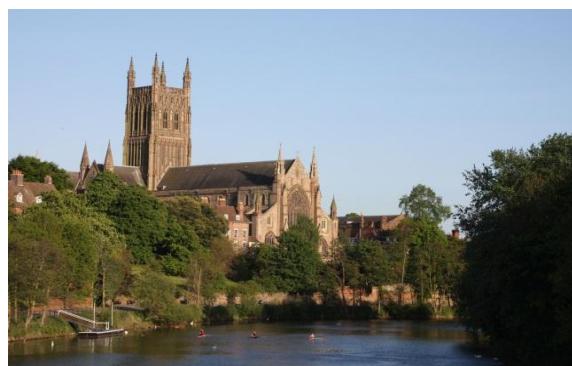


Making Worcester , 'A great city with a great future'

**Audited
STATEMENT OF ACCOUNTS
2013/14**



Containing post-audit adjustments

V1.9 - 18 September 2014

**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2013/14**

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**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2013/14**

We are always interested in hearing from users of the Accounts, especially if they have comments or suggestions that could help us make these necessarily complicated statements easier for readers to use and understand. Please send your comments to:

Corporate Accountant
Worcester City Council
Orchard House
Farrier Street
Worcester
WR1 3BB

WORCESTER CITY COUNCIL

STATEMENT OF RESPONSIBILITIES

The City Council's responsibilities

The City Council is required:

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

The Corporate Director - Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"). The Corporate Director Resources is required to present the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2014.

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31st March 2014, I have:

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

I have also:

- kept proper accounting records which were up to date,
- taken reasonable steps to prevent and detect fraud and other irregularities.

These accounts present fairly the financial position of Worcester City Council at 31st March 2014 and its income and expenditure for the year then ended.



Lesley Meagher
Corporate Director - Resources
22 September 2014

WORCESTER CITY COUNCIL

EXPLANATORY FOREWORD

1. Introduction

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2014. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

2. The Accounting Statements

The accounting statements included in the accounts are listed below along with an explanation of their purpose:

Movement in Reserves Statement. This shows how the Council has used or added to the different reserves it holds, which are either 'usable reserves' (those that can be applied to cover costs or reduce local taxation) or 'unusable' reserves (which are mainly accounting adjustments). The MiR Statement starts with the 'Surplus (or Deficit) on the Provision of Services', which comes from the Comprehensive Income and Expenditure Statement, and ends with the total usable and unusable reserves shown on the Balance Sheet.

Comprehensive Income and Expenditure Statement. This statement shows the true economic cost of providing the authority's services. It summarises the resources that the Council has generated and used in providing services and managing its business during 2013/14. It includes all expenditure and income on an accruals basis, as well as transactions measuring the value of fixed assets used, and the projected value of retirement benefits earned by employees in the year.

Balance Sheet. This shows the Council's financial position on 31 March 2014. It shows the balances and reserves held by the Council at that date, and summarises the assets used by the Council to provide its services.

Cash Flow Statement. This summarises the cash received and payments made by the Council during 2013/14, and includes both revenue and capital items.

Collection Fund. By law, this fund is kept separate from other funds and accounts. The Collection Fund summarises the income received from council taxpayers and business ratepayers and shows how it has been distributed between this council, the county council, parish and town councils, the police and fire authorities and central government. For 2013/14 there have been significant changes by central government to the way that business rates (Non-Domestic Rates) are administered and accounted for.

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

3. Budget Performance - Net Revenue Budget

For 2013/14 the Council has delivered a budget surplus of £367k on operational budgets, despite the challenging financial climate and year-on-year budget savings. The Council has planned throughout the year how to save money in the following year, and as a consequence taken steps in-year to deliver future budget savings. This has resulted in underspends in a number of areas across most activities.

The net impact on the General Fund balance is a budgeted transfer of £6k (£8k in 2012/13), which was in line with the budget approved by full Council in February 2013 and increased the balance to £1.266m (£1.260m in 2012/13). The Council's current policy is to hold a General Fund balance of about £1m (but not less than £600k). The current balance is in place to provide some one-off cover against the risk of future government funding reductions arising from the Local Government Resource Review changes. This practice has been maintained to carry forward into 2014/15.

At a headline level, the budget surplus of £367k is comprised as follows:

£481k underspend on operating expenditure (2% of the £22m budget) across most areas of activity;

£9k shortfall on income against a target of £12.9m;

£84k shortfall on net Housing Benefit subsidy of £31.4m, and;

£22k deficit on net interest, capital charges and movement on reserves.

On expenditure, the key points are an underspend on employees of £149k (2% of budget) largely relating to Services holding vacancies pending a restructuring which is underway in 2014/15, and a non-pay underspend of £332k (3% of budget) occurring across most Services.

On income, the key points are that Fees & Charges delivered a surplus of £57k on budget (against a deficit of £408k for 2012/13) and Planning Fees income increased significantly in the final quarter of the year to £479k in total against a budget of £361k. Car Park income achieved a budget surplus of £99k and an improvement on last year's actuals of £57k despite a significant downturn in February due to the floods, while Leisure centre income improved in the final quarter to reduce the year end shortfall on budget to £151k. Finally, Court summons fees in Revenue & Benefits totalled £249k, £49k in excess of budget.

4. Impact of the economic climate

The continued economic climate has had an impact on the Council's finances, and the weather and floods of February 2014 added to the difficulties. Going forward, the Council has taken steps (in its Medium Term Financial Strategy) to manage any further detrimental impacts and the situation will continue to be closely monitored in the coming financial year.

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

5. Gross Revenue Expenditure

The Comprehensive Income and Expenditure Statement shows the gross cost of service provision:

| Expenditure Type | 2013/14 £000 | 2012/13 £000 |
|--|-------------------------------|-------------------------------|
| Employee expenses | 9,407 | 9,909 |
| Premises related expenses | 1,875 | 2,155 |
| Transport related expenses | 785 | 792 |
| Supplies and services | 1,622 | 2,184 |
| Third party (including shared services) | 8,022 | 7,792 |
| Housing Benefit and Council Tax payments | 31,375 | 37,017 |
| Capital charges | 3,970 | 5,046 |
| Gross Cost of Services | 57,056 | 64,895 |

The main reason for the overall reduction in expenditure is the change Government made to replace Council Tax Benefit with Council Tax Support. This removed some £6.7m from expenditure and replaced it with Council Tax Discounts.

Employee expenses include all payments for the City Council's employees including salaries, employer's national insurance and pension contributions, training, professional subscriptions, recruitment, and health and safety costs.

Premises, transport related expenses and supplies and services costs include the cost of maintaining buildings, of operating vehicles and of buying goods and services. **Third party** payments mainly comprise payments to partners delivering services for the Council.

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

6. Gross Revenue Income

The Council received gross income of £44.996m (2012/13 £50.479m) :

| Income | 2013/14 £000 | 2012/13 £000 |
|---------------------|-------------------------------|-------------------------------|
| Government Grants | 33,633 | 39,316 |
| Rent Income | 458 | 387 |
| Fees and Charges | 8,020 | 7,956 |
| Other Income | 2,892 | 2,820 |
| Total Income | 45,003 | 50,479 |

Government grants include £31.987m towards the cost of Housing Benefits and administering those payments. Last year's Government Grants included a £6.740m payment of Council Tax Benefits grant which is no longer paid following a change in the national scheme of Council Tax support. This also explains the reduced payments in the Expenditure Type table above.

Rent income is mainly rents from industrial and commercial properties.

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

Fees and charges and other service income comes from users paying for Council services like leisure facilities, building control, car parking, planning, land charges fees and licensing.

Other income includes miscellaneous items such as recharges to external bodies, contributions from shared services, and other partnership contributions.

7. Pension Fund

The Council's share of the assets and liabilities of its Pension Fund is a net liability and has been calculated in accordance with International Accounting Standard 19. The net liability has decreased by £6,611 to £33.924m (in 2012/13 it increased by £5.967m to £38.972m). A further explanation can be found in Note 20 to the Core Financial Statements.

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

8. Borrowing

The Council borrows for cash flow purposes within specified limits or to fund capital expenditure. Note 20 (Long Term Borrowing) in the Notes to the Core Financial Statements shows details of the Council's outstanding loans and when they mature.

9. Capital Expenditure and Source of Funding

Capital expenditure for 2013/14 was £1.016m (2012/13 £0.792m). This compares with an original estimate of £1.702m for the year, and the difference largely relates to delayed expenditure on capital projects managed in partnership with other local authorities. Funding will be carried forward to 2014/15 complete these items.

A summary of the capital expenditure in 2013/14 is shown below. Of the £1.016m spend, £0.585m added to the value of the Council's own assets, and the balance of £0.431m charged in year to the Comprehensive Income and Expenditure Statement as 'revenue expenditure funded from capital under statute' created assets owned by others - for example, grants to homeowners, or contributions to capital projects managed by other local authorities. The sources of funding for the Council's capital expenditure are also shown below:

| <u>Capital Expenditure</u> | £000 | <u>Source of Funding</u> | £000 |
|-----------------------------|--------------|--------------------------|--------------|
| Housing and building grants | 254 | Earmarked reserves | 648 |
| Fort Royal/North Riverside | 408 | Grants | 244 |
| High Street improvements | 177 | Usable capital receipts | 10 |
| Vehicles, ICT and equipment | 134 | Other resources | 49 |
| Other smaller capital items | 43 | S.106 contributions | 65 |
| Total | 1,016 | Total | 1,016 |

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

9. Capital Expenditure and Source of Funding (continued)

The comparative figures for 2012/13 are:

| <u>Capital Expenditure</u> | £000 | <u>Source of Funding</u> | £000 |
|-----------------------------|-------------------|--------------------------|-------------------|
| Housing and building grants | 446 | Usable capital receipts | 275 |
| Fort Royal/North Riverside | 36 | Grants | 361 |
| Bridge lighting completion | 25 | Earmarked reserves | 156 |
| Riverside improvements | 23 | | |
| Vehicles, ICT and equipment | 262 | | |
| Total | <u>792</u> | Total | <u>792</u> |

10. Significant Changes in Accounting Policies

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

11. Further Information

Further information about the accounts is available from the Corporate Director - Resources, Orchard House, Farrier Street, Worcester, WR1 3BB. Interested members of the public also have a statutory right to inspect the draft accounts before the audit is completed, and this has been advertised in the local press and on the Council's website.

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

The website is at

<http://www.worcester.gov.uk>

WORCESTER CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Worcester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Worcester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Worcester City Council has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE guidance. The Code of Corporate Governance is available on the Council's website at www.worcester.gov.uk or can be obtained from the Service Manager, Transformation and Strategy, Orchard House, Farrier Street Worcester, WR1 3BB.

This statement explains how Worcester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the Governance Framework

The governance framework comprises the cultural values, systems and processes by which the Council is directed and its activities through which it accounts to, engages with and leads its communities. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The Council's approach to corporate governance is underpinned by our values of delivering the results people want; one Council; challenge to improve and empowerment with accountability. The revised governance framework is built around the following core principles:

- Focus on the outcomes for Worcester City and create a vision for the area which the Council can play a leadership role in helping to implement
- Members and officers working together to achieve a common purpose with clearly defined roles.
- Promoting values for the Council and demonstrating values of good governance through upholding high standards of conduct.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective
- Engage with local people to ensure robust public accountability.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

A Governance framework has been in place at Worcester City Council for the year ended 31st March 2014 and up to the date of approval of the 2013/14 report and Statement of Accounts.

The Governance Framework

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

In 2013/14 the Council approved a new Strategic Framework this replaced the Corporate Plan and is the Council's strategic plan, it sets out Worcester City Council's vision for Worcester - "Worcester is a Great City with a Great Future", and sets out three key priority areas that will deliver this vision. The three key priorities are:

Prosperity – Growing our economy and reducing unemployment;
Ambition – Delivering on our aspirations for the whole City;
Opportunity – making sure no Community is left behind.

The Strategic Framework also identifies how the Council will address the challenging financial context by delivering with less, and sets out the various approaches we will take for example, working in partnership, making the best use of our assets, ensuring services are efficient and effective, strong financial management and a good understanding of costs and being a sustainable Council. Delivery against the priorities in the plan is regularly reviewed and cascaded through the Corporate Planning Process into Service Plans, Service Managers' objectives and cascaded to service teams and staff objectives through the appraisal process.

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

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

Policy development and Scrutiny- The Council has three Scrutiny committees:

- Scrutiny Committee
- Performance Management and Budget Scrutiny Committee
- Audit Committee

In 2013/14 it was agreed that in line with CIPFA guidance, the Council will review the role of the Audit Committee with a view to it being a Committee of the Council rather than an overview and scrutiny committee. Work to deliver on this will take place in 2014/15 and the Council's constitution will be amended to reflect this change.

The Standards Committee - This committee's role is to promote and maintain high standards of conduct by Members and to monitor the operation of the Members Code of Conduct.

Head of Paid Service – The Managing Director is designated Head of Paid Service and has overall corporate management and operational responsibility. He provides professional advice to all parties in the decision making process and together with the Monitoring Officer is responsible for the system of record keeping for all Council decisions.

Monitoring Officer - The Council has designated the Service Manager – Transformation and Strategy as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.

Chief Finance Officer – The Corporate Director, Resources is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

Code of Corporate Governance – The local code sets out the Council's definition of Corporate Governance, the values it stands for and the key principles of corporate governance that it has adopted.

Anti Fraud and Corruption Arrangements – The Council continues to review and update its Anti Fraud and Corruption Policy to ensure it demonstrates a commitment to tackling fraud and corruption whether within or external to the Council.

Corporate Complaints – The Council has a complaints policy and procedure which describes how complaints can be made and how they will be monitored.

Stakeholder Communication – The following main methods are used to communicate the Council's objectives and achievements to local people:

- City Life, a quarterly newsletter sent to all households
- The Council Website
- Social media including Facebook and Twitter
- The Annual Council Tax leaflet

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

Partnership Governance – Partnerships are a key component of service delivery. The Council is engaged in a wide range of partnerships including shared service arrangements with other Councils and a public private partnership for Revenuesand Benefits.

Performance Management - The Council's approach to performance management and the Performance Management Framework is being revised for 2014/15. The framework now aligns performance management with the Council's priorities as set out in the Strategic Framework and the Council's Transformation Plan, it is intended to:-

- Enable Managers and Members to keep track of the overall performance of the Council and its services, adjust priorities and resources and direct improvement actions accordingly.
- Better integrate financial and performance reporting in order that resources are effectively aligned to priorities.
- Support effective scrutiny, with the opportunities to take a more in depth look at a service or function
- Provide Managers and Members with current and relevant data to support informed decision making.

Risk Management - Worcester City Council's risk management strategy has been refreshed to reflect the Council's re-structure and the changed Local Government environment, it was approved in January 2012 and is being reviewed in 2014/15. The Corporate Risk Register is monitored by Management on a quarterly basis; with Cabinet asked to review the register on a six monthly basis, Audit Committee also receive a risk management report on a six monthly basis. Cabinet will approve the Management Action Plan each year, with risks and progress to date reassessed in all the areas. The Corporate Risk Register is designed to be a live document, therefore any risks that are brought to CMT's attention as being strategically important will be added to the register. The Transformation and Strategy Service Manager has responsibility for corporate risk management.

Internal Audit – Worcester City Council's responsibility for maintaining an adequate and effective internal audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011. The Council's External Auditor will assess Internal Audit against these regulations and the United Kingdom Public Sector Internal Audit Standards.

WORCESTER CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

The Review of Effectiveness

Worcester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Service Manager of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review has been carried out through the Council's Corporate Governance Assurance Board and has incorporated a review of actions taken against all of the ten areas of improvement identified in last year's annual governance statement.

Corporate Governance Assurance Board, What we said we would do and What we have done - the 10 areas for improvement for 2013/14 were:

- 1) Anti-Fraud and corruption, including whistleblowing
- 2) Partnership Governance
- 3) Contract and Client management
- 4) Information governance and the role of the Chief Information Officer
- 5) Embedding Risk Management
- 6) Improving Business continuity Planning
- 7) Decision Making
- 8) Hopmarket
- 9) Workforce Development
- 10) Value for Money

Anti Fraud and Corruption.

A revised whistleblowing policy was approved by Personnel and General Purposes Committee at its meeting on 17th October 2013. The Whistleblowing Policy has been refreshed to reflect some minor changes in legislation and structural changes internally. The new policy sets out how our commitment to the highest possible standards of openness, probity and openness and describes how we will deal concerns raised by employees. It seeks to ensure that we respond appropriately to whistle blowers and protect them from victimisation, discrimination or other disadvantage as a consequence of their actions.

The Internal Audit Service have also been working with the Revenues and Benefits Shared Service to improve and enhance anti fraud work and to ensure the accuracy and efficacy of benefit processing. This area for improvement has now been addressed and is now part of business as usual arrangements.

Partnership Governance – in 2013/14 we have continued to build on improvements in governance arrangements in relation to shared services for example, feedback from shared service joint committees is now part of the Cabinet Agenda. The Revenues and Benefits shared service public/ private partnership with CIVICA went live on 1st October. A revised partnership framework has been developed and was approved by the Corporate Governance Assurance Board in 2013/14. It is being implemented currently work is on-going to review all of the Council's key partnerships in line with the framework and we have reviewed and refreshed the partnership register.

Contract and Client Management - A contract register is now in place, the Council is required to publish details of all procurement contracts over £50k on our website, this is reviewed annually and officers are currently reviewing and updating the register to ensure that it includes all contracts awarded since October 2012. Each service manager holds a register of the contracts for their service area.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

The Council also has a number of contracts in place with Voluntary and Community sector organisations for example Worcester Community Trust currently have a 3 year SLA with WCC to consistently deliver appropriate Community & Youth activities and services across the City of Worcester. Quarterly meetings are held to review finance and community provision, funds are paid in quarterly instalments. A one year Grant agreement is in place for all of the other organisations currently receiving funding from WCC. Quarterly monitoring forms are in place for organisations to complete and return with details including attendance figures, user numbers, group sessions held, good news stories and case studies.

Information Governance and the role of the Chief Information Officer - an Information Management Position statement has been developed in 2013/14, this includes an action plan, identifying clear timescales for delivery of improvements. Positive progress is being made, for example, the following policies have now been approved by the Corporate Governance Assurance Board; Data Protection Act, Environmental Information Regulations and Freedom of Information Act policies. Staff guidance documents have been produced to cover these areas, and staff that compile responses to requests have received training. The Council's publication scheme is currently being reviewed and updated. Management of Freedom of Information Requests continues to improve and performance in responding to FOIs is now monitored and reported in monthly performance summaries. The Council continues to review documents currently kept in storage to significantly reduce the costs associated with this. The Council has undertaken work with the ICT shared service to ensure that the Council complies with Government requirements for electronic data security as set out in the Public Sector Network Code of Compliance (PSNCOCO).

Risk Management – Work to strengthen the Council's approach to risk management continued in 2013/14, a range of training has been delivered including: Risk Management training session for Members in July 2013; Risk Surgeries in November 2013; these sessions aimed to support and provide guidance to services on the service risk register and ensure that the service risks are comprehensive and risk scores are robust. Other training included, risk training for risk owners, designed to support risk owners in identifying and managing risk. We have also developed a risk training module which will be included in the induction programme and an e-learning module. We have fully established the mechanism for reporting and escalating risk (risk reports sent to CMT on quarterly basis and six monthly to Audit Committee and Cabinet). Guidance on report writing is also in development and will include instructions on what should be included in the risk implications section of reports. Risk Management is no longer considered an area for improvement though work will continue to ensure it is fully embedded in the organisation.

Improving Business Continuity - Service Managers have received training in business continuity planning in 2013/14 and are currently reviewing and revising service business continuity plans this inform the review and refresh of the Corporate Business Continuity plan. The South Worcestershire ICT shared service have carried out a business continuity exercise in September, this was observed by the Council's internal auditor a number of improvement areas were identified in the Audit which are being addressed.

Decision Making - In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to information) (England) Regulations 2012, a procedure for recording and publishing executive decisions taken by Portfolio Holders and Officers was agreed by CMT October 2013. The procedure, related guidance and template for recording decisions are available on through the Council's intranet compliance with the procedure will be monitored by the Committee Administration Section. This was the core action identified to be addressed in 2013/14 and this action is now completed

WORCESTER CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

Hopmarket - External legal advisers were appointed in May 2013 to advise on the governance arrangements for the Hopmarket. They have recommended a number of changes to the governance of the Hopmarket charity. A briefing session for the trustees of the charity was held on 22 October 2013 where the trustees agreed to move ahead with the recommendations of external advisers and to implement changes to the governance arrangements between the Hopmarket Charity and the City Council.

Workforce Development - Progress has been made in linking workforce development more closely to overall service delivery and improvement. The 2013/14 service plans require services to record any significant workforce change or development implications and plan to deliver the changes needed. Take up of the new Performance and Development Review (appraisal) scheme had been patchy though improving. To drive further improvement new formats for the PDR's have been developed and were rolled out in early 2014. Outputs from PDRs will be used to develop the corporate learning and development plan for 2014/15. Funding for learning is limited, so one of main areas of development in 2013/14 has been the Learning Pool e-learning system. This will allow us to access hundreds of local authority tailored learning programmes as well as develop our own. Management development training has continued to be rolled out with the new focus being on front line managers. In 2014/15 the focus for improvement will be on learning and development.

Value for Money – work is on-going to develop the full suite of value for money indicators and these are now in place for some service areas. The service plan format was reviewed in 2013/14 and now includes value for money measures for all service areas.

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

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

The Internal Audit Plan for 2013/14 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system, which is embedded in the methodology, and was approved by the Audit Committee. It included: a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion'; other corporate systems for example governance and a number of operational systems for example Car Parking and Procurement were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

The 2013/14 audit plan, agreed by Audit Committee, was delivered with a small amendment due to the requirement to provide an assurance service with regard to the Client side of the Revenue and Benefits Partnership with Civica. The coverage provided sufficient assurance to assist in arriving at the audit and overall governance opinion. Audits across the corporate spectrum have been undertaken, the outcomes of which have been reported to Audit Committee where appropriate. Core financial audits provided overall reasonable assurance.

Based on the audits performed in accordance with the audit plan the Worcester Internal Audit Shared Services Service Manager concludes that the Council's governance framework arrangements during 2013/14 have not always provided full assurance but are satisfactory in many areas with any identified issues being addressed by the management team as part of the process of continuous

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

Transformation Plan – In 2013/14 the Council developed a new Strategic Framework which identified a clear priority to deliver with less resource; the Council also reviewed the Medium Term Financial strategy and identified a savings requirement of £4.1 million by 2018/19. In order to deliver these savings the Council has developed a Transformation Plan. The plan sets out the various ways that savings will be delivered in coming years and all the actions for delivery in 2014/15 or where work needs to begin in 2014/15 are captured in service plans. The Transformation Plan and the Strategic Framework have been developed with members and been subject to scrutiny before being adopted by full Council. They have also been shared with partners and communicated to staff through a series of Staff Conferences. Delivery of the Transformation plan will be a key area for focus in 2014/15.

Website – In 2013/14 the Council has worked closely with partners in the ICT shared Service to develop a new website, this is due to go live in summer 2014. The new website is much more transactional and will enable greater volumes of self service transactions. A number of online self service developments have been developed in 2013/14 for rollout in 2014/15 for example in relation to reporting missed bins. These developments form a key part of the Council's plans for Channel shift and for improving the efficiency of the services we provide. The launch and on-going development of the website and self service transactions is an area for improvement for 2014/15.

Significant Governance Issues

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

However, Worcester City Council seeks to strengthen its governance arrangements by monitoring internal and external assurance gathering throughout the year. For focus ~~2014/15~~ 2014/15 the Council has identified two categories actions are divided into areas requiring continuous improvement while others are new improvement initiatives as follows:

Improvement Initiatives

1. Delivering the Transformation Plan
2. Pay Review
3. Website
4. Implementing the scrutiny review action plan
5. New Partnership arrangements

Continuous Improvement

6. Contract and Client management
7. Improving Business continuity Planning
8. Hopmarket
9. Learning and Development
10. Value for Money

Signed:

Duncan Sharkey, Managing Director

Signed:

Councillor Simon Geraghty, Leader of the Council

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position as at 31st March 2014. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting 2013/14, relevant International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP). The accounts generally use 'historical cost' figures, except for certain categories of non-current assets and financial instruments which are revalued differently as required by accounting rules.

2. Accruals of Income and Expenditure

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

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

3. Government Grants

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

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

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

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

**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES**

4. Assets - Property, Plant & Equipment

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

Recognition

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

Measurement

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

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

- Community assets (mainly open land) – depreciated historical cost;
- Heritage assets (things with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture) – historical cost or insurance value;
- All other assets – fair value, which means the amount that would be paid for the asset in existing use ("existing use value").

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

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

Impairment

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

Other impairments are first charged against any revaluation gains in the Revaluation Reserve for the same asset, with any excess over the gain in the Revaluation Reserve then charged to the relevant service revenue costs.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

Disposals

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

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

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

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

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

5. Assets - Charges to Revenue for Fixed Assets

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

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

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

**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES**

6. Assets - Depreciation

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

Buildings - 10 to 90 years;
Vehicles - 5 to 7 years;
Plant - 5 to 30 years;
Equipment - 4 to 15 years.

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

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

7. Assets - Investment Properties

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

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

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

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

8. Revenue Expenditure Funded from Capital under Statute

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

9. Operating Leases

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

10. Reserves

In addition to its general revenue balances the Council has set aside specific 'earmarked reserves' for future identified expenditure. Expenditure is not charged directly against reserves. When expenditure is incurred it is first charged against the relevant service revenue account, so that the costs are recorded in the right place. The Movement in Reserves Statement then shows the appropriate transfer from the reserve into the General Fund Balance, so that there is no net charge against council tax for the expenditure.

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

11. Estimation Techniques

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

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

12. Inventories

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

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

13. Costs of Central Support Services

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

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

14. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

The Council participates in one defined benefits scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. A new actuarial valuation was undertaken by the funds actuaries Mercer Human Resource Consulting Limited as at 31 March 2013. This has revised contribution rates payable by the Council in future financial years.

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

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

The total pension cost recognised in the Comprehensive Income and Expenditure Statement has several elements changed for 2013/14, and is now made up of:

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

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

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

Note 21 on pages 51 to 54 gives the details of assumptions, changes and costs for the current year and comparatives for the previous year.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

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

Further information can be found in Worcestershire County Council's Superannuation Fund Annual Report, available on request from:

Mr P. Birch C.P.F.A., Director of Resources, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. www.worcestershire.gov.uk

15. Bad debt provisions

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

16. Financial Liabilities (loans)

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

17. Financial Assets (investments)

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

18. VAT

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

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

19. Associated and subsidiary companies, group accounts

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

20. Accounting for Council Tax

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

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

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

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

21. Accounting for National Non-Domestic Rates

For 2013/14 the National Non-Domestic Rates scheme was changed from a national 'pool' to a regime where Councils can retain elements of Business Rates - for Worcestershire, central government takes 50%, the billing authority and local pool take 40%, the County Council takes 9% and Hereford and Worcester Fire and Rescue Authority takes 1%. (Police Authorities take a share of business rates direct from central government.) The cost of collection allowance is included within the Comprehensive Income and Expenditure Account.

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

The cash received in respect of cost of collection allowance is included within Revenue Activities in the Cash Flow Statement. The difference between the amount of cash collected from NNDR taxpayers and the amount paid over to central government and other parties is included in the Net Increase/ Decrease in Other Liquid Resources within Management of Liquid Resources.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

22. Cash and Cash Equivalents

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

23. Accounting for Jointly Controlled Operations

The City Council receives Shared Services for Revenues and Benefits, Building Control, ICT, Worcester Regulatory Services, a Joint Museum Service, and the Worcestershire Hub under a separate shared services contract, from the relevant host Council within Worcestershire. These partnership contractual arrangements are defined as a 'Joint Arrangement that is Not an Entity' (JANE). Under these partnership arrangements, each Council accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

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

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

24. Heritage Assets

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

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

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

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

**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES**

25. Other Accounting Matters

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

26. Critical judgements in applying accounting policies

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

- The Council has determined that the South Worcestershire Shared Services Joint Committee and the Worcestershire Shared Services Joint Committee both meet the definition of a Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.
- The Council has not consolidated the Hopmarket Charity accounts under IAS27 Consolidated and separate financial statements as these balances are not material to the accounts as a whole.
- The valuation of certain assets (such as sports centres) based upon Modern Equivalent Asset method of valuation is subject to significant estimation uncertainty.

27. Impact of changes in accounting standards during 2013/14

Accounting standard IAS19 Employee Benefits was amended for accounting periods beginning on or after 1 January 2014 and the Council has adopted the amendments, which for the Council primarily affect the way pensions are shown. The changes bring in new classes of components of defined benefit cost that are recognised in the financial statements, and new definitions or recognition criteria for service costs and termination benefits.

The Council's pensions advisors have provided estimates of the effect of the changes, and the Council has shown these in a restated comparative Comprehensive Income and Expenditure Account; the changes mean that 'Net Cost of Services' has increased by £659k while 'Other Comprehensive Income and Expenditure' has gone down by the same amount, leaving the 'Total Comprehensive Income and Expenditure' unchanged.

The Council's auditors have stated that the changes to items in the Balance Sheet are not material enough to require the Balance Sheet to be restated as well.

**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES**

28. Events after the balance sheet date

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

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

**WORCESTER CITY COUNCIL
MOVEMENT IN RESERVES STATEMENT**

The Movement in Reserves Statement on the next page shows the movement in the year across the different reserves held by the Council, analysed into 'usable reserves' (which are cash reserves kept ready to fund spending or reduce local taxation) and 'unusable' reserves (which generally represent accounting entries and not cash). The General Fund Balance is available for anything; Earmarked Reserves have been held back by the Council to set against specific areas of future spending; while the Capital Receipts Reserve holds money from the sale of assets that can only be spent on new assets or to reduce the Council's debt.

WORCESTER CITY COUNCIL
MOVEMENT IN RESERVES STATEMENT
For the year ended 31st March 2014

| Note | General Fund Balance £'000s | Earmarked Reserves £'000s | Capital Receipts Reserve £'000s | Total Usable Reserves £'000s | Total Unusable Reserves £'000s | Total Authority Reserves £'000s |
|--|-----------------------------|---------------------------|---------------------------------|------------------------------|--------------------------------|---------------------------------|
| Balance at 31 March 2012 | 1,252 | 5,131 | 1,851 | 8,234 | 30,695 | 38,929 |
| Movement in Reserves During 2012/13 | | | | | | |
| Surplus on the provision of services | (4,772) | | | (4,772) | | (4,772) |
| Other Comprehensive Income and Expenditure | | | | - | (4,553) | (4,553) |
| Total Comprehensive Income and Expenditure | (4,772) | - | - | (4,772) | (4,553) | (9,325) |
| Adjustments between accounting basis and funding basis under regulations | 4,566 | - | 59 | 4,625 | (4,625) | - |
| Net Increase/(Decrease) before Transfer to Earmarked Reserve | (206) | - | 59 | (147) | (9,178) | (9,325) |
| Transfers to/(from) Earmarked Reserves | 214 | (370) | 0 | (156) | 156 | - |
| Increase/(Decrease) in 2012/13 | 8 | (370) | 59 | (303) | (9,022) | (9,325) |
| Balance at 31st March 2013 | 1,260 | 4,761 | 1,910 | 7,931 | 21,673 | 29,604 |
| Balance at 1st April 2013 | 1,260 | 4,761 | 1,910 | 7,931 | 21,673 | 29,604 |
| Movement in Reserves During 2013/14 | | | | | | |
| Surplus (deficit) on the provision of services | (2,904) | | | (2,904) | | (2,904) |
| Other Comprehensive Income and Expenditure | | | | - | 8,161 | 8,161 |
| Total Comprehensive Income and Expenditure | (2,904) | | | (2,904) | 8,161 | 5,257 |
| Adjustments between accounting basis and funding basis under regulations | 4,946 | - | 1,363 | 6,308 | (6,308) | - |
| Net Increase/(Decrease) before Transfer to Earmarked Reserve | 2,042 | - | 1,363 | 3,404 | 1,853 | 5,257 |
| 2 Transfers to/(from) Earmarked Reserves | (2,036) | 1,388 | - | (648) | 648 | (0) |
| Increase/(Decrease) in 2013/14 | 6 | 1,388 | 1,363 | 2,756 | 2,501 | 5,257 |
| Balance at 31st March 2014 | 1,266 | 6,149 | 3,273 | 10,687 | 24,174 | 34,861 |

WORCESTER CITY COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31st March 2014

| Note | 2013/14 Gross Expenditure £000s | 2013/14 Gross Income £000s | 2013/14 Net Expenditure £000s | Restated |
|--|--|---|--|--|
| | | | | 2012/13 Net Expenditure £000s |
| 27 Service Expenditure Analysis | | | | |
| Central services to the public | 3,084 | (1,592) | 1,492 | 1,980 |
| Cultural and related services | 8,408 | (2,952) | 5,456 | 7,848 |
| Environmental and Regulatory Services | 5,241 | (3,085) | 2,156 | 3,238 |
| Planning Services | 1,727 | (770) | 957 | 1,433 |
| Highways and transport services | 2,403 | (3,414) | (1,011) | (2,016) |
| Housing services | 34,438 | (33,190) | 1,248 | 932 |
| Corporate and democratic core | 1,755 | (21) | 1,734 | 1,620 |
| Non-distributed costs | - | 21 | 21 | 40 |
| 27 NET COST of SERVICES | 57,056 | (45,003) | 12,053 | 15,075 |
| | | | | |
| 3 Other operating expenditure | | | 113 | 116 |
| 4 Financing and investment income and expenditure | | | 1,758 | 1,071 |
| 5 (Surplus) on discontinued operations | | | (868) | (188) |
| 6 Taxation and non-specific grant income | | | (10,151) | (10,643) |
| | | | | |
| 28 DEFICIT ON PROVISION OF SERVICES | | | 2,904 | 5,431 |
| | | | | |
| Surplus on revaluation of non current assets | | | (1,551) | (766) |
| 20 Actuarial (gains) or losses on pension assets and liabilities | | | (6,611) | 4,660 |
| Reduction in long term loans relating to house purchases | | | 1 | 1 |
| | | | | |
| Other Comprehensive Income and Expenditure | | | (8,161) | 3,895 |
| | | | | |
| TOTAL COMPREHENSIVE INCOME AND EXPENDITURE | | | (5,257) | 9,326 |

WORCESTER CITY COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
Restated Comparative for the year ended 31st March 2014

| | Showing the effect on 2012/13 of changes in accounting standard IAS19 (described in Accounting Policy 28 on page 24) | 2013/14 Net | Restated 2012/13 Net | Original 2012/13 Net |
|---|--|------------------------------------|---|---|
| | | Expenditure £000s | Expenditure £000s | Expenditure £000s |
| Note | | | | |
| 27 Service Expenditure Analysis | | | | |
| Central services to the public | 1,492 | 1,980 | 1,968 | |
| Cultural and related services | 5,456 | 7,848 | 7,662 | |
| Environmental and Regulatory Services | 2,156 | 3,238 | 3,073 | |
| Planning Services | 957 | 1,433 | 1,371 | |
| Highways and transport services | (1,011) | (2,016) | (2,049) | |
| Housing services | 1,248 | 932 | 894 | |
| Corporate and democratic core | 1,734 | 1,620 | 1,457 | |
| Non-distributed costs | 21 | 40 | 40 | |
| 27 NET COST of SERVICES | 12,053 | 15,075 | 14,416 | |
| 3 Other operating expenditure | 113 | 116 | 116 | |
| 4 Financing and investment income & expenditure | 1,758 | 1,071 | 1,071 | |
| 5 (Surplus) or deficit on discontinued operations | (868) | (188) | (188) | |
| 6 Taxation and non-specific grant income | (10,151) | (10,643) | (10,643) | |
| 28 DEFICIT ON PROVISION OF SERVICES | 2,904 | 5,431 | 4,772 | |
| Surplus on revaluation of non current assets | (1,551) | (766) | (766) | |
| 20 Actuarial (gains) or losses on pension assets and liabilities | (6,611) | 4,660 | 5,319 | |
| Reduction in long term loans relating to house purchases | 1 | 1 | 1 | |
| Other Comprehensive Income and Expenditure | (8,161) | 3,895 | 4,554 | |
| TOTAL COMPREHENSIVE INCOME AND EXPENDITURE | (5,257) | 9,326 | 9,326 | |

The IAS19 restatement moves some pension costs from 'actuarial gains or losses' into Net Cost of Services.

WORCESTER CITY COUNCIL
BALANCE SHEET
as at 31st March 2014

| Note | 2013/14 £000s | 2012/13 £000s |
|-------------------------------|------------------|------------------|
| Long term assets | | |
| 9 Property, plant & equipment | 54,244 | 56,055 |
| 10 Heritage assets | 6,883 | 6,883 |
| 11 Investment property | 4,302 | 3,901 |
| 12 Long term debtors | 1,002 | 1,003 |
| | 66,432 | 67,842 |
| Current assets | | |
| 13 Short term investments | 6,000 | 2,000 |
| 14 Assets held for sale | 8 | 505 |
| 15 Inventories | 16 | 28 |
| 16 Short term debtors | 5,534 | 3,754 |
| 17 Cash and cash equivalents | 8,895 | 9,103 |
| | 20,453 | 15,390 |
| Current liabilities | | |
| 18a Short term creditors | 7,383 | 6,051 |
| 18b Provisions | 2,128 | - |
| | 9,511 | 6,051 |
| Long term liabilities | | |
| 19 Long term borrowing | 8,588 | 8,605 |
| 20 Pensions liability | 33,924 | 38,972 |
| | 42,512 | 47,577 |
| NET ASSETS | | |
| | 34,861 | 29,604 |
| Financed by: | | |
| 21 Usable reserves | 10,687 | 7,931 |
| 22 Unusable reserves | 24,174 | 21,673 |
| TOTAL RESERVES | | |
| | 34,861 | 29,604 |

WORCESTER CITY COUNCIL
CASH FLOW STATEMENT
For the year ended 31st March 2014

| Note | 2013/14 £000s | 2012/13 £000s |
|--|-------------------------|------------------|
| Net deficit on the provision of services | 2,904 | 4,772 |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | (3,006) | (4,335) |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (242) | 121 |
| Net cash flows from: | | |
| 23 Operating activities | 251 | 211 |
| 24 Investing activities | 284 | 461 |
| 25 Financing activities | 17 | (934) |
| Net decrease in cash and cash equivalents | 208 | 296 |
| Cash and cash equivalents at the beginning of the reporting period | 9,103 | 9,399 |
| 26 Cash and cash equivalents at the end of the reporting period | 8,895 | 9,103 |

Figures in (brackets) show money 'in'; other figures show money 'out'.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

The 2012/13 figures have not been restated for the IAS19 non-cash changes as set out in the 'Comprehensive Income and Expenditure Statement'.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

1. Adjustments between accounting basis and funding basis under regulations

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

| | Usable Reserves 2013/14 | | |
|---|-----------------------------------|---------------------------------------|---|
| | General Fund Balance £000s | Capital Receipts Reserve £000s | Movements in unusable reserves £000s |
| Adjustments involving the Capital Adjustment Account | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES): | | | |
| Changes for depreciation and impairment of non current assets | 3,540 | | (3,540) |
| Revenue expenditure funded from capital under statute | 431 | | (431) |
| Statutory Provision for repayment of Debt | (491) | | 491 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | | (505) |
| | 505 | | |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | |
| Payments to Housing Capital Receipts Pool | 1 | (1) | - |
| Adjustments involving the Capital Grants Unapplied Account | | | |
| Capital grants and contributions unapplied credited to the CIES | (309) | | 309 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | |
| Adjustments involving the Capital Receipts Reserve | | | |
| Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,373) | 1,373 | - |
| Transfer from Deferred Capital Receipts Reserve | | | - |
| Use of the Capital Receipts Reserve to finance capital expenditure | (10) | | 10 |
| Adjustments involving the Pensions Reserve | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement. | 2,855 | | (2,855) |
| Employers' pension contributions and direct payments to pensioners payable in the year | (1,292) | | 1,292 |
| Adjustments involving the Collection Fund adjustment account | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements. | 1,096 | | (1,096) |
| Adjustment primarily involving the Accumulated Absences Account | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (16) | | 16 |
| Total adjustments | 4,946 | 1,363 | (6,308) |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

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

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

| | Usable Reserves 2012/13 | | |
|---|-----------------------------------|---------------------------------------|---|
| | General Fund Balance £000s | Capital Receipts Reserve £000s | Movements in unusable reserves £000s |
| Adjustments involving the Capital Adjustment Account | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | |
| Changes for depreciation and impairment of non current assets | 4,599 | (4,599) | |
| Revenue expenditure funded from capital under statute | 446 | (446) | |
| Statutory Provision for repayment of Debt | (536) | | 536 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | 146 | (146) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | |
| Payments to Housing Capital Receipts Pool | 1 | (1) | |
| Adjustments involving the Capital Grants Unapplied Account | | | |
| Capital grants and contributions unapplied credited to the CIES | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | (361) | | 361 |
| Adjustments involving the Capital Receipts Reserve | | | |
| Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (188) | 188 | |
| Transfer from Deferred Capital Receipts Reserve | | 1 | (1) |
| Use of the Capital Receipts Reserve to finance capital expenditure | (275) | | 275 |
| Adjustments involving the Pensions Reserve | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement. | 1,996 | (1,996) | |
| Employers' pension contributions and direct payments to pensioners payable in the year | (1,348) | | 1,348 |
| Adjustments involving the Collection Fund Adjustment Account | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements. | (29) | | 29 |
| Adjustment primarily involving the Accumulated Absences Account | | | |
| Amount by which officer remuneration charged to the CIES Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (14) | | 14 |
| Total adjustments | 4,566 | 59 | (4,625) |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

2. Transfers to or from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2013/14.

| | Balance at 31st March 2013 £000's | Transferred in £000's | Transferred out £000's | Balance at 31st March 2014 £000's | Purpose of reserve |
|---|--|-----------------------------|------------------------------|--|--|
| <u>Revenue Reserves</u> | | | | | |
| Regeneration Grants | 122 | - | (32) | 90 | For town centre improvement scheme |
| Cleaner & Greener Operations | - | 55 | - | 55 | For investment in road sweeping and play areas |
| HMO Reserve | - | 26 | - | 26 | For risk reserve, HMO licensing for 1st year of operation |
| Land Charges | 73 | 17 | - | 90 | For ring-fenced risk reserve, pending Government changes |
| Recreational Improvements | 49 | - | (13) | 36 | For improvements, including sports equipment replacement |
| Three Choir/Elgar Choral Festivals | 8 | 8 | - | 16 | For agreed contribution on 3 year cycle |
| Elections Reserve | 18 | 56 | - | 74 | For equalising the cost of elections over a four year period |
| Art & Museum Specimens | 13 | - | - | 13 | For acquisition of exhibits and initiatives |
| Housing & Planning Delivery Grant | 406 | - | (60) | 346 | For support to various SWDP, staffing and ICT developments |
| Climate Change Initiatives | 17 | - | - | 17 | For initiatives to improve climate change performance |
| Pension Backfunding | 630 | 231 | - | 861 | For funding pensions deficit, cash payments to start April 2014 |
| Change Programme Reserve | 124 | 418 | - | 542 | For transformation and commissioning costs |
| LAMS | - | 22 | (16) | 6 | For potential mortgage defaults on LAMS |
| Environment Warranty Insurance | 985 | - | - | 985 | For insurance premiums and claims on former housing land |
| Corporate Plan priority projects | 650 | 80 | (506) | 224 | For projects (e.g. Angel Place) committed but not drawn down |
| Subtotal Revenue Reserves | 3,094 | 912 | (626) | 3,380 | |
| <u>Capital/Other Reserves</u> | | | | | |
| Capital Replacement | 177 | 10 | (107) | 80 | For urgent capital replacement and maintenance |
| Asset Reserve - Swimming Pool | 79 | - | (33) | 46 | For swimming pool business case and implementation |
| Asset Reserve - Crematorium Filters/Burners | - | 69 | - | 69 | For required investment in crematorium facilities |
| Asset Reserve - Car Park Infrastructure | 108 | - | (51) | 57 | For required investment in car park infrastructure |
| Nunnery Lane Deposits | 19 | - | - | 19 | For developer deposits towards making up road for adoption |
| Guildhall Floodlights & Tourism | 30 | - | - | 30 | For Guildhall improvements |
| New Homes Bonus | 833 | 1,065 | (420) | 1,478 | For investments from the New Homes Bonus grant funding |
| Localised Business Rates | - | 578 | - | 578 | For economic growth/risk reserve, pending review of recurring impact |
| Regional Housing Pot Allocation | 423 | - | (10) | 413 | For ringfenced grant payments For home improvements |
| Subtotal Capital/Other Reserves | 1,668 | 1,723 | (621) | 2,769 | |
| Total Earmarked Reserves | 4,761 | 2,635 | (1,248) | 6,149 | |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

2. Transfers to or from Earmarked Reserves (cont.)

For comparison, this note sets out the amounts set aside in the previous year from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2012/13.

| | Balance at 31st March 2012 £000's | Transferred in £000's | Transferred out £000's | Balance at 31st March 2013 £000's | Purpose of reserve |
|---|--|-----------------------------|------------------------------|--|---|
| Revenue Reserves | | | | | |
| Regeneration Grants | 80 | 56 | (14) | 122 | For town centre improvement scheme |
| Cleaner & Greener Operations | 12 | | (12) | - | For investment in road sweeping and play areas |
| Land Charges | 74 | | (2) | 72 | For a ring-fenced programme |
| Building Control | 33 | | (33) | - | For a rolling programme |
| Recreational Improvements | 114 | | (66) | 48 | For improvements, including sports equipment replacement |
| Three Choir/Elgar Choral Festivals | 0 | 8 | | 8 | For agreed contribution on 3 year cycle |
| Elections Reserve | 18 | | | 18 | For equalising the cost of elections over a four year period |
| Art & Museum Specimens | 15 | | (2) | 13 | For acquisition of exhibits and initiatives |
| Housing & Planning Delivery Grant | 566 | | (160) | 406 | For support to various SWDP, staffing and ICT developments |
| Climate Change Initiatives | 17 | | | 17 | For initiatives to improve climate change performance |
| Pension Backfunding | 480 | 150 | | 630 | For funding pensions deficit, cash payments to start April 2014 |
| Change Programme (Priority Reserve) | 360 | 51 | (287) | 124 | For transformation and commissioning costs |
| Environment Warranty Insurance | 985 | | | 985 | For insurance premiums and claims on former housing land |
| Corporate Plan priority projects | 779 | | (128) | 651 | For projects (e.g. Angel Place) committed but not drawn down |
| Subtotal Revenue Reserves | 3,533 | 265 | (704) | 3,094 | |
| Capital/Other Reserves | | | | | |
| Capital Replacement | 390 | 50 | (263) | 177 | For urgent capital replacement and maintenance |
| Asset Reserve - Swimming Pool | 250 | | (171) | 79 | For swimming pool business case and implementation |
| Asset Reserve - Crematorium Filters/Burners | - | | | - | For required investment in crematorium facilities |
| Asset Reserve - Car Park Infrastructure | 50 | 58 | | 108 | For required investment in car park infrastructure |
| Nunnery Lane Deposits | 19 | | | 19 | For developer deposits towards making up road for adoption |
| Guildhall Floodlights & Tourism | 30 | | | 30 | For Guildhall improvements |
| New Homes Bonus | 406 | 676 | (250) | 832 | For investments from the New Homes Bonus grant funding |
| Regional Housing Pot Allocation | 454 | 50 | (81) | 423 | For ringfenced grant payments for home improvements |
| Subtotal Capital/Other Reserves | 1,599 | 834 | (765) | 1,668 | |
| Total Earmarked Reserves | 5,132 | 1,099 | (1,469) | 4,762 | |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

Analysis of non-service lines in the Comprehensive Income and Expenditure Statement:

| | 2013/14 £000's | 2012/13 £000's |
|---|--------------------------|-------------------|
| 3. Other operating expenditure | | |
| Precepts from Council Tax paid to parish councils | 112 | 115 |
| Payments to the Government | | |
| Housing Capital Receipts Pool | 1 | 1 |
| Total | 113 | 116 |

4. Financing and investment income and expenditure

| | | |
|---|--------------|-------|
| Interest payable and similar charges | 373 | 360 |
| Pensions interest cost and expected return on pensions assets | 1,610 | 966 |
| Interest receivable and similar income | (121) | (149) |
| Other investment income | (104) | (106) |
| Total | 1,758 | 1,071 |

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

5. Surplus or deficit on discontinued operations

| | | |
|--|--------------|-------|
| Gains on disposing of non-current assets | (868) | (188) |
| | (868) | (188) |

This gain comes from the sale of investment assets.

6. Taxation and non-specific grant income

| | | |
|----------------------------------|-----------------|----------|
| Council tax income | (4,833) | (5,511) |
| Non-domestic rates | (4,828) | (5,132) |
| Non-ringfenced government grants | (490) | - |
| Total | (10,151) | (10,643) |

The change in Council Tax is primarily because council tax support is now a discount for those eligible, rather than a benefit payment of their Council Tax.

WORCESTER CITY COUNCIL**NOTES TO THE CORE FINANCIAL STATEMENTS**

For the year ended 31st March 2014

7. Material items of income and expenditure

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

8. Grant income

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

| Shown within 'Taxation and non specific grant income' | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------|---------------------------|
| SBRR (Small Business Rates Relief grant) | (334) | - |
| Flood relief grant | (12) | - |
| Total | (345) | 0 |

| Shown within the 'Service Expenditure Analysis' lines | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------|---------------------------|
| DWP Housing Benefit Grants | (31,284) | (37,234) |
| DWP Housing Benefit Admin | (689) | (758) |
| DCLG Council Tax Freeze Grant | (54) | (134) |
| DCLG Local Services Support Grant | - | (162) |
| DCLG Council Reform New Burden Grant | - | (84) |
| DCLG-Mary Portas Pilot | - | (10) |
| DCLG Regional Housing | (18) | - |
| DCLG New Homes Bonus | (1,046) | (622) |
| DCLG Disabled Facilities Grant | (242) | (298) |
| DCLG Community Right to Challenge | (9) | (9) |
| DCLG Community Right to Bid | (8) | (5) |
| DWP Discretionary Housing Payments | (158) | (66) |
| Total | (33,508) | (39,382) |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

9. Analysis of PPE and movement on non-current assets

The changes in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were used during 2013/14 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

| | Land and Buildings £000s | Vehicles, Plant & Equipment £000s | Community Assets £000s | Assets under Construction £000s | Total Property Plant & Equipment £000s | Heritage Assets £000s | Investment Assets £000s |
|---|------------------------------------|---|----------------------------------|---|---|---------------------------------|-----------------------------------|
| <u>Cost or valuation</u> | | | | | | | |
| At 1 April 2013 | 57,477 | 12,038 | 409 | 50 | 69,974 | 6,883 | 3,901 |
| Additions | 245 | 158 | | 182 | 585 | | |
| Revaluation increases to revaluation reserve | 1,141 | | | | 1,141 | | 410 |
| Revaluation (decreases) to surplus/deficit on provision of services | (1,230) | | (3) | | (1,233) | | (9) |
| Derecognition - disposals | | | | | - | | |
| Derecognitions - other | 228 | | | (228) | - | | |
| Other movements | (4,876) | (343) | | (2) | (5,221) | | |
| At 31 March 2014 | 52,985 | 11,853 | 406 | 2 | 65,246 | 6,883 | 4,302 |
| <u>Accumulated depreciation</u> | | | | | | | |
| At 1 April 2013 | 5,796 | 8,123 | - | - | 13,919 | | - |
| Depreciation charge for year | 957 | 1,078 | | | 2,035 | | |
| Depreciation written out to the revaluation reserve | (2,299) | | | | (2,299) | | |
| Other movements | (2,415) | (238) | | | (2,653) | | |
| Derecognition – disposals | | | | | - | | |
| Derecognition – other | | | | | - | | |
| At 31 March 2014 | 2,039 | 8,963 | - | - | 11,002 | - | - |
| <u>Net book value</u> | | | | | | | |
| At 31 March 2014 | 50,946 | 2,890 | 406 | 2 | 54,244 | 6,883 | 4,302 |
| At 31 March 2013 | 51,681 | 3,915 | 409 | 50 | 56,055 | 6,883 | 3,901 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

9. Analysis of PPE and movement on non-current assets (cont'd)

| | Land and Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Total Property Plant & Equipment | Heritage Assets | Investment Assets |
|--|-----------------------|--------------------------------|---------------------|------------------------------|--|--------------------|----------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| <u>Cost or valuation</u> | | | | | | | |
| At 1 April 2012 | 59,722 | 11,751 | 409 | 888 | 72,770 | 6,883 | 3,595 |
| Additions | - | 287 | - | 60 | 347 | | - |
| Revaluation increases/(decreases) to revaluation reserve | 710 | - | - | - | 710 | | - |
| Revaluation increases/(decreases) to surplus/deficit on provision services | (2,952) | - | - | - | (2,952) | | 61 |
| Derecognition - disposals | (150) | - | - | - | (150) | | - |
| Derecognition - other | - | - | - | - | - | | - |
| Other reclassifications | 147 | - | (898) | - | (751) | | 245 |
| At 31 March 2013 | 57,477 | 12,038 | 409 | 50 | 69,974 | 6,883 | 3,901 |
| <u>Accumulated depreciation</u> | | | | | | | |
| At 1 April 2012 | 5,182 | 7,088 | | | 12,270 | | |
| Depreciation charge for year | 983 | 1,035 | | | 2,018 | | |
| Depreciation written out to revaluation reserve | (58) | - | | | (58) | | |
| Derecognition – disposals | (4) | - | | | (4) | | |
| Derecognition - other | (307) | - | | | (307) | | |
| At 31 March 2013 | 5,796 | 8,123 | 0 | 0 | 13,919 | 0 | 0 |
| <u>Net Book Value</u> | | | | | | | |
| At 31 March 2013 | 51,681 | 3,915 | 409 | 50 | 56,055 | 6,883 | 3,901 |
| At 31 March 2012 | 54,540 | 4,663 | 409 | 888 | 60,500 | 6,883 | 3,595 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

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

Capital commitments

As at 31st March 2014 the Council had approved the following capital budget:

| | at 31 March 2014 | | at 31 March 2013 | |
|--------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------------------------------|
| | Approved schemes £000s | Contractual commitments £000s | Approved schemes £000s | Contractual commitments £000s |
| Housing renovation | 380 | - | 380 | - |
| Riverside improvements | - | - | 210 | 210 |
| ICT investment | 30 | - | 100 | - |
| Vehicle/plant/bin replacements | 1,110 | - | 300 | - |
| CCTV | - | - | 16 | - |
| Perdiswell Culvert | 160 | - | - | - |
| Crematorium | 150 | - | 100 | - |
| Infrastructure replacement | 67 | - | 225 | - |
| Angel Place regeneration | 100 | - | 100 | - |
| Cornmarket regeneration | 78 | - | - | - |
| Swimming Pool | 5,500 | - | 300 | - |
| Fort Royal Park improvements | - | - | 225 | - |
| | 7,575 | - | 1,956 | 210 |

Asset valuation

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

Increases in the value of 'built for sale' homes and investment properties came from market movements, while increases in the value of most other items came from an increase in building costs. The car park valuations have changed significantly. Thirteen car parks were re-valued, ten downwards on the basis of changes in future income streams owing to changes in the patterns of use. The increase relating to Investment Properties is mainly from industrial units whose value is heavily dependent on the wider economic market driving demand for units up or down.

| | 2013/14 | 2012/13 |
|------------------------------------|---------------------|---------------------|
| | Change £000s | Change £000s |
| Revaluations and impairments were: | | |
| <u>Operational Properties</u> | | |
| Community centres | 175 | - |
| Sports facilities | 100 | - |
| Car parks | (2,689) | - |
| Depots | (142) | - |
| Offices | - | (200) |
| Museums | - | (1,750) |
| Other | 159 | 595 |
| <u>Non-Operational Properties</u> | | |
| Buildings (Investment Properties) | 398 | 61 |
| | (1,999) | (1,294) |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

10. Heritage Assets

| Cost or Valuation | Memorials £'000 | Museums £'000 | Guildhall £'000 | Total £'000 |
|--------------------------|---------------------------|-------------------------|---------------------------|-----------------------|
| 1 April 2012 | 15 | 5,840 | 1,028 | 6,883 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Revaluations/Impairments | - | - | - | - |
| Depreciation | - | - | - | - |
| 31 March 2013 | 15 | 5,840 | 1,028 | 6,883 |
| 1 April 2013 | 15 | 5,840 | 1,028 | 6,883 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Revaluations/Impairments | - | - | - | - |
| Depreciation | - | - | - | - |
| 31 March 2014 | 15 | 5,840 | 1,028 | 6,883 |

General

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

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

Memorials - A memorial in memory of a former council employee, the Stuart McNidder Memorial, located on the Sidbury canal bridge, features helmets, breastplates and pikes to represent the opposing sides of the Civil War. The memorial is reported in the balance sheet at insurance valuation.

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

Guildhall - The Guildhall collections are reported in the balance sheet based upon historic valuations provided in May 1999 by Andrew Grant Fine Art. The collection held at the Guildhall includes oil paintings, water colours, prints, antiques, furnishings, porcelain, silver and Civic Regalia.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

10. Heritage Assets: Further information on the Councils' collections

Natural History

Herbarium

A large and significant part of the collections, with at least 10,000 individual specimens comprising a wide variety of flowering plants, mosses, algae, lichens, liverworts, ferns and fungi, the majority from Worcestershire and including the earliest recorded specimens of several species. The nineteenth century collections of local naturalists include those of William Matthews, Harvey Buchanan Holl, and J.H. Thompson. The collection of over 300 specimens of flora from Wyre Forest was amassed by George Jordean, butler to a surgeon from Bewdley. The herbarium is now generally very fragile and the greatest priority is to improve its storage.

Geology

The geological collection was mainly assembled in the 19th century. It holds important scientific material including type, figured and cited specimens. It has historical significance because of the association with the early pioneers of the science including Murchison, Phillips, Lyell, Buckland and Owen. The individual collections of well known local geologists can still be recognised, including Strickland, Hastings, Symonds, Buchanan Hall, Allies, Roberts, Reece and Winnington-Ingram.

Stratigraphical Collection

A large collection of British rocks and fossils dating from the Precambrian to the Pleistocene. The majority are from Worcestershire and the neighbouring counties. They include material collected during the construction of the Malvern and Ledbury railway tunnels in the nineteenth century. Many individual collections have been amalgamated to form this reference collection.

Vertebrate Collection

A small collection of mainly British and local vertebrate fossils determined and listed by Delair. It contains some of the most spectacular specimens as well as important scientific and historical material. The particular strengths are local Old Red Sandstone fish, Liassic ichthyosaurs and Pleistocene mammal remains from the River terrace deposits of the Severn and Avon.

Birds, Mammals, Fish, Shells and Insects

A substantial collection of birds both full mounts and study skins. The largest single part of the collection, including most of the study skins, was bequeathed to the Museum in 1907 by Robert Fisher Tomes, a local Justice of the Peace and collector.

A selection of British, particularly local, mammal specimens purchased mainly in the late twentieth century. This is further enhanced by groups of horns and bones.

A small collection of mainly British freshwater fish, but including the amazing sturgeon, nearly 2 metres in length, which was caught in Worcester in the 1830s.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

10. Heritage Assets: Further information on the Councils' collections (cont'd)

A small group of mainly British corals, sponges, sea urchins and crustaceans.

Some 10,000 examples of land, sea and freshwater shells, including collections by Whitmore, Gale, Martin, Moseley and Thomas. This includes examples from Worcestershire, and is one of the largest such collections in a provincial museum.

Several thousand specimens of mainly British butterflies, moths and beetles, including the collections of Carlton Rea and Bloom, and those from the former Malvern Museum.

Fine Art

Early work includes two 17th century views of the city and a Dutch interior by David Teniers III (1638-85), as well as a landscape attributed to Thomas Gainsborough (1727-1788).

A good collection of 19th century landscape paintings by important local artists including, Benjamin Williams Leader, Henry Harris Lines, Harry Adams, David Bates.

A significant collection of late 19th century and early 20th century landscape and interior paintings showing the influence of French plein-air naturalism, alongside a British concern for social realism. This area of the collection includes work by Alexander Stanhope Forbes (1857 - 1947), William Blandford Fletcher (1858-1936), Charles Napier Hemy (1841-1917), Arthur Mead (1864-1948), Julius Olson (1864-1942) Laura Knight (1877-1970) and Sir Arnesby Brown (1866 -1955). Many of these artists were of national importance and were members of the New England Art Club (NEAC). This area of the collection is important as it represents the start of modernism in British art, providing a link between the strengths of the 19th century collections and the contemporary collection of landscape based work.

The Sale Bequest of 19th century English watercolours is one of the strongest and most coherent elements of the collection. There are 87 watercolours altogether, including 29 works by David Cox (1783-1859), and works by Samuel Prout (1783-1852), Peter de Wint (1784-1849), Thomas Sidney Cooper, William Callow (1812-1908) and W.J. Muller (1812-1845).

A small collection of 20th century watercolours including work by Lamorna Birch and Eileen Lawrence.

A significant collection of contemporary work in all medias acquired through the Contemporary Art Society Special Collections Scheme with funding from the Arts lottery and the Elmley Foundation. This collection focuses on work which explores the imagery of contemporary landscape, particularly that which contrasts with the often idyllic rural scenes already represented in the rest of the art collection. This collection includes works by Paul Seawright, Sophy Ricketts, Willie Doherty, Heather & Ivan Morrison, Carol Rhodes and Dan Holdsworth.

Topographical paintings, prints, drawings and photographs of Worcester, many of exceptional artistic merit and documentary value.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

10. Heritage Assets: Further information on the Councils' collections (cont'd)

Archaeology

Includes:

Large deposits from the key city centre excavations Lychgate, Crown Gate, Blackfriars, Sidbury, Copenhagen Street, High Street, Deansway and the Magistrates Court.

Significant collections of flints by three key collectors: A.E. Jones, Bruton and Bowen. Stone axes from several sites across Worcestershire.

Bronze age pottery and axes from sites both in the city and wider county; a Bronze Age sword dredged from the River Severn.

Roman pottery, glass, metalwork, glassworking and bronzeworking waste plus a rural Roman milestone. Roman Severn Valley and Samian ware are also well represented.

Anglo Saxon jewellery, metalwork, a sword and scabbard and a saggy-bottomed pot from sites both in the city and wider county.

Medieval pottery, floortiles, domestic metalwork, glass, shoes and a rare barrel latrine from sites within the city walls.

Post medieval pottery and glass bottles. Eighteenth and Nineteenth porcelain waste and kiln furniture from the city industry.

Human remains including Roman cremations and skeletons demonstrating industrial and social illnesses and medical interventions. The nature of the city site is that burial grounds have been filled and subsequently redeveloped for alternative uses. A more detailed policy to cover this complex area of human history collecting is currently in draft format.

Associated documentary archives of pro-forma site records, notes, maps, plans, drawings, photographs, written reports and digital material.

Social History & Applied Art

Includes:

Working Histories

Large industrial and agricultural machinery from key Worcester firms including items from Lee & Perrins, Fownes Glovemakers, Spetchley Bros Brewery and Guinness Hop Farm. In some cases they represent the first stage of mechanisation and demonstrate local enterprise and creativity in the design of the process.

Sizeable collections from individual Worcester tradesmen and small firms, including the Stewards Chemist Shop, Littlebury printers, early twentieth century offices and a cobbler's shop.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

10. Heritage Assets: Further information on the Councils' collections (cont'd)

A large and important collection of gloves - the Ring Glove collection – and a range of glovemaking tools both from factories and outworkers. This reflects Worcester's international recognition between the 18th and 20th century as a centre for the manufacture of gloves.

A small collection of shoes drawn from Worcester's late nineteenth and early twentieth century shoemaking factories.

A representative collection of Royal Worcester porcelain (a comprehensive collection is held by the Museum of Worcester Porcelain) from 1751 to the present day alongside interesting examples of work by other local, English and international manufacturers, with a particularly strong collection of Boehm of Malvern.

Ephemera from Worcester firms such as Kays.

Community, Domestic and Personal Histories

Architectural fragments, particularly from churches, in Worcester. In some cases the area has been redeveloped and the building no longer exists. Together with photographic records recording architectural change in the city, these form a physical record of the urban landscape.

Weaponry, armour and historic items relating to the Civil War period and the particular role of Worcester.

Coins, tokens and medals, both with a Worcester connection and from wider England, including coinage from the earliest times.

A moderately-sized costume collection including some examples of agricultural costume and a small collection on long-term loan collected by the Worcester Women's Institute.

Domestic items with a particular strength in kitchen items and cookery.

A small collection of furniture, including a varied school collection.

Preservation and Management

Appropriate storage, handling and, when required, conservation ensure that the collections continue to be accessible to the people of Worcestershire and beyond. Budget and staff time are allocated each year towards achieving a professional level based on exceeding the minimum standard in *Benchmarks in Collections Care for Museums, Libraries and Archives* and on raising the *Fast Forward* benchmark score.

10. Heritage Assets: Further information on the Councils' collections (cont'd)

With many artefacts, a balance must be reached to enable access today and preservation for the future. Curatorial judgements are made about loans, displays, educational activities and storage methods on an object-by-object basis but with an overarching presumption that access should be increased wherever possible.

Specialist expert advice is sought whenever collections require active intervention or conservation. Use is made of professional networks and of staff funded through Arts Council England Renaissance funding streams.

The number of objects requiring active conservation is larger than resources available and additional funding is sought through grant applications and public appeals. Prioritisation of spend is based on a triage judgement of damage and is planned alongside the exhibition and display programmes. Museums Worcestershire will display items requiring conservation in their damaged state if to do so will not further increase the damage, but these will always be accompanied by an explanation of the issue for the public. Active conservation work is commissioned from professional conservators on the *Conservation Register* either to train in-house staff and volunteers or to undertake specialised work.

The Worcester City Museums Acquisition and Disposal Policy 2008-2013 and the Museums Worcestershire Collections Management Policy detail procedures and policy for collection development, care, research and conservation.

Heritage Assets: Summary of Transactions

Transaction Information is not provided before 1 April 2010 as it is not practical to provide this information.

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

11. Investment properties - income

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

| | 2013/14 | 2012/13 |
|--|----------------|---------|
| | £000's | £000's |
| Rental income from investment property | (104) | (106) |
| | (104) | (106) |

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

12. Long Term Debtors

The Council's long term debtors are due to pay in more than one year and include:

| | 2013/14 £000's | 2012/13 £000's |
|---|---------------------------------|-------------------|
| Local Authority Mortgage Scheme Deposit | 1,000 | 1,000 |
| Deferred Capital Receipts | 2 | 3 |
| | 1,002 | 1,003 |

In November 2012 the Council approved Worcester City Council to participate in the Local Authority Mortgage Scheme (LAMS), a scheme to provide help to first time buyers who can afford mortgage payments but not the initial deposit. The Scheme has a maximum indemnity value of £2,000,000 with an initial scheme value of £1,000,000 in 2013/14, a maximum loan size to an individual borrower of £171,000, and is restricted to properties with postcodes falling within the district boundary.

13. Investments

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

| | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------------|-------------------|
| Bank/Building Society balances at amortised cost - invested: | | |
| Over 3 months and up to 12 months | 6,000 | 2,000 |
| | 6,000 | 2,000 |

Joint ventures:

Worcester Racecourse Ltd (WRL) is a joint venture company owned 81% by Arena Leisure Plc and 19% by Worcester City Council. The purpose of the venture is to operate National Hunt Racing at the Racecourse on Pitchcroft, an activity which is authorised by the Worcester City Council Act 1985. The Council has 19 £1 shares with voting rights. The latest available set of Audited Accounts is as at 31st December 2012 and shows that the shareholders deficit at that time had increased to £3,810,253 from £3,675,415 on 31st December 2012. Therefore, the Council has not revalued the fair value of the investment.

WRL is a company with limited liability and so in the event of losses or deficits the Council's liability is restricted to the £19 value of its shareholding. Copies of the audited accounts for WRL are available from Companies House.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

14. Assets held for sale

| | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------|-------------------|
| Current assets | | |
| Opening balance | 505 | - |
| Assets newly classified as held for sale | 8 | 530 |
| Revalued on re-classification | (25) | (25) |
| Property, Plant & Equipment disposals | (505) | |
| Closing balance | 8 | 505 |

Assets that are available for immediate sale in their present condition, and where a sale is highly probable, are shown separately from the assets that the Council uses to deliver its services or to provide future income.

15. Inventories

| | £000's | £000's |
|---------------------|---------------|--------|
| Miscellaneous stock | 1 | 3 |
| Operational stock | 15 | 15 |
| IT consumables | - | 10 |
| | 16 | 28 |

Most of the 'operational stock' carried by the Council is used day-to-day in providing its services to the people of Worcester. IT consumables are no longer held in stock now that IT support is provided by a shared services arrangement with Malvern Hills District Council and Wychavon District Council.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

16. Debtors

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

| | 2013/14 £000's | 2012/13 £000's |
|------------------------------------|---------------------------------|-------------------|
| Council taxpayers | 266 | 184 |
| Government departments | 2,825 | 1,258 |
| Local authorities | 114 | 103 |
| Worcester Community Housing | 631 | 194 |
| Payments in advance | 124 | 94 |
| Other debtors | 2,632 | 2,610 |
| | 6,592 | 4,443 |
| Less: provision for doubtful debts | (1,057) | (689) |
| | 5,534 | 3,754 |

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

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

17. Cash and cash equivalents

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

| | 2013/14 £000's | 2012/13 £000's |
|-----------------------------------|---------------------------------|-------------------|
| Cash and bank held by the Council | (105) | 2,003 |
| Short term investments | 9,000 | 7,100 |
| | 8,895 | 9,103 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

18a. Creditors

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

| | 2013/14 £000's | 2012/13 £000's |
|----------------------------------|---------------------------------|-------------------|
| Government departments | 200 | 208 |
| Local Authorities | 1,488 | 1,077 |
| Receipts in advance | 2,115 | 1,736 |
| Section 106 planning obligations | 2,076 | 1,842 |
| Other creditors | 1,504 | 1,188 |
| | 7,383 | 6,051 |

18b. Provisions

| | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------------|-------------------|
| Non Domestic Rates - Appeals Provision | 2,128 | 0 |
| | 2,128 | 0 |

This is a new requirement in 2013/14, arising from changes to the national scheme for managing business rates.

19. Long term borrowing

An analysis of loans by lender category and by maturity is as follows:

| | 2013/14 £000's | 2012/13 £000's |
|--------------------------------|---------------------------------|-------------------|
| P.W.L.B. | 3,515 | 3,532 |
| Money market | 5,073 | 5,073 |
| | 8,588 | 8,605 |
| Maturing within one year | 5,140 | 5,116 |
| Maturing in 1-2 years | 41 | 41 |
| Maturing in 2-5 years | 1,114 | 1,114 |
| Maturing in 5-10 years | 253 | 253 |
| Maturing in more than 10 years | 2,040 | 2,081 |
| | 8,588 | 8,605 |

P.W.L.B. is the Public Works Loans Board, an Executive Agency of HM Treasury which lends money from the National Loans Fund to local authorities at cheaper rates than are usually available from commercial banks and other lenders.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

20. Pension costs

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

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

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the 'earned' cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Statement during 2013/14:

Included in the Comprehensive Income and Expenditure Account

| | 2013/14 £000's | 2012/13 £000's |
|---|--------------------------|--------------------------|
| Net cost of service | | |
| Current service cost | 1,224 | 990 |
| Past service and curtailment costs | 21 | 40 |
| Net operating expenditure | | |
| Net interest cost | 1,610 | 966 |
| Appropriations | | |
| Movement on pensions reserve | (1,563) | (648) |
| Net charge to the Comprehensive Income and Expenditure account | 1,292 | 1,348 |

Included in the Movement in Reserves Statement

Reversal of net charges made for retirement

| <u>Amount charged against council tax</u> | | |
|---|--------------|-------|
| Employer's contribution payable to the scheme | 1,313 | 1,348 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

20. Pension costs (cont'd)

Assets and liabilities in relation to retirement benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31st March are as follows:

| | 31st March 2014 £000's | 31st March 2013 £000's | 31st March 2012 £000's | 31st March 2011 £000's | 31st March 2010 £000's |
|------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Market value of assets | 51,647 | 54,527 | 49,177 | 52,615 | 50,812 |
| Estimated liabilities | (85,571) | (93,499) | (82,182) | (77,499) | (84,599) |
| Net liability | (33,924) | (38,972) | (33,005) | (24,884) | (33,787) |

The net liability of £33,924m is a measure of the extent to which the pension fund's existing assets do not meet estimated future liabilities. The deficit in the scheme is not payable immediately and it will be made good by future pension contributions made over the remaining working lives of employees, as estimated by the schemes actuaries.

The Worcester City Council Pension fund is managed over a significant period and an estimated deficit position on the pension fund at this stage has no direct impact upon the level of the Council's General Fund reserves.

Basis for estimating assets and liabilities

The pension fund liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions including the future number of pensioners and salary levels etc. The pension fund liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. The estimates for the fund are based upon the latest actuarial valuation of the scheme as at 31st March 2013.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The principal assumptions used by the actuary are:

| | 2013/14 | 2012/13 |
|------------------------------|----------------|----------------|
| | % | % |
| Rate of CPI inflation | 2.4 | 2.4 |
| Rate of increase in salaries | 3.9 | 3.9 |
| Rate of increase in pensions | 2.4 | 2.4 |
| Discount rate on liabilities | 4.4 | 4.2 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

20. Pension costs (cont'd)

| | Proportion of assets 2013/14 % | Proportion of assets 2012/13 % | |
|---|---|---|------|
| Equities | 91.3 | 90.8 | |
| Bonds - Government | 0.0 | 0.0 | |
| Bonds - Other | 6.3 | 7.4 | |
| Cash / Liquidity | 2.4 | 1.8 | |
| Mortality assumptions: | 2013/14 | 2012/13 | |
| Life expectancy (years) at 65 : current pensioners: | | | |
| | Men | 23.3 | 22.5 |
| | Women | 25.7 | 25.0 |
| Life expectancy (years) at 65 for future pensioners: | | | |
| | Men | 25.5 | 24.3 |
| | Women | 28.0 | 27.0 |
| Commutation of pension for lump sum at retirement | 50% | 50% | |
| | 2013/14 | 2012/13 | |
| | £000's | £000's | |
| Movement in liability | | | |
| Net pensions liability at 1st April | (38,972) | (33,005) | |
| Current service costs | (1,224) | (1,014) | |
| Employer's contributions | 1,313 | 1,348 | |
| Administration expenses | (21) | (16) | |
| Past service / curtailment cost | (21) | (40) | |
| Net interest / return on assets | (1,610) | (1,585) | |
| Actuarial gain (loss) | 6,611 | (4,660) | |
| Net pensions liability at 31st March | (33,924) | (38,972) | |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

20. Pension Costs (cont'd)

| | 31st March 2014 | 31st March 2013 | 31st March 2012 | 31st March 2011 | 31st March 2010 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | % | % | % | % | % |
| Difference between expected and actual return on assets | 7.5 | 7.5 | 9.4 | (0.8) | (27.4) |
| Experience | | | | | |
| Gains/losses on Liabilities | 0.0 | 0.0 | 0.0 | 6.9 | 0.0 |

Pensions liability relating to shared services

For those Shared Services governed by Joint Committees this Council transferred its staff to the host authorities (Wychavon District Council – Revenues and Benefits, Worcestershire County Council – Worcestershire Hub, Museums and ICT, Malvern Hills District Council - Building Control and Bromsgrove District Council for Regulatory Services) on a fully funded basis for pension's purposes.

The shared services were admitted to the pensions fund as a ghost admitted bodies, and as such any liability or surplus that accrues is the responsibility of the partners to those shared services. This arrangement has now changed for the shared services within the South Worcestershire Shared Service Joint Committee and on 1st April 2011 each partner council's share of the ghost admitted bodies' assets and liabilities in the pension scheme was transferred back to them. The staff of each shared service are now included within the host council's scheme.

The tables below show the overall deficit of the remaining shared service still in a ghost admitted body – Worcestershire Regulatory Shared Service. The council's share of assets and liabilities in this scheme represents 11.11% of the total.

| | As at 31 March 2014 | As at 31 March 2013 |
|---|---------------------------------|---------------------------------|
| | Regulatory Services £'000 | Regulatory Services £'000 |
| Present value of liabilities | (21,545) | (21,858) |
| Fair value of assets | 17,397 | 19,618 |
| Deficit in scheme | (4,148) | (2,240) |
| Worcester City Council share of deficit | (461) | (249) |

No provision is made to recover the deficits within this account. The deficit will be made good over time, either through improved fund performance or through higher contribution rates being paid into the fund as advised by the independent actuaries.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

| 21. Usable reserves | 2013/14 | 2012/13 |
|----------------------------|----------------|---------|
| | £000's | £000's |
| Earmarked Reserves | 6,149 | 4,762 |
| General Fund Balance | 1,265 | 1,260 |
| Useable Capital Receipts | 3,273 | 1,910 |
| | 10,687 | 7,931 |

The Council's 'usable reserves' represent money that can be used to pay for services or reduce the amounts that have to be raised from taxation.

Earmarked reserves have been set aside for specific spending in the future, and Note 2 lists all the earmarked reserves and shows the changes during the year.

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

| 22. Unusable reserves | 2013/14 | 2012/13 |
|---|-----------------|----------|
| | £000's | £000's |
| Revaluation Reserve | 13,814 | 12,263 |
| Capital Adjustment Account | 45,565 | 48,583 |
| Pensions Reserve | (33,924) | (38,972) |
| Deferred Capital Receipts | 2 | 3 |
| Accumulating Compensated Absences | | |
| Adjustment Account | (191) | (207) |
| Collection Fund Adjustment Account | (1,092) | 4 |
| Balance at 31st March | 24,174 | 21,673 |

The Council's 'unusable reserves' cannot be used to provide services or reduce the amounts that have to be raised by taxation. They are shown in more detail on the following pages.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

22. Unusable Reserves (cont'd)

Revaluation Reserve

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

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

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

| | 2013/14 £000's | 2012/13 £000's |
|---|--------------------------|-------------------|
| Balance at 1st April | 12,263 | 11,747 |
| Gained after revaluing assets | 1,551 | 766 |
| Loss after disposing of assets | - | (250) |
| Balance at 31st March | 13,814 | 12,263 |

Capital Adjustment Account

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

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

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

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

22. Unusable Reserves (cont'd)

Capital Adjustment Account

| | 2013/14 £000's | 2012/13 £000's |
|---|---------------------------------|-------------------|
| Balance at 1st April | 48,583 | 52,196 |
| <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | |
| Charges for depreciation and impairment of non current assets | (3,540) | (4,371) |
| Revenue expenditure funded from capital under statute | (431) | (446) |
| Accumulated Depreciation written out | | 22 |
| Statutory provision for repayment of debt | 491 | 536 |
| Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement | (505) | (146) |
| <i>Capital financing applied in the year:</i> | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 10 | 275 |
| Capital contributions | - | - |
| Use of earmarked reserves | 648 | 156 |
| Application of grants to capital financing | 309 | 361 |
| Balance at 31st March | 45,565 | 48,583 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

22. Unusable Reserves (cont'd)

Pensions Reserve

| | 2013/14 £000's | 2012/13 £000's |
|--|--------------------------|------------------------|
| Balance at 1st April | (38,972) | (33,005) |
| Actuarial gains or losses on pension assets and liabilities | 6,611 | (5,319) |
| 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 | (2,876) | (1,996) |
| Employer's pension contributions and direct payments to pensioners payable in the year | 1,313 | 1,348 |
| Balance at 31st March | <u>(33,924)</u> | <u>(38,972)</u> |

Deferred Capital Receipts

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

| | 2013/14 £000's | 2012/13 £000's |
|----------------------------------|--------------------------|-------------------|
| Opening Balance | 3 | 4 |
| Council house purchaser payments | (1) | (1) |
| Closing Balance | <u>2</u> | <u>3</u> |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

22. Unusable Reserves (cont)

Accumulating Compensated Absences Adjustment Account

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

This account is required by International Financial Reporting Standards.

| | 2013/14 £000's | 2012/13 £000's |
|---|---------------------------------|-------------------|
| Balance at 1st April | (207) | (221) |
| Amounts accrued at the end of the current year | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 16 | 14 |
| Balance at 31st March | (191) | (207) |

Collection Fund Adjustment Account

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

| | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------------|-------------------|
| Balance at 1st April | 4 | (25) |
| Amount by which Collection Fund council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements: | | |
| - Council Tax | 28 | 29 |
| - NNDR (Business rates) | (1,124) | - |
| Balance at 31st March | (1,092) | 4 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

23. Cash Flow Statement - operating activities

The cash flows for operating activities come from:

| | 2013/14 £000's | 2012/13 £000's |
|-------------------|--------------------------|-------------------|
| Interest received | (121) | (149) |
| Interest paid | 373 | 360 |
| | 251 | 211 |

24. Cash Flow Statement - investing activities

The cash flows for investing activities come from:

| | 2013/14 £000's | 2012/13 £000's |
|---|--------------------------|-------------------|
| Purchase of property, plant and equipment | 585 | 347 |
| Other payments for investing activities | 431 | 446 |
| Payments to capital receipts pool | 1 | 1 |
| Proceeds from the sale of Property, Plant and Equipment and of Investment | | |
| Property | (733) | (333) |
| Capital grants received | | - |
| Other receipts from Investing Activities | | - |
| Net cash flows from investing activities | 284 | 461 |

25. Cash Flow Statement - financing activities

The cash flows for financing activities come from:

| | 2013/14 £000's | 2012/13 £000's |
|--|--------------------------|-------------------|
| Receipts of short & long term borrowing | - | (1,000) |
| Other receipts from financing activities | - | - |
| Repayments of short and long-term borrowing | 17 | 66 |
| Other payments for financing activities | - | - |
| Net Cash Flow from financing activities | 17 | (934) |

26. Cashflow - cash and cash equivalents

The total movements and balances each year are:

| | 2013/14 £000's | 2012/13 £000's |
|-----------------|--------------------------|-------------------|
| Opening balance | 9,103 | 9,399 |
| Changes in year | (208) | (296) |
| Closing balance | 8,895 | 9,103 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

27. Amounts reported for resource allocation decisions - segmental analysis

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

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

| Segmental analysis | Managing Director £000's | Corporate Director - Service Delivery £000's | Corporate Director - Resources £000's | Total £000's |
|--|---|---|--|-------------------------------|
| 2013/14 | | | | |
| Fees, charges and other service income | (389) | (8,072) | (204) | (8,665) |
| Government grants | (914) | (2,272) | (33,005) | (36,191) |
| Employee expenses | 1,589 | 6,327 | 1,470 | 9,386 |
| Other expenses | 5,855 | 5,547 | 32,542 | 43,944 |
| Support service recharges | (2,735) | 1,833 | 902 | 0 |
| Net cost of services | 3,406 | 3,363 | 1,705 | 8,474 |
| Amounts not reported in-year | | | | 3,579 |
| Net cost of services | | | | 12,053 |

| | Managing Director £000's | Corporate Director - Service Delivery £000's | Corporate Director - Commissioning, Customer Service & Communication £000's | Total £000's |
|--|---|---|--|-------------------------------|
| 2012/13 | | | | |
| Fees, charges and other service income | (1,034) | (9,785) | (450) | (11,269) |
| Government grants | (38,433) | (319) | (99) | (38,851) |
| Employee expenses | 1,445 | 6,716 | 1,707 | 9,868 |
| Other expenses | 38,635 | 5,168 | 6,136 | 49,939 |
| Support service recharges | (3,584) | 2,375 | 1,209 | 0 |
| Net cost of services | (2,971) | 4,155 | 8,503 | 9,687 |
| Amounts not reported in-year | | | | 4,728 |
| Net cost of services | | | | 14,415 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

28. Amounts reported for resource allocation decisions

Reconciliation to deficit on CIES provision of services

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

The total line below matches the "Deficit on provision of services" line in the Comprehensive Income and Expenditure Statement.

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

| Subjective analysis - Type of income and expenditure 2013/14 | Segmental Analysis | Not reported in-year to Management | Net Cost of Services | Corporate Amounts | Total |
|---|---------------------------|---|-----------------------------|--------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (8,020) | - | (8,020) | - | (8,020) |
| Interest and investment income | - | - | - | 1,489 | 1,489 |
| Rents | (458) | - | (458) | (104) | (562) |
| Income from council tax | - | - | - | (4,833) | (4,833) |
| Housing and council tax benefits | (31,297) | - | (31,297) | - | (31,297) |
| Benefits administration | (689) | - | (689) | - | (689) |
| Other government grants | (1,647) | - | (1,647) | (5,318) | (6,965) |
| Other income | (2,885) | (7) | (2,892) | - | (2,892) |
| Total income | (44,996) | (7) | (45,003) | (8,766) | (53,769) |
| Employee expenses | 9,386 | 21 | 9,407 | - | 9,407 |
| Premises related expenses | 1,979 | (104) | 1,875 | - | 1,875 |
| Transport related expenses | 785 | - | 785 | - | 785 |
| Supplies and services | 1,923 | (301) | 1,622 | 373 | 1,995 |
| Third party payments | 8,022 | - | 8,022 | - | 8,022 |
| Transfer payments | 31,375 | - | 31,375 | (756) | 30,619 |
| Capital charges | - | 3,970 | 3,970 | - | 3,970 |
| Gross cost of services | 53,470 | 3,586 | 57,056 | (383) | 56,673 |
| Deficit on the provision of services | 8,474 | 3,579 | 12,053 | (9,149) | 2,904 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

28. Amounts reported for resource allocation decisions (cont)
Reconciliation to surplus (deficit) on CIES provision of services

The table below shows comparative figures for the previous year.

| | Segmental Analysis | Not reported in-year to Management | Net Cost of Services | Corporate Amounts | Total |
|---|--------------------|------------------------------------|----------------------|-------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| <u>2012/13</u> | | | | | |
| Fees, charges & other service income | (7,956) | - | (7,956) | - | (7,956) |
| Interest and investment income | - | - | - | 818 | 818 |
| Rents | (387) | - | (387) | (106) | (493) |
| Income from council tax | - | - | - | (5,511) | (5,511) |
| Housing and council tax benefits | (37,234) | - | (37,234) | - | (37,234) |
| Benefits administration | (758) | - | (758) | - | (758) |
| Other government grants | (1,324) | - | (1,324) | (5,132) | (6,456) |
| Other income | (2,462) | (358) | (2,820) | - | (2,820) |
| Total income | (50,121) | (358) | (50,479) | (9,931) | (60,410) |
| Employee expenses | 9,869 | 40 | 9,909 | - | 9,909 |
| Premises related expenses | 2,155 | - | 2,155 | - | 2,155 |
| Transport related expenses | 792 | - | 792 | - | 792 |
| Supplies and services | 2,184 | - | 2,184 | 361 | 2,545 |
| Third party payments | 7,792 | - | 7,792 | - | 7,792 |
| Transfer payments | 37,017 | - | 37,017 | (73) | 36,944 |
| Capital charges | - | 5,046 | 5,046 | - | 5,046 |
| Gross cost of services | 59,809 | 5,086 | 64,895 | 288 | 65,183 |
| Deficit on the provision of services | 9,688 | 4,728 | 14,416 | (9,643) | 4,773 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

29. Members' allowances

Councillors (or Members) are not paid but do receive allowances. Part 6 of Worcester City Council's Constitution sets out the rules for the Members' Allowance Scheme, and is available on the Council's public website. The allowances paid are recommended by an independent remuneration panel and approved by full Council.

The amount paid to members for basic allowances, special responsibility allowances and attendance allowances, travel and subsistence and ICT allowance in 2013/14 was £207,724 (2012/13 £207,746).

30. Employees' remuneration

The number of Council employees whose remuneration (excluding employers pension contributions) was in excess of £50,000 was:

| Remuneration Band | Number of employees | |
|--------------------------|----------------------------|----------------|
| | 2013/14 | 2012/13 |
| £50,000 - £54,999 | 2 | 2 |
| £54,999 - £59,999 | 1 | 3 |
| £60,000 - £64,999 | 2 | 1 |
| £65,000 - £69,999 | - | 1 |
| £70,000 - £74,999 | 2 | 1 |
| £75,000 - £79,999 | - | - |
| £80,000 - £84,999 | - | - |
| £85,000 - £89,999 | - | - |
| £105,000 - £109,999 | 1 | 1 |
| £120,000 - £124,999 | - | - |
| | <hr/> 8 | <hr/> 9 |

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

30. Employees' remuneration (cont.)

The total remuneration of senior management (including employers pension contributions) earning between £50,000 and £150,000 per year was:

| <u>Post Title</u> | 2013/14 | | | | |
|--------------------------------|---|------------------------|-------------------|-------------------------------|----------------|
| | Salary, Allowances, Benefits £ | Loss of Office £ | Sub Total £ | Pension Contributions £ | Total £ |
| Managing Director | 105,784 | - | 105,784 | 24,118 | 129,902 |
| Corporate Director - SD * | 72,483 | - | 72,483 | 16,504 | 88,987 |
| Corporate Director - Resources | 72,736 | - | 72,736 | 16,516 | 89,252 |
| PIE Service Manager ** | 64,875 | - | 64,875 | 14,792 | 79,667 |
| | 315,878 | - | 315,878 | 71,930 | 387,808 |

* SD - Corporate Director - Service Delivery

** Also the Council's Monitoring Officer

These are the managers who make up the Corporate Management Team (CMT).

| <u>Post Title</u> | 2012/13 | | | | |
|---|---|------------------------|-------------------|-----------------------------|----------------|
| | Salary, Allowances, Benefits £ | Loss of Office £ | Sub Total £ | Pension Contrib'n's £ | Total £ |
| Managing Director | 105,824 | - | 105,824 | 23,175 | 128,999 |
| Corporate Director - CCC * | 66,403 | 59,491 | 125,894 | 14,542 | 140,436 |
| Corporate Director - SD ** | 72,440 | - | 72,440 | 15,864 | 88,304 |
| Corporate Director - Resources / Finance Services Manager*** | 65,295 | - | 65,295 | 14,235 | 79,530 |
| | 309,962 | 59,491 | 369,453 | 67,816 | 437,269 |

* CCC = Commissioning, Customer Services & Communication; post redundant 01 March 2013

** SD = Service Delivery

*** Finance Service Manager appointed to new Corporate Director - Resources role 18 March 2013.

31. Exit Packages

Number of exit packages agreed:

| | 2013/14 | | 2012/13 | |
|-----------------------|----------------|---------------|----------------|---------------|
| | Number | £000's | Number | £000's |
| In the band £0-£20k | 9 | 76 | 13 | 64 |
| In the band £20k-£40k | - | - | 4 | 101 |
| In the band £40k-£60k | - | - | 1 | 59 |
| | 9 | 76 | 18 | 224 |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

32. Fees payable to auditors

Grant Thornton UK LLP are the Council's auditors appointed by the Audit Commission for 2013/14. The Council has incurred the following fees for the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non audit services provided by the Council's external auditor:

| | ** 2013/14 £000's | * 2012/13 £000's |
|--|--------------------------------|-------------------------------|
| Work relating to each financial year | | |
| Accrued external audit fees | 56 | 67 |
| Work carried out in each financial year | | |
| Statutory inspection fees and NFI | 1 | 1 |
| Certification of grant claims fees | 29 | 25 |
| | 86 | 93 |

The figures above exclude VAT.

- * In March 2013 the Council received a £5.9k rebate from the Audit Commission.
** In March 2014 the Council received an £11.1k rebate from the Audit Commission.

33. Related party transactions

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

Central Government

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

33. Related party transactions (cont'd)

Members

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

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

The Council also has member representatives on various outside bodies, such as Worcester Community Housing (which became known as Fortis Living on 1 April 2014, with different governance arrangements from WCH), St Richard's Hospice, Worcester Racecourse, and Citizens Advice Bureau. Members also represent the Council on the South Worcestershire Shared Services Joint Committee, the Joint Museum Committee and Worcestershire Regulatory Shared Service Joint Committee. There are usually only one or two Member representatives on each outside body. All Members of the Council are also Trustees of the Hopmarket Charity.

Entities Controlled or Significantly Influenced by the Council

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

During 2013/14 the Council paid £1.528m to Wychavon District Council the host of the Revenues and Benefits Shared Service, £104k to Malvern Hills District Council for South Worcestershire Building Control Service, £461k (net) to Worcestershire County Council for the Worcestershire Hub and £533k (net) to Worcestershire County Council for the provision of the ICT Shared Service and £1.053m to Worcestershire County Council for provision of Property services. Under the Worcestershire Regulatory Shared Service Joint Committee the Council paid £608k (net) to Bromsgrove District Council, the host authority. Under the Joint Museums Shared Service the Council paid £488k to Worcestershire County Council, the host authority.

The Council provided management and administration support services to the Hopmarket Charity, for which it recovered costs of £35,000 in 2013/14 (£35,000 2012/13).

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

34. Leases

The Council no longer uses leased commercial vehicles, under the terms of an operating lease. Operating lease payments in 2013/14 are therefore nil (2012/13 £846). The Council has no outstanding liability in future years.

35. Financial Instruments

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

The Council's investments (financial assets) are detailed in note 13 with cash and cash equivalents explained in note 18. The Council has short term investments but no long term investments. The Council's borrowings (financial liabilities) are detailed in note 19. The Council has both short term and long term borrowings.

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

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

The discount rate used in the present value calculation is the rate applicable in the market on the date of valuation (31 March 2014) for an instrument with the same duration, same structure and terms (or as similar as possible).

Accrued interest to 31 March 2014 has been included in the fair value calculation in order to provide a comparison with the Balance Sheet carrying value. The interest rates quoted in the calculation were provided by Capita Asset Services, the Council's treasury management advisors, from the market on 31 March 2014 using bid prices where applicable.

Fair values as at 31 March 2014 are set out on the next page.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

35. Financial Instruments (cont'd)

Fair values of financial assets and liabilities as at 31 March 2014 are set out below:

| | Nominal Value £000 | Balance Sheet £000 | Fair Value £000 |
|--|--------------------------|-----------------------------------|-----------------------|
| Financial asset - loans & receivables | 15,000 | 15,000 | 15,017 |
| Financial liability at amortised cost- LOBO loan | 5,000 | 5,073 | 5,208 |
| Financial liability at amortised cost - PWLB loan | 3,489 | 3,515 | 3,690 |

The fair value of the LOBO loan is higher than the carrying amount because it has been calculated over the full term of the loan which is 50 years.

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

Risk Management

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

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

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

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

35. Financial Instruments (cont'd)

Risk Management

The Council manages risk in the following ways:

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

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

i. Credit risk

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

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

ii. Liquidity risk

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

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

35. Financial Instruments (cont'd)

iii. Re-financing Risk

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

iv. Market risk

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

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

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
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36. Capital expenditure and financing

| | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------------|-------------------|
| Capital expenditure adding to non-current asset valuation | | |
| Land and buildings | 182 | - |
| Vehicles, plant and equipment | 158 | 286 |
| Work in progress | 245 | 60 |
| Additions to fixed assets | 585 | 346 |
| Capital expenditure not adding to fixed asset valuation | | |
| Revenue expenditure funded from capital under statute | 431 | 446 |
| Total Capital expenditure | 1,016 | 792 |
| Financed by: | | |
| Usable capital receipts | 10 | 275 |
| Grants and other contributions | 293 | 361 |
| Capital reserves | 648 | 156 |
| Section 106 funds | 65 | |
| Total capital financing | 1,016 | 792 |

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

37. Contingent Assets and Liabilities

Contingent assets or liabilities are possible benefits or obligations arising from past events and which depend on uncertain future events not wholly within the control of the Council.

At 31 March 2014 the Council had no contingent assets.

At 31 March 2014 the Council had the following contingent liabilities:

- At 31 March 2013 a group of Property Search Companies were seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have still not been issued. The claimants have intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.
- On 30 September 1992, the Council's then insurer, Municipal Mutual Insurance (MMI), announced that it had ceased taking new business or issuing renewals and placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. MMI have now fallen into insolvency and been placed into administration. A Scheme of Arrangement has now been triggered. This means a levy on all former customers of a proportion of claims paid on the councils behalf. Based upon information provided by the administrators a potential liability may occur, but the timing and the amount could not be defined. As at 31 March 2013 no provision had been made for this liability; in January 2014 the Council paid £81,702 as a levy payment under the Scheme of Arrangement. This may not be the final figure and the Council may receive a refund or be required to pay a further amount. No provision has been made for either a refund or a payment during 2014/15.
- National Non Domestic Rate Appeals - Under the new Business Rates Retention System for financing local councils, introduced for 2013/14, the Council has been required, for the first time, to make a separate provision for outstanding appeals by local businesses against their rating liability. These appeals have been lodged with the relevant government agency (the Valuation Office) and if successful, would reduce the amount of income due to the Council. The Council's provision for these known appeals has been made on the basis that they will all be upheld, which is considered to be a prudent approach. Some appeals are likely to be rejected and therefore, this will release the provision in future years. It is possible that future appeals will be made by local businesses as valuations are changed by the District Valuer. Although there is a likelihood of this occurring, it is not possible to quantify the amount or value. In addition, there are no specific issues known about any local business that may give rise to a future appeal. Therefore, no provision has been made in the accounts for future appeals that may or may not arise. The overall provision will be reviewed each year and adjusted depending on any new appeals that have actually arisen, together with those current appeals that have been unsuccessful.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

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

| Item | Uncertainties | Effect if actual results differ from assumptions |
|--|---|--|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to rise, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured, and used to inform judgements. As an example, for 2013/14, a 0.1% increase in the discount rate (the value today of assets in the future) would reduce the pension liability by £1.414m, while the same increase in the rate of inflation would raise the liability by £1.437m. However the assumptions interact in complex ways, and the overall effect of changes in all the various elements of pension cost and investment return is impossible to predict with any certainty. |
| Provision for backdated appeals - business rates | Central Government has introduced a local pool system for non-domestic rates, and at the same time there is a requirement to provide for the costs of refunds going back five years. A provision for the costs of refunds has been made in the Collection Fund, based on the information available to date about the likely number and success of appeals. | If refunds are greater than the provision made in the Collection Fund then there will be a further loss to the Council; if refunds are less than the provision then the Council will receive more than provided for. |

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2014

39. Impact of future Accounting Standards to be introduced after 1 January 2014

Several accounting standards have been updated or issued but not yet adopted by the Code of Practice that applies to local authorities. These are:

IFRS 10 Consolidated Financial Statements (May 2011)

IFRS 11 Joint Arrangements (May 2011)

IFRS 12 Disclosures of Interests in Other Entities (May 2011)

IAS 27 Separate Financial Statements (as amended in May 2011)

IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)

IAS 1 Presentation of Financial Statements— (as amended in May 2011)

The changes to accounting standards are being prepared for but are not yet implemented.

IFRS 13 Fair Value Measurement - the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) decided at its meeting in January 2014 to defer the implementation of IFRS 13 Fair Value Measurement to the 2015/16 Code.

40. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Corporate Director - Resources on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

We are aware that there is likely to be settlement of the contingent liability regarding Municipal Mutual Insurance towards the end of June 2014, but at the time of preparing these accounts the precise outcome was uncertain. We have therefore not crystallised the contingency into a provision.

In July 2014 the Council will decide whether or not to accept an offer from the University of Worcester for the purchase of the Orchard House complex.

**WORCESTER CITY COUNCIL
COLLECTION FUND**
For the year ended 31st March 2014

| Note | | 2013/14 | 2013/14 | 2013/14 |
|-------------------------------------|--|-----------------|-----------------|-----------------|
| | | Business | Council | Total |
| | | Rates £000's | Tax £000's | £000's |
| Income | | | | |
| 1, 2 | Council Tax Receivable | - | (42,608) | (42,608) |
| 3 | Business Rates receivable | (40,126) | - | (40,126) |
| | Transitional Protection Payments | 252 | - | 252 |
| | | (39,874) | (42,608) | (82,482) |
| Expenditure | | | | |
| Precepts, demands and shares | | | | |
| | Central Government | 20,104 | | 20,104 |
| | Billing authority (Worcester City Council) | 16,083 | 4,698 | 20,781 |
| | County Council | 3,619 | 30,114 | 33,733 |
| | Parishes | - | 112 | 112 |
| | Police Authority | - | 5,180 | 5,180 |
| | Fire Authority | 402 | 2,134 | 2,536 |
| | | 40,208 | 42,238 | 82,446 |
| Charges to Collection Fund | | | | |
| Less: | | | | |
| | Losses in collection | 207 | - | 207 |
| 5 | Increase in bad debt provision | - | 117 | 117 |
| | Increase in provision for appeals | 2,128 | - | 2,128 |
| | Allowance for Cost of Collection | 140 | - | 140 |
| | | 2,475 | 117 | 2,592 |
| | Deficit or (surplus) for the year | 2,809 | (253) | 2,556 |
| | Surplus b/fwd at 1 April 2013 | - | (34) | (34) |
| | Deficit (surplus) c/fwd at 31 March 2014 | 2,809 | (287) | 2,522 |

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

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

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

**WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31st March 2014**

| Comparative with 2012/13 | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------------|-------------------|
| Note | | |
| Income | | |
| 1,2,6 Council Tax | (42,608) | (48,500) |
| 3,6 Business Rates | (39,874) | (38,769) |
| | (82,482) | (87,269) |
| Expenditure | | |
| 1 Precepts and demands | | |
| County Council | 30,114 | 34,406 |
| City Council and Parishes | 4,810 | 5,482 |
| Police Authority | 5,180 | 5,920 |
| Fire Authority | 2,134 | 2,438 |
| | 42,238 | 48,246 |
| Business rates | | |
| Payments to: | | |
| Central Government | 20,104 | 38,629 |
| Billing authority (Worcester City Council) | 16,083 | - |
| County Council | 3,619 | - |
| Fire Authority | 402 | - |
| Cost of collection allowance | 140 | 140 |
| | 40,348 | 38,769 |
| Provisions | | |
| Council Tax - bad & doubtful debts | 117 | - |
| Business Rates - write-offs | 207 | - |
| 5 Business Rates - current and backdated appeals | 2,128 | - |
| | 2,453 | - |
| 4 Deficit or (surplus) for the year | 2,557 | (254) |
| (Surplus) or deficit as at 1 April | (34) | 220 |
| Fund deficit or (surplus) as at 31 March | 2,522 | (34) |

1. Council Tax Base: basic principles

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

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

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

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31st March 2014

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

The basic amount of Council Tax for a Band D property (£1,453.52 in 2013/14, unchanged from 2012/2013) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions for Bands A to H:

| Proportion | Amount | Number of properties | |
|------------|--------|----------------------|---------------|
| | | Band D equivalents | 2012/13 |
| Band A | 6/9 | £969.03 | 2,564 |
| Band B | 7/9 | £1,130.53 | 8,027 |
| Band C | 8/9 | £1,292.02 | 7,935 |
| Band D | 1 | £1,453.52 | 4,535 |
| Band E | 11/9 | £1,776.54 | 3,544 |
| Band F | 13/9 | £2,099.54 | 1,779 |
| Band G | 15/9 | £2,422.55 | 589 |
| Band H | 18/9 | £2,907.05 | 8 |
| | | | 28,981 |
| | | | 33,109 |

2. Council Tax

The Council Tax income is made up of the following amounts:

| | 2013/14 £000's | 2012/13 £000's |
|---------------------|-------------------|-------------------|
| Due from taxpayers | 42,608 | 41,854 |
| Council Tax benefit | 0 | 6,646 |
| Total Council Tax | 42,608 | 48,500 |

3. Business Rates

Business rates are organised on a national basis. The Government specifies an amount (2013/14 47.1p, 45.8p in 2012/2013) and, after allowing for the transition arrangements that 'smooth' any major changes year-on-year, local businesses pay rates calculated by multiplying their rateable value by that amount.

Up until 2013/14 the City Council collected rates due from the ratepayers in its area and paid the proceeds into a national pool administered by the Government. Central Government redistributed the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

In 2013/14 Central Government replaced the national pool with Localised Business Rates. The income shown in the Collection Fund statement is the income reported to Central Government in the City Council's "NNDR3" return: the 'precepts, demands and shares' are those paid out and reported to Central Government in the City Council's "NNDR1" return.

The Business Rates income (after reliefs and provisions) of £39.874m (£38.769m for 2012/2013) was based on an average rateable value for the Council's area. The rateable value was £102,245,279 at 31st March 2014 (£103.17m at 31st March 2013).

**WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31st March 2014**

4. Collection Fund surpluses and deficits for Council Tax

The surplus on the Fund of £287k at 31st March 2014 in respect of Council Tax transactions will be distributed in subsequent financial years to Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire and Rescue Authority and the City Council in proportion to the value of the respective precepts and demands made by the Councils on the Collection Fund. The allocations are as follows:

| | 2013/14 £000's | 2012/13 £000's |
|--|---------------------------------|-------------------|
| | Surplus | Surplus |
| Worcestershire County Council | 205 | 24 |
| West Mercia Police Authority | 35 | 4 |
| Hereford and Worcester Fire and Rescue Authority | 15 | 2 |
| Worcester City Council | 32 | 4 |
| | 287 | 34 |

5. Provision for Council Tax Bad Debts and Write Offs

The Provision for Bad Debts and Write Offs as at 31 March 2013 is as follows:

| | 2013/14 £000's | 2012/13 £000's |
|-----------------------------|---------------------------------|-------------------|
| Brought forward at 1 April | 539 | 539 |
| Charge/credit for year | 117 | - |
| Carried forward at 31 March | 656 | 539 |

6. Write Offs

The amounts written off during the year were as follows:

| | 2013/14 £000's | 2012/13 £000's |
|-------------|---------------------------------|-------------------|
| Council Tax | 120 | 127 |
| NNDR | 211 | 423 |
| | 331 | 550 |

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

WORCESTER CITY COUNCIL ACCOUNTING DEFINITIONS

The Code of Practice on Local Authority Accounting 2013/14 uses some technical terms that all readers may not be familiar with. Some of these are:

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

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

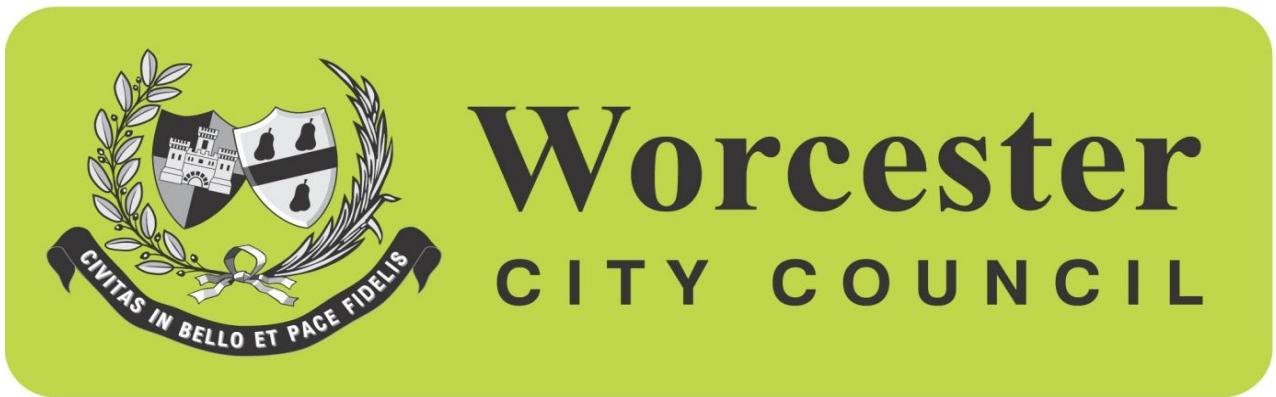
Other Comprehensive Income and Expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains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

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

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

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

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



Making Worcester , 'A great city with a great future'

Approval of Statement of Accounts 2013/14

I confirm that this Statement of Accounts including the Annual Governance Statement were approved by Council at its meeting held on 30th September 2014.

Signed on behalf of Worcester City Council

**Councillor Alan Amos
Mayor and Chair of the Council**

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

Opinion on the Authority financial statements

We have audited the financial statements of Worcester City Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2013/14.

This report is made solely to the members of Worcester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Corporate Director of Resources and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Worcester City Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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 Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *Worcester City Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Worcester City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kyla Bellingall
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Date 29 September 2014