 3.4 If grants and contributions have been received but conditions have not been satisfied the amounts are carried in the Balance Sheet as a Short Term Creditor (Receipt in Advance)

Community Infrastructure Levy

- 3.5 The Council has elected to charge a Community Infrastructure Levy (CIL). This levy will be 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.
- 3.6 CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with accounting policy for government grants and contributions set out above.

4. Reserves

- 4.1 In addition to its General Fund Balance, the Council sets aside specific amounts as reserves for future policy purposes, identified future expenditure and to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. A number of Earmarked Reserves are held which are detailed in Note 8 to the Financial Statements.
- 4.2 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 Note 28 to the Financial Statements.

5. Property, Plant and Equipment

- 5.1 Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used in more than one financial year are classified as Property, Plant and Equipment.
- 5.2 **Recognition:** expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential to the Council e.g. repairs and maintenance is charged as an expense when it is incurred. Capital expenditure on assets which is less than £10,000 is treated as de-minimis and is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year that it is incurred.
- 5.3 **Measurement:** Property, Plant and Equipment 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 by management.
- 5.4 The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance.
- 5.5 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
 - 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.

- 5.6 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 Comprehensive Income and Expenditure Statement it is credited back to that service revenue account up to the revaluation loss previously charged.
- 5.7 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.
- 5.8 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.
- 5.9 **Impairment:** assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment is recognised for the shortfall.
- 5.10 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
 - 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.
- 5.11 Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure

Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- 5.12 **Depreciation:** depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of depreciable amounts over their useful lives. An exception is made for 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.
- 5.13 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.
- 5.14 Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is classed as significant if its value is greater than 20% of the total value of the asset.
- 5.15 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.
- 5.16 Depreciation is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement for the use of Property, Plant and Equipment in the delivery of services.

Disposals and Non-current Assets held for Sale:

- 5.17 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 Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
- 5.18 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.
- 5.19 Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.
- 5.20 When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement 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.

- 5.21 Amounts received for disposal in excess of the de-minimis level of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. 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 Movement in Reserves Statement.
- 5.22 The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves.

6. Heritage Assets

- 6.1 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.

7. Investment Properties

- 7.1 Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- 7.2 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
- 7.3 Rentals received in relation to investment properties are credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than the de-minimis level of £10,000) the Capital Receipts Reserve.

8. Fair Value Measurement

- 8.1 The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
 - In the absence of a principal market, in the most advantageous market for the asset or liability
- 8.2 The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
- 8.3 When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- 8.4 The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
- 8.5 Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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. Revenue Expenditure Funded From Capital Under Statute

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

10. Provisions and Contingent Liabilities

- 10.1 Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.
- 10.2 Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate, at the Balance Sheet date, of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 10.3 When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.
- 10.4 Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.
- 10.5 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.
- 10.6 Other provisions are maintained for present obligations which will require settlement in future financial years.
- 10.7 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.
- 10.8 Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

11. Inventories

- 11.1 Inventories are included in the Balance Sheet at the lower of cost or net realisable value, if lower.

12. Cash and Cash Equivalents

- 12.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.
- 12.2 In the Cash Flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

13. Leases

- 13.1 Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
- 13.2 Where a lease covers both land and buildings each element is considered separately for classification.
- 13.3 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.

Council as Lessee for Operating Leases

- 13.4 Rentals payable are charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease.

Council as Lessor for Operating Leases

- 13.5 Rentals receivable are credited to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease.

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

14. Overheads and Support Services

- 14.1 The cost of overheads and support services are charged to service segments in accordance with the Councils arrangements for accountability and financial performance. This means effectively that the cost of the overheads are shown in total as 'Central and Support Costs' in the Comprehensive Income and Expenditure Statement.

15. Financial Instruments

- 15.1 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.
- 15.2 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.
- 15.3 'Fair value' represents the amount the financial instrument could be sold for in an open market based on the present value of future cash flows that take place over the remaining terms on the instrument (see Accounting Policy 8).

Financial Liabilities

- 15.4 Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at amortised cost. Annual Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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.

Financial Assets

- 15.5 Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:
- amortised cost
 - fair value through profit or loss (FVPL)
 - fair value through other comprehensive income (FVOCI)
- 15.6 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.

- 15.7 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

- 15.8 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 Comprehensive Income and Expenditure Statement (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 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.
- 15.9 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.
- 15.10 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.
- 15.11 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 Movement in Reserves Statement. 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)

- 15.12 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.
- 15.13 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.

15.14 Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

16. Employee Benefits

Benefits Payable During Employment

- 16.1 Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. If material an accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the provision of services but then reversed out through the Movement in Reserves Statement so that the holiday entitlements are charged to the financial year in which the holiday absence occurs.
- 16.2 The Council currently considers the accrual immaterial for inclusion in its accounts.

Termination Benefits

- 16.3 Termination benefits 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 charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.
- 16.4 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 Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year end.

Post Employment Benefits

- 16.5 The Council participates in one defined benefits (retirement lump sums and pensions) scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. An actuarial

valuation was undertaken by the pension fund actuaries Mercer Human Resource Consulting Limited as at 31 March 2016. This resulted in revised contribution rates being payable by the Council in future years.

- The liabilities of the Worcestershire County Council Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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
 - Unitised securities – current bid price
 - Property – market value

16.6 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement
 - 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 Comprehensive Income and Expenditure Statement – 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.

16.7 In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are 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.

Discretionary Benefits

16.8 The Council also has 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.

16.9 Further information can be found in:

Worcestershire County Council's Superannuation Fund Annual Report, available on request from:

Worcestershire County Council,
County Hall,
Spetchley Road,
Worcester, WR5 2NP
www.worcestershire.gov.uk

17. Apprenticeship Levy

- 17.1 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.

18. Joint Operations

- 18.1 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.
- 18.2 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.

19. Charges to Revenue for Non-Current Assets

- 19.1 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.
- 19.2 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 Movement in Reserves Statement for the difference between the two..

20. Intangible Assets

- 20.1 Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. They are initially measured at cost and amortised over their useful lives to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.
- 20.2 Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and therefore they are carried at amortised historic cost.
- 20.3 Whenever there is an indication that any of these assets may be impaired, any losses recognised are posted to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of any of these assets is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- 20.4 Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than the de-minimis level of £10,000) the Capital Receipts Reserve.

21. VAT

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

22. Council Tax

- 22.1 As a billing authority, the Council acts as an agent, collecting and distributing council tax income on behalf of its major preceptors – Worcestershire County Council, the Police and Crime Commissioner for West Mercia, the Hereford and Worcester Fire Authority - as well as Town and Parish Councils and itself. Billing Authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax collected could be less or more than predicted.
- 22.2 The council tax 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 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 Movement in Reserves Statement.

22.3 The Balance Sheet includes the Council's share of the end of year balances in respect of council tax relating to arrears and impairment allowances for doubtful debts, overpayments and prepayments.

22.4 The Council's share of net cash collected from council tax payers in the year is included within the Cash Flow Statement.

23. National Non Domestic Rates or Business Rates

23.1 As a billing authority, the Council acts as an agent, collecting and distributing business rates income on behalf of its major preceptors – the Government, Worcestershire County Council, Hereford and Worcester Fire Authority and itself. The Council is part of the Worcestershire Business Rates Pool.

23.2 The business rate income included in the Comprehensive Income and Expenditure Account (CIES) is the Council's share of accrued income for the year. (i.e. its share of expected business rates receipts less tariff payment made to government as per the NNDR3 return made at the end of the year) and not the amount required to be transferred from the Collection Fund under regulations (as per the NNDR1 return made at the start of the year). The difference between the amount 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 Movement in Reserves Statement. The impact of reversing the difference between the NNDR3 amount and the NNDR1 amount out through the Movement in Reserves Statement is that a notional surplus or deficit is created in the Council's General Fund. The Council has previously chosen to set aside any notional surplus in an Earmarked Reserve rather than show it as part of the General Fund balance and this Reserve is used to fund any notional deficits as they arise. As actual deficits or surpluses are declared they are charged or credited to the general fund in the following year.

23.3 Grants from the government in respect of Section 31 Business Rates reliefs, cost of collection allowance and retained renewable energy income are included within the Comprehensive Income and Expenditure Statement.

23.4 The Balance Sheet includes the Council's share of the year end balances in respect of business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

23.5 The Council's share of net cash collected from business rate payers in the year is included within the Cash Flow Statement.

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

24.1 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.

24.2 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.

25. Accounting Standards Issued, Not Adopted

25.1 The Accounting Code of Practice requires the Council to disclose information relating to the impact of any accounting change that will be required by a new standard that has been issued but has not been adopted due to the timing of the production of the accounts. In 2019/20 there are no new standards that are relevant to this Council that have not been adopted.

WYCHAVON DISTRICT COUNCIL

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19			2018/19 Restated			2019/20			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure				
£000	£000	£000	£000	£000	£000	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	£000	£000	£000	
32,658	(29,490)	3,168	32,658	(29,490)	3,168	Service Expenditure Analysis			
11,200	(5,256)	5,944	11,200	(5,256)	5,944				
5,126	(6,287)	(1,161)	5,126	(6,287)	(1,161)	People	29,903	(26,175)	3,728
7,510	(2,087)	5,423	7,510	(2,087)	5,423	Place	11,411	(5,442)	5,969
						Prosperity	5,803	(5,017)	786
						Central and Support Costs	7,833	(2,215)	5,618
						Net Cost Of Services			
56,494	(43,120)	13,374	56,494	(43,120)	13,374		54,950	(38,849)	16,101
		2,401			2,401	Other Operating Expenditure	<i>see note</i>		2,261
		(1,123)			(1,446)	Financing and Investment Income and Expenditure	9		(1,513)
		(22,730)			(22,730)	Taxation and Non-Specific Grant Income	10		(31,683)
		(8,078)			(8,401)	Surplus on Provision of Services	11		(14,834)
		(8,183)			(8,183)	Surplus on revaluation of non current assets			(3,349)
		4,875			4,875	Remeasurement of the net defined benefit (pension) liability	26		(2,581)
		0			0	Revaluation - available for sale financial assets.			0
		(3,308)			(3,308)	Other Comprehensive Income and Expenditure			
		(11,386)			(11,709)	Total Comprehensive Income and Expenditure			
		(20,764)			(20,764)				(20,764)

WYCHAVON DISTRICT COUNCIL
CORE FINANCIAL STATEMENTS
MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
31 MARCH 2020	<i>see note</i>						
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	9,714	48,344	4,516	1,871	64,445	52,006	116,451
Movement in reserves during 2019/20							
Total Comprehensive Expenditure and Income	14,834	0	0	0	14,834	5,930	20,764
Adjustments between accounting basis and funding basis under Regulations	7	-4,992	0	7,308	434	-2,750	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	9,842	0	7,308	434	17,584	3,180	20,764
Transfers (to)/from Earmarked Reserves	8	-8,983	8,983	0	0	0	0
Increase/(Decrease) in Reserves in Year	859	8,983	7,308	434	17,584	3,180	20,764
Balance at 31 March 2020 carried forward	10,573	57,327	11,824	2,305	82,029	55,186	137,215
31 March 2019 Restated							
Balance at 31 March 2018	8,876	40,528	5,911	1,483	56,798	47,944	104,742
Movement in reserves during 2018/19							
Total Comprehensive Expenditure and Income	8,401	0	0	0	8,401	3,308	11,709
Adjustments between accounting basis and funding basis under Regulations	7	253	0	-1,395	388	-754	754
Net Increase/(Decrease) before Transfers to Earmarked Reserves	8,654	0	-1,395	388	7,647	4,062	11,709
Transfers (to)/from Earmarked Reserves	8	-7,816	7,816	0	0	0	0
Increase/(Decrease) in Reserves in Year	838	7,816	-1,395	388	7,647	4,062	11,709
Balance at 31 March 2019 carried forward	9,714	48,344	4,516	1,871	64,445	52,006	116,451
31 March 2019							
Balance at 31 March 2018	8,876	40,528	5,911	1,483	56,798	47,944	104,742
Movement in reserves during 2018/19							
Total Comprehensive Expenditure and Income	8,078	0	0	0	8,078	3,308	11,386
Adjustments between accounting basis and funding basis under Regulations	7	576	0	-1,395	388	-431	431
Net Increase/(Decrease) before Transfers to Earmarked Reserves	8,654	0	-1,395	388	7,647	3,739	11,386
Transfers (to)/from Earmarked Reserves	8	-7,816	7,816	0	0	0	0
Increase/(Decrease) in Reserves in Year	838	7,816	-1,395	388	7,647	3,739	11,386
Balance at 31 March 2019 carried forward	9,714	48,344	4,516	1,871	64,445	51,683	116,128

WYCHAVON DISTRICT COUNCIL FINANCIAL STATEMENTS

BALANCE SHEET

as at 31 March 2019		as at 31 March 2019 restated				as at 31 March 2020	
£000	£000	£000	£000		see note	£000	£000
67,855		67,855		Property, Plant & Equipment	12	64,502	
50		50		Heritage Property	13	50	
31,896		31,896		Investment Property	14	32,864	
1		1		Intangible Assets	15	0	
4,518		4,518		Assets Held for Sale	16	10,248	
8,520		8,520		Long Term Investment	18	7,594	
67		390		Long Term Debtors	19	836	
	112,907		113,230	Long Term Assets			116,094
49,726		49,726		Short Term Investments	20	49,700	
7,848		7,848		Short Term Debtors	21	14,767	
3,658		3,658		Cash and Cash Equivalents	22	15,189	
358		358		Assets Held for Sale	16	358	
275		275		Inventories	23	280	
	61,865		61,865	Current Assets			80,294
(12,117)		(12,117)		Short Term Creditors	24	(15,413)	
	(12,117)		(12,117)	Current Liabilities			(15,413)
(2,133)		(2,133)		Provisions	25	(1)	
(44,394)		(44,394)		Pensions Liability	26	(43,759)	
	(46,527)		(46,527)	Long Term Liabilities			(43,760)
	116,128		116,451	Net Assets			137,215
(64,445)		(64,445)		Usable Reserves	27	(82,029)	
(51,683)		(52,006)		Unusable Reserves	28	(55,186)	
	(116,128)		(116,451)	Total Reserves			(137,215)

JAYNE PICKERING
Deputy Chief Executive
current S151 Officer

VIC ALLISON
S151 Officer until 31 July 2020

WYCHAVON DISTRICT COUNCIL CORE FINANCIAL STATEMENTS

CASH FLOW STATEMENT

2018/2019	2018/2019 Restated		see note	2019/2020
£000	£000			£000
(8,078)	(8,401)	Net surplus on the provision of services		(14,834)
(7,850)	(7,527)	Adjustments to net surplus or deficit on the provision of services for non cash movements	29	5,959
2,236	2,236	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	1,217
(13,692)	(13,692)	Net cash flows from Operating Activities		(7,658)
13,401	13,401	Investing Activities	30	1,320
(2,031)	(2,031)	Financing Activities - adjustment due to council tax and business rates creditors as a billing authority		(5,193)
(2,322)	(2,322)	Net increase in cash and cash equivalents		(11,531)
1,336	1,336	Cash and cash equivalents at the 1st April		3,658
3,658	3,658	Cash and cash equivalents at the 31st March	22	15,189

1. Significant changes in Accounting Policies

There have been no significant changes in Accounting Policies in 2019/20.

2. 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 revalues 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 2019/20 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 (declared as a global pandemic on 1 March 2020 by the World Health Organisation) 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 50% of the total asset base value:
 - Car Parks - Valuation method is net income/profit method. The practical effects of lockdown and a slow return to High Streets will reduce the income received from car parks in 2020-21. As a result the valuation of the car parks for that period will be less than the 2019-20 assessment. It is not possible at this stage to assess to what extent or what the longer term trend may be.
 - 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. The current economic upheaval is going to affect BCIS inputs but it is too early to say what the full effect might or how long this might last.
 - Leisure Centres - As per 'Public Conveniences'.
 - Offices – likely to be affected by Covid-19 as staff can work effectively from home and organisations may look to make savings by divesting themselves of excess space.

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 - minimal effect expected if at all, due to the asset base being strong performing sectors (institutional healthcare and food retail/household name)
- 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 2020 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. The valuation exercise therefore took place at the very start of the pandemic when the effect of the pandemic was less certain.

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. In the most part this is because leisure centres and public conveniences, which make up the largest part of our asset base whose valuations were affected by Covid-19, are valued using the BCIS tender price index and the lack of current construction of such buildings nationally means that no new data is available. Likewise car parks are valued on net income and car park income was completely suppressed in the first four months of 2020/21 and the level of recovery is not yet known.

- 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.

3. 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 2020 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 £117k 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 £1,913k.
Bad Debt Provisions	The Council has sundry debtor balances of £1,685k and Housing Benefit overpayment debtor balances of £1,594k. 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 £1,303k 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 £328k 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 2019/20 attributable to Wychavon amounts to £0, a decrease of £2,132k from 2018/19 due to the Council participating in a Business Rates pilot scheme in 2019/20 where funds were pooled with Worcestershire authorities..	If actual results differ from assumptions, there will be no impact on Wychavon's general fund in 2019/20. See note 25.

4. 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.

The General Fund Balance shown here includes Earmarked Reserves as required by the CIPFA code of Practice on Local Authority Accounting. For a breakdown of this balance between the true General Fund Balance and balances held in Earmarked Reserves, please see the Movement in Reserves Statement.

2018/19			2018/19 restated			2019/20			
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		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		£000s	£000s	£000s
1,183	1,985	3,168	1,183	1,985	3,168	People	1,412	2,316	3,728
4,730	1,214	5,944	4,730	1,214	5,944	Place	4,368	1,601	5,969
(2,822)	1,661	(1,161)	(2,822)	1,661	(1,161)	Prosperity	(1,769)	2,555	786
5,260	163	5,423	5,260	163	5,423	Central and Support Costs	5,449	169	5,618
8,351	5,023	13,374	8,351	5,023	13,374	Net Cost of Services	9,460	6,641	16,101
(17,005)	(4,447)	(21,452)	(17,005)	(4,770)	(21,775)	Other Income and Expenditure	(19,302)	(11,633)	(30,935)
(8,654)	576	(8,078)	(8,654)	253	(8,401)	Surplus	(9,842)	(4,992)	(14,834)
49,404			49,404			Opening General Fund Balance	58,058		
8,654			8,654			Plus Surplus on General Fund Balance in Year	9,842		
58,058			58,058			Closing General Fund Balance at 31 March	67,900		

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

2018/19			2019/20			
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
1,188	0	(984)	People	1,326	122	(1,002)
220	71	(3,717)	Place	11	119	(4,051)
86	634	(3,795)	Prosperity	95	94	(3,650)
1,162	0	(349)	Central & Support Costs	1,136	0	(315)
2,656	705	(8,845)	TOTAL	2,568	335	(9,018)

Breakdown of Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note1) £000s	Net change for Pensions Adjustments (Note 2) £000s	Other differences (Note 3) £000s	Total Adjustments £000s
People	1,449	238	629	2,316
Place	1,521	324	(244)	1,601
Prosperity	480	1,292	783	2,555
Central and Support Costs	1,136	(967)	0	169
Net Cost of Services	4,586	887	1,168	6,641
Other income and expenditure from the Expenditure and Funding Analysis	(12,043)	1,059	(649)	(11,633)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,457)	1,946	519	(4,992)

Breakdown of Adjustments between Funding and Accounting Basis 2018/19 (Restated)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note1) £000s	Net change for Pensions Adjustments (Note 2) £000s	Other differences (Note 3) £000s	Total Adjustments £000s
People	1,198	171	616	1,985
Place	1,439	282	(507)	1,214
Prosperity	780	121	760	1,661
Central and Support Costs	1,162	(999)	0	163
Net Cost of Services	4,579	(425)	869	5,023
Other income and expenditure from the Expenditure and Funding Analysis	(3,522)	934	(2,182)	(4,770)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,057	509	(1,313)	253

Breakdown of Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000s	Net change for Pensions Adjustments (Note 2) £000s	Other differences (Note 3) £000s	Total Adjustments £000s
People	1,198	171	616	1,985
Place	1,439	282	(507)	1,214
Prosperity	780	121	760	1,661
Central and Support Costs	1,162	(999)	0	163
Net Cost of Services	4,579	(425)	869	5,023
Other income and expenditure from the Expenditure and Funding Analysis	(3,522)	934	(1,859)	(4,447)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,057	509	(990)	576

Note 1 - Adjustment for Capital Purposes

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, ie 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.

Note 2 - Net Change for the Pensions Adjustments

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.

Note 3 - Other Differences

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

- For 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.

5. Material items of Income and Expense

A breakdown of net expenditure on services which shows all material items of income and expense during the year has been given in the Narrative Statement.

6. Events after the Balance Sheet date

Material post balance sheet events as a consequence of the Covid-19 pandemic are shown in:

- Note 2 - Critical judgements in applying accounting policies – this relates to material uncertainty of asset valuations;
- Note 43 – Going Concern Disclosure – this relates to our assessment of the impact of Covid-19 on our future finances and how we are satisfied that there is no material uncertainty relating to going concern.

7. 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.

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
2019/2020				
<u>Adjustments involving the Capital Adjustment Account</u>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:-				
Changes for depreciation and impairment of non current assets	2,904	0	0	(2,904)
Movement in the fair value of Investment properties	(113)	0	0	113
Revenue expenditure funded from capital under statute	1,682	0	0	(1,682)
Non current assets written off on disposal	675	0	0	(675)
Minimum Revenue Provision	(200)	0	0	200
Kickstart Loan movement in value	(1)	0	0	1
	4,947	0	0	(4,947)
<u>Adjustments involving the Capital Grants Unapplied Account</u>				
Capital grants and contributions unapplied credited to the CIES	(1,284)	0	1,284	0
Revenue contribution to capital	(3,603)	0	0	3,603
Application of grants to capital financing	0	0	(850)	850
	(4,887)	0	434	4,453
<u>Adjustments involving the Capital Receipts Reserve</u>				
Transfer of sale proceeds as part of the gain/loss on disposal to the CIES	(978)	978	0	0
Payments to Housing Capital Receipts Pool	1	1	0	(2)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(733)	0	733
Capital expenditure written back to Capital Receipts	0	0	0	0
Right to Buy clawback	(6,538)	6,538	0	0
Repayment of loan principal	0	524	0	(524)
	(7,515)	7,308	0	207
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of items relating to retirement benefits debited or credited to the CIES	4,297	0	0	(4,297)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,351)	0	0	2,351
	1,946	0	0	(1,946)
<u>Adjustments involving Pooled Investment Adjustments Account</u>				
Adjustment to fair value of pooled investments in accordance with statutory requirements	404	0	0	(404)
	404	0	0	(404)
<u>Adjustments involving the Financial Instrument Adjustments Account</u>				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(450)	0	0	450
	(450)	0	0	450
<u>Adjustments involving the Collection Fund Adjustment Account</u>				
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	563	0	0	(563)
Total Adjustments	(4,992)	7,308	434	(2,750)

Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
2018/2019 Restated	£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	3,361	0	0	(3,361)
Movement in the fair value of Investment properties	296	0	0	(296)
Revenue expenditure funded from capital under statute	1,217	0	0	(1,217)
Non current assets written off on disposal	1,705	0	0	(1,705)
	6,579	0	0	(6,579)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the CIES	(1,004)	0	1,004	0
Revenue contribution to capital	(2,300)	0	0	2,300
Application of grants to capital financing	0	0	(616)	616
	(3,304)	0	388	2,916
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the CIES	(1,729)	1,729	0	0
Payments to Housing Capital Receipts Pool	1	(1)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,690)	0	3,690
Capital expenditure written back to Capital Receipts	(15)	15	0	0
Right to Buy clawback	(473)	473	0	0
Repayment of loan principal	0	79	0	(79)
	(2,216)	(1,395)	0	3,611
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	2,777	0	0	(2,777)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,268)	0	0	2,268
	509	0	0	(509)
Adjustments involving Pooled Investment Adjustments Account				
Adjustment to fair value of pooled investments in accordance with statutory requirements	(134)	0	0	134
	(134)	0	0	134
Adjustments Involving the Financial Instruments Adjustment Account				
Amount of which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(325)	0	0	325
	(325)	0	0	325
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	(856)	0	0	856
Total Adjustments	253	(1,395)	388	754

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
2018/2019				
<u>Adjustments involving the Capital Adjustment Account</u>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:-				
Changes for depreciation and impairment of non current assets	3,361	0	0	(3,361)
Movement in the fair value of Investment properties	296	0	0	(296)
Revenue expenditure funded from capital under statute	1,217	0	0	(1,217)
Non current assets written off on disposal	1,705	0	0	(1,705)
	6,579	0	0	(6,579)
<u>Adjustments involving the Capital Grants Unapplied Account</u>				
Capital grants and contributions unapplied credited to the CIES	(1,004)	0	1,004	0
Revenue contribution to capital	(2,300)	0	0	2,300
Application of grants to capital financing	0	0	(616)	616
	(3,304)	0	388	2,916
<u>Adjustments involving the Capital Receipts Reserve</u>				
Transfer of sale proceeds as part of the gain/loss on disposal to the CIES	(1,729)	1,729	0	0
Payments to Housing Capital Receipts Pool	1	(1)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,690)	0	3,690
Capital expenditure written back to Capital Receipts	(15)	15	0	0
Right to Buy clawback	(473)	473	0	0
Repayment of loan principal	0	79	0	(79)
	(2,216)	(1,395)	0	3,611
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of items relating to retirement benefits debited or credited to the CIES	2,777	0	0	(2,777)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,268)	0	0	2,268
	509	0	0	(509)
<u>Adjustments involving Pooled Investment Adjustments Account</u>				
Adjustment to fair value of pooled investments in accordance with statutory requirements	(134)	0	0	134
	(134)	0	0	134
<u>Adjustments Involving the Financial Instruments Adjustment Account</u>				
Amount of which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	0	0	2
	(2)	0	0	2
<u>Adjustments involving the Collection Fund Adjustment Account</u>				
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	(856)	0	0	856
Total Adjustments	576	(1,395)	388	431

8. 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 2019/20.

	Balance at 1 April 2019	Receipts in year	Payments in year	Balance at 31 March 2020
	£000s	£000s	£000s	£000s
Developer s106 Cont-WDC Projects	13,523	1,692	(1,502)	13,713
Developer s106 Cont-Non WDC	4,875	1,537	(991)	5,421
Developer s106 Cont-WDC Non Projects	2,156	0	(421)	1,735
New Homes Bonus	11,158	4,390	(2,601)	12,947
Evesham Town Centre Development	9,000	0	(200)	8,800
Business Rates Equalisation	2,785	2,071	0	4,856
Business Rates COVID19	0	4,480	0	4,480
Economic Development	1,172	0	0	1,172
CCLA Pooled Funds	133	344	0	477
Treasury Investments (Brexit & Markets)	500	0	(48)	452
Flexible Homeless Support Fund (MHCLG)	321	223	(145)	399
Invest To Save	558	0	(185)	373
Housing & Plan. Delivery Grant (HPDG)	323	0	(25)	298
Community Housing Fund	206	0	(20)	186
Pershore Hospital Maintenance	151	0	0	151
Willow Court Enabling Works	0	145	0	145
Community Infrastructure Levy	16	136	(16)	136
Social Mobility Phase 2	0	113	(10)	103
Evesham Leisure Centre Surplus Share	0	100	0	100
Other Miscellaneous Reserves (46 reserves)	1,467	259	(343)	1,383
	48,344	15,490	(6,507)	57,327

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	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.
Evesham Town Centre Development	To fund the project from Revenue over the life of the asset created.

Reserve (continued)	Purpose
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.
Business Rates COVID19	To fund the effects on Business Rates of the COVID19 pandemic.
Economic Development	To fund future initiatives to help the local economy.
CCLA Pooled Funds	To help offset any potential future losses.
Treasury Investments (Brexit & Markets)	To help fund any potential future losses.
Flexible Homeless Support Fund	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.
Housing Planning Delivery Grant	To fund future housing and planning initiatives.
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
Willow Court Enabling Works	To fund works necessary to bring the property up to a certain standard.
Community Infrastructure Levy	To provide for levy due to the council but yet to be paid.
Social Mobility Phase 2	To fund initiatives to promote social mobility.
Evesham Leisure Centre Surplus Share	To fund initiatives promoting leisure and improving facilities.
Other Miscellaneous Reserves	Includes the following: Community Grants, Neighbourhood Planning, Homelessness Reduction Act Initiatives, Homelessness Prevention, Car Parks Equipment Maintenance, Sportivate, Brexit Issues, Leisure Centre Repairs, Private Rented Sector Access Fund, Civic Centre Plant, Youth Bus, Food Enterprise Zone, Rough Sleepers, Community Safety, Criblock Wall.

9. Operating Expenditure

	<u>2018/2019</u>	<u>2019/2020</u>
	£000s	£000s
Parish council precepts and grants	2,439	2,563
Payments to the Government Housing Capital Receipts Pool	1	1
Gains/Losses on the disposal of non current assets	<u>(39)</u>	<u>(303)</u>
Total	<u>2,401</u>	<u>2,261</u>

10. Financing and Investment Income and Expenditure

	<u>2018/2019</u>	<u>2018/2019</u> <u>Restated</u>	<u>2019/2020</u>
	£000s	£000s	£000s
Pensions net interest cost less administration expenses	934	934	1,059
Interest receivable and similar income	(819)	(819)	(1,003)
Income and expenditure in relation to investment properties and changes in their fair values	(1,104)	(1,427)	(1,973)
Changes to fair value of investments in Pooled Investment Funds	(134)	(134)	404
Total	<u>(1,123)</u>	<u>(1,446)</u>	<u>(1,513)</u>

11. Taxation and Non Specific Grant Income

	<u>2018/2019</u>	<u>2019/2020</u>
	£000s	£000s
Council Tax income	(8,338)	(8,616)
Business Rates	(4,712)	(8,856)
Revenue Support Grant	(251)	0
Non Specific Revenue Grants & Contributions	(7,952)	(6,389)
Capital grants and contributions	(1,004)	(1,284)
Right to Buy Clawback	(473)	(6,538)
Total	<u>(22,730)</u>	<u>(31,683)</u>

12. 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 2020 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 2019/20 follow:-

	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	80,488	6,165	20	725	13,565	1,508	102,471
Additions	608	117	0	102	1,277	408	2,512
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,055	0	0	0	294	0	3,349
Assets reclassified (to)/from Held for Sale	0	0	0	0	(5,300)	0	(5,300)
Reclassifications	0	0	0	0	0	0	0
At 31 March 2020	84,151	6,282	20	827	9,836	1,916	103,032
Accumulated Depreciation and Impairment							
At 1 April 2019	26,285	6,131	0	367	1,195	638	34,616
Depreciation Charge	2,513	11	0	0	43	0	2,567
Impairment losses/(Reversals) recognised in the Surplus/Deficit in the Provision of Services	295	0	0	102	344	0	741
Derecognition - Disposal	56	0	0	0	550	0	606
At 31 March 2020	29,149	6,142	0	469	2,132	638	38,530
Net Book Value							
at 31 March 2020	55,002	140	20	358	7,704	1,278	64,502
at 31 March 2019	54,203	34	20	358	12,370	870	67,855

Comparative movements in 2018/19 follow:-

	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 2018	74,305	6,165	20	654	8,864	9,891	99,899
Additions	2,953	0	0	103	1,114	1,453	5,623
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,230	0	0	(32)	4,984	0	8,182
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	(1,397)	(9,836)	(11,233)
At 31 March 2019	80,488	6,165	20	725	13,565	1,508	102,471
Accumulated Depreciation and Impairment							
At 1 April 2018	23,658	5,911	0	296	942	638	31,445
Depreciation Charge	2,391	220	0	0	44	0	2,655
Impairment losses/(Reversals) recognised in the Surplus/Deficit in the Provision of Services	236	0	0	71	201	0	508
Derecognition - Disposal	0	0	0	0	8	0	8
At 31 March 2019	26,285	6,131	0	367	1,195	638	34,616
Net Book Value							
at 31 March 2019	54,203	34	20	358	12,370	870	67,855
at 31 March 2018	50,647	254	20	358	7,922	9,253	68,454

Information on Assets Held

Non current assets held by the Council include the following:

	31 March 2019	31 March 2020
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 lifespans:-

Civic Centre	65 years
Roof	60 years
Mechanical and Electrical	25 years
Droitwich Spa Lido and Buildings	61 years
Roof	35 years
Mechanical and Electrical	37 years
Leisure Centres	56 - 70 years

Roof	40 - 42 years
Mechanical and Electrical	34 - 37 years
Public Conveniences	65 years
Supermarket	45 years
Roof	30 years
Mechanical and Electrical	25 years
Other Buildings	Individual
IT Hardware	3 - 5 years
Hospital and GP Surgery, Pershore	65 years
Roof	50 years
Mechanical and Electrical	25 years

Revaluations

Changes in asset values, net of impairment, may be summarised as follows:

	31 March 2019	31 March 2020
	£000s	£000s
Public Conveniences	241	(298)
Parking	633	996
Depots	46	48
Parks and Open Spaces	0	0
Swimming Pools and Leisure Complexes	1,151	1,338
Offices	1,159	971
Investment Properties	(296)	112
Heritage	0	0
Surplus Assets	4,984	294
Assets held for Disposal	0	0
Assets Under Construction	0	0
Vehicles Plant and Equipment	0	0
Community Assets	(31)	0
Sundry Land/Properties	0	0
Total	7,887	3,461

13. Heritage Assets

	Brine Pumping Station	Other Land & Buildings	Total Assets
	£000s	£000s	£000s
Cost or Valuation @ 1 April 2019	48	2	50
Addition	0	0	0
Revaluation Increase	0	0	0
Other Movements	0	0	0
Depreciation	0	0	0
Cost or Valuation @ 31 March 2020	48	2	50
Cost or Valuation @ 1 April 2018	48	1	49
Addition	0	1	1
Revaluation Increase	0	0	0
Other Movements	0	0	0
Depreciation	0	0	0
Cost or Valuation @ 31 March 2019	48	2	50

14. 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

	<u>2018/2019</u>	<u>2018/2019</u> <u>Restated</u>	<u>2019/2020</u>
	£000s	£000s	£000s
Rental income from investment property	(1,399)	(1,722)	(1,860)
Net Gains / losses from fair value adjustments	<u>296</u>	<u>296</u>	<u>(113)</u>
Total	<u>(1,103)</u>	<u>(1,426)</u>	<u>(1,973)</u>

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

	2018/2019	2019/2020
	£000s	£000s
Balance at start of the year	22,356	31,896
Acquisitions	0	855
Net gains / (losses) from fair value adjustments	(296)	113
Reclassification from Assets under Construction	9,836	0
	<u>31,896</u>	<u>32,864</u>

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.

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 2020 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.

15. 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 is amortised on a straight-line basis. The amortisation of £1k charged to revenue in 2019/20 was 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:

	2018/2019		2019/2020	
	Other Assets £000s	Total £000s	Other Assets £000s	Total £000s
- Gross carrying amounts	1,108	1,108	1,108	1,108
- Accumulated amortisation	(1,106)	(1,106)	(1,107)	(1,107)
Net carrying amount at start of year	2	2	1	1
Additions - purchases	0	0	0	0
Amortisation for the period	(1)	(1)	(1)	(1)
Net carrying amount at end of year	1	1	0	0
Adjusted carrying amounts:				
- Gross carrying amounts	1,108	1,108	1,108	1,108
- Accumulated amortisation	(1,107)	(1,107)	(1,107)	(1,107)
	1	1	1	1

16. Assets Held For Sale

	Current Assets		Non-current assets	
	2018/2019	2019/2020	2018/2019	2019/2020
	£000s	£000s	£000s	£000s
Balance outstanding at start of year	362	358	4,320	4,518
Assets newly classified as held for sale				
Property, Plant and Equipment	0	70	1,397	5,430
Expenditure	493	0	195	95
Revaluation losses	0	0	(197)	(95)
Revaluation gains	0	0	0	500
Assets declassified as held for sale				
Property, Plant and Equipment	0	0	0	(200)
Assets sold	(497)	(70)	(1,197)	0
Other movements	0	0	0	0
Balance outstanding at year-end	358	358	4,518	10,248

Land at Vale Park, Evesham is the major asset held for sale and included in the balance outstanding at 31 March 2020.

17. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Current (Short Term)				Non Current (Long Term)						
	Investments		Debtors		Investments		Debtors			Total	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2019 Restated	31 March 2020	31 March 2019	31 March 2020
<u>Financial Assets</u>	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fair value through profit or loss	0	0	0	0	7,426	7,022	0	0	0	7,426	7,022
Amortised Cost	49,726	49,700	5,665	14,542	1,094	572	67	390	836	56,552	65,650
Total Financial Assets	49,726	49,700	5,665	14,542	8,520	7,594	67	390	836	63,978	72,672
Non-financial assets	0	0	2,183	225	0	0	0	0	0	2,183	225
Total as per Balance Sheet	49,726	49,700	7,848	14,767	8,520	7,594	67	390	836	66,161	72,897
	Current (Short Term)				Non Current (Long Term)						
	Borrowings		Creditors		Borrowings		Creditors			Total	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2019	31 March 2020	31 March 2019	31 March 2020
<u>Financial Liabilities</u>	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Amortised Cost	0	0	(11,462)	(12,695)	0	0	0	0	0	(11,462)	(12,695)
Total Financial Liabilities	0	0	(11,462)	(12,695)	0	0	0	0	0	(11,462)	(12,695)
Non-financial liabilities	0	0	(655)	(2,718)	0	0	0	0	0	(655)	(2,718)
Total as per Balance Sheet	0	0	(12,117)	(15,413)	0	0	0	0	0	(12,117)	(15,413)

Value and Classification of Financial Instruments

All of 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 15 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. This loan is an interest free loan, repayable over 25 years and is deemed to be a material soft loan. The interest rate at which this soft loan has been made is arrived at by using a fair market rate of 4%. No allowance has been added to cover the risk that the loan might not be repaid, as the loan is supported by a legal charge on the property.

	2018/2019 £000s	2019/2020 £000s
Balance at start of year:		
Opening balance	56	54
Loans repaid	(4)	(4)
Increase in discounted amount during the year	2	2
Closing balance at end of year	<u>54</u>	<u>52</u>
Nominal value at 31 March	54	52

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.

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 on a daily basis. It also monitors various websites and the Financial Times newspaper on a daily basis. 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 as a whole 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 of the Council's deposits but there was no evidence at 31 March 2020 that this was likely to crystallise. The Council's treasury management investments at 31 March, with the exception of those with CCLA Investment Management Ltd (see below) had credit ratings between BBB (NatWest Markets Plc) and AA- (Handelsbanken Plc).

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. A Wychavon Councillor was one of the directors of LAMIT during the financial year, and resigned from this post on the 23 September 2019.

This enables the Council to have a better understanding of the financial standing of the company and the funds it manages than it would otherwise have and so helps mitigate credit risk. The fair value of the Council's investments in the CCLA funds at 31 March is the quoted market price. The only credit impaired investment is the investment in the CCLA property fund. Full details are given below.

Fund	Original Investment £	Value as at 31 March 2020 £
CCLA Local Authorities' Property Fund	5,000,000	4,692,578
CCLA Diversified Income Fund	2,500,000	2,329,911

The Council's maximum exposure on other, non treasury management, financial assets is limited to the carrying value of its debtors. Around 40% of the Council's current debtor balance of £16,092k (before provision for doubtful debts) relates to central government bodies and local authorities (see Note 21) 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 2020 is shown in the table below:

	Individual Debtors & Other Entities 31 March 2019 £000s	Housing Benefit Overpayment Debtors 31 March 2019 £000s	Individual Debtors & Other Entities 31 March 2020 £000s	Housing Benefit Overpayment Debtors 31 March 2020 £000s
Less than 3 months	1,138	228	7,117	106
3 to 6 months	12	152	39	144
6 to 12 months	25	231	46	211
More than 12 months	771	1,103	456	1,129
	<u>1,946</u>	<u>1,714</u>	<u>7,658</u>	<u>1,590</u>

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 requirement the Council has significant balances and also 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 a number of 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 which is a financial asset 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 2019/20 would have increased by £505k. 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.

	2018/19 Surplus or Deficit on the Provision of Services £000	2019/20 Surplus or Deficit on the Provision of Services £000
<u>Net (gains) / losses on:</u>		
at fair value through profit or loss	(134)	404
Total net gains / losses	<u>(134)</u>	<u>404</u>
<u>Interest revenue:</u>		
Financial assets measured at amortised cost	(819)	0
Total Interest Revenue	<u>(819)</u>	<u>0</u>

18. Long Term Investments

	31 March 2019	31 March 2020
	£000s	£000s
CCLA Local Authorities' Property Fund	4,866	4,692
CCLA Diversified Income Fund	2,560	2,330
Loans to organisations	1,094	572
	<u>8,520</u>	<u>7,594</u>

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'. At 31 March 2020 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.

19. Long Term Debtors

	31 March 2019	31 March 2019 Restated	31 March 2020
	£000s	£000s	£000s
Deferred Lease Payments	0	323	771
Car Loans	1	1	0
Housing Advances - Private	0	0	0
- Council Houses	6	6	4
Home Improvement Loans (Kickstart)	60	60	61
	<u>67</u>	<u>390</u>	<u>836</u>

20. Short Term Investments

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

	2018/2019	2019/2020
	£000s	£000s
Balance at 31 March	49,726	49,700

As stated in Note 17 Financial Instruments, the value of the Council's short term investments have 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 at 31 March 2020 includes accrued interest at the Balance Sheet date.

21. Short Term Debtors

	2018/2019	2019/2020
	£000s	£000s
Central Government Bodies	785	1,260
Other Local Authorities	4,869	5,314
NHS Bodies	42	52
Other Entities and Individuals	3,835	9,466
	<u>9,531</u>	<u>16,092</u>
less Provision for Bad Debts	<u>(1,683)</u>	<u>(1,325)</u>
	<u>7,848</u>	<u>14,767</u>

22. Cash and Cash Equivalents

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

	31 March 2019	31 March 2020
	£000s	£000s
Cash held by the Authority	281	245
Short-term deposits	3,377	14,944
	<u>3,658</u>	<u>15,189</u>

23. Inventories

	Waste Bins	
	2018/19	2019/2020
	£000s	£000s
Balance outstanding at start of year	84	275
Purchases	275	50
Consumed during the year	<u>(84)</u>	<u>(45)</u>
Balance outstanding at year-end	275	280

24. Short Term Creditors

	31 March 2019	31 March 2020
	£000s	£000s
Central Government Bodies	(4,097)	(4,857)
Other Local Authorities	(4,025)	(8,904)
Bank Current Accounts	(1,516)	(43)
Other Entities and Individuals	<u>(2,479)</u>	<u>(1,609)</u>
	<u>(12,117)</u>	<u>(15,413)</u>

25. Provisions

	Balance at 31 March 2019	Receipts in year	Payments in year	Balance at 31 March 2020
	£000s	£000s	£000s	£000s
Business Rates Appeals (attributable to Wychavon)	2,132	0	(2,132)	0
Other Provisions	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2,133</u>	<u>0</u>	<u>(2,132)</u>	<u>1</u>

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. Due to Wychavon District Council participating in a business rates pilot in 2019/20, it did not receive a direct share from the collection fund of business rates, and therefore there is no provision attributable to Wychavon for 2019/20.
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26. 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 (ie. 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:

	Local Government Pension Scheme 2018/2019 £000s	Local Government Pension Scheme 2019/2020 £000s	Unfunded Discretionary Benefits 2018/2019 £000s	Unfunded Discretionary Benefits 2019/2020 £000s
COMPREHENSIVE STATEMENT OF INCOME & EXPENDITURE				
Cost of services:				
Service cost comprising:				
- current service cost	(1,843)	(2,099)	0	0
- past service cost	0	(1,134)	0	0
- loss from settlements & curtailments	0	(5)	0	0
Financing and Investment Income & Expenditure				
- net interest expense	(837)	(967)	(74)	(67)
- administration	(23)	(25)	0	0
Total Post-Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	(2,703)	(4,230)	(74)	(67)
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)	85	(3,050)	0	0
- Actuarial gains and losses arising on changes in financial assumptions	(4,862)	2,150	(98)	31
- Actuarial gains and losses arising on changes in demographic assumptions	0	3,133	0	71
- Actuarial gains and losses arising on changes in experience	0	(138)	0	384
Total remeasurements recognised in Other Comprehensive Income	(4,777)	2,095	(98)	486
Cost of Business Combination (net)	0	0	0	0
Total Post-employment Benefits Charged to the Comprehensive Statement of Income & Expenditure	(7,480)	(2,135)	(172)	419
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				
	(2,703)	(4,230)	(74)	(67)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year				
- Employer's contributions payable to the scheme	2,085	2,155	182	196
- Retirement benefits payable to pensioners	2,619	2,082	182	196

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 2018/2019 £000s	Local Government Pension Scheme 2019/2020 £000s	Unfunded Discretionary Benefits 2018/2019 £000s	Unfunded Discretionary Benefits 2019/2020 £000s
Present value of the defined benefit obligation (liability)	100,452	99,293	2,918	2,303
Fair value of plan assets	(58,976)	(57,837)	0	0
Net liability arising from defined benefit obligation	41,476	41,456	2,918	2,303

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme 2018/2019 £000s	Local Government Pension Scheme 2019/2020 £000s	Unfunded Discretionary Benefits 2018/2019 £000s	Unfunded Discretionary Benefits 2019/2020 £000s
Opening balance at 1 April	57,480	58,976	0	0
The return on plan assets, excluding the amount included in the net interest expense	1,566	1,441	0	0
Remeasurement gain/(loss):				
- The return on plan assets, excluding the amount included in the net interest expense	85	(3,050)	0	0
Administration expenses	(23)	(25)	0	0
Employer contributions	2,085	2,155	182	196
Employee contributions	402	422	0	0
Benefits paid	(2,619)	(2,082)	(182)	(196)
Other - Business combinations	0	0	0	0
Closing balance at 31 March	58,976	57,837	0	0

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme 2018/2019 £000s	Local Government Pension Scheme 2019/2020 £000s	Unfunded Discretionary Benefits 2018/2019 £000s	Unfunded Discretionary Benefits 2019/2020 £000s
Opening balance as at 1 April	93,561	100,452	2,928	2,918
Current service cost	1,843	2,099	0	0
Interest cost	2,403	2,408	74	67
Employees' contributions	402	422	0	0
Past service cost (gain)	0	1,134	0	0
Remeasurement (gains) and losses:				
- Experience (gain)/loss	0	138	0	(384)
-Actuarial (gains)/ losses arising from changes in demographic assumptions	0	(3,133)	0	(71)
-Actuarial (gains)/losses arising from changes in financial assumptions	4,862	(2,150)	98	(31)
Losses on curtailment	0	5	0	0
Liabilities extinguished on settlements	0	0	0	0
Benefits paid	(2,619)	(2,082)	(182)	(196)
Liabilities assumed on business combinations	0	0	0	0
Closing balance as at 31 March	100,452	99,293	2,918	2,303

Local Government Pension scheme assets comprised:-

	Fair Value of Scheme Assets	
	2018/2019	2019/2020
	£000s	£000s
Cash and cash equivalents	1,496	364
Equity Instruments:		
- UK quoted	117	114
- Overseas quoted	15,505	13,993
- PIV UK Managed Funds	7,900	7,285
- PIV UK Managed Funds (overseas equities)	18,806	19,370
- PIV Overseas Managed Funds	0	58
Sub-total Equity Instruments	42,328	40,820
Bonds:		
- UK corporate	177	231
- Overseas Corporate	2,830	2,660
- UK Government Fixed	4,657	4,163
- Overseas Government	0	58
Sub-total Bonds	7,664	7,112
Property:		
- European Property Funds	1,710	1,330
- UK Property Debt	531	405
- Overseas property Debt	354	289
- UK Property Funds	1,297	1,214
- Overseas REITs	0	116
Sub-total Property	3,892	3,354
Alternatives:		
- UK Infrastructure	2,063	2,833
- European Infrastructure	1,120	1,561
- US Infrastructure	177	1,041
- UK Stock Options	236	405
- Overseas Stock Options	0	(347)
- Corporate Private Debt	0	694
Sub-total Alternatives	3,596	6,187
Total Assets	58,976	57,837

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.

The principal assumptions used by the actuary have been:

	2018/2019	2019/2020
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Male	22.8 years	22.6 years
- Female	25.8 years	25 years
Longevity at 65 for future pensioners:		
- Male	25.1 years	24.2 years
- Female	28.2 years	27 years
Other:		
Rate of inflation (CPI)	2.2%	2.1%
Rate of increase in salaries	3.7%	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate of discounting scheme liabilities	2.4%	2.4%

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 methods and types of assumptions used had one addition from the previous period, the change in 2019/20 investment returns.

	Impact on the Defined Benefit Obligations in the Scheme £000s
Longevity (increase or decrease in 1 year) (increase in longevity increases liability)	2,022
Rate of inflation (increase or decrease by 0.1%) * increase in inflation increases liability	2,017
Rate of increase in salaries (increase or decrease by 0.1%) * increase in salaries increases liability	1,964
Rate of discounting scheme liabilities (increase or decrease by 0.1%) * increase in discount decreases liability	1,913
Change in 2019/20 investment returns (increase or decrease by 1%) * increase in investment returns decreases liability	1,964

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 £2.226m expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2019/20.

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.

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 2020 are as follows:

	Regulatory Services 31 March 2019 £000s	Regulatory Services 31 March 2020 £000s
Present Value of Liabilities	(7,212)	(7,658)
Fair Value of Assets	5,279	5,406
Surplus or (Deficit) in the Scheme	<u>(1,933)</u>	<u>(2,252)</u>

27. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8 (Earmarked Reserves).

28. Unusable Reserves

	31 March 2019 £000s	31 March 2019 Restated £000s	31 March 2020 £000s
Revaluation Reserve	43,279	43,279	44,109
Financial Instruments Adjustment Account	(26)	297	747
Capital Adjustment Account	52,016	52,016	54,250
Pensions Reserve	(44,394)	(44,394)	(43,759)
Deferred Capital Receipts Reserve	90	90	88
Pooled Investment Funds Adj. Account	(74)	(74)	(478)
Collection Fund Adjustment Account	792	792	229
TOTAL UNUSABLE RESERVES	<u>51,683</u>	<u>52,006</u>	<u>55,186</u>

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.

	2018/19	2019/20
	£000s	£000s
Balance at 1 April	(37,090)	(43,279)
Upward revaluation of assets	(9,414)	(5,060)
Downward revaluation of assets and impairment	1,231	1,710
Amounts written out to the Capital Adjustment Account	1,963	2,043
Accumulated gains on assets sold or scrapped	31	477
Balance at 31 March	<u>(43,279)</u>	<u>(44,109)</u>

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 the interest free loan made to Droitwich Boxing Club in 2013/14, which is deemed to be a soft loan.

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.

The Statement of Accounts is restated for 2018/19 below to show the effect of these lease incentives spread over the life of the lease. As stated above, over time the expense is posted back to the General Fund Balance in accordance with statutory arrangements.

	2018/2019	2018/2019 restated	2019/2020
	£000s	£000s	£000s
Balance at 1 April	(28)	(28)	297
Soft loan - Droitwich Boxing Club	2	2	2
Deferred rental income	0	323	448
Balance at 31 March	<u>(26)</u>	<u>297</u>	<u>747</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets, 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 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 7 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account (continued)

	2018/2019 £000s	2019/2020 £000s
Balance as at 1 April	(50,071)	(52,016)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charge for the depreciation and impairment of non-current assets	3,361	2,904
Revenue expenditure funded from capital under statute	1,217	1,682
Changes to the value of outstanding loans	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	1,705	675
	<u>(43,788)</u>	<u>(46,755)</u>
Adjusting amounts written out of the Revaluation Reserve	(1,995)	(2,520)
<i>Net amount written out of the cost of non-current assets consumed in the year</i>	<u>(45,783)</u>	<u>(49,275)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,690)	(733)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,301)	(3,603)
Application of grants to capital financing from the Capital Grants Unapplied Account	(617)	(850)
	<u>(52,391)</u>	<u>(54,461)</u>
Capital expenditure charged against General Fund	0	(200)
Repayment of loan principal	79	524
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	296	(113)
	<u>296</u>	<u>(113)</u>
Balance as at 31 March	<u>(52,016)</u>	<u>(54,250)</u>

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 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.

	2018/2019 £000s	2019/2020 £000s
Balance as at 1 April	(39,009)	(44,394)
Remeasurement gains or losses on pensions assets and liabilities as per the actuary	(4,875)	2,581
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	(2,777)	(4,297)
Employer's pension contributions and direct payments to pensioner's payable in the year	2,267	2,351
Asset opening balance adjustment	0	0
Balance at 31 March	<u>(44,394)</u>	<u>(43,759)</u>

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.

	2018/2019 £000s	2019/2020 £000s
Balance as at 1 April	(91)	(90)
Transfer to the Capital Receipts Reserve upon receipt of cash	1	2
Balance as at 31 March	<u>(90)</u>	<u>(88)</u>

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.

	2018/2019 £000s	2019/2020 £000s
Balance as at 1 April	(208)	(74)
Notional gain/(loss) on investment	134	(404)
Balance as at 31 March	<u>(74)</u>	<u>(478)</u>

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.

	2018/2019	2019/2020
	£000s	£000s
Balance as at 1 April	(64)	792
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	80	24
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	776	(587)
Balance as at 31 March	<u>792</u>	<u>229</u>

29. Cash Flow Statement – Operating Activities

The cash flows for the operating activities include the following:

	2018/2019	2019/2020
	£000s	£000s
Interest received	<u>(357)</u>	<u>(661)</u>

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

	2018/2019	2018/2019 Restated	2019/2020
	£000s	£000s	£000s
Depreciation	(2,655)	(2,655)	(2,567)
Impairment and downward valuations	(508)	(508)	(741)
Amortisation	(1)	(1)	(1)
Increase/(Decrease) in inventories	191	191	5
(Increase)/Decrease in provisions	(485)	(485)	2,132
(Increase)/Decrease in creditors	(1,189)	(1,189)	1,102
Increase/(Decrease) in debtors	(1,322)	(999)	7,585
Adjustments involving the Financial Instrument Adjustments Account	2	2	2
Adjustments involving the Investment Adjustments Account	134	134	(404)
Movement in pension liability	(510)	(510)	(1,946)
Carrying amount of non-current assets and non current assets held for sale, sold or de-recognised	(1,211)	(1,211)	(176)
Other non-cash items charged to the net surplus or deficit on the provision of services	(296)	(296)	968
Net Non-Cash Movements	<u>(7,850)</u>	<u>(7,527)</u>	<u>5,959</u>

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

	2018/2019	2019/2020
	£000s	£000s
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,729	973
Any other items for which the cash effects are investing or financing cash flows	507	244
Net adjustments that are investing or financing	2,236	1,217

30. Cash Flow Statement – Investing Activities

	2018/2019	2019/2020
	£000s	£000s
Purchase of property, plant & equipment, investment property and intangible assets	5,717	3,062
Purchase of short-term and long-term investments	75,515	74,500
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,729)	(973)
Proceeds from short and long term investments	(65,595)	(75,025)
Other Receipts from Investing Activities	(507)	(244)
Net cash flows from investing activities	13,401	1,320

31. Members Allowances

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

	2018/2019	2019/2020
Total	£293,595	£305,143

32. 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	2019/20	135,316	770	35	4,600	20,027	160,748
	2018/19	132,663	943	12	4,600	19,634	157,852
Deputy Chief Executive	2019/20	86,139	883	48	4,600	12,749	104,419
	2018/19	84,450	1,163	40	4,600	12,498	102,751
Director of Economy and Environment	2019/20	84,407	0	0	3,400	12,492	100,299
	2018/19	82,752	0	0	3,400	12,247	98,399
Director of Housing and Communities	2019/20	84,407	316	0	3,400	12,492	100,615
	2018/19	33,560	7	0	1,379	4,967	39,913

Notes:

- The Chief Executive, the Director of Housing and Communities 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 is part of the Joint Senior Management Team with Malvern Hills District Council.
- The Director of Planning and 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 Housing and Communities commenced the role on the 5th November 2018.
- The Joint Head of Economy and Environment was re-titled to Director of Economy and Environment on the 1st July 2019. The Joint Head of Housing and Communities was re-titled to Director of Housing and Communities on the 1st July 2019.

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

<i>Remuneration Band</i>	<i>2018/2019 Number of Employees</i>	<i>2019/2020 Number of Employees</i>
£50,000 - £54,999	1	4
£55,000 - £59,999	3	3
£60,000 - £64,999	0	1
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	2	2
£90,000 - £94,999	0	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	1	1

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 by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	0	3	0	23,302
£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	23,302

Trade Union Facility Time:

Wychavon District Council recognises UNISON for collective bargaining purposes. Facility time details for the period 1 April 2019 to 31 March 2020 were as follows:

Number of employees who were relevant union officials in the relevant period	4
Full time equivalent employee number	2.96
Percentage of working hours spent on facility time:	
0% of working hours	0 representatives
1% to 50% of working hours	4 representatives
51% to 99% of working hours	0 representatives
100% of working hours	0 representatives
Total pay bill	£9,421,804
Total cost of facility time	£2,036.54
Percentage of pay spent on facility time	0.02%
Hours spent on paid facility time	92.3
Hours spent on paid trade union activities	31.3
Percentage of hours spent on paid facility time	0%

33. External Audit Costs

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

	2018/2019 £000s	2019/2020 £000s
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	33	40
Fees payable in respect to Ernst & Young LLP during the year for housing benefit subsidy audit (estimate for 19/20)	18	10
PSAA - Refund of Fees	0	(4)
Total	51	46

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.

The 2019/20 fees include a scale fee variation for 2018/19 audit relating to McCloud and Ernst & Young LLP valuers.

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/2020

	2018/2019 £000s	2019/2020 £000s
Government Grants		
Credited to Taxation and Non Specific Income		
MHCLG - Revenue Support Grant	(211)	0
MHCLG - New Homes Bonus	(4,116)	(4,390)
MHCLG - NNDR Section 31 Grants	(1,857)	(92)
MHCLG - Housing Renewal Grants - Capital - DFGs	(649)	(859)
Other	(95)	(9)
Total	(6,928)	(5,350)
Credited to Services		
DWP - Housing Benefits Subsidy	(26,600)	(22,868)
DWP - Discretionary Housing Payments	(180)	(153)
DWP - Housing Benefits Administration	(282)	(258)
MHCLG - Council Tax Support Administration	(109)	(106)
MHCLG - NNDR Administration	(186)	(188)
MHCLG - Better Care Fund / Disabled Facilities Grants	(507)	(244)
MHCLG - Flexible Homelessness Support Grant	(231)	(223)
Cabinet Office - Parliamentary Election	(3)	(182)
Cabinet Office - European Parliamentary Election	0	(193)
Other	(525)	(557)
Total	(28,623)	(24,972)
Other Grants		
Credited to Services		
Worcestershire Council Council - Social Mobility Funding	0	(113)
Other Grants	(145)	(225)
Total	(145)	(338)
Contributions		
Credited to Taxation and Non Specific Income		
Section 106 Contributions	(3,781)	(1,989)
Right to Buy Clawback	(473)	(411)
Voluntary Right to Buy Clawback	0	(6,127)
Rooftop Housing Association - Contribution to Disabled Facilities Grants	(139)	0
Fortis Housing Association - Contribution to Disabled Facilities Grants	(42)	(124)
Community Infrastructure Levy	(174)	(301)
Other	0	(1)
Total	(4,609)	(8,953)
Credited to Services		
Malvern Hills District Council - Contributions to Shared Services	(2,007)	(2,190)
Worcester City Council - Contributions to Shared Services	(1,799)	(1,824)
Bromsgrove DC - Contribution to Parking Services	(228)	(223)
Wychavon Leisure - Share of Surplus from Evesham Leisure Centre	0	(100)
Worcestershire County Council - Business Rates Pool Risk Reserve Distribution	(1,172)	0
Other	(1,700)	(1,595)
Total	(6,906)	(5,932)

35. 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 34.

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 and Malvern Hills District Council, a car parking service for Redditch Borough Council, Bromsgrove District Council and for Stratford on Avon District Council, a Human Resources Service for Malvern Hills District Council, a Payroll service for Worcester City 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 2020 are included in the table below.

Service	Council	Value of Service in 2019/20	Amount Received in 2019/20	Payment from Wychavon outstanding at 31/03/2020	Receipt due to Wychavon outstanding at 31/03/2020
		£	£	£	£
Car Parking Administration	Wyre Forest District Council	86,193	(86,193)	0	0
Car Parking Administration	Malvern Hills District Council	27,727	(30,733)	3,006	0
Car Parking Services	Redditch Borough Council	70,149	(70,116)	0	(33)
Car Parking Services	Bromsgrove District Council	223,080	(223,192)	112	0
Car Parking Services	Stratford-upon-Avon District Council	67,752	(74,931)	7,179	0
HR service	Malvern Hills District Council	136,171	(109,013)	0	(27,158)
Payroll Service	Worcester City Council	28,183	(28,183)	0	0
CCTV	Worcester City Council	46,617	(46,617)	0	0
Procurement Service	Worcester City Council	32,959	(32,959)	0	0
Procurement Service	Malvern Hills District Council	16,480	(16,480)	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 2019/20 are shown in Note 31. The Council maintains a register of Councillors' interests that is regularly updated and available for public inspection.

During 2019/20, 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 2019/20 the Council had member representatives on the following outside bodies:

- Corporate Parenting Steering Group
- Cotswold Area of Outstanding Natural Beauty Conservation Board
- Coventry Charity
- Deacle & Prince Henry's Education Foundation
- Evesham Arts Centre Management Committee
- Fortis Living – Customer & Communities Panel
- Number 8 – Company Board (Pershore Arts Centre)
- Peopleton Parish Land Trustees
- Pershore Volunteer Centre
- Pershore 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 2019/20 the Council paid grants and contributions of £5,082 to Cotswold Area of Outstanding Natural Beauty Board and £25,000 to Wychavon Citizens Advice Bureau. Pershore Volunteer Centre were paid £5,000 The Council also paid £185,866 to Fortis Living in relation to the Care and Repair contract, and an £82,000 contribution towards the purchase of property. The Pershore Volunteer Centre was paid £5,000 as part of an ongoing SLA.

In 2019/20 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 and the Tudor House Broadway Trust was paid a £500 contribution towards new interpretation panels. See also Note 17 Financial Instruments for details of a Member interest in LAMIT, with which the Council makes treasury management investments.

Officers

There is a single Joint Senior Management Team for both Wychavon District Council and Malvern Hills District Council. The Council's then Chief Executive, Jack Hegarty (retired July 2020), is also the Chief Executive of Malvern Hills District Council and was in this post from

1 December 2014. Other shared posts include the Director of Economy and Environment, the Director of Housing and Communities and the Director of Planning and Infrastructure.

The Council's Chief Executive, Jack Hegarty, holds a position of Chairman of the Avon Navigation Trust. This is a voluntary role and is not remunerated. He is also the Chairman of Malvern Hills Science Park Ltd. This position is not remunerated.

The Joint Head of Housing and Communities, Stephen Gabriel, is a Board Member of Trident Group. He took up this position in September 2019, and is remunerated to cover expenses. He held a position of a Non-Executive Director for Accord Housing Association, which expired in September 2019. He was also a Board Member of Matrix Housing Partnership, which expired in September 2019.

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

Shared Service / Council	Value of Service in 2019/20	Payment / Receipt in 2019/20	Payment from Wychavon outstanding as at 31/03/2020	Receipt due to Wychavon outstanding at 31/03/2020
	£	£	£	£
Regulatory Services – Bromsgrove District Council	746,294	732,380	13,914	0
Building Control – Malvern Hills District Council	156,100	197,715	0	(41,615)
Revenues & Benefits – Worcester City Council	1,258,162	(1,271,300)	13,138	0
Revenues & Benefits – Malvern Hills District Council	571,928	(577,900)	5,972	0
Revenues & Benefits – Wychavon District Council	1,029,350	(1,029,350)	0	0
IT Service – Worcester City Council	532,749	(538,808)	6,059	0
IT Service – Malvern Hills District Council	323,050	(326,724)	3,674	0
IT Service - Wychavon District Council	561,086	(561,086)	0	0
Internal Audit - Worcester City Council	63,816	69,290	0	5,474

Joint working with Malvern Hills District Council

As detailed under the 'Officers' section of this Note, there is now 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 32, 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.
- A shared Planning Administration Service hosted by Wychavon District Council and
- A shared Development Management & Planning Enforcement Service hosted by Malvern Hills District Council.
- Management of Wychavon's Property Service 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 2019/20 £	Payment / Receipt in 2019/20 £	Payment from Wychavon outstanding as at 31/03/2020 £	Receipt due to Wychavon outstanding at 31/03/2020 £
Legal Shared Service	273,565	211,206	62,359	0
Communications - Wychavon District Council	64,775	(64,775)	0	0
Communications - Malvern Hills District Council	37,975	28,487	9,488	0
Housing Shared Service	275,452	(232,312)	0	(43,140)
Heritage Shared Service	142,477	(108,675)	0	(33,802)
Policy Planning Shared Service	207,847	(139,725)	0	(68,122)
Corporate Database Shared Service	120,348	(120,348)	0	0
Planning Administration Shared Service	156,624	(122,100)	0	(34,524)
Development Management & Planning Enforcement Shared Service	625,876	466,080	159,796	0
Property Service Management	40,003	28,234	11,769	0

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.

	2018/2019	2019/2020
	£000s	£000s
Opening Capital Financing Requirement	10,365	11,196
Capital Investment		
Property, Plant and Equipment	6,274	3,463
Revenue Expenditure Funded from Capital under Statute	1,217	1,682
Capital Debtors	27	0
Sources of Finance		
Capital Receipts	(3,691)	(733)
Loan repayments	(79)	(524)
Government Grants and Other Contributions	(2,917)	(4,453)
Earmarked Reserves (Minimum Revenue Provision set aside)	0	(200)
Closing Capital Financing Requirement	11,196	10,431
Explanation of movements in year:		
Movement in deferred debtors balance	(52)	(524)
Evesham Town Centre Development to be funded by internal borrowing	883	(41)
Minimum Revenue Provision		(200)
Increase in Capital Financing Requirement	831	(765)

37. Capital Commitments

At 31 March 2020 the Council had the following material contractual commitment for capital projects:

Project	Contract Value £000s	Outstanding Contractual Commitment at 31/03/2020 £000s
Retention fee outstanding to LSP Developments relating to Blake Avenue Droitwich	898	22

Our proposed capital expenditure is as follows:-

	2020/2021	2021/2022	Future Years
Priorities	£000s	£000s	£000s
Supporting People	6,456	2,392	1,392
Strong Economy & Places	249	0	0
Sustainable Environment	110	0	0
Central & Support	127	0	0
	<u>6,942</u>	<u>2,392</u>	<u>1,392</u>
Major Schemes included above:			
Evesham Cycling Centre	1,000	0	0
Better Care Fund	1,392	1,392	1,392
Council Investment in Housing	3,400	0	0
Droitwich 3G Pitch	0	1,000	0

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

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 2015. A further rent review was undertaken on 11 January 2016 the outcome was no increase in rent. A further review was undertaken 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 £331,500 per annum on 15 December 2015. The rent was reviewed to £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 £276,000 per annum on 23 November 2012. The rent was reviewed to £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 2019/20).
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 have been 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 £77,032.00 per annum plus VAT straight-line charge adjusted for a £15,000 reduction in rent for the

first year. For 15 years commencing 03/03/2020. Unit C at £4,475 per annum plus VAT, commencing 03/03/2020 to 28/09/2024.

- 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.
- To Cybertech Digital Limited – Unit B Willmotts Business Centre, Pershore at £5,500 per annum plus VAT, commencing 03/03/2020 to 12/07/2022.

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 14.

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

	2018/2019	2019/2020
	£000s	£000s
Not later than one year	1,242	1,538
Later than one year and not later than five years	6,707	7,100
Later than five years	26,237	24,506
	<u>34,186</u>	<u>33,144</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £217,371 contingent rents were received by the Council (2018/19 £204,482).

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.

39. 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		
2018/19		2019/20
£000s		£000s
348	People	358
3,711	Place	4,051
2,684	Prosperity	2,566
260	Central and Support Costs	232
7,003	Total Revenue from Contracts with Service Recipients	7,207

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.

40. 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.

	2018/2019	2019/2020
	£000s	£000s
Total spend on publicity	141	116

41. Building Control

	non-chargeable		chargeable	
	2018/2019	2019/2020	2018/2019	2019/2020
	£000s	£000s	£000s	£000s
Expenditure	0	2	181	195
Income	0	0	(225)	(207)
Net cost of service	0	2	(44)	(12)

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.

42. Contingent Liabilities

At 31 March 2020, 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.

43. 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 Covid-19 restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments, could not pay or the Council could not charge for services that were suspended. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received £1.492m in this regard in 2020/21.

Our balances at 31 March 2020 compared to prior year are as follows:

Date	General Fund	Housing Revenue Account	Earmarked reserves
31/3/19	£8.876m	n/a	£40.528m
31/3/20	£10.573m	n/a	£57.327m

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. Through our assessment we have identified that we expect in 2020/21:

Reductions in revenue relating to:-

1. Car Park income – we have assumed a 40% loss
2. Planning fees – we have assumed a 15% loss
3. Trade Waste – we have assumed a reduction of 10%
4. Licensing – we have assumed a 14% loss
5. Land charges – we have assumed a 26% loss
6. Business rates – where we have assumed losing £0.1m for the year through bad debts.

While collection rates are currently lower than normal we have delayed sending out reminders and we would not necessarily expect uncollected rates to convert to bad debts but the situation is being closely monitored.

Additional costs relating to Covid-19 assumed at £0.666m based on spend to date and Revenues and Benefits activity data: £190k being Wychavon's share of an estimated £2m additional cost of Local Council Tax Support (LCTS), £73k being an estimate of irrecoverable housing benefit overpayments, £300k being the unfunded part of the Government's Hardship Scheme to provide council tax relief to LCTS recipients, £103k being additional costs of remote working, homelessness and Covid-19 community funding. Note that due to the administrative arrangements for the disclosure of any council tax surplus or deficit, the effect of a £190k additional cost of LCTS will not be felt until the following year, in 2021/22.

This still remains above our minimum level of General Fund balances as set by our Chief Financial Officer of £2.5 million¹ and is supported by sufficient cash balances to meet the cash outflow for the next 12 months.

The council has undertaken an assessment of the impact on 2021/22, considering liquidity, general fund balances and reserves. The status of the 2021/22 Fair Funding Review is currently unknown, therefore a flat rate of Government settlement for 2021/22 has been assumed. Our current medium term financial plan assumes a surplus of £270k in 2021/22 with no use of reserves other than those earmarked for specific purposes and a general fund balance in excess of £10m. A detailed cashflow forecast has been prepared covering the period to 30th November 2021. This demonstrates the Council has sufficient liquidity throughout the period to meet requirements without using any longer-term investments or borrowing. The modelling undertaken has used best and worst-case scenarios as well as a most reasonable estimate which show that collection rates for income, Council Tax and Business Rates would have decrease significantly below the worst case scenarios to cause liquidity or going concern issues.

1. 'Report of the Chief Financial Officer on the Robustness of the Budget Estimates and the Adequacy of the Council's Reserves' Appendix C of the Grow Save Charge - 2020/21 Budget report to Council on 19 February 2020.

COLLECTION FUND ACCOUNT 2019/2020

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.

REVENUE ACCOUNT	2018/2019		2019/2020		Notes
	Business Rates	Council Tax	Business Rates	Council Tax	
	£000s	£000s	£000s	£000s	
INCOME					
Council Tax Receivable	0	(82,691)	0	(88,362)	1
Business Rates Receivable	(43,014)	0	(43,854)	0	2
Total Income	(43,014)	(82,691)	(43,854)	(88,362)	
EXPENDITURE					
Apportionment of Previous Year Surplus					
Central Government	0	0	713	0	
Wychavon District Council	0	0	571	101	
Worcestershire County Council	0	0	129	731	
Police and Crime Commissioner for West Mercia	0	0	0	119	
Hereford & Worcester Fire Authority	0	0	14	49	
	0	0	1,427	1,000	
Precepts, Demands and Shares					
Central Government	19,636	0	9,932	0	
Wychavon District Council - General Fund	15,709	5,936	0	6,043	
Wychavon District Council - Special Levies	0	55	0	57	
Worcestershire County Council	3,534	59,935	29,398	63,444	
Police and Crime Commissioner for West Mercia	0	9,742	0	10,903	
Hereford & Worcester Fire Authority	393	4,049	397	4,244	
Town and Parish Councils	0	2,267	0	2,391	
	39,272	81,984	39,727	87,082	
Charges to Collection Fund					
Write Offs / (Ons)	254	(85)	309	(3)	
Interest	0	0	0	0	
Increase / (Decrease) in Provision for Appeals	1,213	0	(4,399)	0	
Cost of Collection	186	0	188	0	
Renewable Energy Disregard	394	0	366	0	
Transitional Protection Payable/(Receivable)	(258)	0	(257)	0	
	1,789	(85)	(3,793)	(3)	
Movement on the Fund Balance					
Fund Balance on 1 April	262	(280)	(1,691)	(1,072)	
(Surplus) / Deficit for the Year	(1,953)	(792)	(6,493)	(284)	
Fund Balance on 31 March	(1,691)	(1,072)	(8,184)	(1,356)	

1. Council Tax

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 1st 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 2019/20 as follows:

Tax Band	Property Value	Equivalent No. of Dwellings	Band D Ratio	Band D Equivalent
Disabled Band A		14.4	5/9	8
A	up to £40,000	4,227.0	6/9	2,818
B	between £40,001 and £52,000	8,664.4	7/9	6,739
C	between £52,001 and £68,000	10,919.3	8/9	9,706
D	between £68,001 and £88,000	7,163.0	9/9	7,163
E	between £88,001 and £120,000	6,683.7	11/9	8,169
F	between £120,001 and £160,000	5,985.0	13/9	8,645
G	between £160,001 and £320,000	4,163.4	15/9	6,939
H	over £320,000	194.0	18/9	388
Total		48,014.2		50,575
Less adjustment for non-collection (0.5%)				-253
Council Tax Base				50,322

(Band D Equivalent figures have been rounded)

Council Tax Levy at Band D

The basic amount of council tax for 2019/20 for a band D property was as follows:

Worcestershire County Council	£1,260.75
Police and Crime Commissioner for West Mercia	£216.66
Wychavon District Council*	£120.08
Hereford & Worcester Fire Authority	£84.34
	£1,681.83
ADD Town and Parish Councils (average)	£47.51
Average Council Tax Levy at Band D*	£1,729.34

*Before special levies

NOTES TO THE COLLECTION FUND ACCOUNT 2019/2020

2. 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 2020 was £112,248,992 (as per The Valuation Office) and national uniform rate was 50.4p and 49.1p 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.

3. Surplus and Deficits

The Collection Fund surplus for Council Tax as at 31 March 2020 was £1,356k (31 March 2019 £1,072k surplus). An estimated surplus for the year of £1,300k was declared in January 2020 and this was taken into account by the Council and its preceptor authorities when setting the Council Tax for 2020/21.

The Collection Fund surplus for Business Rates as at 31 March 2020 was £8,184k (31 March 2019 £1,691k surplus). An estimated Business Rates surplus of £4,257k was declared in January 2020 and this was taken into account by the Council and its preceptor authorities when producing the 2020/21 NNDR1 Government return.

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

Preceptor	Council Tax 2018/19 £000s	Council Tax 2019/20 £000s	Business Rates 2018/19 £000s	Business Rates 2019/20 £000s
Central Government	0	0	(846)	(2,112)
Wychavon District Council	(108)	(132)	(676)	(106)
Worcestershire County Council	(783)	(988)	(152)	(5,884)
Police and Crime Commissioner for West Mercia	(128)	(170)	0	0
Hereford & Worcester Fire Authority	(53)	(66)	(17)	(82)
Total	(1,072)	(1,356)	(1,691)	(8,184)

During 2019/20 the Council participated in a Business Rates pilot and did not receive a direct share from the collection fund of business rates income arising in the year. The Council received compensatory income to its general fund. The £106k reported above for the Council relates to its share of surplus arising in previous years.

4. Other Information

Council Tax 2019/20

	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)	1,638	281	108	214	2,241
Provision for Non- Payment	(171)	(29)	(11)	(23)	(234)
Creditor (in Advance)	(1,315)	(226)	(86)	(172)	(1,799)
Amounts Written Off / (On)	(2)	(1)	0	0	(3)

Business Rates 2019/20

	Central Government £000s	Worcestershire County Council £000s	Hereford & Worcester Fire Authority £000s	Wychavon District Council £000s	Total £000s
Debtors (in Arrears)	83	245	3	0	331
Provision for Non- Payment	(90)	(266)	(4)	0	(360)
Creditor (in Advance)	(110)	(326)	(5)	0	(441)
Provision for Appeals	(233)	(691)	(9)	0	(933)
Amounts Written Off / (On)	51	152	2	0	205

5. Collection Rates

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

Collection Rate	2018/19 %	2019/20 %
Council Tax	98.90	98.63
Business Rates	99.51	99.09

GLOSSARY OF TERMS

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.

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

These letters stand for the 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 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.

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.

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.

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 Deputy Chief Executive's Responsibilities

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 Deputy Chief Executive has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Deputy Chief Executive 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 2020.

JAYNE PICKERING
Deputy Chief Executive
Current S151 Officer

VIC ALLISON
Chief Executive
S151 Officer until 31 July 2020

APPROVAL OF THE STATEMENT OF ACCOUNTS

I confirm that this Statement of Accounts, including the Comprehensive Income and Expenditure Statement on page 38 and the Balance Sheet on page 40, was approved by the Audit Committee at its meeting held on 19 November 2020.

Signed on behalf of Wychavon District Council.

COUNCILLOR ADRIAN HARDMAN
Chairman of the Audit Committee

19 November 2020

Annual Governance Statement

2019/20

1. Scope and responsibility

Wychavon District Council 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.

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

In discharging this overall responsibility, Wychavon District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Deputy Chief Executive is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

Wychavon District Council complies fully with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016). The Statement defines five principles which clearly define the core activities and responsibilities of the CFO which support good governance and financial management arrangements. These principles are:

- Principle 1: the CFO is a key member of the leadership team helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
- Principle 2: the CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and in alignment with the organisation's financial strategy.
- Principle 3: the CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Principle 4: the CFO must lead and direct a finance function that is resourced to be fit for purpose.
- Principle 5: the CFO must be professionally qualified and suitably experienced.

2. The purpose of the governance framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives 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 the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at Wychavon District Council for the year ended 31st March 2020 and is expected to continue up to the date of approval of the Statement of Accounts for 2019/20 by the Audit Committee on 23 October 2020.

3. The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles (key elements) of corporate governance that underpin the effective governance of all local authorities. Wychavon District Council has used these principles when assessing the adequacy of its governance arrangements. The main items that contribute to these key elements are listed below:

Core principle/ key element 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

- The Council's policies, aims and objectives are well established and monitored at various levels, for example Executive Board forward plan, annual service planning process and Employee Annual Reviews.
- Posters are widely available to communicate priorities and goals
- The Council's corporate strategy is supported by the Grow Save Charge business plan
- Regular consultation is undertaken on a range of issues
- The Communities and Funding Advisory Panel which was set up in response to the Localism Act helps lead on community engagement and deals with applications for Wychavon grants which support the Council and communities
- The Annual Report articulates the Council's activities and achievements
- The "Money Plan" (medium term financial strategy) underpins corporate aims and supports the sustainable delivery of strategic priorities, and has been incorporated into the Grow Save Charge business plan.
- The Council's budget shows financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place regularly

- Required savings have exceeded targets
- Service standards have been published and are available to the public
- Performance management and reporting is embedded including quarterly reporting to the Executive Board and detailed review by the Overview and Scrutiny Committee
- Scrutiny teams have delivered tangible outcomes.

Core principle/ key element 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

- There is a “Team Wychavon” approach between Members and Officers
- The Council’s Constitution clearly states the roles and responsibilities of Members and Senior Officers
- Terms of reference for Committees and Executive Board Member responsibilities are clearly defined
- Clear delegations and accountabilities are laid down in the Constitution
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Deputy Chief Executive
- Appropriate segregation of duties and management supervision.

Core principle/ key element 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council’s Corporate Strategy 2016-2020 clearly identifies its priorities, goals and promises statement which exemplifies its vision and values. The delivery of this is supported by the Grow Save Charge business plan
- A Member/ Officer protocol is set out within the Constitution
- There are codes of conduct in place for Members and Officers
- Members and Officers are expected to act in the public interest, demonstrating and applying the principles and values of sound governance
- There is an established and effective Member Conduct Committee
- The Council acknowledges responsibility for countering fraud and corruption and has an anti-fraud and corruption policy in place which details actions that should be taken in response to any reported fraud
- A new Audit Committee was established from 1 April 2014 with clear terms of reference including responsibility for overseeing anti-fraud and corruption arrangements along with the Council’s whistleblowing and money laundering policies.

Core principle/ key element 4: Taking informed and transparent decisions which are subject to effective scrutiny and management of risk

- There is an established and effective Overview and Scrutiny Committee
- There is a dedicated Audit Committee as mentioned above
- Decisions taken are formally minuted
- The Executive Board forward plan is rolled forward and reviewed
- The effective management of risks and maintaining a sound system of internal control, including:
 - Risk identification, including those of fraud and corruption, and creation / update of registers and action plans;
 - A Risk Management Steering Group;
 - Officer and Member champions for risk management;
 - Guidance and training on risk management for members and staff;
 - Involvement of members in monitoring corporate risks;
 - Consideration of risk implications in committee reports and the decision making process
- Active health and safety arrangements include a robust policy, Member champion, with regular consideration of issues by SMT and the Health and Safety Group
- There is an ongoing managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources in support of the delivery of strategic priorities
- The Land & Property Management Group reviews the performance of, and provides strategic management for, the Council's existing and future property portfolio
- Financial management arrangements are in place where managers are responsible for effectively managing their services within available resources, in accordance with agreed policies and procedures, and to support the sustainable delivery of strategic priorities and maintain statutory functions. Elements include:
 - Monthly review of budgetary control information by budget officers and SMT, to compare expected and actual performance;
 - Quarterly monitoring of budget reports by SMT;
 - Formal quarterly budgetary monitoring reports reviewed as part of Signals of Success report by Overview and Scrutiny Committee on behalf of the Executive Board
- Reliable and timely financial and performance information is available in an understandable and useful format to actively support informed decision making and performance management arrangements
- Reliable and timely financial reporting is in place that supports the delivery of strategic priorities
- A robust complaints/ compliments procedure is in place and is widely publicised
- A whistle blowing policy is in place and available on the Council's web site

- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference, where relevant, to the potential impact on the Council's priorities and community plan themes, and address, as appropriate, any financial, staffing, risk, legal and property implications
- Effective working with third parties to deliver strategic priorities, for example Joint Management Boards
- Effective commissioning of services to support delivery of strategic priorities, including refuse & recycling, leisure management, and the revenues & benefits service
- Procuring supplies and services effectively to support the delivery of strategic priorities, and in accordance with the Contract Procedure Rules.

Core principle/ key element 5: Developing the capacity and capability of members and officers to be effective

- The workforce is effectively planned, organised and developed to deliver the strategic priorities of the Council
- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy s.151 and Deputy Monitoring Officers are in place
- Officer training programmes are considered at each Annual Review
- Staff leadership training is available
- The Council contributes to and participates in the Regional Coaching Pool.

Core principle/ key element 6: Engaging with local people and other stakeholders to ensure robust public accountability

- The Communities and Funding Advisory Panel has specific responsibilities to ensure that the rights given under the Localism Act to local communities and individuals are promoted
- There is regular community engagement and participation both in general and for specific community groups and services provided, for example, Parish Councils
- Online surveys are conducted on the Council's website
- Committee and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications, for example, Annual Reports and residents' magazines.

4. Process for maintaining and reviewing effectiveness of the Council's Governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior and Service Managers, with the Chief

Executive informing the Executive Board of any significant matters warranting their attention.

The Council has delegated all of its executive powers to the Executive Board, including responsibility for working with officers of the Council to ensure delivery of services in accordance with Council policies and budgets, which itself includes long term financial planning, good financial management and ensuring up to date risk management across the Council.

The Overview and Scrutiny Committee performs a non-executive review function which in 2019/20 included:

- An in-depth pre-scrutiny of the Council's budget, including the formation of a scrutiny team to examine the 2020/21 Grow, Save, Charge budget proposals.
The scrutiny team also examined Wychavon District Council's:
- Performance measures – signals of success;
- Draft Intelligently Green Plan;
- Social isolation and loneliness issues;
- New Council Strategy 2020-2024;
- Temporary Event Notices (joint review with a report and recommendations with Malvern Hills District Council); and
- Section 106/278 developer contributions and procedures and produced a report and recommendations.

The Overview & Scrutiny Committee has heard from a number of external organisations, internal Council departments and shared services on topics that affect local residents. Updates have been received on the Worcestershire Health Overview and Scrutiny Committee, and presentations were received from senior officers on subjects including social mobility, the Council's new strategy and urban design and from organisations including Platform Housing, Rooftop Housing and Western Power Distribution.

The Overview and Scrutiny Committee continued to review and scrutinise the Council's performance monitoring reports via 'Signals of Success' against the Council's corporate strategy.

Finally, in accordance with the Committee's "critical friend" role it continues to hold the Executive Board to account and has received a number of presentations from its members about their portfolios.

The Audit Committee had a full work programme during the year, discussing all issues raised by internal and external auditors, reviewing the Council's Corporate Risk Register, considering reports on budget monitoring and treasury management and considering and approving the Council's Annual Statement of Accounts. All of this helped the Committee to fulfil its aim of raising the profile of internal control, risk management and financial reporting issues within the Council.

The review of the effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the

development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/ inspectorates.

Internal Audit

Overall Conclusion:

Based on the audits performed with the revised audit plan, the Head of Internal Audit Shared Service has concluded although not all audits have achieved full assurance the lack of serious shortcomings found in the range of audits carried out indicates that the Council's internal control arrangements 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. Of the fifteen reviews completed across a wide cross section of service areas, one was a critical review and thirteen provided an assurance of 'moderate' or above. Eleven of the thirteen reviews were in the 'significant' or 'full' assurance category. There was one review which provided a 'limited' assurance. The action plan implementation will be closely monitored by the Joint Senior Management Team and reported to the Audit Committee.

The ethical and cultural standards adopted by the Organisation as a whole are also considered as part of the reviews and categorised using 7 categories where appropriate. The categories include compliance with legislation, processes to deal with breaches, identification of risks, identification of sub cultures, upholding values, transparency and positive treatment of people. A view is formed based on the findings during the review and recorded as part of the audit. Overall the view has been positive throughout the year.

Wychavon's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2018. This responsibility is delegated to the Deputy Chief Executive.

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. All audit reports go to either the Joint Senior Management Team or Service Managers meetings, depending on the level of audit assurance given, to agree any recommendations. The Joint Senior Management Team and the Audit Committee receive both quarterly and annual reports of internal audit activity and approve the annual audit plan for the forthcoming year.

The Worcestershire Internal Audit Shared Service is also responsible for co-ordinating the Council's corporate risk management activity, which is monitored by a Risk Management Steering Group, and work connected with the National Fraud Initiative.

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following

areas: Council objectives and service plans; staffing issues; corporate procedure documents; service specific procedures; risk management; performance management and data quality, inventories, and actions on independent recommendations. This checklist is reviewed by the Chief Executive and Leader of the Council.

External auditors and other review agencies/ inspectorates

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year.

Other external reviews during the year included:

- Green Flag awards for 5 parks.
- Customer Service Excellence Award

5. Governance changes in response to the Covid-19 pandemic

The Covid-19 pandemic lockdown required a number of reactive governance changes. From lockdown on March 23 2020 and throughout most of April Committees, Executive Board and Council meetings were cancelled with meetings recommencing on April 30 2020 using remote technology once the virtual meeting regulations were in place (Coronavirus Act 2020 s78). The Council meeting on April 30 2020 adopted a virtual meeting protocol. Three Member meetings were cancelled in this period relating to 2019/20 (Licensing Sub-Committee, Overview and Scrutiny Committee and Planning Committee) however weekly Senior Management Team meetings continued throughout the lockdown period. Key decision making was unaffected and statutory services were maintained and delivered throughout.

During May all Member meetings moved to Zoom webinars and were broadcast live via YouTube and from July 8 2020 evening meetings were resumed albeit using remote technology. In line with Local Government Association advice the Council intends to remain using remote technology until it is advised otherwise.

Other reactive governance changes were a reliance on homeworking, establishment of virtual meetings for all staff, building access arrangements, different working arrangements, and adherence to Government guidelines to ensure Wychavon services were maintained.

Financially the pandemic has caused substantial income loss during 2020/21 from loss of car parking, planning and trade waste income as well as an increase in the volume of council tax support payments. Total losses are likely to be between £3m and £5m during 2020/21 however the Council received a central government Covid-19 Support Grant in three tranches totalling £1.539m (£46,711 in 2019/20 and £1,492,165 in 2020/21) to offset these losses. Of the £46,711 grant received on 27 March 2020, £23,000 was allocated immediately to Members to support community relief efforts across parishes. Losses of £200,000 were reported as relating to the financial year 2019/20.

On 1 April 2020 the Council also received £32.258m to assess and distribute Small Business Support grants and Retail, Hospitality and Leisure grants to local businesses. By the beginning of July £31.075m (96%) had been paid out representing 2,723 individual grants. A system was established to work in partnership with Civica to administer the grants scheme in line with central government process and deadline requirements and post assessment is taking 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.

Other key systems were in the main accessed remotely so day to day business continued using the existing user profiling thus maintaining authorised use. The response to Covid-19 is continuing and governance arrangements will remain under constant review.

6. 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 19 November 2020

VIC ALLISON
Chief Executive

Date 19 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WYCHAVON DISTRICT COUNCIL

Opinion

We have audited the financial statements of Wychavon District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority's Movement in Reserves Statement,
- Authority's Comprehensive Income and Expenditure Statement,
- Authority's Balance Sheet,
- Authority's Cash Flow Statement,
- Authority's Collection Fund and the related notes 1 to 5
- The related notes 1 to 43

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Wychavon District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Wychavon District Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the 2019-20 Statement of Accounts set out on pages 3 to 34 and 85 to 100, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Wychavon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Deputy Chief Executive

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities set out on page 91, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Wychavon District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Wychavon District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to

consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

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

Hassan Rohimun (Key Audit Partner)
Associate Partner (Local Auditor)
Ernst & Young LLP
Manchester
Date: 30 November 2020