



Worcester
CITY COUNCIL

Making Worcester a first rank Cathedral and University City

Audited
STATEMENT OF ACCOUNTS
2012/13

V1.9 - 05 August 2013
Post Audit

**WORCESTER CITY COUNCIL
DRAFT STATEMENT OF ACCOUNTS 2012/13**

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**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 2013.

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31st March 2013, I have:

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

I have also:

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

These accounts present fairly the financial position of Worcester City Council at 31st March 2013 and its income and expenditure for the year then ended.



Lesley Meagher
Corporate Director Resources
5th August 2013

WORCESTER CITY COUNCIL

EXPLANATORY FOREWORD

1. Introduction

This Draft Statement of Accounts presents the financial position of the Council for the year ended 31 March 2013. 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 the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus (or deficit) on the Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement. This statement summarises the resources that have been generated and consumed in providing services and managing the Council during 2012/13. It includes all expenditure and income on an accruals basis, as well as transactions measuring the value of fixed assets consumed, and the real projected value of retirement benefits earned by employees in the year.

Balance Sheet. This shows the Council's financial position on 31 March 2013. It shows the balances and reserves at the Council's disposal at that date, and summarises the fixed and current net assets employed in carrying out the Council's functions.

Cash Flow Statement. This summarises the cash received and payments made by the Council for revenue and capital purposes in 2012/13.

Collection Fund. We are legally obliged to maintain this fund separately from our other funds and accounts. The Collection Fund summarises the income received from council taxpayers and business ratepayers on behalf of the government and precepting authorities. The Collection Fund records the income we receive and how this income was distributed between this council, the county council, parish and town councils, the police and fire authorities and the government.

3. Budget Performance - Net Revenue Budget

The budgeted 'Net Expenditure by Service' of the Council for 2012/13 was £10.500m. The actual net expenditure for the year was £10.477m, a surplus on budget of £23k. The surplus of £23k and will be transferred to earmarked reserves. There is also a small increase of £8k in the General Fund balance which was agreed in the 2012/13 budget.

**WORCESTER CITY COUNCIL
EXPLANATORY FOREWORD**

3. Budget Performance - Net Revenue Budget (cont'd)

The net impact on the General Fund balance is a a budgeted transfer of £8k, which increases the balance to £1.260m. The Council's current policy is to hold a General Fund balance of about £1m (but not less than £600k). The current increased balance of £1.260m 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 has been maintained to carry forward into 2013/14.

The budget surplus of £23k in 2012/13 is as a result of a variety of budget surpluses and deficits during the year. Some of the key variances are highlighted in the table below:

	budget (surplus)/deficit £000's
Surplus on employee costs	(345)
Deficits car park income	250
Surplus income (bereavement)	(53)
Deficits on income (waste,sports centres, licencing and building control)	158
Interest receivable	40
Various non pay surpluses	(150)

4. Impact of the Economic Climate

The continued downturn in the economic climate has had an impact on the Council's finances. This has been particularly true on fees and charges which was in deficit by £408k. Going forward, the Council has taken steps (in its Medium Term Financial Strategy) to manage any further detrimental impacts and the situation will be closely monitored in the coming financial year.

5. Gross Revenue Expenditure

The Comprehensive Income and Expenditure Account shows the gross cost of service provision for 2012/13 which amounts to £64.895m (2011/12: £60.970m). This expenditure has been analysed by type as shown below:

Expenditure Type	2012/13	2011/12
	£000	£000
Employee expenses	9,909	10,733
Premises related expenses	2,155	1,624
Transport related expenses	792	816
Supplies and services	2,184	2,441
Third party (including shared services)	7,792	7,395
Housing Benefit and Council Tax payments	37,017	35,264
Capital charges	5,046	2,697
Gross Cost of Services	64,895	60,970

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

5. Gross Revenue Expenditure (cont'd)

- Employee expenses comprise all payments to and on behalf of 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, operating vehicles and the purchase of goods and services.
- Capital charges comprise net servicing of finance costs, impairments and depreciation and they represent the real cost of using assets to provide the Council's services.
- Property valuations are carried out by the Council's Estates Valuation Manager. Impairment reductions result in a cost to the Income and Expenditure Account, but they do not result in a charge to the Council Tax payers.

6. Gross Revenue Income

The Council received gross income of £50.479m (2011/12 £50.917m) and this is analysed by type as follows:

Income Type	2012/13	2011/12
	£000	£000
Government Grants	39,316	37,471
Rent Income	387	343
Fees & Charges	7,956	8,632
Other Income	2,820	4,471
Total Income	50,479	50,917

- Government grant income includes £37.992m towards the cost of Council Tax Benefits, Housing Benefits and the administration of the respective payments.
- Rent income comprises mainly rents in respect of industrial and commercial properties.
- Sales, fees and charges income is generated by Council services e.g. leisure facilities, building control fees, car parking, planning fees, land charges fees and licensing fees.
- Other income includes miscellaneous items such as recharges to external bodies, contributions from shared service and other partnership contributions.

7. Pension Fund

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with International Accounting Standard 19. The net liability has increased by £5.967m to £38.972m. A further explanation can be found in Note 36 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. 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.

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8. Borrowing

The Council borrows (within specified limits) to cover shortfalls in current cash funds (before Council Tax revenues are received, for example) or to fund capital expenditure. Note 16 (Long Term Borrowing) in the Notes to the Core Financial Statements provides details of the Council's outstanding loans and when they mature.

9. Capital Expenditure and Source of Funding

Capital expenditure for 2012/13 was £0.792m (2011/12: £1.105m). This compares with an original estimate of £1.392m for the year. The difference largely relates to delayed expenditure on the Fort Royal Park improvement, North Riverside improvement and Angel place regeneration. Funding will be carried forward to finance these items in 2013/14.

A summary of the capital expenditure in 2012/13 is shown below. Of the £0.792m spend, £0.346m added to the value of the Council's fixed assets, and the balance was written off in year to the Income and Expenditure Account as revenue expenditure funded from capital under statute. The sources of funding for the Council's capital expenditure in 2012/13 are also shown below:

<u>Capital Expenditure</u>	<u>£000</u>	<u>Source of Funding</u>	<u>£000</u>
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

There has been no significant changes to accounting policies in the financial year.

11. Further Information

Further information about the accounts is available from the Finance Services Manager, Orchard House, Farrier Street, Worcester, WR1 3BB. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

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 previously approved and adopted a Code of Corporate Governance, which was consistent with the principles of the CIPFA/SOLACE Framework for Corporate Governance in Local Government: A Keystone for Community Governance at the time of its adoption. This framework was revised in 2007 and replaced by the CIPFA SOLACE Framework Delivering good Governance in Local Government. In December 2012 further revised guidance and an addendum were issued and the Council's local code of Corporate Governance has now been reviewed and updated in line with this revised guidance. Once approved the revised Code of Corporate Governance will be available on the Council's website at www.worcester.gov.uk or can be obtained from the Service Manager, Performance, Improvement & Efficiency, 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.

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- 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.

A Governance framework has been in place at Worcester City Council for the year ended 31st March 2013 and up to the date of approval of the 2012/13 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.

The **Corporate Plan** is the Council's strategic plan, it sets out Worcester City Council's vision for Worcester - to make it a "First Rank Cathedral and University City". The five key priorities are:

- Cleaner, Greener City
- Safer and Stronger Communities
- Economic Prosperity
- Customer Service and Communications
- Delivering Value for Money

The Corporate Plan also sets out three underlying themes to help the organisation deliver what we want. These are intended to drive change in the way the Council operates and help shape the culture of the organisation. The themes are commissioning quality services, shaping Worcester's future and putting customers first. 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 which align with the corporate plan priorities.

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

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

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.

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Monitoring Officer - The Council has designated the Service Manager - Performance, Improvement and Efficiency 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.

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
The annual Council Tax leaflet

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

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.

Performance Management - The Council's approach to performance management and the Performance Management Framework was revised in 2011/12. The framework now aligns performance management with the Council's priorities as set out in the Corporate 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. 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 Performance, Improvement and Efficiency Manager has responsibility for corporate risk management.

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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.

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 processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below in relation to the following areas:

The Council Constitution - During 2012/13 the Council adopted the revised constitution which was reviewed in 2011/12 and has continued to act on the recommendations of the Constitution Working Group. A review of Scrutiny arrangements was carried out by the Centre for Public Scrutiny, in the coming year the Council will consider how to address the issues raised and action the recommendations in the report.

Leadership Team - In 2012/13 the Council restructured the Leadership team in line with a new target operating model, this re-structure was approved at full Council in November 2012 and implemented in February 2013. The re-structure created a new Director of Resources post and aims to ensure the Council has sufficient senior technical skills in Finance to handle our own transformation programme, commissioning and national changes such as Local Government Resource Review (LGRR), Welfare to Work and Universal Credit. The revised structure adds an additional post into the senior financial service area to deal with funding system volatility and assist with the transformation of services. It puts commissioning and place shaping at the centre of the organisation and refocuses our existing resources functions into a single resources directorate that is adequately resourced to deal with both the current systemic and funding changes and the need to continue to transform current practice. It addresses the need to focus resources through the localities and members to ensure our place vision is developed and we commission outcomes to support this. This will allow us to ensure quality delivery and excellent customer services for any service we choose to deliver directly, or not, both now and into the future.

The Audit Committee- Played a key monitoring role by reviewing and monitoring internal control issues throughout the year. This included reviewing the work of internal audit and the outcomes of their work, ensuring recommendations are put into place by management and requesting follow up audits to areas of concern. In addition, the Audit Committee considered reports by the external auditor, as well as the Council's action plans in response to recommendations made. In 2012/13 the Audit Committee received reports in line with the Council's refreshed approach to risk management; other issues reviewed include the Council's approach to the management and monitoring of S106 agreements.

The Corporate Governance Assurance Board - in 2012/13 the Corporate Governance Assurance Board has made good progress in addressing the issues identified for improvement as set out in the annual governance statement action plan. The Action plan has been regularly reviewed and updated throughout the year. Key actions include:

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- A revised whistleblowing policy has been drafted and will be subject to formal consultation and approval in 2013/14.
- The Council's Partnership register has been reviewed and refreshed.
- Significant progress has been made in implementing and embedding the Council's approach to Project Management.
- The Council has taken steps to improve its approach to Freedom of Information requests and Data Protection, the quality and timelines of responses to requests is now monitored and regularly reviewed.
- An action plan has been developed to address the recommendations set out in the Zurich report in relation to risk management.
- The Civil Emergency Plan has been updated.
- Practice in relation to Health and Safety has improved significantly.
- Financial controls and financial management has been improved and new monthly reports are in place.
- Following a terms and conditions review the Council has addressed any potential issues in relation to equal pay.

The Strategic Programme Board – in 2012/13 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.

Performance Management - in 2012/13 the Council has continued to implement and embed the Performance Management Framework, the key focus for 2013/14 is to complete the data collection for reporting against the Value for Money measures.

Internal Audit - The Internal Audit function has operated as a shared service since 2010/11 and is hosted by Worcester City, for five district councils. 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.

The Internal Audit Plan for 2012/2013 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 Waste and Recycling, Garden Waste and Community Grants were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

The 2012/2013 audit plan, agreed by Audit Committee, was delivered providing sufficient coverage to assist in arriving at the audit 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 2012/2013 have not always provided full assurance but outstanding issues were being addressed as part of the process of continuous improvement.

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Accommodation Board - During 2012/13 the Council's Accommodation Board has overseen the rationalisation of office space in the Orchard House complex, the Customer Service Centre move to the Hive and a review and rationalisation of the use of off site storage facilities. These have contributed to improved efficiencies, reduced costs, improved customer service and more effective use of assets.

Risk Management – Since Cabinet approved the Risk Management Strategy in January 2012, a number of actions have been taken which are summarised below;

- risk diagnostic exercise run by Zurich Municipal;
- revision to risk management strategy and toolkit based on recommendations from Zurich's review of the Council's approach to risk management;
- amendment to project documentation to reflect risk management approach;
- defined process for escalation and monitoring of project risks;
- liaison with Health & Safety team to ensure health & safety risks and risk management strategy are aligned and support each other; and
- revision of service improvement plan template in line with agreed risk management approach.

The next phase will be embedding risk management across the organisation, with plans to roll out risk management training for senior managers, members and appropriate officers over the next year.

Complaints – in 2012/13 the Council has developed a new complaints system which will offer more effective reporting and a more efficient way of managing and dealing with complaints. The enhanced data capture in the system will ensure that the Council can be more effective in learning from complaints.

Anti Fraud and Corruption – in 2012/13 revised policies have been drafted for anti-fraud and corruption and for Whistleblowing, these will be subject to consultation and approval in 2013/14.

Partnership Governance – significant progress was made in 2012/13 in improving shared service governance arrangements ensuring that roles and responsibilities of Officers and members are clear and that the Council is clearer about what it wants Shared Services to deliver.

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 as outlined in paragraph 2. During 2013/14 the Council will be focusing on the following areas of improvement.

- Anti-Fraud and corruption, including whistleblowing
- Partnership Governance
- Contract and Client management
- Information governance and the role of the chief Information Officer
- Embedding Risk Management
- Improving Business continuity Planning
- Decision Making
- Hopmarket
- Workforce Development
- Value for Money

Signed: 

Duncan Sharkey, Managing Director

Signed: 

Councillor Adrian Gregson, Leader of the Council

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position as at 31st March 2013. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting 2012/13, relevant International Financial Reporting Standards and the Service Reporting Code of Practice (SERCOP).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

All revenue expenditure and capital transactions are accounted for on an accruals basis. That is, sums due to or from the Council during 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 accounted for 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 on the basis of the effective interest rate for the investment rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that a debtor balance will be recovered, the balance is written down and a charge made to revenue for the income that might not be collected.

3. Government Grants

Government grants and other contributions in relation to revenue expenditure are accounted for on an accruals basis and recognised in the accounting statements when there is reasonable assurance that the Council will comply with any conditions attached to the payments and that the payments will be received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Account until any conditions attached to the grant or contribution have been satisfied. If conditions have not been satisfied the amounts are carried in the balance sheet as a creditor. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to fund capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Revenue Support Grant is a general grant allocated by central government. As such it is non-ringfenced and credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. Area Based Grant is allocated against the relevant service within net cost of services.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

4. Depreciation

Depreciation is provided on all assets with a finite useful life on a straight line basis. The charge is based on assumptions of useful life and valuation of the assets. Newly acquired assets are not depreciated in the year of acquisition but are fully depreciated in the year of disposal.

Assets in the course of construction are not depreciated until they are used. The life expectancy of the following 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, Investment Properties and Assets under Construction are not depreciated as the assets do not provide a material benefit to the Council.

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.

5. Property, Plant & Equipment

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

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment has been capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. This excludes expenditure on repairs and maintenance which is charged direct to revenue accounts. Capital expenditure on assets which is less than £5,000 is treated as de minimis and is charged to services in the year that it is incurred.

Measurement

Property, Plant and Equipment are initially measured at cost including purchase price and any costs attributable to bringing the asset into use.

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

- Community assets – depreciated historical cost;
- All other assets – fair value, determined as the amount that would be paid for the asset in existing use (existing use value).

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

Impairment

The value at which assets are included in the balance sheet is reviewed at the end of each reporting period and adjusted where material. Impairment is accounted for by either:

- where attributable to a "clear consumption of economic benefits" it is charged to the relevant service revenue account.
- charged against any revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. If there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains 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.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to 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.

Amounts received for a disposal are categorised as capital receipts as prescribed by the Local Government Act 2003. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

6. 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.

7. 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 received in relation to 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 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.

8. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in a tangible asset for the Council, is charged as expenditure to the relevant service revenue account. Any associated grant funding to meet this expenditure is credited to the relevant service revenue account. This includes housing renovation grants and grants to other bodies for capital expenditure purposes. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on council taxpayers.

9. Operating Leases

Rentals payable under operating leases are charged to the relevant service revenue account on an accruals basis.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

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 charged against the relevant service revenue account. The reserve is then appropriated back into the General Fund Balance statement 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. Estimation techniques are the methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Throughout the notes to the accounts, reference is made to the bases of any estimation techniques used. 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, with an allowance made for slow moving and obsolete items.

13. Costs of Support Services

In compliance with the costing principles of the CIPFA SERCOP the cost of central support services and overheads are fully charged to the services that benefit from the supply or service, with the exception of certain costs that remain as part of the Corporate and Democratic Core and Non Distributed Costs.

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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and 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 wage and 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.

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

Termination Benefits

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

When termination benefits involve the enhancement of pension benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits or the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

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 2011. This has revised contribution rates payable by the Council in future financial years.

The liabilities of the Worcester 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 change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

- 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 – debited to the Pensions Reserve;
- Contributions paid to the pension scheme – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 they are matched by the release of 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 to the extent that it is irrecoverable and therefore 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. 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).
- are indicative of conditions that arose after the balance sheet date for which the Council would not adjust the amounts recognised in its financial statements (non-adjusting events).

21. 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 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.

22. Accounting for National Non-Domestic Rates

The Council acts as an agent, collecting National Non-Domestic Rates (NNDR) on behalf of Central Government. The cost of collection allowance is included within the Income and Expenditure Account. The difference between the cash collected from NNDR taxpayers and the amount paid to the Government is included within debtors or creditors as appropriate in the Balance Sheet.

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 is included in the Net Increase/ Decrease in Other Liquid Resources within Management of Liquid Resources.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

23. 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.

24. Accounting for Jointly Controlled Operations

The Council receives Shared Services for: Revenues and Benefits, Building Control, Regulatory, ICT, Museums 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'. 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.

The Council hosts the Internal Audit Shared Service and as such accounts for the expenditure 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 Council's accounts, however 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.

25. 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 is recognised and measured in accordance with the Authority's general policies on impairment.

26. Other Accounting Matters

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

WORCESTER CITY COUNCIL
MOVEMENT IN RESERVES STATEMENT
For the year ended 31st March 2013

	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 2011	1,141	3,233	1,714	6,088	39,682	45,770
<u>Movement in Reserves During 2011/12</u>						
Surplus on the provision of services	397			397		397
Other Comprehensive Income and Expenditure				-	(7,238)	(7,238)
Total Comprehensive Income and Expenditure	397	-	-	397	(7,238)	(6,841)
Adjustments between accounting basis and funding basis under regulations	1,921		137	2,058	(2,058)	-
Net Increase/(Decrease) before Transfer to Earmarked Reserve	2,318	-	137	2,455	(9,296)	(6,841)
Transfers to/(from) Earmarked Reserves	(2,207)	1,898		(309)	309	-
Increase/(Decrease) in 2011/12	111	1,898	137	2,146	(8,987)	(6,841)
Balance at 31st March 2012	1,252	5,131	1,851	8,234	30,695	38,929
Balance at 31st March 2012	1,252	5,131	1,851	8,234	30,695	38,929
<u>Movement in Reserves During 2012/13</u>						
Surplus on the provision of services	(4,772)			(4,772)		(4,772)
Other Comprehensive Income and Expenditure				0	(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 (see note 6)	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)		(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

WORCESTER CITY COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31st March 2013

	2012/13 Gross Expenditure £000s	2012/13 Gross Income £000s	2012/13 Net Expenditure £000s	2011/2012 Net Expenditure £000s
Service Expenditure Analysis				
Central services to the public	9,844	(7,876)	1,968	1,918
Cultural and related services	10,793	(3,131)	7,662	5,047
Environmental and Regulatory Services	5,995	(2,922)	3,073	3,336
Planning Services	2,004	(633)	1,371	227
Highways, roads and transport	1,365	(3,414)	(2,049)	(2,330)
Housing services	33,317	(32,423)	894	198
Corporate and democratic core	1,537	(80)	1,457	1,525
Non-distributed costs - other	40	-	40	132
NET COST of SERVICES	64,895	(50,479)	14,416	10,053
8 Other operating expenditure			116	104
9 Financing and investment income and expenditure			1,071	704
8 Profit on discontinued operations			(188)	(233)
10 Taxation and non-specific grant income			(10,643)	(11,025)
DEFICIT/(SURPLUS) ON PROVISION OF SERVICES			4,772	(397)
Surplus on revaluation of non current assets			(766)	(182)
Actuarial losses on pension assets/liabilities			5,319	7,833
Reduction in long term loans relating to house purchases			1	1
Other Comprehensive Income and Expenditure			4,554	7,652
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			9,326	7,255

WORCESTER CITY COUNCIL
BALANCE SHEET
at 31st March 2013

Note	2012/13 £000s	2011/12 £000s	2010/11 £'000s	
Long term assets				
11	Property, plant & equipment	56,055	60,500	61,809
13	Heritage assets	6,883	6,883	6,883
11	Investment property	3,901	3,595	3,579
23	Long term debtors	1,003	4	5
		67,842	70,982	72,276
Current assets				
17	Inventories	28	40	45
18	Short term debtors	3,754	3,471	4,864
15	Short term investments	2,000	2,150	3,150
19	Cash and cash equivalents	9,103	9,399	6,771
20	Assets held for sale	505	-	100
		15,390	15,060	14,930
Current liabilities				
21	Creditors	6,051	6,470	8,881
		6,051	6,470	8,881
Long term liabilities				
16	Long term borrowing	8,605	7,637	7,671
36	Pensions liability	38,972	33,005	24,884
		47,577	40,642	32,555
NET ASSETS				
		29,604	38,929	45,770
Financed by:				
	Usable reserves	7,931	8,234	6,088
22	Unusable reserves	21,673	30,695	39,682
RESERVES				
		29,604	38,929	45,770

WORCESTER CITY COUNCIL
CASH FLOW STATEMENT
For the year ended 31st March 2013

Note	2012/13 £000s	2011/12 £000s
Net deficit/(surplus) on the provision of services	4,772	(397)
Adjust net surplus on the provision of services for non-cash movements	(4,335)	(3,344)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	121	446
24 Net cash flows from operating activities	211	183
25 Investing activities	461	450
26 Financing activities	(934)	34
Net decrease/(increase) in cash and cash equivalents	296	(2,628)
Cash and cash equivalents at the beginning of the reporting period	9,399	6,771
Cash and cash equivalents at the end of the reporting period	9,103	9,399

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

1. Impact of future Accounting Standards

The following changes to accounting standards have not yet been implemented:

Amendments to IAS19 Employee Benefits, applicable to accounting periods starting on or after 1 January 2013. The actuary has provided estimates of the likely impact of the revised standard as follows:

	Current IAS 19 Disclosure £'000s	Revised IAS 19 Disclosure £'000s	Difference £'000s
Changes in benefit obligation during period to 31 March 2013			
Current service cost	990	1,014	(24)
Interest on pension liabilities	3,975	3,951	24
Actuarial (gains)/losses on liabilities	9,423		9,423
Remeasurements (liabilities)		9,423	(9,423)
	<u>14,388</u>	<u>14,388</u>	<u>-</u>

Changes in plan assets during the period to 31 March 2013

Expected return on plan assets	3,009		3,009
Interest on plan assets		2,366	(2,366)
Actuarial (gains)/losses on plan assets	4,104		4,104
Remeasurements (assets)		4,763	(4,763)
Administration expenses		(16)	16
	<u>7,113</u>	<u>7,113</u>	<u>-</u>

Components of pension cost for period 31 March 2013

Current service cost	990	1,014	(24)
Interest on pension liabilities	3,975		3,975
Expected return on assets	(3,009)		(3,009)
Net interest cost		1,585	(1,585)
Administration expenses		16	(16)
Total pension cost recognised in I & E	<u>1,956</u>	<u>2,615</u>	<u>(659)</u>

Statement of other comprehensive income (SOCl)

Actuarial (gains)/losses	5,319		5,319
Remeasurements (liabilities and assets)		4,660	(4,660)
Total included in SOCl	<u>5,319</u>	<u>4,660</u>	<u>659</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

1. Impact future Accounting Standards (cont)

Amendments to IAS1 Presentation of Financial Statements regarding other comprehensive income and expenditure. The changes are presentational only.

2. 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 are subject to significant estimation uncertainty.

3. 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 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 are 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. As an example a 0.1% increase in the discount rate would result in a £1.473m decrease in pension liability. An increase of 0.1% in the rate of inflation would result in an increase of £1.499m and an increase of 1 year in life expectancy would result in an increase in the pension liability of £1.876m. However the assumptions interact in complex ways.

4. Material items of income and expenditure

There were no material items of income and expenditure.

5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Corporate Director Resources on 30 June 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

6. 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 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 2013

6. Adjustments between accounting basis and funding basis under regulations (cont)

	Usable Reserves 2011/12		
	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	2,340		(2,340)
Revenue expenditure funded from capital under statute	59		(59)
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		100	(100)
<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			
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	(233)	233	
Transfer from Deferred Capital Receipts Reserve		1	(1)
Use of the Capital Receipts Reserve to finance capital expenditure		(196)	196
Adjustments involving the pensions reserve			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	1,760		(1,760)
Employers' pension contributions and direct payments to pensioners payable in the year	(1,472)		1,472
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.	(20)		20
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	22		(22)
Total adjustments	1,921	137	(2,058)

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7. 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 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
<u>Revenue Reserves</u>					
Regeneration Grants	80	56	(14)	122	for town centre improvement scheme
Cleaner & Greener Operations	12		(12)	-	for various initiatives to improve cleaner & greener service
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 lump sum payment to offset pension liabilities
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 various initiatives (e.g. Fort Royal, Riverside) committed but not drawn down
Subtotal Revenue Reserves	3,533	265	(704)	3,094	
<u>Capital/Other Reserves</u>					
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
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
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	2012/13 £000's	2011/12 £000's
8. Other operating expenditure		
Parish council precepts	115	103
Payments to the Government Housing Capital Receipts Pool	1	1
Gains on the disposal of non-current assets	(188)	(233)
Total	<u>(72)</u>	<u>(129)</u>
9. Financing and investment income and expenditure		
Interest payable and similar charges	360	361
Pensions interest cost and expected return on pensions assets	966	627
Interest receivable and similar income	(149)	(178)
Other investment income	(106)	(106)
Total	<u>1,071</u>	<u>704</u>
10. Taxation and non-specific grant income		
Council tax income	(5,511)	(5,448)
Non-domestic rates	(5,034)	(4,260)
Non-ringfenced government grants	(98)	(1,317)
Total	<u>(10,643)</u>	<u>(11,025)</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

11. Movement on non-current assets

The movement in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were employed in 2012/13 by services contained within the Comprehensive Income and Expenditure Statement.

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Total Property Plant & Equipment	Investment Assets
	£000s	£000s	£000s	£000s	£000s	£000s
<u>Cost or valuation</u>						
At 1 April 2012	59,722	11,751	409	888	72,770	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)	
Derecognitions - other	-	-	-	-	0	
Other reclassifications	147			(898)	(751)	245
At 31 March 2013	57,477	12,038	409	50	69,974	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 the revaluation reserve	(58)				(58)	
Derecognition – disposals	(4)				(4)	
Derecognition – other	(307)				(307)	
At 31 March 2013	5,796	8,123	-	-	13,919	-
<u>Net book value</u>						
At 31 March 2013	51,681	3,915	409	50	56,055	3,901
At 31 March 2012	54,540	4,663	409	888	60,500	3,595

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

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

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Total Property Plant & Equipment	Investment Assets
	£000s	£000s	£000s	£000s	£000s	£000s
<u>Cost or valuation</u>						
At 1 April 2011	59,718	11,573	409	443	72,143	3,579
Additions	118	162		471	751	
Revaluation increases/(decreases) to revaluation reserve	177				177	
Revaluation increases/(decreases) to surplus/deficit on provision services	(198)				(198)	(23)
Derecognition - disposals		(10)			(10)	
Derecognition - other					0	
Other reclassifications	(94)	26		(26)	(94)	39
At 31 March 2012	59,721	11,751	409	888	72,769	3,595
<u>Accumulated depreciation</u>						
At 1 April 2011	4,346	5,988			10,334	
Depreciation charge for year	999	1,109			2,108	
Depreciation written out to revaluation reserve	(26)				(26)	
Derecognition – disposals		(10)			(10)	
Derecognition - other	(137)				(137)	
At 31 March 2012	5,182	7,087			12,269	
<u>Net Book Value</u>						
At 31 March 2012	54,539	4,664	409	888	60,500	3,595
At 31 March 2011	55,372	5,585	409	443	61,809	3,579

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

Capital commitments	at 31 March 2013		at 31 March 2012	
	Approved schemes	Contractual commitments	Approved schemes	Contractual commitments
	£000s	£000s	£000s	£000s
Housing renovation	380		657	
Riverside improvements	210	210	220	110
ICT investment	100		116	
Vehicle/plant/bin replacements	300		50	
CCTV	16		16	
Croft Road landscaping	-		30	
Crematorium	100		-	
Infrastructure replacement	225		120	
Angel Place regeneration	100		100	
Swimming Pool	300		0	
Fort Royal Park improvements	225		200	
	1,956	210	1,509	110

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.

	2012/13 Increase/ (decrease) £000s	2011/12 Increase/ (decrease) £000s
Revaluations and impairments were:		
<u>Operational Properties</u>		
Offices	(200)	
Museums	(1,750)	-
Other	595	2
<u>Non-operational properties</u>		
Buildings	61	(23)

Impairments include the Riverside capital project (£898,000). The project was accounted for during the construction phase on the basis that the Council owns the land. On completion of the project in 2012/13 it was found that the land is not in the Council's ownership and the project was impaired to nil in accordance with Capital Regulation 25(e). No prior period adjustment has been made.

WORCESTER CITY COUNCIL
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For the year ended 31st March 2013

12. Investment properties

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

	2012/13	2011/12
	£000's	£000's
Rental income from investment property	(106)	(106)
	(106)	(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

13. Heritage Assets

Cost or Valuation	Memorials	Museums	Guildhall	Total
	£'000	£'000	£'000	£'000
1 April 2011	15	5,840	1,028	6,883
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations/Impairments	-	-	-	-
Depreciation	-	-	-	-
31 March 2012	15	5,840	1,028	6,883
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

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. It is most unlikely that in the event of total destruction the spire would be rebuilt. Therefore cost or valuation information is not available and conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining valuations for this item would be disproportionate in terms of the benefit derived.

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 (see note 36 for more detail).

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.

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
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14. 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 15. The Council has short term investments but no long term investments. The Council's borrowings (financial liabilities) are detailed in note 16. 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 2013) for an instrument with the same duration, same structure and terms (or as similar as possible).

Accrued interest to 31 March 2013 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 Sector, the Council's treasury management advisors, from the market on 31 March 2013 using bid prices where applicable.

Fair values as at 31 March 2013 are set out below:

	Nominal Value £000	Balance Sheet £000	Fair Value £000
Financial asset - loans & receivables	9,100	9,100	9,110
Financial liability at amortised cost- LOBO loan	5,000	5,073	5,478
Financial liability at amortised cost - PWLB loan	3,505	3,532	3,954

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.

14. Financial Instruments (cont'd)

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 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.

14. Financial Instruments (cont'd)

i. Credit risk (cont'd)

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 18 below.

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.

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
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15. Investments

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 set of Audited Accounts is as at 31st December 2011. They show that the company has a shareholders deficit at that time of £3,675,415. Therefore, the council has not revalued the fair value of the investment.

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

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

	2012/13	2011/12
	£000's	£000's
Bank/Building Society balances at amortised cost	2,000	2,150
	<u>2,000</u>	<u>2,150</u>

16. Long term borrowing

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

	2012/13	2011/12
	£000's	£000's
P.W.L.B.	3,532	2,564
Money market	5,073	5,073
	<u>8,605</u>	<u>7,637</u>
Maturing within one year	5,116	5,132
Maturing in 1-2 years	41	16
Maturing in 2-5 years	1,114	122
Maturing in 5-10 years	253	220
Maturing in more than 10 years	2,081	2,147
	<u>8,605</u>	<u>7,637</u>

17. Inventories

	2012/13	2011/12
	£000's	£000's
IT consumables	10	10
Stock for resale	3	3
Other operations stock	15	27
	<u>28</u>	<u>40</u>

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18. Debtors	2012/13	2011/12
	£000's	£000's
Council taxpayers	184	133
Government departments	1,258	1,168
Local authorities	103	156
Worcester Community Housing	194	222
Payments in advance	94	133
Other debtors	2,610	2,314
	4,443	4,126
Less: provision for doubtful debts	(689)	(655)
	3,754	3,471

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.

19. Cash and cash equivalents

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

	2012/13	2011/12
	£000's	£000's
Cash and bank held by the Council	2,003	49
Short term investments	7,100	9,350
	9,103	9,399

20. Assets held for sale

	Current		Non Current	
	2012/13	2011/12	2012/13	2011/12
	£000's	£000's	£000's	£000's
Opening balance	-	100	-	-
Assets newly classified as held for sale	530	55	-	-
Revalued on re-classification	(25)	(55)	-	-
Property, Plant & Equipment disposals		(100)		
Closing balance	505	0	-	-

21. Creditors	2012/13	2011/12
	£000's	£000's
Government departments	208	1,401
Local Authorities	1,077	1,278
Receipts in advance	1,736	1,899
Section 106 planning obligations	1,842	1,719
Other creditors	1,188	173
	6,051	6,470

WORCESTER CITY COUNCIL
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22. Unusable reserves	2012/13	2011/12
	£000's	£000's
Revaluation Reserve	12,263	11,747
Capital Adjustment Account	48,583	52,196
Pensions Reserve	(38,972)	(33,005)
Collection Fund Adjustment Account	4	(25)
Accumulating Compensated Absences Adjustment Account	(207)	(221)
Deferred Capital Receipts	3	4
	<u>21,673</u>	<u>30,695</u>

Revaluation Reserve

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

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

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

	2012/13	2011/12
	£000's	£000's
Balance at 1st April	11,747	11,565
Revaluation of assets	766	182
Disposal of Assets	(250)	
Balance at 31st March	<u>12,263</u>	<u>11,747</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets 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.

Note 6 provides details of the source of all the transactions posted to the Account,

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

22. Unusable Reserves (cont'd)

Capital Adjustment Account (cont'd)

	2012/13	2011/12
	£000's	£000's
Balance at 1st April	52,196	53,241
<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	(4,371)	(2,340)
Revenue expenditure funded from capital under statute	(446)	(59)
Accumulated Depreciation written out	22	109
Statutory provision for repayment of debt	536	536
Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(146)	(100)
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	275	196
Capital contributions		304
Use of earmarked reserves	156	309
Application of grants to capital financing	361	-
Balance at 31st March	<u>48,583</u>	<u>52,196</u>

Deferred Capital Receipts

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

	2012/13	2011/12
	£000's	£000's
Opening Balance	4	5
Council house purchaser payments	(1)	(1)
Closing Balance	<u>3</u>	<u>4</u>

Pensions Reserve

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

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
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22. Unusable Reserves (cont)

Pensions Reserve (cont)

	2012/13	2011/12
	£000's	£000's
Balance at 1st April	(33,005)	(24,884)
Actuarial gains or losses on pension assets and liabilities	(5,319)	(7,219)
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	(1,996)	(1,760)
Transfer of assets from shared service schemes		(614)
Employer's pension contributions and direct payments to pensioners payable in the year	1,348	1,472
Balance at 31st March	<u>(38,972)</u>	<u>(33,005)</u>

Collection Fund Adjustment Account

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

	2012/13	2011/12
	£000's	£000's
Balance at 1st April	(25)	(45)
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	20
Balance at 31st March	<u>4</u>	<u>(25)</u>

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2012/13	2011/12
	£000's	£000's
Balance at 1st April	(221)	(199)
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	14	(22)
Balance at 31st March	<u>(207)</u>	<u>(221)</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

23. Long Term Debtors

The Councils long term debtors includes the following items:

	2012/13	2011/12
	£000's	£000's
Local Authority Mortgage Scheme Deposit	1,000	-
Deferred Capital Receipts	3	4
	<u>1,003</u>	<u>4</u>

24. Cash Flow Statement - operating activities

The cash flows for operating activities include the following items:

	2012/13	2011/12
	£000's	£000's
Interest received	(149)	(178)
Interest paid	360	361
	<u>211</u>	<u>183</u>

25. Cash Flow Statement - investing activities

	2012/13	2011/12
	£000's	£000's
Purchase of property, plant and equipment	347	750
Other payments for investing activities	446	355
Payments to capital receipts pool	1	1
Proceeds from the sale of property, plant and equipment and investment property	(333)	(334)
Capital grants received	-	(26)
Other receipts from Investing Activities	-	(296)
Net cash flows from investing activities	<u>461</u>	<u>450</u>

26. Cash Flow Statement - financing activities

	2012/13	2011/12
	£000's	£000's
Cash receipts of short and long term borrowing	(1,000)	-
Other receipts from financing activities	-	-
Repayments of short and long-term borrowing	66	34
Other payments for financing activities	-	-
Net Cash Flow from financing activities	<u>(934)</u>	<u>34</u>

27. Members allowances

The amount paid to members for basic allowances, special responsibility allowances and attendance allowances, travel and subsistence and ICT allowance in 2012/13 was £207,746 (2011/12: £199,811).

WORCESTER CITY COUNCIL
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28. Amounts reported for resource allocation decisions

The following tables detail the Council's net revenue expenditure by service as reported under management reporting arrangements and how this reconciles to the comprehensive income and expenditure statement and the subjective analysis within the explanatory forward.

Segmental Analysis	Managing Director	Corporate Director - Service Delivery	Corporate Director - Commissioning, Customer Service & Communication	Total
	£000's	£000's	£000's	£000's
2012/13				
Fees, charges & 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	8,504	9,688
2011/12				
Fees, charges & other service income	(891)	(11,301)	(783)	(12,975)
Government grants	(37,054)	(331)	(86)	(37,471)
Employee expenses	1,484	7,246	1,871	10,601
Other expenses	36,227	5,153	6,160	47,540
Support service recharges	(3,567)	2,286	1,281	-
Net cost of services	(3,801)	3,053	8,443	7,695

Reconciliation to net cost of services in comprehensive income and expenditure statement

	2012/13	2011/12
	£000's	£000's
Net cost of service from segmental analysis	9,688	7,695
Add amounts not reported to management	4,728	2,358
Net cost of services in Comprehensive Income and Expenditure Statement	14,416	10,053

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

28. Amounts reported for resource allocation decisions (cont)

Reconciliation to subjective analysis

	Segmental Analysis	Not reported to Management	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
2012/13					
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)
Interest and investment income	-		-	818	818
Rents	(387)		(387)	(106)	(493)
Sales, fees and charges	(7,956)		(7,956)		(7,956)
Income from council tax	-		-	(5,511)	(5,511)
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
(Surplus)/deficit on the provision of services	9,688	4,728	14,416	(9,643)	4,773
2011/12					
Housing and council tax benefits	(35,708)		(35,708)		(35,708)
Benefits administration	(774)		(774)		(774)
Other government grants	(989)		(989)	(5,577)	(6,566)
Interest and investment income	-		-	449	449
Rents	(343)		(343)	(106)	(449)
Sales, fees and charges	(8,632)		(8,632)		(8,632)
Other income	(4,000)	(471)	(4,471)		(4,471)
Income from council tax	-		-	(5,448)	(5,448)
Total income	(50,446)	(471)	(50,917)	(10,682)	(61,599)
Employee expenses	10,601	132	10,733		10,733
Premises related expenses	1,624		1,624		1,624
Transport related expenses	816		816		816
Supplies and services	2,441		2,441	362	2,803
Third party payments	7,395		7,395		7,395
Transfer payments	35,264		35,264	(130)	35,134
Capital charges		2,697	2,697		2,697
Gross cost of services	58,141	2,829	60,970	232	61,202
(Surplus)/deficit on the provision of services	7,695	2,358	10,053	(10,450)	(397)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

29. 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	
	2012/13	2011/12
£50,000 - £54,999	2	4
£54,999 - £59,999	3	-
£60,000 - £64,999	1	-
£65,000 - £69,999	1	2
£70,000 - £74,999	1	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£105,000 - £109,999	1	1
£120,000 - £124,999	-	-
	9	8

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

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

Post Title	2012/13				
	Salary, Allowances Benefits £	Loss of Office £	Sub Total £	Pension Contributions £	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 - Corporate Director Commissioning, Customer Services and Communication - post redundant 01 March 2013

** SD - Corporate Director Service Delivery

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

Exit Packages

Number of exit packages agreed during 2012-13

	Number	£000's
In the band £0-£20k	13	64
In the band £20-£40k	4	101
In the band £40-£60k	1	59

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

29. Employees' remuneration (cont'd)

Post Title	2011/12				
	Salary, Allowances, Benefits £	Loss of Office £	Sub Total £	Pension Contributions £	Total £
Managing Director	105,824		105,824	22,117	127,941
Corporate Director CCC*	71,151		71,151	15,294	86,445
Corporate Director SD**	66,129		66,129	13,821	79,950
Finance Services Manager	65,000		65,000	13,585	78,585
Head of Cleaner & Greener***	29,309	55,851	85,160		85,160
	337,413	55,851	393,264	64,817	458,081

* CCC - Corporate Director Commissioning, Customer Services and Communication

** SD - Corporate Director Service Delivery

*** - post redundant following new senior management restructure early in 2011

30. External audit and inspection

Grant Thornton are the Council's appointed auditors for 2012/13. The Council has incurred the following fees in relation to 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 :

	2012/13 £000's	2011/12 £000's
Accrued external audit fees - Grant Thornton*	67	104
Statutory inspection fees and National Fraud Initiative	1	2
Other Audit Fees	-	5
Certification of grant claims fees	25	31
	93	142

* £5.9k rebate received in year from Audit Commission

31. Grant income

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

	2012/13 £000's	2011/12 £000's
Credited to taxation and non specific grant income		
DCLG Revenue Support Grant	(98)	(1,316)
Total	(98)	(1,316)
Credited to services		
DWP Housing Benefit Grants	(37,234)	(35,346)
DWP Housing Benefit Admin	(758)	(773)
DCLG Council Tax Freeze Grant	(134)	(134)
DCLG Local Services Support Grant	(162)	(163)
DCLG Council Reform New Burden Grant	(84)	-
DCLG-Mary Portas Pilot	(10)	-
DCLG Regional Housing	-	-
DCLG New Homes Bonus	(622)	(406)
DCLG Disabled Facilities Grant	(298)	(270)
DCLG Single Person Homelessness	-	(254)
DCLG Mortgage Rescue	-	(43)
DCLG Community Right to Challenge	(9)	-
DCLG Community Right to Bid	(5)	-
DWP Discretionary Housing Payments	(66)	(32)
Electoral Commission	-	(85)
Total	(39,382)	(37,506)

32. 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 10 and in detail in Note 31.

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, Police & Crime Commissioner West Mercia 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 the Worcester Community Housing, St Richard's Hospice, Worcester Racecourse, Citizens Advice Bureau, Visit Worcester Forum and Worcestershire Partnership Board. Members also represent the Council on the South Worcestershire Shared Services Joint Committee and Worcestershire Regulatory Shared Service Joint Committee.

Officers

The Council's Managing Director is a representative member of Worcester Alliance.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

32. Related party transactions (cont'd)

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 2012/13 the Council paid £1.709m to Wychavon District Council the host of the Revenues and Benefits Shared Service, £121k to Malvern Hills District Council for South Worcestershire Building Control Service, £457k(net) to Worcestershire County Council for the Worcestershire Hub and £519k (net) to Worcestershire County Council for the provision of the ICT Shared Service and £1.085m to Worcestershire County Council for provision of Property services.

Under the Worcestershire Regulatory Shared Service Joint Committee the Council paid £591k (net) to Bromsgrove District Council, the host authority.

Under the Joint Museums Shared Service the Council paid £497k to Worcestershire County Council , the host authority.

33. Capital expenditure and financing	2012/13	2011/12
	£000's	£000's
Capital expenditure adding to non-current asset valuation		
Land and buildings	-	118
Vehicles, plant and equipment	286	188
Work in progress	60	444
Additions to fixed assets	346	750
Capital expenditure not adding to fixed asset valuation		
Revenue expenditure funded from capital under statute	446	355
Total Capital expenditure	792	1,105
Financed by:		
Usable capital receipts	275	196
Grants and other contributions	361	296
Capital reserves	156	309
Section 106 funds		304
Total capital financing	792	1,105

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

34. Leases

The Council used leased commercial vehicles, under the terms of an operating lease. Operating lease payments in 2012/13 are £846 (2011/12: £3,917). The Council has no outstanding liability in future years.

35. Information on assets held

The number and value of the main non-current assets of the Council include the following:

	2012/13 value £000	2012/13 number	2011/12 value £000	2011/12 number
Operational assets				
Offices	4,300	2	5,250	2
Car parks	21,129	14	21,129	14
Hostel	350	1	300	1
Community centres	7,661	8	7,661	8
Leisure and sports facilities	11,900	3	11,900	3
Museums	2,250	2	3,450	2
Shared ownership dwellings	1,296	20	1,296	20
Cemetries and crematorium	1,120	2	1,120	2
Depots	950	1	950	1
Public conveniences	600	5	705	5
Bus shelters	240	80	240	80
Vehicles	2,708	43	2,659	39
	54,504	181	56,660	177
Community assets				
Sports pitches	647	37	647	37
Allotment sites	220	15	220	15
	867	52	867	52
Non-operational assets				
Commercial units and shops	1,436	17	1,960	20
Worcester Racecourse freehold	200	1	200	1
	1,636	18	2,160	21
Total	57,007	251	59,687	250

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

36. 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

We recognise 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 real 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 2012/13:

Comprehensive Income and Expenditure Account	2012/13	2011/12
	£000's	£000's
Net cost of service		
Current service cost	990	1,001
Past service and curtailment costs	40	132
Net operating expenditure		
Return on assets	(3,009)	(3,574)
Interest on pension liabilities	3,975	4,201
Appropriations		
Movement on pensions reserve	(648)	(288)
Net charge to the income and expenditure account	1,348	1,472
Movement in reserves		
Reversal of net charges made for retirement		
<u>Amount charged against council tax</u>		
Employer's contribution payable to the scheme	1,348	1,472

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

36. 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 2013 £000's	31st March 2012 £000's	31st March 2011 £000's	31st March 2010 £000's	31st March 2009 £000's
Market value of assets	54,527	49,177	52,615	50,812	35,606
Estimated liabilities	(93,499)	(82,182)	(77,499)	(84,599)	(63,224)
Net liability	(38,972)	(33,005)	(24,884)	(33,787)	(27,618)

The net liability of £38,972m 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 full valuation of the scheme as at 1st April 2011.

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:

	2012/13	2011/12
	%	%
Rate of CPI inflation	2.4	2.5
Rate of increase in salaries	3.9	4.0
Rate of increase in pensions	2.4	2.5
Discount rate on liabilities	4.2	4.9

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

36. Pension costs (cont'd)

	Expected Rate of Return 2012/13 %	Proportion of assets 2012/13 %	Expected Rate of Return 2011/12 %	Proportion of assets 2011/12 %
Equities	7.0	90.8	7.0	88.9
Bonds - Government	2.8	0.0	3.1	3.2
Bonds - Other	3.9	7.4	4.1	4.0
Cash / Liquidity	0.5	1.8	0.5	3.9
Mortality assumptions:			2012/13	2011/12
Life expectancy at 65 for current pensioners:		Men	22.5	22.1
		Women	25.0	24.6
Life expectancy at 65 for future pensioners:		Men	24.3	23.5
		Women	27.0	26.1
Commutation of pension for lump sum at retirement			50%	50%
			2012/13	2011/12
			£000's	£000's
Movement in liability				
Net pensions liability at 1st April			(33,005)	(24,884)
Current service costs			(990)	(1,001)
Employer's contributions			1,348	1,472
Past service / curtailment cost			(40)	(132)
Net interest / return on assets			(966)	(627)
Transfer of assets from shared service schemes			-	(614)
Actuarial loss			(5,319)	(7,219)
Net pensions liability at 31st March			(38,972)	(33,005)

	31st March 2013 %	31st March 2012 %	31st March 2011 %	31st March 2010 %	31st March 2009 %
Difference between expected and actual return on assets	7.5	9.4	(0.8)	(27.4)	(40.4)
Experience					
Gains/losses on Liabilities	0.0	0.0	6.9	0.0	0.0

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2013

36. Pension Costs (cont'd)

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 the 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 2013	As at 31 March 2012
	Regulatory Services £'000	Regulatory Services £'000
Present value of liabilities	(21,858)	(18,167)
Fair value of assets	19,618	16,951
Deficit in scheme	(2,240)	(1,216)
Worcester City Council share of deficit	(249)	(135)

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.

37. 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,

The following table details the Council's final net revenue expenditure analysed by its key

37. 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.

The Council's financial performance in 2009/10 was £488k better than budget. This £488k

37. 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.

The Council's financial performance in 2009/10 was £488k better than budget. This £488k

37. 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.

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 Council's financial performance in 2009/10 was £488k better than budget. This £488k

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

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.

37. 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.

38. Contingent Liabilities

At 31 March 2013 the Council had the following contingent liabilities:

- A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The claimants have also 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. No provision has been made for this liability

The following table details the Council's final net revenue expenditure analysed by its key

WORCESTER CITY COUNCIL
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For the year ended 31st March 2013

		2012/13	2011/12
		£000's	£000's
Note	Income		
1,2,6	Council Tax	(48,500)	(48,031)
3,6	National Non-Domestic Rates	(38,769)	(37,314)
		<u>(87,269)</u>	<u>(85,345)</u>
	Expenditure		
1	Precepts and demands		
	County Council	34,406	34,137
	City Council and Parishes	5,482	5,428
	Police Authority	5,920	5,872
	Fire Authority	2,438	2,419
		<u>48,246</u>	<u>47,856</u>
	Non-domestic rates		
	Payments to national pool	38,629	37,174
	Cost of collection allowance	140	140
		<u>38,769</u>	<u>37,314</u>
	Bad and doubtful debt provisions		
5	Council Tax	-	-
		<u>-</u>	<u>-</u>
4	(Surplus) for the year	(254)	(175)
	Deficit as at 1 April	220	395
	Fund (Surplus)/Deficit as at 31 March	<u>(34)</u>	<u>220</u>

1. Council Tax: basic amounts

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands, based on estimated valuations as at 1st April 1991.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Worcestershire County Council, Police & Crime Commissioner West Mercia, Hereford & Worcester Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts.

This basic amount of Council Tax for a Band D property (£1,453.52 for 2012/2013 and £1,453.52 for 2011/2012) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due.

**WORCESTER CITY COUNCIL
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For the year ended 31st March 2013**

1. Council Tax: basic amounts (cont'd)

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

	Number of properties Band D equivalents	Proportion	Amount £
Band A	4,258	6/9	969.03
Band B	9,606	7/9	1,130.53
Band C	8,669	8/9	1,292.02
Band D	4,643	1	1,453.52
Band E	3,557	11/9	1,776.54
Band F	1,785	13/9	2,099.54
Band G	583	15/9	2,422.55
Band H	8	18/9	2,907.05

2. Council Tax

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

	2012/13 £000's	2011/12 £000's
Due from taxpayers	41,854	41,277
Council Tax benefit	6,646	6,754
Total Council Tax	<u>48,500</u>	<u>48,031</u>

3. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (45.8p in 2012/2013 and 43.3p in 2011/2012) and, subject to the effects of the transition arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £38.769m for 2012/2013 (£37.314m for 2011/2012) was based on an average rateable value for the Council's area. The rateable value was £103.17m at 31st March 2013. (£100.14m at 31st March 2012).

WORCESTER CITY COUNCIL
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4. Collection Fund surpluses and deficits for Council Tax

The surplus on the Fund of £34k at 31st March 2013 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:

	2012/13 £000's Surplus	2011/12 £000's Deficit
Worcestershire County Council	24	157
West Mercia Police Authority	4	27
Hereford and Worcester Fire and Rescue Authority	2	11
Worcester City Council	4	25
	<u>34</u>	<u>220</u>

5. Provision for Bad Debts and Write Offs

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

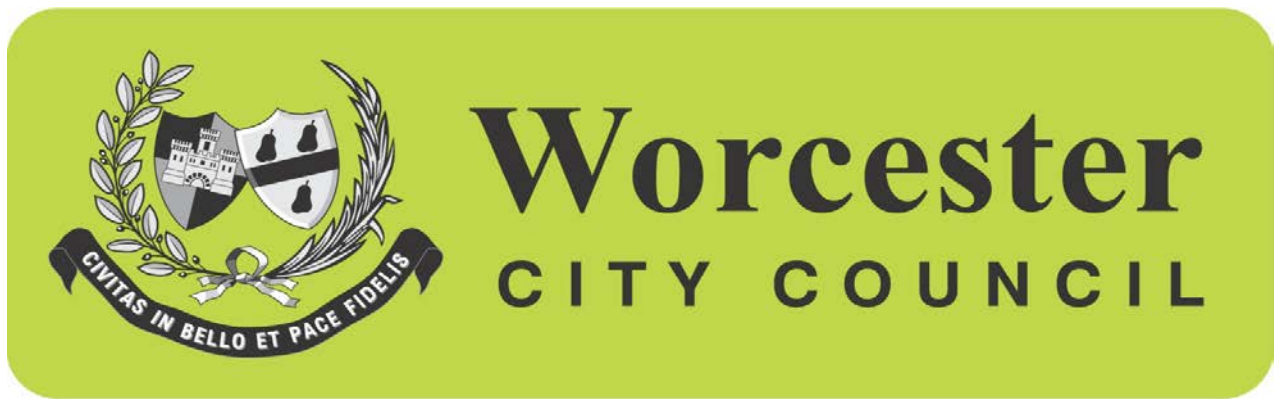
	Council Tax £000's
Brought forward at 1 April	539
Charge/credit for year	-
Carried forward at 31 March	<u>539</u>

6. Write Offs

The amounts written off were as follows:

	2012/13 £000's	2011/12 £000's
Council Tax	127	99
NNDR	423	198

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.



Making Worcester a first rank Cathedral and University City

Approval of Statement of Accounts 2012/13

I confirm that this Statement of Accounts including the Annual Governance Statement were approved by Council at its meeting held on 24th September 2013.

Signed on behalf of Worcester City Council

A handwritten signature in black ink that reads 'Pat Agar'. The signature is written in a cursive style with a long horizontal stroke at the end.

.....
Councillor Patricia Agar
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 2013 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, and 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 2012/13.

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. 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 2013 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 2012/13.

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 November 2012, 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 2013.

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 November 2012, 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 2013.

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

Colmore Plaza
20 Colmore Circus
Birmingham B4 6AT

27/9/2013