



**Wyre Forest**  
District Council

# Pre-Audit Statement of Accounts 2022 - 2023

Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF

# Wyre Forest District Council – Draft Statement of Accounts 2022-23

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# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Narrative Report

### Preface by The Leader of the Council

#### Introduction to the 2022-23 Statement of Accounts by Councillor Marcus Hart, Leader of the Council and Cabinet Member for Strategy



As the newly elected Leader of the Council I am very pleased to welcome you to Wyre Forest District Council's Statement of Accounts and Narrative Report for 2022-23. The Statement details the financial position of the Council for the last year. The Narrative Report provides information on the council, setting out the financial performance in context by highlighting the current financial challenges it faces. It explains how we have used our resources to meet the needs of our residents, businesses and visitors. The Council continues to work hard to make sure people have the opportunity to enjoy a good quality of life and want to live, work, visit and invest in the district.

We have lots to celebrate about our performance in the past financial year. The highlights include starting work on £40m of government-funded schemes. The money has come from our successful bids for funding from the Future High Streets Fund and the Levelling Up Fund. The works will see Kidderminster getting a new look and feel, increasing visitors and the arrival of a creative hub and the opening up of Worcester Street. There are exciting times ahead for regenerating Kidderminster.

This Statement of Accounts and Narrative Report for 2022-23 sets out our financial position and the challenges we are facing in more detail. It explains more about what we have done with the resources available to us.

Despite the challenges we have finished the year with our finances in a relatively robust position, having made a contribution to our risk reserves to cover the cost of financial pressures we know we are going to be facing in the coming year. Our underlying financial pressures continue as we await clarity on our future funding from Central Government. Central Government has said it will change the way that local authorities, like ours, are funded and we look forward to seeing the details. We are always working to improve our services that are important to our residents, businesses and visitors, whilst making efficiency savings and offering value for money. We're doing this through our transformation programme.

My thanks to colleagues in all teams across the Council for their hard work and dedication throughout the year and to the Finance and Internal Audit teams for preparing the accounting statements. All council workers are embracing our transformation and providing you with essential council services.

**Narrative Report**

**Introduction by the Head of Resources and s151 Officer**

My role as the Council's statutory Chief Finance and s151 Officer is to ensure that the Council's financial affairs are properly administered, and its financial position remains stable and robust.

The narrative report provides an analysis of Council performance during the year, an explanation of the financial results included in the Statement of Accounts and an overview of the outlook beyond 2022-23. The purpose of this narrative report is to provide an easily understandable guide to the most significant matters affecting the Council's finances during the past year and information about Wyre Forest District.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide information to members of the public, including electors and residents of Wyre Forest District, Council Members, partners, stakeholders and other interested parties. The Statement aims to give readers:

- A full and understandable explanation of the overarching financial position of the Council and the outturn for 2022-23;
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- Assurance that the financial position of the Council is sound and secure.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years.

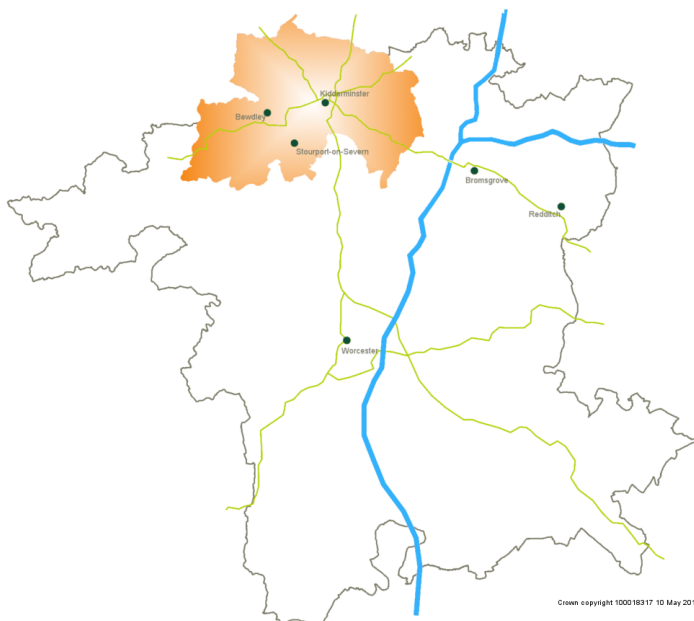
This Narrative report provides information about Wyre Forest, including the key issues affecting the Council and its accounts. It provides a summary of the Council's performance during the year and the financial position at 31<sup>st</sup> March 2023. It is structured as follows:

- Wyre Forest District – the place
- Wyre Forest District – the Council
- Governance
- Corporate Plan 2021-23
- Risks and Opportunities
- Strategy and Resource Allocation and Strategic Planning Framework
- Our Performance
- Financial Performance
- Significant Transactions
- Statement of Accounts
- Further Information

**Narrative Report**

**1. Wyre Forest District – the place**

- 1.1 Wyre Forest District Council was formed in 1973, taking over responsibilities in 1974, and is one of 6 District/City/Borough Councils within Worcestershire. The area takes its name from The Forest of Wyre and comprises the three main towns of Kidderminster, Bewdley and Stourport-on-Severn together with several surrounding villages including Arley, Rock, Chaddesley Corbett and Wolverley. The area is both rural and urban and there are pockets of wealth and deprivation throughout the district. The area has some of the best attractions in the Midlands from an exciting safari and leisure park to Britain's premier steam railway.



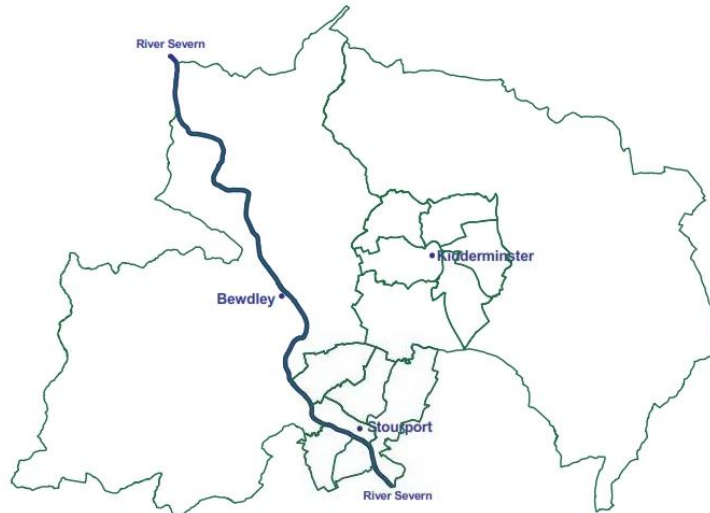
- 1.2 Wyre Forest is a predominantly rural district centred around the 3 towns of Kidderminster, Stourport and Bewdley. Each town has its own character and community identity. Kidderminster was the world leading centre for carpet production, but this sector has been in decline since the 1970s. Stourport and Bewdley are Georgian riverside towns that are popular destinations for day visitors.
- 1.3 Residents in the district earn marginally less than the West Midlands average. The largest proportion of residents work in the Wholesale and Retail Sector with Manufacturing and Human Health & Social Work the second and third largest sectors for occupations. Almost half of all residents who work are employed in managerial, professional or associate professional and technical occupations.
- 1.4 The most recent data shows that there are more than 5,000 businesses in the district. New businesses in the district consistently perform better than average in terms of 3 year survival rates.
- 1.5 Construction has been identified as a cornerstone sector by the Worcestershire Local Enterprise Partnership (LEP) as it is important for the future growth & sustainability of the economy. Worcestershire LEP has also identified Advanced Manufacturing as an opportunity sector. With manufacturing one of the largest sectors in the district for employment, there is a strong tradition and good local skills base to maximise the opportunities for growth.

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## Narrative Report

### 2. Wyre Forest District – the Council

- 2.1 The Council delivers services to its community of around 101,600 people. Wyre Forest's 12 wards are represented by 33 Councillors (elected members). Following the all-out elections held on 4<sup>th</sup> May 2023, the Council's political leadership is provided by the Conservatives. The political groups that make up the opposition are the Independent and Green, Labour and Liberal Democrat Groups.



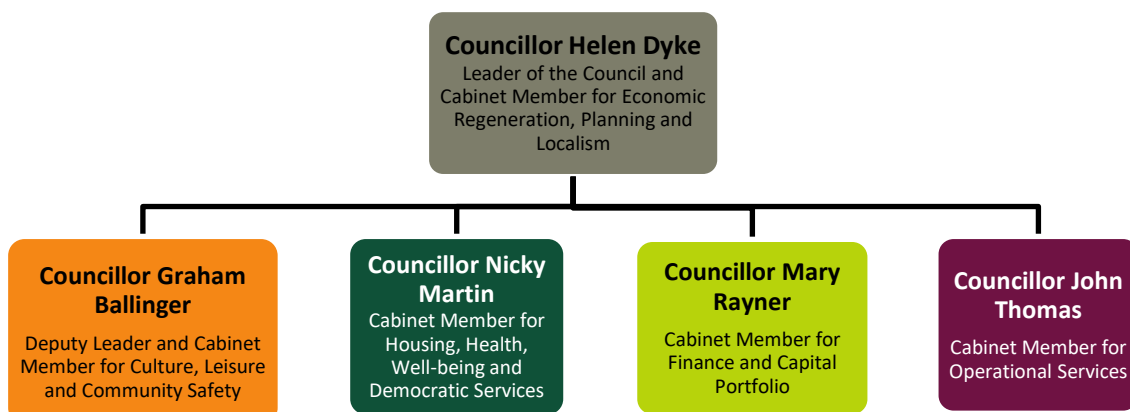
- 2.2 The Council has 20 Conservative, 6 Independent, 4 Labour, 2 Liberal Democrat and 1 Green Party councillors. Our 33 elected Councillors represent the people of Wyre Forest and set the overall budget and policy of the Council.

### Our Leadership and workforce

- 2.3 Wyre Forest District Council currently operates using the Leader and Cabinet Model.

The political management structure is centred upon a Leader - previously Councillor Helen Dyke, now Councillor Marcus Hart, who were elected to this role by local councillors. Cabinet Members are appointed by the Leader with responsibilities for particular portfolios. The Cabinet in place at 31<sup>st</sup> March 2023 was as follows:

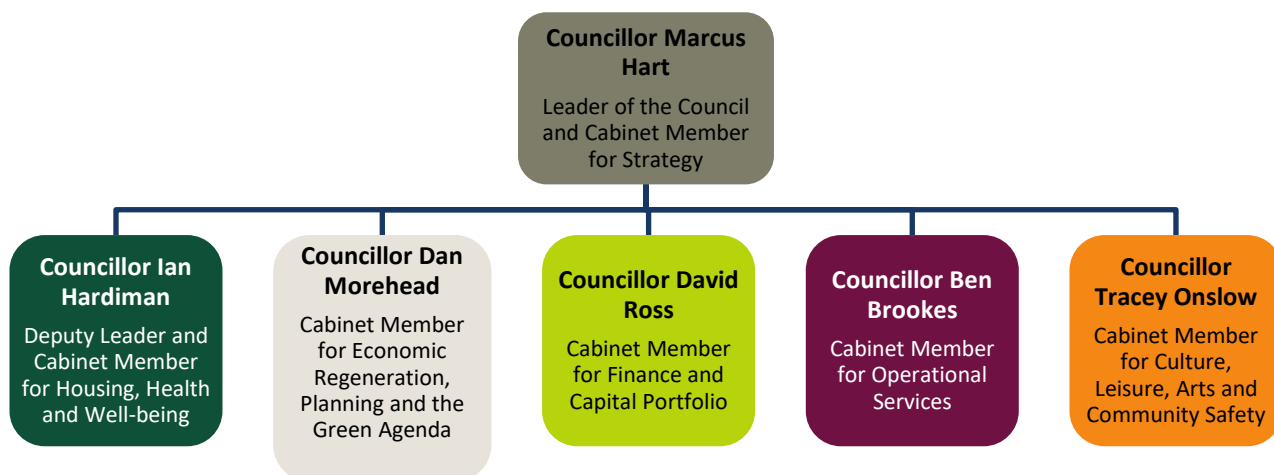
Wyre Forest District Council: Cabinet Members for 2022-23



## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Narrative Report

The Cabinet in place from 17<sup>th</sup> May 2023 is as follows:



The Cabinet members are held to account by a system of scrutiny which is set out in the Constitution. When major decisions are to be discussed or made, these are published in the Cabinet's Forward Plan.

Committees are also included in the arrangements:

- Overview and Scrutiny
- Ethics and Standards
- Appointments and Appeals
- Audit
- Planning
- Licensing and Environmental

Full details, including Committee Chairs and membership, can be found on the Council's website.

#### Wyre Forest District Council: Chief Officers

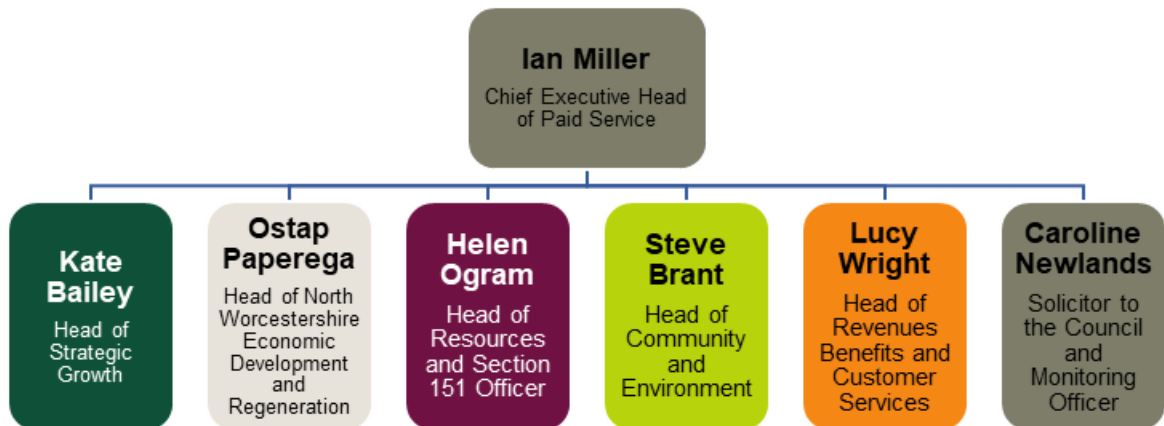
- 2.4 Senior officers, led by our Chief Executive, Ian Miller, support the work of the elected members. The Corporate Leadership Team (CLT) consists of seven officers. The statutory role of Section 151 officer is held by Helen Ogram, the Head of Resources, and the statutory role of Monitoring Officer is held by Caroline Newlands, the Solicitor to the Council. The CLT are responsible for advising councillors on policy, implementing councillors' decisions and managing the delivery of Council Services as well as directing overall service improvement and performance. The current management arrangements have been in place since 1<sup>st</sup> January 2022 following the decision on 12<sup>th</sup> May 2021 to implement a slimmed down structure to realise savings to contribute to the funding gap.



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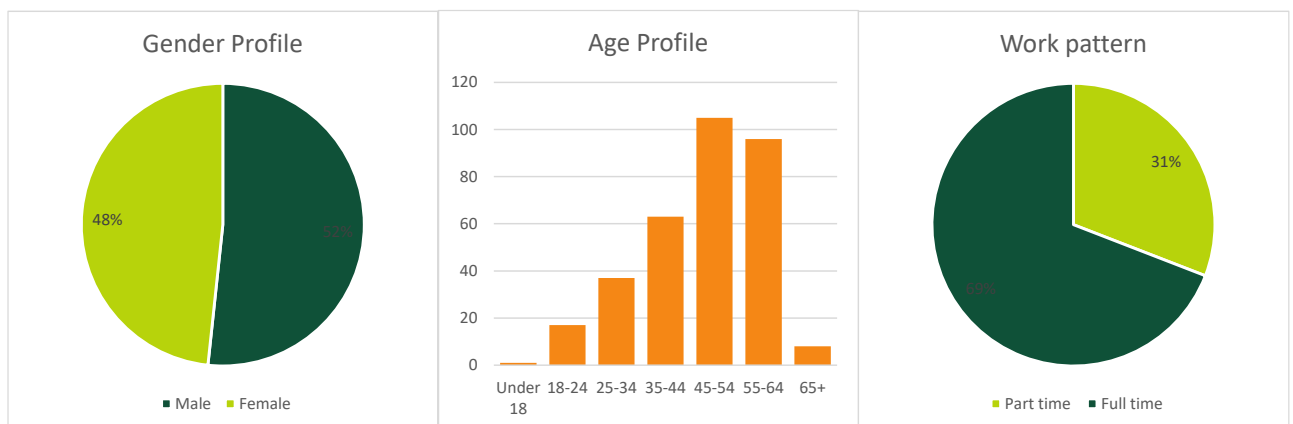
## Narrative Report

The Corporate Leadership Team is as follows:



## Our Workforce

2.5 The council employs 327 staff, based across a number of sites



The Council has a set of values and behaviours that guide the way we go about our business, acting as a checklist for our actions and decisions.





**Narrative Report**

**Legislative Framework**

- 2.6 The Council operates within the legislative and regulatory framework as determined by Parliament and Government. The Statement of Accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations (and associated amendment regulations), and comply with the relevant Local Government Acts, Accounting Standards and CIPFA guidance.

**What we do**

- 2.7 Wyre Forest District Council provides mandatory and discretionary services through a number of channels – directly, through joint working arrangements with other local authorities, through strategic partnerships with the voluntary and community sector and via third party organisations.
- 2.8 The Council runs local services as efficiently and cost-effectively as possible to ensure that the council tax our residents pay represents value for money. Everyone benefits from the universal provision of Council services such as:
- Keeping our environment clean and protected through waste collection, recycling and keeping streets free of litter and fly-tipped waste and carrying out conservation and wildlife management at protected sites;
  - Working in partnership to keep the District safe, free from crime and anti-social behaviour, inspecting food and drink premises to make sure they are safe and hygienic and CCTV monitoring;
  - Encouraging economic development through investments made in infrastructure, housing growth, business support, maintaining existing car parks and supporting tourism;
  - Looking after the health of our residents through the provision of a Leisure Centre and other services (including web based applications) and by providing and maintaining our green open spaces;
  - Providing support to our most vulnerable residents who are experiencing issues of social deprivation such as homelessness, poor physical or mental health and isolation;
  - Collecting council tax and business rates and helping people access financial support through housing benefit and council tax discounts;
  - Supporting residents to improve the homes and areas they live in by dealing efficiently with planning applications and providing building control;
  - Compiling and maintaining the electoral register and administering elections.
- 2.9 Council services are supported by internal professional and business services such as Human Resources, ICT (Information, Communication and Technology), Finance and Legal Services. The Council operates within a shire county structure so services such as Education, Social Care, Children's Services, Highways and Libraries are delivered by Worcestershire County Council. There are also 13 town and parish councils across the District that deliver various local services to the community.

**Narrative Report**

- 2.10 The Council is moving towards the role of collaborator and facilitator of key forward facing services as opposed to being the sole provider. The Council participates in a number of Shared Services - Worcestershire Regulatory Services, Civil Contingencies and Resilience, Water Management, Payroll, Building Control, Economic Development and Regeneration - and is either host to the Shared Service or a partner in receipt of a service. In addition, the Council has a Local Authority Trading Company (LATC) in readiness for property/housing development, where this is the most viable option.
- 2.11 The core functions of the Council will remain the things that it is required to do by law, such as collecting waste, removing litter, housing services including tackling homelessness, producing a local plan and processing planning applications and administering local taxes and benefits. These activities cost about £4.434m a year. The remainder of the Council's work is discretionary. While the Council is not obliged to undertake such services, they are highly valued by local communities and businesses. They include parks, economic development and regeneration and leisure services. The Council spends about £3.581m a year on discretionary activities with a further £4.237m on corporate costs including the costs of the democratic core and pensions deficit funding.

**2.12 What we did**

We have lots to celebrate about our performance in the past financial year.

- Got planning permission to build a three storey residential building to offer temporary accommodation to people facing homelessness
- Created pollinator patches to increase biodiversity
- Secured the future of assets and services through our localism scheme
- Provided grants to community groups to celebrate the Queen's Platinum jubilee
- Celebrated 50 years of Bewdley Museum
- Helped more local good causes through our community lottery
- Moved forward with the transformation of Kidderminster Town Centre with appointment of contractors
- Increased the amount of Council Tax support we give to low income households
- Helped secure £3 million pounds to tackle homelessness across Worcestershire

**3. Governance**

- 3.1 There have been no significant changes in governance arrangements during 2022-23 following the review of decision-making arrangements and the resolution at the Council's meeting in February 2020. The overview of the Council's current governance framework and its effectiveness during 2022-23 are set out in the Annual Governance Statement (AGS) contained within this Statement of Accounts.

## Narrative Report

### 4. Corporate Plan 2021-23

The Council's vision, values and priorities are set out in the Corporate Plan.

**Our vision** is that Wyre Forest is a network of thriving and confident communities which minimise their impact on the environment, where people have a decent and affordable home, feel safe and enjoy a good quality of life.

#### Our Priorities

- A safe, clean, and green living environment
- Supporting a successful local economy

#### Our Strategic Actions

- Adopt the new Local Plan
- Implement measures to increase affordable housing
- Work with partners to protect our environment, to address air quality issues and to help to tackle climate change
- Work with partners to secure external funding and investment to support the economy
- Oversee regeneration of central Kidderminster including Future High Streets projects
- Support the visitor economy in Stourport-on-Severn and Bewdley
- Work with partners to tackle abuse of vulnerable people and environmental crimes
- Work with town and parish councils so that they have local control over assets and services
- Establish Bewdley Museum as a self-standing charity

Work has commenced, following the May 2023 elections, on the Corporate Plan 2024-27 to reflect the aspirations and priorities of the new Conservative administration.

### 5. Risks and Opportunities

**5.1 The legacy and impact of Covid-19** - For over 10 years, some staff of the Council have worked from home or in an agile way from various locations. The pandemic had a widespread impact on the wider workforce of the Council and the way in which the Council delivers services. By utilising new technology, the Council has supported staff who do office-type work to work seamlessly in a blended hybrid of work from home or one of the Council's offices. For many such staff the amount of time that they work at the office or from home varies. The greatest advantages have been:

- Improved work life balance for employees, higher motivation and greater staff engagement contributing to making Wyre Forest District Council the local employer of choice.
- Reduced greenhouse gas emissions from less travel to work by car.
- More efficient use of time, greater ability to focus leading to increased productivity,
- Rationalisation of office space and increased income generated from surplus accommodation to support local services and help close the funding gap
- Effective discharge of the Council's duties under equalities legislation

Narrative Report

- Reduced sickness absence levels. Allowing individuals choice about where they do their work while meeting business needs improves wellbeing and is a recognised mitigation measure against burnout.
- 5.2 Increased customer engagement using technology has also proved successful. Whilst there will continue to be face to face or telephone contact much more business can be transacted on-line. This is the way forward for Council service delivery, having regard to equality and fair access to services for all.
- 5.3 The Council continued to administer grant funding on behalf of the Government for a range of response activities. The Council administered a total of £6.467m of grants during the year of which £5.985m was paid as agent on behalf of the Government.
- 5.4 In February 2022, the Government announced Councils would be responsible for administering the Council Tax Energy Rebate scheme. Although this was a 2022-23 scheme the Council received a grant award of £5.925m on 30<sup>th</sup> March 2022. Therefore, at the start of the year the Council held this sum in its Balance Sheet as a receipt in advance.
- 5.5 **Risks** – The Council has a risk management strategy in place to identify and evaluate risk, ensuring that adequate controls are in place to provide sufficient mitigation from risks, without stifling the opportunities for development.
- 5.6 The Corporate Risk Register plays an integral role to support delivery of the Corporate Plan and is reviewed and updated monthly by Service Managers and reported to the Corporate Leadership Team and Audit Committee at least twice a year. The regular Performance Monitoring reports to Overview and Scrutiny Committee include risk mitigations that are unachieved/behind schedule. For significant projects separate detailed Risk Registers are held and monitored as part of the project management process linking directly to the Corporate Risk Register.
- 5.7 In addition to the Corporate Risk Register the Council maintains a separate Budget Risk Matrix (approved as part of the Medium-Term Financial Strategy) which is reviewed annually. The Budget Risk Matrix is also monitored on a regular basis by the Corporate Leadership Team with bi-annual reports to the Audit Committee.
- 5.8 The top risks and uncertainties faced by the Council in relation to future service provision are summarised in the following table. All risks are rescored on a quarterly basis:

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### Narrative Report

Risk	RAG Rating	Corporate Plan Priority or other*
Government policy or legislation adversely impacts delivery of Council strategies or services	R	1,2
Unable to deliver sustainable budget for the long term	R	1,2,3
High and sustained inflation adversely impacts Council's finances in the short term and increases service demand from residents above ability to deliver	R	1,2
Unable to shift priorities to deal with demands from Government at short notice (recent examples: COVID grants and reliefs, Homes for Ukraine, energy rebate, asylum seeker dispersal) resulting in service failure or damage to reputation	R	1,2
Vulnerability to cyber attacks	R	3
Poor or reckless decisions or poor member behaviour undermines Council's reputation and performance	A	3
Insufficient organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce	A	3
Not having stable and effective managerial leadership	A	1,2,3
Inability to enforce relevant legislation effectively e.g. environmental health, licensing, environmental crime, private sector housing standards, council tax/benefits	A	1
Unable to sustain mental health & wellbeing of staff	A	3
Unable to secure effective delivery of wide range of significant projects	A	1,2
Unable to deliver Levelling Up Fund and Future High Streets Fund projects effectively	A	1,2
Members lack skills and knowledge necessary for effective discharge of their responsibilities	G	3
Unable to achieve balanced housing market to meet need	G	3

RAG – Red, Amber, Green

*Key	1	Corporate Plan Priority - A safe, clean and green living environment
	2	Corporate Plan Priority - Supporting a successful local economy
	3	Core Council business

5.9 **Opportunities** - We have a track record of recognising and managing existing risks, and identifying and dealing with emerging risks. We have responded well to recent financial challenges. We also work to ensure, given the current funding gap and pressures facing the Council coupled with greater expectations from our customers and residents, that we maximise our opportunities to deliver cost-effective, efficient and innovative services while minimising and managing the risks. Some of the key opportunities for the future include:

- ongoing investment of time and resource in our town centres to boost jobs, the economy and generate income;
- increasing income through collaboration and service redesign;
- promoting tourism and the visitor economy; and
- channel shift by providing services and information in the most efficient way, encouraging self-service and the use of “apps” such as the My Wyre Forest App.

**Narrative Report**

**Delivering a sustainable budget for the long term**

5.10 Following a long period of austerity and significant reductions in core government grants and rising demand it is essential to set a prudent, stable and achievable budget. In order to respond to shifts in demand led expenditure pressures, a limit to local sources of income from fees and charges and rising inflation, the Council is taking steps to meet the future needs of residents and priorities. The scale of future budget reductions will inevitably affect all services and all residents to some extent. In considering what savings can be made we are taking a long term approach to the design of future services and this approach will help to protect the needs of the most vulnerable people in the district. The Medium Term Financial Strategy (MTFS) planning process for 2022-23 updates the funding gap and incorporated an ambitious programme of savings as follows:

- Transferring assets and services to local organisations, in particular town and parish councils. Models range from those where the district council ceases to have any role (the freehold is transferred, where there is an asset involved, and the local organisation meets 100% of the operational costs) to those where the District Council might still have a role in operating a service or asset but the cost is shared with another body instead of being met solely by the District Council.
- Implementing shared services or other collaborative arrangements with other councils and public bodies.
- Implementing efficiency measures and other changes that reduce the call on council services. The main tool that will be used is further implementation of digital services that allow residents and local businesses to access services on line, 24 hours a day, thereby improving the customer experience. Service users can book, pay for and report things while minimising the use of staff time at the Council. Digital services will be promoted and their use strongly encouraged while maintaining an appropriate assisted service for vulnerable members of the public who require support.
- Implementation of more digital services is also expected to improve efficiency and challenge historic approaches to service delivery.
- Reducing spend on services, and therefore reducing quality/frequency and in some cases potentially whether the service is provided at all. This will be necessary only if all other options have been exhausted.

The approved MTFS for 2023-24 is based on continuing this approach but in future years will be revised in light of the priorities in the corporate plan for 2023-27 which is being prepared.

**Improving the economic prosperity of the district**

5.11 The Council has continued to support economic growth, recognising the significant financial benefits in the form of retained business rates and creation of jobs. There are 2 significant towns centre regeneration projects underway as well as proposals for further major investment in a variety of schemes.

**Narrative Report**

- 5.12 The Levelling Up Fund programme of work to re-kindle Kidderminster's heritage and make the canal and the river a focus and encourage visitors by providing special, vibrant places with cafes, arts and cultural activities is in progress. Full completion of the canal tow path project is scheduled for July 2023, completion of the Kidderminster Town Hall project is due in February 2025 and a project adjustment request has been submitted to DLUHC in order to bring the grade 2 listed Piano Building back into use within the project timeframe. This is a major opportunity for town centre regeneration that will draw on £17.9m of Government investment into Kidderminster and should lead to improved economic prosperity for the whole district and growth in our key income stream of business rates. Funding must be fully spent by the end of March 2025 and an ambitious programme of work is underway to achieve the business case objectives of improved connectivity and a fresh modern vibrant Kidderminster Town Centre.
- 5.13 The £20.5m Future High Street Funded project to create a Creative Hub at the former Magistrates Court and the Worcester Street connectivity project are also progressing well. The contractor is on site at the Creative Hub and the demolition contractor has been appointed ahead of creation of the new public realm works including new slopes and steps linking Bromsgrove Street and its development sites with Worcester Street and the remainder of the town centre.
- 5.14 The temporary accommodation scheme at Castle Road in Kidderminster is similarly progressing well, the pre-construction services contract has been awarded and construction is expected to commence in the autumn of 2023.

**6. Strategy and Resource Allocation and Strategic Planning Framework**

- 6.1 Our strategic planning framework creates a golden thread from the Council Plan priorities through to employees. Our latest Employee Survey found that 85% understood how their role contributes to the Council's priorities.
- 6.2 The Corporate Plan 2021-23 identifies the Council's strategic objectives and the strategy to deliver these corporate priorities.
- 6.3 A new Workforce and Organisational Development Strategy action plan will deliver the Workforce and Organisational Development Strategy 2023-27. The strategy sets out our approach to upskilling and supporting the work force and making WFDC an employer of choice.
- 6.4 The corporate performance framework comprises a basket of measures to enable the organisation to understand progress in the delivery of our corporate priorities.
- 6.5 The Council's Medium-Term Financial Strategy demonstrates how the Council's financial resources will be deployed over a 3 year period to deliver corporate priorities. It sets the overall shape of the Council's budget by determining the level of resources that will be available and how they are allocated between services. This provides a medium-term framework to enable members and officers to develop detailed annual budget allocations.



**Narrative Report**

- 6.6 The Council's MTFS is set within a robust and well-established planning framework and is based on an analysis of key influences on the financial position and an assessment of the main financial risks facing the Council. This framework enables the Council to deliver performance improvement whilst controlling use of its limited financial resources. As part of the financial strategy, consideration is given to the likely savings required in future years and services are actively working to develop plans which will change the shape of services and the way they are provided to deliver budget reductions in the future. The Council will need to continue to secure further savings and to manage cost pressures effectively. Local demand for services continues to increase and the ongoing high level of is continuing to put pressure on many of the Council's income budgets as well as goods and services that the council buys.
- 6.7 In shaping the budget, issues are carefully considered to ensure that the financial strategy is both prudent and protects our most vulnerable residents. Ensuring that there is the capacity to invest is a critical part of the budget deliberations. In relation to council tax, the 2022-23 budget included a council tax increase of £5.
- 6.8 For many years the Council has been dealing with the large reductions in government funding from the government's austerity cuts. Despite considerable success in reducing expenditure, the Council's expenditure continues to exceed its income resulting in a funding gap, currently projected to be £1.78m in 2025-26 if savings plans and targets are not met. The budget is balanced by use of reserves. Initiatives by the Council to reduce costs and increase income have assisted and the Council has been very successful in "putting off" the day when significant cuts will have to have been made to services. The additional expenditure and pressure on income from fees and charges due to high inflation and the the cost of living crisis, have added to an already difficult financial position for local government as a whole. The further postponement of the Fair Funding Review, and the uncertainty this brings, has added to the Council's financial challenges in the medium term. In the short term, enhanced producer responsibility arrangements are due to commence in 2024. The levies paid by packaging producers are expected to provide a financial windfall for councils in the first year, although the amount for WFDC is unknown at this time. However, the concern is that the Government will seek to claw back any financial benefit in future years and that the overall funding position for the waste reforms under the Environment Act 2021 will leave the Council worse off.

**7. Our Performance**

- 7.1 The Council's operational model is for a mixed economy of services provided directly by the Council or through collaborative working with other councils or public bodies and a limited range of services that are provided by the private sector. The Council's financial and non-financial performance is regularly monitored and reported to Cabinet and Scrutiny committees on a quarterly basis. Details of these reports for 2022-23 can be found on the Council's website.
- 7.2 The success of the Corporate Plan is measured by delivery against our strategic actions.
- 7.3 The outcomes we have achieved in the last 12 months are reported to Overview and Scrutiny Committee and Cabinet and demonstrate how the Council has been delivering its priorities and strategic actions in the Corporate Plan 2021-23.

**Narrative Report**

**8. Financial Performance**

**Core Funding**

- 8.1 The Council's General Fund budget for its own net expenditure was originally set at £12.026m with a planned use of reserves of £21,750. The 2022-23 overall outturn position was £12.402m supported by a £373,000 transfer from reserves, in line with the budget approved by Council in March 2023.
- 8.2 The Council's core revenue expenditure was funded by a combination of locally raised funds and resources allocated by central government. Services also received funding from specific grants, contributions and fees and charges.
- 8.3 Income from fees and charges was hit particularly hard during the pandemic but had substantially recovered by the end of 2021-22. However, the impact of the war in Ukraine, including significant price increases for gas and electricity and more general price inflation, on household income and the profitability of businesses has suppressed revenue from many of our services and some of the fees and charges from commercial activities have not returned to pre pandemic levels. Overall, performance is ahead of that received in 2019-20 but the majority of this growth is in relation to rent reviews on commercial property leases and leases from new premises. The total income (from all sources excluding shared services) achieved in 2022-23 is £8.128m, ahead of the pre-pandemic level of £7.391m in 2019-20 but significantly less than the level assumed for the year in the 2020-23 MTFS. The Council will continue to raise income from fees and charges, so that users of particular services contribute to the cost of providing them rather than being subsidised by council taxpayers.
- 8.4 The Council adopts a cash limited approach to its budget, with Cabinet Members and the Corporate leadership team being responsible for ensuring services are delivered within budget.

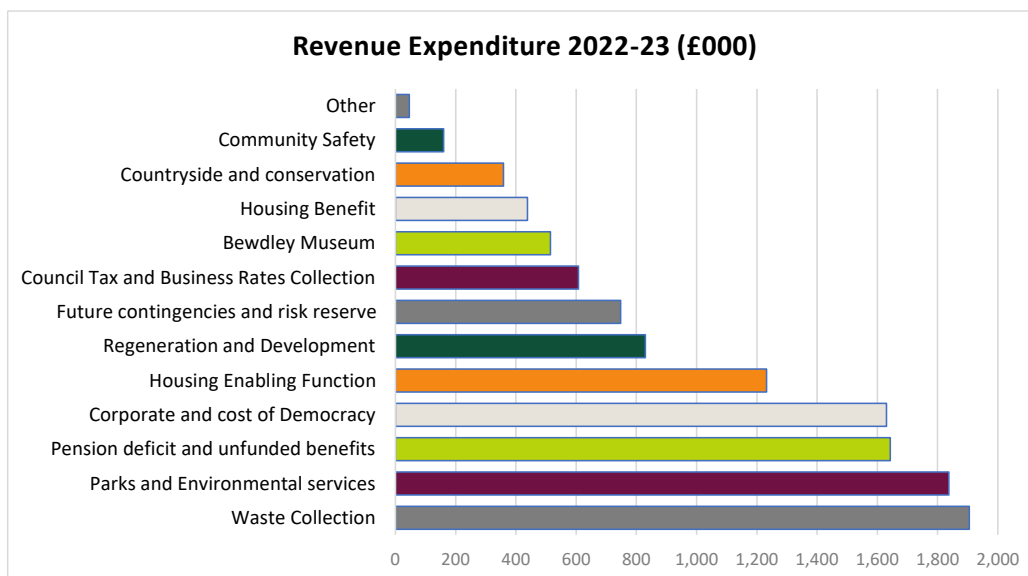
**Revenue Spending**

- 8.5 Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserves. Net revenue expenditure across services of £11.951m, is shown in the graph below.

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### Service Spending 2022-23



8.6 The Council has well established robust financial management procedures in place to monitor revenue and capital expenditure throughout the financial year. The process for the management and monitoring of budgets and achievement of savings targets continues to be refined to further ensure the sustainability of the Council's financial position over the longer term.

8.7 The Council's 2022-23 revenue outturn position is presented in the following tables:

### Service Expenditure

SERVICE	[A] Original Budget	[B] Revised Budget	[C] Outturn	[C-A] Outturn to Original Variance	[C-B] Outturn to Revised Variance
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive and Solicitor to the Council	1,294	2,314	2,356	1,062	42
Community and Environment	4,660	4,837	4,392	(268)	(445)
Economic Development and Regeneration	(94)	284	172	266	(111)
Resources	2,940	2,611	2,817	(123)	206
Revenues Benefits and Customer Services	978	1,034	994	16	(40)
Strategic Growth	1,894	1,847	1,788	(106)	(59)
Capital Account	355	(525)	(568)	(923)	(43)
<b>SERVICE TOTALS</b>	<b>12,027</b>	<b>12,402</b>	<b>11,951</b>	<b>(76)</b>	<b>(450)</b>
Increase General Risk reserve re Employers pay offer			300	300	300
			<b>12,251</b>	<b>224</b>	<b>(150)</b>
Increase in working balance (inflationary increase)			150	150	150
<b>NET CHANGE IN USE OF RESERVES</b>				<b>374</b>	<b>0</b>

Underspends and income denoted by brackets ( )

# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Narrative Report

### Impact of Spending on Reserves

Reconciliation to Statements	2022-23 Outturn
	<b>£000</b>
<b>Service Expenditure reported to management</b>	12,251
Exclude items funded from earmarked reserves and other items (Capital transactions and accounting adjustments) to give net cost of service to comply with the CIPFA Code	1,314
<b>Net Cost of Services (CIES)</b>	<b>13,565</b>
Exclude items not met by local tax payers such as depreciation, some pension costs and holiday entitlement owed	(4,288)
Add statutory charges for the use of assets (Capital)	1,206
<b>Expenditure total</b>	<b>10,483</b>
<b>SOURCES OF INCOME</b>	
Council Tax (District element only)	7,858
Business Rates retention	(534)
Central Government Grant including New Homes Bonus	814
<b>Income total</b>	<b>8,138</b>
<b>In Year (Surplus)/Deficit (Note 6: EFA)</b>	<b>2,345</b>
<b>FUNDING FROM RESERVES</b>	
Net addition (to)/from Earmarked reserves (general)	2,122
Increase in working balance	(150)
Contribution (to)/from General Fund	373
<b>Total movement on General Fund reserves</b>	<b>2,345</b>

Underspends and income denoted by brackets ()

Transfers from reserves	Original Budget	Revised Budget	Outturn
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Medium Term Financial Strategy assumption	23	373	373
Variance to Original Budget			350
Variance to Revised Budget			0

The above table shows that in overall terms the outturn position was £350k less favourable than planned when compared to the original budget approved in February 2022 and in line with the revised budget approved in February 2023. There was a saving on Services of £150k less £150k inflationary increase in the working balance. This position is reported after a contribution of £300k to top-up the General Risk Reserve to limit the impact of the April 2023 pay award on 2023-24 budgets. The initial employers' pay offer was above the provision built into the Medium Term Financial Strategy and whilst the final outcome of negotiations is unknown it is highly unlikely to be lower than the initial offer. The net service expenditure saving before allocations to reserves was £450k.

**Narrative Report**

- 8.8 At the end of the financial year the useable reserves stood at £24.164m, compared to £25.762m at the end of 2021-22. The Council takes a risk based approach to the management of useable reserves and as part of setting the annual budget, the s151 Officer (Head of Resources) undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2022-23 it was determined that a level of £1.5m remained an appropriate figure but that the position would be reviewed at final accounts. In light of the risks facing the council, in particular the scale of future reductions on top of those already made and the additional pressures on budgets from high inflation and wage growth, this minimum level has been increased by the prevailing rate of inflation to £1.65m.

**Council Tax and Business Rates**

- 8.9 The Council collects Council Tax on behalf of the Office of the Police and Crime Commissioner for West Mercia, Worcestershire County Council, Hereford and Worcester Fire authority and itself. Within the latter sum are the precepts paid to town and parish councils.
- 8.10 During the period from 2011 to 2020 the council tax charged by Wyre Forest District Council fell sharply in real terms, as a result of five years when the Council froze the tax. The annual increase in April 2020, April 2021 and April 2022 of £5 was in-line Government expectations in order to avoid a referendum on council tax.
- 8.11 During 2022-23 the Council was a member of the Worcestershire business rates pool. The pool is a voluntary arrangement which allows retention of a greater share of local growth in business rates income. The operation of the pool is governed by a formal agreement between authorities. In 2022-23 membership of the pool remained the same as in 2021-22, consisting of all Worcestershire districts, the County Council and the Fire Authority. The benefit of being in the Worcestershire Pool in 2022-23 was the retention of £292k which otherwise would have been paid to the Government as a growth levy.
- 8.12 In 2022-23 the net income before costs and tariffs from business rates was £26.297m, of which the Council receives a 40% share.
- 8.13 The Council maintains a separate fund for the collection and distribution of Council Tax and Business Rates. The account shows a deficit on Council Tax and a surplus on Business Rates at 31<sup>st</sup> March 2023. Income from business rates is better than the position previously estimated due to a significant reduction in the provision held for appeals. The District's share of these balances will be carried forward to future years. Further detail is presented in the Collection Fund notes section of the Accounts.

**Capital Expenditure**

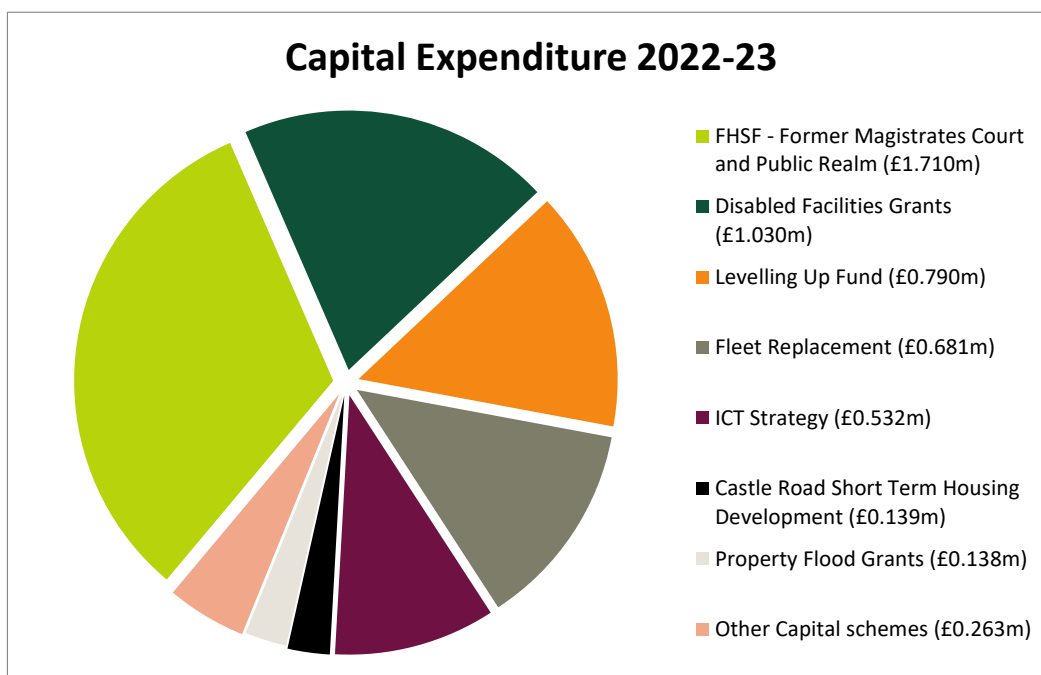
- 8.14 Capital expenditure is expenditure on non-current assets that have a life expectancy of more than one year and benefit not just current but future taxpayers within the district. The assets are usually funded over a period longer than one year, either from borrowing, from grants or from reserves built up over a period of time. Capital expenditure forms a large part of our spending on the provision of services and, in line with our revenue budget setting process, our Capital Programme for 2022-23 was compiled to maximise and make the best use of the available funding to deliver projects that contributed towards the key priorities of the Council.

Narrative Report

8.15 The Council has an ambitious capital programme. This investment which includes £20.5m Future High Streets Funding and £17.9m Levelling Up Funding, will reshape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our ongoing financial sustainability including:

- More commercial space for new and established businesses
- Acquisition of a diverse Capital Portfolio of properties for regeneration and economic development or to meet housing need, that are self funding
- Adaptations that improve the health and well-being of residents with disabilities
- Restoration of Brinton Park following the award of funding from the National Lottery Heritage Fund Parks for People grant programme
- Development of Kidderminster town centre, to include transformation of the Magistrates' Court and Bromsgrove Street sites and infrastructure interventions to improve connectivity within the town
- A programme of work to rekindle Kidderminster's heritage to make the canal and the river a focus with cafes, arts and cultural activities supported by the Levelling Up Fund.

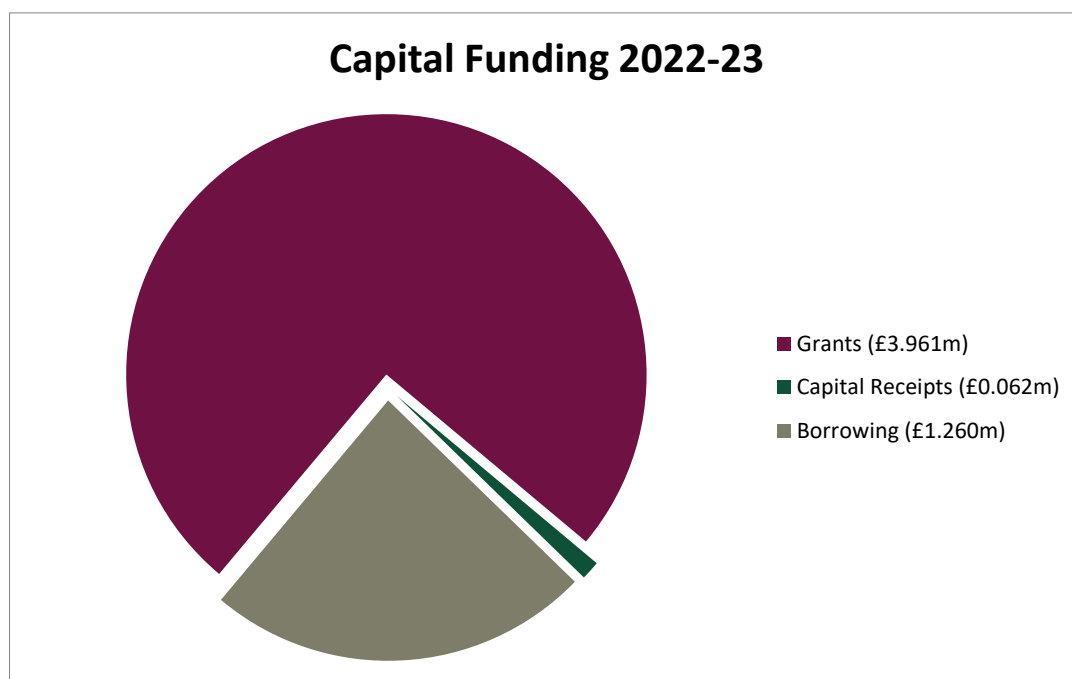
8.16 The Capital Programme budget for 2022-23 was originally set at £38.345m, revised to £25.099m following re-profiling of spend on approved schemes. The actual capital expenditure for 2022-23 was £5.283m. The balance of the programme has been reprofiled to 2023-24. An analysis of capital investment is shown in the chart below:



The Capital Programme was financed from a combination of internal borrowing, Government Grants, reserves (capital receipts) and revenue contributions.

Narrative Report

8.17 Capital Financing for 2022-23 is shown in the diagram below:



**Treasury Management**

- 8.18 The Treasury Management Strategy for 2022-23 was approved by Council on 23<sup>rd</sup> February 2022. During the year treasury management performance was reviewed by the Treasury Management Review Panel before being reported to Council.
- 8.19 **Details of investment performance:** The Council manages all of its investments in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £40.910m of investments.
- 8.20 The Council's investment strategy is primarily to ensure funds are invested in institutions which are secure, to maintain sufficient cash reserves to give it necessary liquidity, whilst also trying to attain a benchmark average rate of return in excess of the 7 day backwards looking Sterling Overnight Index Average (SONIA) rate. The average interest rate for investments held at 31<sup>st</sup> March was 4.01%. The average rate achieved during the year was 2.3%, compared to the 7 day backward looking Sterling Overnight Index Average (SONIA) benchmark rate of 2.23%. Yields continued to increase during the year as bank rates were increased. The bank rate at the start of the year was 0.75% rising to 4.25% at the year end. The interest received on investments during the year was £1.069m against the original budget of £55,000 and the revised budget of £0.850m approved in February 2023. The increased investment return was due to both the interest rate increases and to slippage in external grant funded schemes in the capital programme, resulting in a larger balance of funds invested. The Council maintained an average investment balance of £46.567m in 2022-23 compared to £38.334m in 2021-22.



## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Narrative Report

- 8.21 The outlook for investment returns for 2023-24 is likely to remain good since the bank rate isn't expected to fall until the end of the year. The Council's overriding priority continues to be security and liquidity above yield.
- 8.22 **Details of borrowing:** During the year the Council repaid one external loan, £2m with Portsmouth City Council and replaced it with a 2-year loan from Merseyside Fire and Rescue. A deposit invested on behalf of a local town Council (£100k) was also repaid. As at 31<sup>st</sup> March 2023 the Council had borrowings of £34.240m. A summary of the Council's borrowing activities for 2022-23 is provided below.

Long Term Borrowing	2020-21	2021-22	2022-23
	£000	£000	£000
Balance as at 1st April	35,000	34,000	32,000
Plus:			
New long-term borrowing	2,000	0	2,000
Long-term borrowing repaid	0	0	0
Re-Classified as temporary borrowing (repayable in the following financial year)	(3,000)	(2,000)	0
Balance as at 31st March	34,000	32,000	34,000

Short Term Borrowing	2020-21	2021-22	2022-23
	£000	£000	£000
Balance as at 1st April	2,240	3,280	2,340
Plus:			
New temporary borrowing	40	60	0
Re-classified from long-term borrowing	3,000	2,000	0
	5,280	5,340	2,340
Repayments in year	2,000	3,000	2,100
Balance as at 31st March	3,280	2,340	240

- 8.23 The Council sets aside a prudent provision for the repayment of debt where borrowing arrangements have been used to finance capital expenditure (historic and current) using an asset life method. The MRP policy for 2022-23 was approved at the 23<sup>rd</sup> February 2022 Council in line with statutory guidance and included the discretion for the Head of Resources and s151 Officer (Chief Financial Officer) to charge a Voluntary Revenue Provision (VRP).

## Narrative Report

### 9. Significant Transactions

#### 9.1 Pensions

The cost of pensions remains a major item of expenditure. The Council is part of the Worcestershire Pension Fund; a full actuarial valuation was carried out as at 31<sup>st</sup> March 2022. The Council's pension liabilities are offset by the value of pension fund assets invested. The Worcestershire Pension Fund is independently revalued every three years to determine employer contribution rates. Employer contribution rates are set to achieve a 100% funding level (i.e., to be fully funded) by 2035. The most recent revaluation assessed the funding level for Wyre Forest at 97% compared with 83% in 2019. Following each triennial revaluation contribution rates payable by the individual employers within the pension fund are revised. The results of the 2022 revaluation will impact on contribution rates payable from 1<sup>st</sup> April 2023.

The Council's overall pension liability has significantly decreased during the year due to both a reduction in life expectancy and a change in financial assumptions. Deficit clawback funding for the period 2020-2023 and an estimate of employer's contributions was paid in April 2020 as an advance payment which generated a cost saving for the Council's General Fund of £437k over the three-year period.

#### 9.2 Capital Portfolio Fund

The Council made no further capital portfolio fund property purchases during 2022-23. Properties already held are classified as operational property, plant and equipment assets since they are held primarily to support economic development and regeneration, contributing to our corporate priority of "Contributing to a successful local economy". This is in accordance with our approved Capital Strategy that links to the Medium-Term Financial Strategy, Treasury Management Strategy, various Regeneration and Economic Development Strategies and plans and, importantly, the overarching Corporate Plan 2021-23.

#### 9.3 Revenue Reserves, Balances and Financial Resilience

Revenue reserves play an important part in the Council's Financial Strategy by ensuring that we have some resilience to cope with unpredictable financial pressures. The Council holds working balances to meet unforeseen spending requirements and to provide certainty for medium term financial planning. The level of working balances takes into account the strategic, operational and financial risks facing the Council and has been increased by 10% in-line with the prevailing rate of inflation following easing of cost pressures at 31<sup>st</sup> March 2023 to provide additional risk mitigation. As at 31<sup>st</sup> March 2023, the working balance was £1.65m and total revenue reserves stood at £18.362m. Of this sum £13.244m has been earmarked.

The level of reserves and balances is a key element in the CIPFA Financial Resilience Index. There are no Wyre Forest indicators where risk was considered to be extremely high or a cause for immediate concern.

#### 9.4 Cash Flow Management

The Council primarily undertakes external borrowing to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources, and in some instances also to manage fluctuations in its cash flows more generally. Separately, the Council has cash backed resources, which it has set aside for longer term purposes (such as funds set aside in reserves and balances) and working capital balances, that can either be invested or temporarily utilised to defer the need for external borrowing.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Narrative Report

External loans totalling £2.1m were repaid in 2022-23 and a new two year loan totalling £2m was secured. During the year we increased our internal borrowing by £300,000 in line with our Treasury Management Strategy Statement, choosing to use temporary cashflow funds instead of securing new borrowing. Total internal borrowing at 31<sup>st</sup> March 2023 was £7.194m.

The Council's cash balances are invested until required on a short-term basis up to a maximum period of 1 year. During 2022-23 funds were invested with Money Market Funds (MMFs), Certificates of Deposit (CD's), institutions (such as banks) with high credit ratings and the Government Debt Management Office facility (DMO), our primary concern always being security of funds.

The bank rates rose from 0.75% at the start of the year to 4.25% at the year end. Resulting in an additional investment return of £1.014m. The increased investment return was due to both the interest rate increases and to slippage in external grant funded schemes in the capital programme, resulting in a larger balance of funds invested.

### 10. Statement of Accounts

10.1 The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and the Accounts and Audit (Amendment) Regulations 2021, requires the Council to produce a **Statement of Accounts** for each financial year. These statements contain a number of different elements which are explained below. The Statement of Accounts is set out in the accompanying document.

10.2 **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Authority and the Chief Finance Officer (Head of Resources and s151 Officer).

10.3 **Auditor's Report** gives the auditor's opinion of the financial statements and of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

#### 10.4 Core Statements

- The **Comprehensive Income and Expenditure Statement** – this records all the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of the services and activities that the Council is required to carry out by law (statutory duties) such as street cleansing, waste collection and planning and discretionary expenditure focussed on local priorities and needs.
- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.
- The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Narrative Report

- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investments, or financing activities (such as repayment of borrowing and other long term liabilities).

### Supplementary Statement

- The **Collection Fund** - summarises the collection of Council Tax and Business Rates and the redistribution of some of that money to the Office of the Police and Crime Commissioner for West Mercia, Worcestershire County Council, Hereford and Worcester Fire Authority, Worcestershire Business Rates Pool and Central Government.

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions. The **Annual Governance Statement** sets out the governance structures of the Council and its key internal controls which are a critical component of our overall governance arrangements.

### 11. Further Information

If you would like to receive further information about these accounts, please contact Helen Ogram, Head of Resources and S151 Officer, Wyre Forest House, Finepoint Way Kidderminster, Worcestershire, DY11 7WF.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Statement of Responsibilities for the Statement of Accounts**

#### **The Council's Responsibilities**

The Council is required:

- (a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Resources and S151 Officer;
- (b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (c) to approve the Statement of Accounts.

#### **The Head of Resources and S151 Officer's Responsibilities**

The Head of Resources and S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK (The Code).

In preparing this Statement of Accounts, the Head of Resources and S151 Officer has:

- (a) selected suitable accounting policies and applied them consistently, except where policy changes have been noted in these accounts;
- (b) made judgements and estimates that were reasonable and prudent;
- (c) complied with The Code of Practice on Local Authority Accounting in the UK.

The Head of Resources and S151 Officer has also:

- (a) kept proper accounting records which were up to date;
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Issue Date**

The Statement of Accounts 2022-23 was certified for issue on 31<sup>st</sup> May 2023. All known material events that occurred up to and including this date which relate to 2022-23 or before have been reflected in the accounts.

#### **Certification of Accounts**

In accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2021, I certify that the Statement of Accounts presents a true and fair view of the financial position of Wyre Forest District Council at 31<sup>st</sup> March 2023 and its income and expenditure for the year ended 31<sup>st</sup> March 2023.

Helen Ogram CPFA – Head of Resources and S151 Officer  
31<sup>st</sup> May 2023

#### **Approval of the Accounts**

I certify that the Statement of Accounts has been approved by a resolution of the Audit Committee in accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2021 and is authorised for issue.

Chair, Audit Committee  
xx September 2023

## Annual Governance Statement 2022-23

### Why have we prepared this Annual Governance Statement (AGS) 2022-23?

- To demonstrate whether, and to what extent, the council has a sound system of governance and has complied with its local requirements in 2022-23.
- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once a year in each financial year.
- To demonstrate our achievements and help us to be more effective and take action to improve.

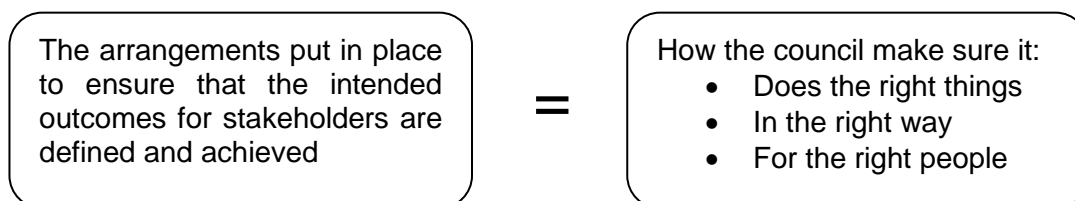
### What is the Annual Governance Statement?

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publicly on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review of the effectiveness of Wyre Forest District Council's governance framework for 2022-23 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas over the coming year.

### What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely, inclusive, open, honest and accountable manner.

This is summarised as:



### What is the Scope of our responsibility?

Wyre Forest District 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. Wyre Forest District 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, Wyre Forest District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework; *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.wyreforestdc.gov.uk](http://www.wyreforestdc.gov.uk) or can be obtained by contacting The Hub, Green Street, Kidderminster DY10 1HA. This statement explains how Wyre Forest District Council has complied with the code and the requirements of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

### **What is the definition of the governance framework?**

This is defined as ‘the systems by which local authorities direct and control their functions and relate to their communities’. The governance framework encompasses the Council’s financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (Head of Resources and s151 Officer for this Council) in Local Government; the governance arrangements also conform to the requirements of the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.

The key elements of the Council’s systems and processes that comprise the authority’s governance arrangements are included in the Council’s Constitution which is reviewed and updated throughout the year. The following diagram is reproduced from “Delivering Good Governance in Local Government Framework 2014” published by CIPFA/IFAC and shows core principles and how they are delivered within the robust framework at Wyre Forest.



## Wyre Forest District Council – Draft Statement of Accounts 2022-23

GOVERNANCE PRINCIPLES		INTERNAL CONTROLS
<ul style="list-style-type: none"> <li>➤ Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</li> <li>➤ Members and officers working together to achieve a common purpose with clearly defined functions and roles</li> <li>➤ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</li> <li>➤ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</li> <li>➤ Developing the capacity and capability of members and officers to be effective</li> <li>➤ Engage with local people and other stakeholders to ensure robust public accountability</li> </ul>	<div data-bbox="645 300 1451 1056" data-label="Diagram"> <p>The governance framework has been in place at Wyre Forest District Council for the year ended 31<sup>st</sup> March 2023 and up to the date of approval of the statement of accounts.</p> </div>	<div data-bbox="1507 204 2161 1385"> <p><b>INTERNAL CONTROLS</b></p> <p><b>Leadership, Culture and Planning</b> Organisational goals and priorities Strategic and operational plans Performance management Medium Term Financial Strategy</p> <p><b>Statutory Officers &amp; Decision Making</b> The Constitution The Monitoring Officer Section 151 Officer</p> <p><b>Policies &amp; Procedures</b> Codes of conduct Ways of working Anti-fraud, Bribery and Corruption Policy Whistleblowing Policy HR Policies and Procedures Corporate Communications and Engagement Programme</p> <p><b>People, Knowledge, Finance, Assets</b> Robust HR practices Robust Internal Audit function Information governance Performance monitoring and improvement Financial management and reporting Ethical &amp; legal practices</p> <p><b>Scrutiny and Transparency</b> Freedom of Information requests Complaints procedure Reports considered by legal and finance Overview and Scrutiny Committee Equality Impact Assessments Corporate Risk Register Transparency duty publication</p> <p><b>Partnership Working/Stakeholder Engagement</b> 'Love to get involved' 'Let us know' Consultations Community Localism fund</p> </div>

### **How does the Council deliver these outcomes?**

The Council delivers these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Regularly reviewing progress against the elements of the Governance Framework
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where adherence has not been achieved.

### **How is effectiveness reviewed?**

Wyre Forest District Council has responsibility for regularly reviewing the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Corporate Leadership Team within the Authority, which has responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report endorsed by the Head of Resources and s151, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council process for maintaining and reviewing the effectiveness of the governance framework includes:

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the External Auditors and other review agencies and inspectorates;
- Audit Committee review of current arrangements against best practice, including consideration of progress against issues identified in the Annual Governance Statement action plan.

Regular reviews are carried out by the Corporate Leadership Team, including during March and May 2023. These reviews take into account:

- the Internal Audit Annual Assurance report from the Audit Manager, in consultation with the Head of Resources and s151 Officer;
- comments of other review agencies, inspectorates and external bodies, including when available LGA Peer Reviews;
- the Audit Findings report of the External Auditor which was reported to the Audit Committee on 23<sup>rd</sup> November 2022, the latest Annual Audit Report reported to Audit Committee 25<sup>th</sup> May 2022 and progress on implementing improvement recommendations.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

All Councillors and Officers of the Council adhere to the Constitution and codes of conduct. The duty to ensure compliance is predominantly the responsibility of the Council's three statutory officers:

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Solicitor to the Council)
- Section 151 Officer (Head of Resources)

The constitution is under constant review, to ensure that it remains fit for purpose. A review of the governance arrangements was undertaken and reported to Council on the 26<sup>th</sup> February 2020. No change was approved, so the Cabinet and Scrutiny Systems remain.

[http://www.wyreforest.gov.uk/council/docs/doc55603\\_20200226\\_council\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc55603_20200226_council_agenda.pdf)

The Strategic Review Panel has operated since 2019-20. The Panel has performed an advisory role on a range of issues including policy development on the latest Corporate Plan. It also considered the Cabinet's proposals for the Medium-Term Financial Strategy for 2023-2026 to inform the Cabinet's proposed strategy and budget; and for the meetings in January and February 2023 in respect of any alternative budget proposals.

The Audit Committee is the Member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. A review of progress against the Corporate Risk Register was considered by the Committee on the 23<sup>rd</sup> March 2023. Progress against the 2021-22 Annual Governance Action plan is reported for consideration by Committee at the May meeting. Progress against the External Auditor's improvement recommendations included in the Annual Audit Report received April 2022 is included in the AGS progress report.

### Summary

The Council's Head of Resources as Chief Financial Officer has overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all Council systems and produce reports containing recommendations for improvement wherever necessary, in line with the approved Annual Audit Plan.

The Council's Internal Audit team works in accordance with the UK Public Sector Internal Audit Standards. The service has also adopted an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards that was updated at the July 2018 Audit Committee meeting. A number of other internal and external reports considered the challenges around governance, including the CIPFA delivering good governance in Local Government framework. Consideration of these reports helps ensure all appropriate controls and updates are in place across the Council.

Audit Committee received a report on the external assessment of the Internal Audit Service undertaken by Tilia Solutions in May 2018. The review was positive overall, with no areas of non-compliance with the Standards found that would affect the operation of the Internal Audit function. Recommendations/action points made were progressed by the Audit Manager following approval by Audit Committee of a Quality Assurance Improvement Programme for the Internal Audit Service. An annual update on compliance with Standards is provided to the Audit Committee as part of the Internal Audit Manager's annual report. The Internal Audit Plan 2022-23 approved at the March 2022 meeting took into account the external review recommendations.

The Internal Audit charter will be refreshed and a further external assessment is due to be commissioned during 2023-24.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

An update on counter fraud arrangements for 2022-23 was received at the November 2022 meeting providing members with detail on those areas managed by both the Compliance Officers and Internal Audit, evidenced by supporting national programmes for tackling fraud.

External audit reports are reviewed and considered by the Audit Committee and the Council's Corporate Leadership Team. The Council's External Auditors, Grant Thornton, take a proactive approach to Member involvement and actively engage Members at Audit Committee with their Update Reports being of particular interest.

The Council was the subject of an LGA Peer Review in March 2017 with a follow-up peer review in February 2019. Feedback was very positive overall with relevant action learning points reflected in the 2020-21 and the 2021-22 Annual Governance Statements.

The conclusion of the latest review of effectiveness of the Council's governance framework is that arrangements continue to be regarded as fit for purpose. Some key areas for particular focus or improvement have been identified and the action plan to specifically address these points is outlined below.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Significant Governance Issues for 2022-23 and 2023-24 Action Plan**

Wyre Forest District Council have completed a number of actions over the last year, that have alleviated significant governance issues identified in the 2021-22 Annual Governance Statement. The following new or continuing governance issues have been identified and further actions have been put in place against each for progression in 2023-24, to continue to strengthen the Council's governance arrangements.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	<p><b>General – Significant Financial Challenges</b></p> <p>The Council continues to face significant funding pressures and changes to the national funding regime. In response we will continue to maintain financial resilience by:</p> <p>i) Moving towards a fully balanced budget without reliance on reserves.</p> <p>ii) Progression of the programme of work to close the funding gap approved as part of the 2021-24 Medium Term Financial Strategy.</p> <p>The challenges faced in achieving this include proposed funding reform, cost and supply chain issues caused by geopolitical issues, global economic volatility and continuing labour market shortages following leaving the EU and a rise in economic inactivity following the pandemic.</p> <p>The consequence is a potential shortfall on the delivery of savings to meet the circa £1.78m Funding Gap by 2025-26.</p>	AGS 2021-22 highlighted by the Corporate Leadership Team and reflected in the MTFS and Corporate risk register	<p>The Medium Term Financial Strategy (MTFS) reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. The council set a budget in February 2023 outlining the strategic direction towards achieving on-going savings:</p> <p>a) Progressing implementation of agreed initiatives and projects, such as major service collaborations reviews as set out in the medium-term financial strategy for 2021-2024.</p> <p>b) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p>c) To re-focus the work around income generation and commercialisation on net income, recognising the impact of price and wage inflation and interest rates on service viability.</p> <p>d) To continue with the Localism agenda to meet target savings in MTFS</p> <p>e) Work with District Council Network (DCN) members and Government on Extended producer responsibility funding and the Waste reform agenda.</p>	<p>a) All remaining service delivery reviews to be completed and target savings achieved.</p> <p>b) Balanced Budget for 2024-25 included in the MTFS 2024-27 with progression of proposals for significant savings/cost reductions to close the funding gap from 2025-26.</p> <p>c) Cabinet/CLT to manage process of rebuilding income streams.</p> <p>d) Agreement reached to safeguard Bewdley Museum, Guildhall and QE2 gardens; continue negotiations with parish councils during 2023. Commence second round negotiations with town councils.</p> <p>e) Fair distribution of funding to District Councils and streamlined allocation and draw down.</p>	<p>Head of Resources, Chief Executive, and whole of CLT</p> <p>Cabinet/CLT</p> <p>CLT/Cabinet</p> <p>Chief Executive</p> <p>Chief Executive, Head of Resources</p>	<p>April to March 2024,</p> <p>January 2024</p> <p>December 2023</p> <p>As set out in Localism timetable</p> <p>April 2024</p>

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	<b>Governance of Property Portfolio</b> to safeguard access to PWLB loans for all Council services by ensuring that the impact of the policy is to deliver corporate service objectives under the Corporate Plan priority to deliver a successful local economy whilst also supporting the Financial Strategy - recognising that the 2021 CIPFA Prudential and Treasury Management codes set out that the CFR cannot be increased for commercial purposes and acquisition decisions cannot primarily be based on generating a financial return.	Corporate risk register	<p>a) Continue to implement the agreed governance framework when considering proposals to be funded via the approved Capital Portfolio Fund Strategy</p> <p>b) Undertake thorough due diligence and complete the due diligence check list at each stage of the approval process</p> <p>c) The business case model and each business case reflects the evidence requirement for the economic argument and fully covers whether capital plans and risks are proportionate i.e., any plausible losses can be absorbed within existing budgets or reserves.</p>	<p>a) All proposals further the Corporate plan priorities, meet service objectives and secure net income streams in accordance with the approved strategy.</p> <p>b) Completed, certified checklist for all acquisitions.</p> <p>c) Business case reports on all approved acquisitions contains a strong, evidence based, economic case.</p>	CLT -Head of NWEDR, Head of: Resources, Solicitor to the Council	<p>a) On-going</p> <p>b) On-going</p> <p>c) On-going</p>



## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
3	<b>Partnership and Engagement Governance issues</b> Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may enter into as part of alternative service delivery solutions to reduce cost or unlock funding opportunities. This includes Public Sector Partnership Wyre Forest LLP, the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations (e.g. joint waste service for northern Worcestershire districts and County wide food waste collaboration), future structure of NWEDR, other new shared service arrangements and new and existing Trusts.	Annual Governance Statement 2021-22 and corporate risk register	a) Ensure all partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust.  b) Ensure arrangements for traded services and arms-length organisations are fit for purpose  c) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC.  d) Continue to shape direction of work on joint operation of waste collection services to maximise influence and ensure adequacy of proposed governance arrangements. Business case to include governance arrangements considered by Overview and Scrutiny Committee and Cabinet.  e) Continue to work with North Worcestershire partners on review of NWEDR to maximise influence and ensure adequacy of proposed governance arrangements. Business case to include governance arrangements considered by Overview and Scrutiny Committee and Cabinet	a)/b) Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet   c) Reports prepared for proposals for alternative service delivery models  d&e) Comprehensive business case prepared and presented for consideration by Overview and Scrutiny Committee and Cabinet	CLT – Head of NWEDR and Head of Strategic Growth designated officers for PSP, Head of Community and Environmental Services Solicitor to the Council	a)/b) Ongoing due diligence work presented to Overview and Scrutiny Cabinet throughout 2023-24  c) On-going.  d&e) September 2023 or as appropriate

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	<b>ICT Resilience Governance Issues</b> Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats. Progression of ICT Strategy GDPR – compliance to include additional assurance for hybrid working	Corporate Risk Register and ICT Strategy Board; ICT Security {Sub-Group}  MTFS 2023-2026  GDPR Legislation - effective date 25 <sup>th</sup> May 2018	a) Quarterly review of network security and cyber resilience; extra assurance/training for remote working/meetings  b) ICT Strategy Board approvals  c) Review of compliance by Cyber Security and Information Governance Sub-Group (of the ICT Strategy Board) to meet and support ICT Strategy Board; focus on cyber security business continuity plans and overall cyber security strategy.  d) Risk assessments and review of security of hybrid working arrangements built into assurance programme  e) Monthly phishing and regular cyber training  f) On-going improvement to infrastructure and system updates including patching, firmware updates.  g) Annual penetration tests  h) Additional 2 factor authentication and cloud back-up for o365	a) PSN compliance, secure network.  b) Work proceeds to timetable  c) Review evidenced compliance  d) Compliant risk assessments  e, f g and h) Cyber essentials accreditation	ICT Manager/ Head of Resources  Data Controller  ICT Manager  ICT Manager	Ongoing reports to ICT Strategy Board, and Cyber Security and Information Governance Sub- Group, Cabinet Members and Group Leaders  Ongoing risk assessments  Summer 2023

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	<b>Major grant funded regeneration schemes –</b> Maintain governance arrangements to oversee Future High Street Fund (FHSF) and Levelling up Fund (LUF) programmes. This includes separate project boards chaired by the Head of NWEDR and be attended by the S151 Officer and Monitoring Officer. The boards to receive regular updates on all projects managed through the project delivery boards and to have responsibility for approving project variations. The boards will provide transparent governance arrangements to ensure that projects are run appropriately with vigour ensuring funding and statutory obligations are met. This will satisfy DLUHC's requirement for the Council to operate a strong first line of defence.	Annual Governance Statement 2021-22  Corporate Risk Register	Project Boards meets regularly and in line with agreed timeline  Grant funding agreements in place with LUF partners  Financial, performance and assurance returns completed	Progress to timetable, Government Office satisfied with progress.  Monthly progress reports presented to the Boards and grant draw down meets assurance requirements.	CLT -Head of NWEDR, Head of: Resources, Solicitor to the Council	Ongoing

**Wyre Forest District Council – Draft Statement of Accounts 2022-23**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6.	<b>Major Capital Projects</b> - The Council has a number of major capital projects including delivering a Housing provision scheme in Kidderminster and installation of Electric Vehicle Charging points. There are significant risks associated with these major schemes, including implications for revenue as well as capital budgets.	Annual Audit Report 2020-21	On-going regular reporting on progress will be delivered through enhanced quarterly Capital Programme reporting. Dedicated project management expertise will be put in place for all major projects and programmes and cost risks will be closely managed. Clarity of delineation of the roles of those Members and Officers concerned with the delivery of projects and those concerned with regulatory decisions will be factored into the project management and decision making. Protocols will provide necessary ethical walls within the organisation and in line with the council's constitution.	Quarterly progress/monitoring reports presented to Cabinet/CLT and Overview and Scrutiny Committee.  Projects delivered on time within cost plan.	CLT, Head of NWEDR, Head of Strategic Growth, Head of Resources	On-going

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
7.	<p><b>Workforce planning</b>  <i>Resilience, recruitment and retention.</i>  Appropriate resilience and succession planning arrangements need to be established across all teams as in some areas there continues to be a reliance on a limited number of key individuals.</p> <p>Attracting suitable candidates to professionally graded posts continues to be challenging with key posts remaining vacant or being filled by agency resource.</p> <p>There is a regulative requirement for the Council to have an effective Internal Audit function. Where we are unable to attract people with the skills to meet the demands of niche roles alternative service provision will need to be secured.</p>	Annual Audit Report 2020-21 Corporate Risk register	<p>Implementation of the new Organisation Development (OD) Strategy action plan which underpins our Wyre Forest Forward vision to become an employer of choice. Actions are based on the following priorities:</p> <ul style="list-style-type: none"> <li>Recruitment</li> <li>Retention</li> <li>Growing our future workforce</li> <li>Culture and leadership development</li> <li>Health and Well-being</li> </ul> <p>Explore collaborative service solutions where resilience can't be secured internally.</p> <p>To seek approval of the detailed business case for joining the Worcestershire shared audit service.</p>	<p>Implementation of OD Strategy.</p> <p>Succession planning embedded with plans developed</p> <p>We are seen as the local employer of choice, demonstrated by the number and quality of applicants for roles and increased staff retention/lower staff turnover.</p> <p>Internal Audit resource secured</p>	<p>Chief Executive, Solicitor to the Council, Head of HR&amp;OD</p> <p>Head of Resources</p>	<p>March 2024</p> <p>July 2023</p>

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

We propose over the coming year to take steps to address the matters detailed in the above tables to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our annual review.

Ian R Miller  
Chief Executive

Councillor Marcus Hart  
Leader of the Council

31<sup>st</sup> May 2023

**Wyre Forest District Council – Draft Statement of Accounts 2022-23**

**Independent Auditor's Report to the Members of Wyre Forest District Council**

The Independent Auditor's Report will be included following  
the September 2023 Audit Committee.

# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement.

2021-22 Expenditure £'000	2021-22 Income £'000	2021-22 Net £'000	Notes	2022-23 Expenditure £'000	2022-23 Income £'000	2022-23 Net £'000
<b>Service Expenditure Analysis</b>						
2,294	(238)	2,056	Chief Executive and Solicitor to the Council	2,979	(436)	2,543
9,060	(4,085)	4,975	Community and Environmental Services	9,843	(5,115)	4,728
13,593	(8,929)	4,664	Strategic Growth and Economic Development and Regeneration	14,613	(10,523)	4,090
26,411	(23,350)	3,061	Resources and Revenues, Benefits and Customer Services	23,994	(21,790)	2,204
<b>51,358</b>	<b>(36,602)</b>	<b>14,756</b>	<b>Net Cost of Services</b>	<b>51,429</b>	<b>(37,864)</b>	<b>13,565</b>
1,458	(96)	1,362	<b>Other Operating Expenditure</b>	1,588	-	1,588
4,277	(2,092)	2,185	<b>Financing and Investment Income and Expenditure</b>	5,435	(3,896)	1,539
-	(18,508)	(18,508)	<b>Taxation and Non-specific Grant Income and Expenditure</b>	-	(16,596)	(16,596)
		<b>(205)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>96</b>
<b>Items that will not be reclassified to the Deficit on the Provision of Services:</b>						
		(1,880)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			1,523
		(4,778)	Re-measurement of the Net Defined Benefit Liability			(52,547)
		<b>(6,658)</b>	<b>Total Other Comprehensive (Income) and Expenditure</b>			<b>(51,024)</b>
		<b>(6,863)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(50,928)</b>



# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Movement In Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net increase/decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

### 2022-23

Notes	General Fund Balance 6, 9	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves 9	Total Unusable Reserves 9, 25	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2022 brought forward</b>	<b>20,707</b>	<b>3,089</b>	<b>1,966</b>	<b>25,762</b>	<b>(29,014)</b>	<b>(3,252)</b>
<b>Movement in Reserves during 2022-23:</b>						
Total Comprehensive Income & (Expenditure)	(96)	-	-	(96)	51,024	50,928
Adjustments between accounting basis & funding basis under regulations	(2,249)	367	380	(1,502)	1,502	-
Net increase/ (decrease) in year	(2,345)	367	380	(1,598)	52,526	50,928
<b>Balance at 31<sup>st</sup> March 2023 carried forward</b>	<b>18,362</b>	<b>3,456</b>	<b>2,346</b>	<b>24,164</b>	<b>23,512</b>	<b>47,676</b>

### 2021-22 Comparative Information

Notes	General Fund Balance 6, 9	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves 9	Total Unusable Reserves 9, 25	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2021 brought forward</b>	<b>26,282</b>	<b>2,967</b>	<b>1,136</b>	<b>30,385</b>	<b>(40,500)</b>	<b>(10,115)</b>
<b>Movement in Reserves during 2021-22:</b>						
Total Comprehensive Income & (Expenditure)	205	-	-	205	6,658	6,863
Adjustments between accounting basis & funding basis under regulations	(5,780)	122	830	(4,828)	4,828	-
Net increase/ (decrease) in year	(5,575)	122	830	(4,623)	11,486	6,863
<b>Balance at 31<sup>st</sup> March 2022 carried forward</b>	<b>20,707</b>	<b>3,089</b>	<b>1,966</b>	<b>25,762</b>	<b>(29,014)</b>	<b>(3,252)</b>

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Reconciliation of General Fund Balance

Earmarked Reserves are combined with the General Fund Balance. A reconciliation of the General Fund Balance is provided below.

#### 2022-23

Notes	General Reserves (including £1.65m Working Balance at 31 <sup>st</sup> March 2023)	Earmarked Reserves 13	Total General Fund Balance 6
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2022 brought forward</b>	<b>5,341</b>	<b>15,366</b>	<b>20,707</b>
Net increase/ (decrease) in year	<b>(223)</b>	<b>(2,122)</b>	<b>(2,345)</b>
<b>Balance at 31<sup>st</sup> March 2023 carried forward</b>	<b>5,118</b>	<b>13,244</b>	<b>18,362</b>

#### 2021-22 Comparative Information

Notes	General Reserves (including £1.5m Working Balance at 31 <sup>st</sup> March 2022)	Earmarked Reserves 13	Total General Fund Balance 6
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2021 brought forward</b>	<b>5,600</b>	<b>20,682</b>	<b>26,282</b>
Net increase/ (decrease) in year	<b>(259)</b>	<b>(5,316)</b>	<b>(5,575)</b>
<b>Balance at 31<sup>st</sup> March 2022 carried forward</b>	<b>5,341</b>	<b>15,366</b>	<b>20,707</b>

# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 <sup>st</sup> March 2022 £'000		Notes	31 <sup>st</sup> March 2023 £'000
	Property, Plant and Equipment:		
62,793	Land and Buildings	14	58,729
2,860	Vehicles, Plant and Equipment	14	3,059
4,080	Community Assets	14	3,950
2,180	Surplus Assets	14	1,001
1,757	Assets under Construction	14	3,708
1,183	Heritage Assets	15	1,241
406	Intangible Assets	16	588
<b>75,259</b>	<b>Long-term Assets</b>		<b>72,276</b>
14,008	Short-term Investments	17	26,209
19,001	Cash and Cash Equivalents	17, 20	15,471
155	Inventories		99
8,225	Short-term Debtors	18	6,828
250	Assets held for Sale (less than one year)	21	250
<b>41,639</b>	<b>Current Assets</b>		<b>48,857</b>
(2,355)	Short-term Borrowing	17	(240)
(22,924)	Short-term Creditors	22	(14,484)
(1,363)	Short-term Provisions	23	(893)
<b>(26,642)</b>	<b>Current Liabilities</b>		<b>(15,617)</b>
(32,164)	Long-term Borrowing	17	(34,194)
(57,457)	Other Long-term Liabilities	35	(9,361)
(3,887)	Capital Grants Receipts in Advance		(14,285)
<b>(93,508)</b>	<b>Long-term Liabilities</b>		<b>(57,840)</b>
<b>(3,252)</b>	<b>Net Assets/(Liabilities)</b>		<b>47,676</b>
25,762	Usable Reserves	9, 13	24,164
(29,014)	Unusable Reserves	9, 25	23,512
<b>(3,252)</b>	<b>Total Reserves</b>		<b>47,676</b>

Helen Ogram, Head of Resources and S151 Officer  
31<sup>st</sup> May 2023

# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Cash Flow Statement

This 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>2021-22</b>		<b>Notes</b>	<b>2022-23</b>
<b>£'000</b>			<b>£'000</b>
205	Net surplus/(deficit) on the provision of services		(96)
13,607	Adjust net (surplus)/deficit for non-cash movements:	26	1,617
(6,612)	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities:	26	(4,667)
<b>7,200</b>	<b>Net cash flows from operating activities</b>		<b>(3,146)</b>
(542)	Net cash flows from investing activities	27	(159)
(688)	Net cash flows from financing activities	28	(225)
<b>5,970</b>	<b>Net increase/(decrease) in cash or cash equivalents</b>		<b>(3,530)</b>
<b>13,031</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	20	<b>19,001</b>
<b>19,001</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	20	<b>15,471</b>

# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## Notes to the Accounts

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# **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

## **Notes to the Accounts**

### **Note 1: Accounting Policies**

#### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position at 31<sup>st</sup> March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015; those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code) supported by International Financial Reporting Standards (IFRS).

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

The Accounts have been drawn up under the going concern concept, i.e. that, under the Code, it is assumed that the services of the Council will continue to operate for the foreseeable future. Local Authorities cannot be created or dissolved without statutory prescription. The provisions of the CIPFA Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on this basis.

#### **1.2 Accruals of Income and Expenditure**

All revenue and capital expenditure is accounted for on an accruals basis in accordance with the Code and International Accounting Standard (IAS) 1; that is, sums due to or from the Council during the year are recorded, irrespective of whether the cash has actually been received or paid during the year. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies and services are recorded as expenditure when they are consumed (when supplies are held for future use they are carried as inventories on the Balance Sheet).
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

#### **1.3 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 highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

#### **1.5 Charges to Revenue for Non-Current Assets**

Services revenue accounts including professional business support and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

#### **1.6 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 for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus and Deficit on the Provision of Service, but then reversed out through the Movement in Reserve Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service or, where appropriate, to a corporate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. When termination benefits involve the enhancement of pensions, statutory provision requires the General Fund balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standard. In the Movement in Reserve Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amount payable but unpaid at the year end.

Redundancy payments are based upon an employee's actual week's salary and the number of weeks as defined in the Employment Relations Act 1996, up to a maximum of 30 weeks' pay.

##### **Post-Employment Benefits**

The Council participates in one defined benefit scheme for its employees (retirement lump sums and pensions), earned as employees work for the Council, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified Actuary (Mercer Limited).

##### **The Local Government Pension Scheme**

The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about life expectancy, employee turnover rates, etc, and projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the indicative rate of return on high quality corporate bond.



## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

The assets of Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into the following components:

➤ **Service cost comprising:**

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability - i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

➤ **Remeasurements comprising:**

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

➤ **Contributions paid to the Worcestershire County Council pension fund:**

- 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any 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.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

Further information in respect of the Pension Fund Accounts can be found in Worcestershire County Council's Superannuation Fund Annual Report available on request from:

Worcestershire County Council,  
County Hall,  
Spetchley Road,  
Worcester,  
WR5 2NP

<http://www.worcestershire.gov.uk/pensions>

#### **1.7 Events After the Reporting Period**

Events after the balance sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue, detailed in Note 39, are not reflected in the Statement of Accounts.

#### **1.8 Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

##### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council currently only holds financial assets at amortised cost.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### **Financial Assets Measured at Amortised Cost**

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

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

#### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where the risk of default is not material an adjustment to the accounts will not be made.

### **1.9 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grants or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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 and Expenditure (non-ring-fenced revenue 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 finance 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.

#### **1.10 Heritage Assets**

Heritage assets are held in support of the Council's primary objective of increasing the knowledge, understanding and appreciation of the social and industrial history of the Wyre Forest area. They currently consist of the Richard Eve Memorial, art collection and those exhibits that are held in the Bewdley Museum and in other Council Buildings.

Heritage assets have indeterminate useful economic lives and high residual values and, therefore, it is not considered appropriate to charge depreciation. They have been measured in the Balance Sheet at their insurance valuations, based on market values and are updated every two years unless, in the interim, evidence from the various trade press or auctions etc indicates a significant variation in prices of similar assets. The accounting treatment of revaluation gains & losses are in accordance with those for property, plant & equipment.

The Balance Sheet carrying values of all heritage assets are reviewed at the end of the year where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (Note 1.17).

Purchases and acquisitions e.g. by donations are rare, but when they do occur purchases will be initially recognised at cost and acquisitions will be initially recognised at valuations ascertained by either the museum's curators, with reference to the appropriate commercial markets, or by an external valuer.

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. Transfers to partners/appropriate third parties such as Town Councils under Localism principles may also be agreed. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Any disposal proceeds will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (Note 1.17).

The Council applies a de minimis level of £10,000 for assets included in the Balance Sheet. However, there are many de minimis Heritage Assets that, when aggregated, exceed this level. Therefore, all Heritage Assets have been aggregated into the categories stated above and included in the Balance Sheet.

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**Notes to the Accounts**

**1.11 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**1.12 Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities will be recorded as investments, i.e. at cost, less any provision for losses. The Council has interests in companies, but no material business was transacted in 2022-23 as detailed in Note 38.

**1.13 Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

**1.14 Joint Operations**

The Council is a partner in the Worcestershire Regulatory Services (WRS) shared service, which discharges various of the council's statutory functions relating to Environmental Health and Licensing via a Joint Committee constituted under the relevant provisions of the Local Government Act 1972, together with Bromsgrove District Council (the host), Redditch Borough Council, Malvern Hills District Council, Worcester City Council and Wychavon District Council. All partners have rights to the assets and obligations for the liabilities relating to this shared arrangement and each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows. The shared service undertakes work for a range of other local authorities and third parties including a contractual arrangement with Worcestershire County Council for the provision of management and support services for its Trading Standards and Animal Health team that was formerly part of the partnership arrangement.

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### **Notes to the Accounts**

This Council hosts the shared service agreements with Redditch Borough Council and Bromsgrove District Council for North Worcestershire Economic Development and Regeneration, North Worcestershire Water Management and North Worcestershire Civil Contingencies and Resilience.

The Council also partners with Bromsgrove District Council who host Building Control, Redditch Borough Council as host authority for payroll services and Wychavon District Council who provide a car park administration service for penalty charge notices.

#### **1.15 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Council has not identified any finance leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

##### **The Authority as Lessee**

##### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

##### **The Authority as Lessor**

##### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council has not identified any material operating leases.

#### **1.16 Overheads and Support Services**

The costs of overheads and support (Professional and Business) Services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

**Wyre Forest District Council – Draft Statement of Accounts 2022-23**  
**Notes to the Accounts**

**1.17 Property, Plant and Equipment**

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

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- specialised assets (for example the council offices containing the Council Chamber) – because of their specialist nature are measured at depreciated replacement cost which is used as an estimate of current value
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate. In some circumstances it may be necessary for specialist valuations to be combined with an accounting estimate where there is sufficient local knowledge to justify such treatment.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Assets with a valuation in excess of £1m are revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

### **Impairment**

Assets are assessed at each year-end by the Council's Valuer to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g., freehold land and certain Community Assets) and assets that are not yet available for use (e.g., assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- no depreciation is charged in the year of acquisition unless the apportioned sum is above trivial
- a full year's depreciation will be charged on assets revalued in year (where applicable) to ensure that the service retains a consistent charge for the consumption of the asset, in accordance with the principal of total cost as defined in the CIPFA Service Reporting Code of Practice for Local Authorities.



## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

Where an item of Property, Plant and Equipment, valued in excess of £1million, has major components whose cost is 20% in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost.

#### **Disposals and Non-Current Assets Held for Sale**

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

Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **Surplus Assets**

Assets that have been declared 'surplus' but are being held pending an improvement in market conditions are classified as surplus assets but continue to be held within Property, Plant and Equipment.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

#### **1.18 Fair Value Measurement of Non-Financial Assets**

The Council's accounting policy for fair value measurement of financial assets is set out in Note 1.8. The Council also measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

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

Level 3 – unobservable inputs for the asset.

#### **1.19 Provisions**

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, or the Collection Fund in respect of business rates, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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### **Notes to the Accounts**

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

#### **1.20 Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 36 to the accounts.

#### **1.21 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but would be disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **1.22 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation (including business rates), retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **1.23 Revenue Expenditure funded from Capital under Statute**

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

#### **1.24 Value Added Tax (VAT)**

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

**Wyre Forest District Council – Draft Statement of Accounts 2022-23**  
**Notes to the Accounts**

**1.25 Interest and Investment Income**

Investments of surplus resources are carried out in accordance with regulations. Interest is credited to the General Fund based on the actual interest earned on investments during the year. Funds are managed in accordance with the Council's Treasury Management Service Strategy.

**1.26 Borrowing**

In accordance with the Capital and Treasury Management Service Strategies the Council has made use of the prudential borrowing regime. Several schemes contained within the capital programme are being financed through prudential borrowing, the result being that the Capital Financing Requirement (CFR) will increase. A statutory minimum revenue provision (MRP) is made, based on the writing down period of the assets. The CFR is kept under review with the possibility of further external borrowing available if required.

**Minimum Revenue Provision**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required at the discretion of the Chief Financial Officer (Voluntary Revenue Provision - VRP). Further details can be found in the approved Treasury Management Strategy.

The Department for Levelling Up, Housing & Communities (DLUHC) Regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. The Council approved MRP Policy Statement for 2022-23 can be found in the Treasury Management Strategy; key points are summarised below and include the option of using the annuity method to calculate MRP under the Asset Life Method:

- For outstanding debt liability incurred prior to the new guidance – i.e. pre 2008-09 then MRP is calculated based on the previous 4% reducing balance method.
- From 1<sup>st</sup> April 2008 for all unsupported borrowing the MRP will be:

**Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Notes to the Accounts

There are two ways of calculating MRP under the Asset Life Method:-

- i. **the equal instalment method** allows the use of a simple formula to generate a series of equal annual amounts over the estimated life of the asset.
- ii. **the annuity method** makes provision for an annual charge to the General Fund which takes account of the time value of money (e.g. whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The schedule of charges produced by the annuity method results in a consistent charge to revenue over an asset's life, taking into account the real value of the annual charges when they fall due. The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset's life and accelerate towards the latter years). This is commensurate with a prudent provision matching debt repayment to the period which the capital expenditure provides benefit. This method is most appropriate for use in circumstances where the initial investment is recouped from rental yields that are subject to cyclical, upwards only reviews. It is also appropriate in connection with projects promoting regeneration or administrative efficiencies or other schemes where revenues will increase over time.

The Chief Finance Officer (Section 151 Officer) will determine whether an annuity or equal instalment method is utilised to ensure that a prudent and financially beneficial method is adopted.

#### 1.27 Council Tax and Non-Domestic Rates (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the debt is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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**Notes to the Accounts**

**1.28 Business Improvement District**

A business improvement district (BID) scheme for Kidderminster commenced with effect from 1<sup>st</sup> April 2020. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as agent under the scheme, collecting the BID levy income on behalf of the BID body and therefore most BID transactions would not be recognised in the Comprehensive Income and Expenditure statement. The BID levy collection costs and associated reimbursement income will be shown in the Revenues, Benefits & Customer Services outturn line.

**1.29 Long-Term Contracts**

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

**1.30 Other Accounting Principles**

- The provision for impairment of bad debts is estimated by reference to CIPFA guidance and local knowledge.
- Officers' remuneration. It has been determined that payment for Returning Officer duties is not included but are disclosed separately within the same note where/if applicable.

**Note 2: Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022-23 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified. This would therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2023-24 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023-24 year)
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

These changes are not expected to have a material impact on the Council's Statement of Accounts.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Notes to the Accounts**

#### **Note 3: Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain critical judgements in the Statement of Accounts about complex transactions.

- **Valuations**

All valuations for 2021-22 and 2022-23 have been made at 31<sup>st</sup> March. This means there is more certainty and negates the need for changes to valuation or impairment. Several properties were purchased under the Future High Streets Capital Scheme during 2021-22. At 31<sup>st</sup> March 2023 they have not yet been demolished so have been classified as surplus assets.

- **Investment Properties**

The Council's property estate has been assessed using the identifiable criteria under the International Accounting Standards to determine whether assets are being held purely for their rental income potential or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, and it is the council's view that all properties are held for an operational reason, such as economic development or regeneration.

- **Business Rate Appeals**

The 2022-23 gross collectable business rates before prior year adjustments, standard reliefs and Covid-19 related reliefs were £36.16m. The amount paid by each hereditament is based on the valuation lists prepared by the Valuation Office Agency (VOA). Rate payers can appeal to the VOA against their valuations; any refunds as a result of appeal decisions fall as a cost to the Collection Fund. After considering IAS37 management are satisfied that a provision should be made against this potential liability since it is likely that a liability will arise even though the timing and amount of the potential liability is uncertain, but whilst uncertain it can be reliably estimated. Many appeals from both the 2010 and 2017 lists have been either settled or withdrawn during 2022-23 and consequently the overall provision held has reduced. The total appeals provision at 31<sup>st</sup> March 2023 stands at £1.90m; our local share being £0.76m.

The source data is primarily the hereditaments on our local list, commentary and analysis in professional journals and The Local Government Report 2017. The Council's Business Rates/Revenues expert, Accountants and S151 officer communicate with a cross section of contacts, experts and advisors (CIPFA) throughout the year and at year end to formulate a balanced view. Calculations are based upon current data including VOA threats list in liaison with other Pool members.

#### **Note 4: Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the Council's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Notes to the Accounts

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Valuations are based on the assumption that the Council will be able to sustain its current spending on repairs and maintenance. The fair funding review, revisions to business rates retention and rising inflation due to the current economic climate makes it uncertain that the Council will be able to sustain its current spending, bringing into doubt the useful lives assigned to assets.</p> <p>Valuation methods result in a point estimate of value and involve judgements based on the latest most reliable information. They are based on market prices and are periodically reviewed.</p> <p>If the reduction of funding streams results in a reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. Similarly, regulation changes could result in obsolescence of some equipment.</p> <p>Property assets have been revalued at 31<sup>st</sup> March 2023 so although there is still estimation by the Valuer, there is more certainty as they are valued at the Balance Sheet date.</p>	<p>If the useful life of assets is reduced, depreciation will increase and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £20,633 for every year that useful lives had to be reduced.</p> <p>Changes in estimation technique can result in the carrying amount of an asset increasing or decreasing, the movements will be reflected in the CI&amp;E.</p> <p>Impairing the assets would be reflected in the CIES.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. The Actuary, Mercer Limited, is engaged to provide the Council with expert advice about the assumptions to be applied. The net liability to pay pensions is calculated every three years with annual updates in the intervening years.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £7.8m.</p>
<b>Provision for Business Rates Appeals</b>	<p>Following the introduction of the current Business Rates Retention Scheme in April 2013, Local Authorities have been liable for a share of the cost of successful appeals by businesses against their rateable value. The Council maintains a provision to cover the cost of outstanding business rates appeals. The timing of an appeal being lodged and the outcome is uncertain, so an estimate is made based on experience to date. The provision has been calculated based on the current list of live appeals supplemented by a separate independent analysis of the pattern of appeals across the sector and local experience.</p> <p>To mitigate the risk of a future liability arising from central decisions that affect the valuation basis of hereditaments the Council also holds an Earmarked Reserve.</p>	<p>If the provision for appeals, based upon net rates payable, was increased by 1% in 2022-23 the resulting increase to the provision would be £250,173; with the local share being £100,069.</p>



**Wyre Forest District Council – Draft Statement of Accounts 2022-23**  
**Notes to the Accounts**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Fair Value Measurements</b>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 17.</p>	<p>The Council uses the discounted cash flow model incorporating premature repayment rates and new borrowing rates from the PWLB to measure the fair value of some of its financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions (for some financial assets) and professional valuer assumptions (for some non-current assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the financial assets.</p>

**Note 5: Material items of Income and Expense**

This note discloses material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

In February 2022, the Government announced Councils would be responsible for administering the Council Tax Energy Rebate scheme. This was a 2022-23 scheme and the Council received a grant award of £5.925m on 30<sup>th</sup> March 2022. The Council was agent in accordance with conditions determined by the Government. Energy rebate support payments totalling £5.875m were distributed in 2022-23, the balance of funding will be returned.

As a result of the triennial full evaluation of the Pension Fund, the Pension Reserve deficit has significantly reduced from £57.46m in 2021-22 to £9.36m. The assets and liabilities have been recalculated based on current economic assumptions. The assumed inflation rate in the 2021-22 figures for the Council has been revised downwards from 3.4% to 2.7% and the discount rate has increased by 2% from 2.8% to 4.8%.

During 2022-23 the Council received £7.086m and £5.63m towards the Future High Streets and Levelling Up Fund capital schemes respectively. At 31<sup>st</sup> March 2023 the unspent balances were held as Capital Grants Receipts in Advance. No statutory accounting requirements apply until and to the extent that grant conditions have been met.

**Note 6: Expenditure and Funding Analysis**

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

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2022-23	Net Expenditure as reported for Resource Management	Adjustments to arrive at the Net Expenditure chargeable to General Fund (see Note 7)	Net Expenditure Chargeable to the General Fund Balance	Adjustments to arrive at the Net Expenditure in the Comprehensive Income and Expenditure Statement (see Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Solicitor to the Council	2,356	(12)	2,344	199	2,543
Resources and Revenues, Benefits and Customer Services	4,110	(1,541)	2,569	(365)	2,204
Community and Environmental Services	4,392	(1,167)	3,225	1,503	4,728
Strategic Growth and Economic Development and Regeneration	1,961	(823)	1,138	2,952	4,090
Capital Account	(567)	567	-	-	-
<b>Net Cost of Services</b>	<b>12,252</b>	<b>(2,976)</b>	<b>9,276</b>	<b>4,289</b>	<b>13,565</b>
Other Income and Expenditure	(6,364)	(567)	(6,931)	(6,538)	(13,469)
<b>(Surplus)/Deficit</b>	<b>5,888</b>	<b>(3,543)</b>	<b>2,345</b>	<b>(2,249)</b>	<b>96</b>

Comparative information for 2021-22

2021-22	Net Expenditure as reported for Resource Management	Adjustments to arrive at the Net Expenditure chargeable to General Fund (see Note 7)	Net Expenditure Chargeable to the General Fund Balance	Adjustments to arrive at the Net Expenditure in the Comprehensive Income and Expenditure Statement (see Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Solicitor to the Council	1,828	72	1,900	156	2,056
Resources and Revenues, Benefits and Customer Services	4,037	(729)	3,308	(246)	3,062
Community and Environmental Services	4,365	(1,187)	3,178	1,796	4,974
Strategic Growth and Economic Development and Regeneration	1,949	1,672	3,621	1,043	4,664
Capital Account	178	(178)	-	-	-
<b>Net Cost of Services</b>	<b>12,357</b>	<b>(350)</b>	<b>12,007</b>	<b>2,749</b>	<b>14,756</b>
Other Income and Expenditure	(6,610)	178	(6,432)	(8,529)	(14,961)
<b>(Surplus)/Deficit</b>	<b>5,747</b>	<b>(172)</b>	<b>5,575</b>	<b>(5,780)</b>	<b>(205)</b>

The table below reconciles the opening and closing balances of the General Fund (including earmarked reserves). Additional information on the movements in the General Fund balance can be found in the Movement in Reserves Statement.

Movement in General Fund Balance	2021-22 £'000	2022-23 £'000
Opening General Fund Balance as at 1 <sup>st</sup> April	(26,282)	(20,707)
(Surplus)/Deficit on General Fund Balance in Year	5,575	2,345
<b>Closing General Fund Balance as at 31<sup>st</sup> March</b>	<b>(20,707)</b>	<b>(18,362)</b>

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**Notes to the Accounts**

**Note 7: Note to the Expenditure and Funding Analysis**

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments to arrive at the General Fund Balance:

<b>2022-23</b>	<b>Exclude Transfers to/from Reserves</b>	<b>Exclude Depreciation to arrive at Funding Basis</b>	<b>Exclude Debt Financing and MRP Reported to Management under Net Cost of Services</b>	<b>Adjustments to arrive at the Net Expenditure chargeable to General Fund (see Note 6)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive and Solicitor to the Council	(12)	-	-	(12)
Resources and Revenues, Benefits and Customer Services	(1,174)	(367)	-	(1,541)
Community and Environmental Services	(172)	(995)	-	(1,167)
Strategic Growth and Economic Development and Regeneration	(210)	(613)	-	(823)
Capital Account	-	-	567	567
<b>Net Cost of Services</b>	<b>(1,568)</b>	<b>(1,975)</b>	<b>567</b>	<b>(2,976)</b>
Other Income and Expenditure	-	-	(567)	(567)
<b>(Surplus)/Deficit</b>	<b>(1,568)</b>	<b>(1,975)</b>	<b>-</b>	<b>(3,543)</b>

Comparative information for 2021-22

<b>2021-22</b>	<b>Exclude Transfers to/from Reserves</b>	<b>Exclude Depreciation to arrive at Funding Basis</b>	<b>Exclude Debt Financing and MRP Reported to Management under Net Cost of Services</b>	<b>Adjustments to arrive at the Net Expenditure chargeable to General Fund (see Note 6)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive and Solicitor to the Council	72	-	-	72
Resources and Revenues, Benefits and Customer Services	(351)	(378)	-	(729)
Community and Environmental Services	(116)	(1,071)	-	(1,187)
Strategic Growth and Economic Development and Regeneration	2,159	(487)	-	1,672
Capital Account	-	-	(178)	(178)
<b>Net Cost of Services</b>	<b>1,764</b>	<b>(1,936)</b>	<b>(178)</b>	<b>(350)</b>
Other Income and Expenditure	-	-	178	178
<b>(Surplus)/Deficit</b>	<b>1,764</b>	<b>(1,936)</b>	<b>-</b>	<b>(172)</b>

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## Notes to the Accounts

Adjustments to arrive at the Comprehensive Income and Expenditure Statement:

### Adjustments between Funding and Accounting Basis 2022-23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive and Solicitor to the Council	1	209	-	210	(11)	199
Resources and Revenues, Benefits and Customer Services	367	(712)	-	(345)	(20)	(365)
Community & Environmental Services	986	560	-	1,546	(43)	1,503
Strategic Growth and Economic Development and Regeneration	2,544	423	-	2,967	(15)	2,952
<b>Net Cost of Services</b>	<b>3,898</b>	<b>480</b>	<b>-</b>	<b>4,378</b>	<b>(89)</b>	<b>4,289</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(1,923)</b>	<b>1,633</b>	<b>(4,946)</b>	<b>(5,236)</b>	<b>(1,302)</b>	<b>(6,538)</b>
<b>Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit</b>	<b>1,975</b>	<b>2,113</b>	<b>(4,946)</b>	<b>(858)</b>	<b>(1,391)</b>	<b>(2,249)</b>

Comparative information for 2021-22

### Adjustments between Funding and Accounting Basis 2021-22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive and Solicitor to the Council	-	163	-	163	(7)	156
Resources and Revenues, Benefits and Customer Services	378	(595)	-	(217)	(29)	(246)
Community & Environmental Services	1,193	599	-	1,792	4	1,796
Strategic Growth and Economic Development and Regeneration	508	553	-	1,061	(18)	1,043
<b>Net Cost of Services</b>	<b>2,079</b>	<b>720</b>	<b>-</b>	<b>2,799</b>	<b>(50)</b>	<b>2,749</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(4,154)</b>	<b>1,272</b>	<b>(4,436)</b>	<b>(7,318)</b>	<b>(1,211)</b>	<b>(8,529)</b>
<b>Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit</b>	<b>(2,075)</b>	<b>1,992</b>	<b>(4,436)</b>	<b>(4,519)</b>	<b>(1,261)</b>	<b>(5,780)</b>

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Notes to the Accounts

#### Adjustments for Depreciation/Rental Income

For resource management purposes, the Council includes depreciation in its reporting. However, these charges are removed as they are not included in the net expenditure chargeable to the General Fund.

#### Adjustment for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and revaluation gains and losses in the services line, and for:

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

#### Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

#### Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

#### Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments that need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the CIES:

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- For **financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure.
- For **taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments e.g. for non-ringfenced government grants.

**Note 8: Expenditure and Income analysed by nature**

	<b>2021-22</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee Benefits Expenses	14,028	13,923
Other Service Expenses	34,274	33,189
Support Services	214	65
Depreciation and Revaluation Adjustments	2,873	4,252
Interest Payments	989	987
Pensions	3,287	4,448
Precepts	1,458	1,586
Net Loss on Disposal of Fixed Assets	-	2
<b>Total Expenditure</b>	<b>57,123</b>	<b>58,452</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(13,322)	(15,282)
Interest and Investment Income	(77)	(1,081)
Council Tax and NNDR	(13,133)	(13,880)
Pensions	(2,015)	(2,815)
Government Grants and Contributions	(28,685)	(25,298)
Net Gain on Disposal of Fixed Assets	(96)	-
<b>Total Income</b>	<b>(57,328)</b>	<b>(58,356)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(205)</b>	<b>96</b>

**Note 9: Adjustments between Accounting basis and Funding basis under Regulations**

This note 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 arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

**General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources, including Earmarked Reserves, that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

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**Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

**Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022-23	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	4,251			(4,251)
Capital grants and contributions applied	(4,341)		380	3,961
Revenue expenditure funded from capital under statute	2,060			(2,060)
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	416			(416)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(1,302)			1,302
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(413)	429		(16)
Use of the Capital Receipts Reserve to finance new capital expenditure		(62)		62
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,107			(5,107)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,994)			2,994
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(4,943)			4,943
<b>Adjustment involving the Accumulated Absences Account:</b>				
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	(90)			90
<b>Total Adjustments</b>	<b>(2,249)</b>	<b>367</b>	<b>380</b>	<b>1,502</b>

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2021-22 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	2,872			(2,872)
Capital grants and contributions applied	(5,921)		830	5,091
Revenue expenditure funded from capital under statute	1,130			(1,130)
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	506			(506)
Direct Revenue Financing	(60)			60
Repayment of Loan Debt		1,732		(1,732)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(1,212)			1,212
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(602)	625		(23)
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,235)		2,235
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,819			(5,819)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,827)			3,827
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(4,435)			4,435
<b>Adjustment involving the Accumulated Absences Account:</b>				
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	(50)			50
<b>Total Adjustments</b>	<b>(5,780)</b>	<b>122</b>	<b>830</b>	<b>4,828</b>

**Note 10: Other Operating Expenditure**

	2021-22 £'000	2022-23 £'000
Parish/Town Council Precepts	1,458	1,586
(Gains)/Losses on the disposal of non-current assets	(96)	2
<b>Total</b>	<b>1,362</b>	<b>1,588</b>

**Note 11: Financing and Investment Income and Expenditure**

	2021-22 £'000	2022-23 £'000
Interest payable and similar charges	989	987
Net interest on the net defined benefit liability/(asset)	1,272	1,633
Interest receivable and similar income	(77)	(1,081)
Icelandic investments impairment adjustment	1	-
<b>Total</b>	<b>2,185</b>	<b>1,539</b>



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**Note 12: Taxation and Non-Specific Grant Income and Expenditure**

	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Council Tax income	(9,073)	(9,422)
Business Rates income and expenditure	(4,060)	(4,434)
New Homes Bonus	(243)	(464)
NNDR Levy Redistribution	-	(24)
Other non-service related grants	(5,132)	(2,252)
<b>Total</b>	<b>(18,508)</b>	<b>(16,596)</b>

**Note 13: Movements in Earmarked Reserves**

This note details the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserves to meet General Fund expenditure in 2022-23.

<b>Earmarked Reserve</b>	<b>Balance at 1<sup>st</sup> April 2022 £'000</b>	<b>Receipts in year £'000</b>	<b>Payments in year £'000</b>	<b>Transfers between reserves £'000</b>	<b>Total movements in year £'000</b>	<b>Balance at 31<sup>st</sup> March 2023 £'000</b>
Business Rates Equalisation / Regeneration Risk Reserve	3,638	-	(814)	-	(814)	2,824
General Risks	1,820	719	(25)	85	779	2,599
Innovation Fund	1,053	185	(60)	-	125	1,178
Capital Financing	1,115	300	-	-	300	1,415
Levelling Up Fund	442	-	-	-	-	442
Business Rates Pool - Re-distribution Timing Reserve	372	-	-	-	-	372
Future High Streets Fund	307	360	(298)	-	62	369
State of the Area Projects	197	57	(8)	-	49	246
Property Risk Reserve	-	27	(46)	212	193	193
Building Control Chargeable Account	166	79	(7)	(110)	(38)	128
External Funding	2,099	802	(482)	(49)	271	2,370
Other Miscellaneous	1,081	372	(207)	(138)	27	1,108
Reserves (below £150,000)						
<b>Sub Total</b>	<b>12,290</b>	<b>2,901</b>	<b>(1,947)</b>	<b>-</b>	<b>954</b>	<b>13,244</b>
Collection Fund (timing differences)	<b>3,076</b>	<b>-</b>	<b>(3,076)</b>	<b>-</b>	<b>(3,076)</b>	<b>-</b>
<b>Total Earmarked Reserves</b>	<b>15,366</b>	<b>2,901</b>	<b>(5,023)</b>	<b>-</b>	<b>(2,122)</b>	<b>13,244</b>

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Further information relating to significant earmarked reserves over £200k is given below:

<b>Reserve</b>	<b>Purpose</b>
Collection Fund (timing differences)	This reserve is held in respect of a technical accounting adjustment relating to the timing difference between NNDR1 (estimated income) reflected in the CIES and the actual position following completion of the NNDR3 (outturn).
Business Rates Equalisation / Regeneration Risk Reserve	To mitigate against future Business Rates/economic regeneration risk. The level of this risk reserve has been maintained due to continuing potential for unforeseen reductions in this key funding stream. Reductions could arise from increases in appeals, rating list reductions, Business Rates reform and potential decline in growth. The level of reserve also recognises the inevitable increased risk of failure to realise overall growth as a result of the delayed Business Rates Retention reform, any legacy impact of the COVID-19 pandemic and turbulent unfavourable economic conditions. This reserve may also be used to deliver key regeneration schemes to increase the business rates base and deliver strategic regeneration/economic development priorities.
General Risks	This recognises the financial risk the Council faces given the uncertainty surrounding the timing and impact of future(delayed) funding reform and to mitigate the impact of sustained high inflation, or funding shocks and any other unforeseen events.
Innovation Fund	To provide short term funding to support delivery of Service Transformation that will generate cost efficiencies or additional income that will over the medium term contribute to closing the funding gap.
Capital Financing	Costs of servicing debt “slipped” forward in capital programme – to be applied in future budgets.
Levelling Up Fund	A revenue contingency reserve to meet any costs that can’t be capitalised during the development phase of the repurposing of the Piano Building.
Business Rates Pool - Re-distribution Timing Reserve	Whilst WFDC have accounts audited for 2020-21 and 2021-22 this is not the case across the whole Pool membership. At this time, it is still unknown if further adjustments will be required.
Future High Streets Fund	A revenue contingency reserve to meet unexpected revenue costs arising from the Creative Hub or Connectivity regeneration projects in Kidderminster.
State of the Area Projects	Continued delivery of activities agreed within the Council’s State of the Area regeneration / economic development programme.
External Funding	Includes the following: Flexible Homeless Support Grant, Local Welfare Scheme, Homelessness Reduction Act 2017 and Rough Sleeper Funding, Flood Recovery Grant, Levelling Up Fund Grant, Nature Reserves Reserve, Primary Care Trust – Local Health Projects, Covid Recovery County Fund, Welfare Assistance Scheme, Domestic Abuse Funding, Housing Support Fund, Energy Performance, Public Rented Sector Access Housing and other minor reserves.
Other Miscellaneous Reserves (below £150,000)	Includes the following Reserves: Building Control Chargeable Account, District Local Development Framework, Governance / Internal Audit. ReWyre Projects, Redditch Regen Projects, ICT Reserve, Capital Portfolio and Development Loans Fund Financing, Insurance Excesses, North Worcestershire Water Management, Housing Stock Condition Survey, Bromsgrove Business Support, Green Advisory Panel and other minor reserves.

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**Note 14: Property Plant and Equipment (PPE)**

**Movements on Balances**

Movements in 2022-23:

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation at April 1<sup>st</sup> 2022</b>	<b>62,802</b>	<b>7,773</b>	<b>4,080</b>	<b>2,180</b>	<b>1,757</b>	<b>78,592</b>
Additions And Enhancements	11	965	(24)	-	1,951	2,903
Revaluation Movements Recognised In The Revaluation Reserve	(2,830)	-	(82)	(56)	-	(2,968)
Revaluation Movements Recognised In The Surplus/Deficit On The Provision Of Services	(538)	-	14	(1,463)	-	(1,987)
Disposals	(376)	(407)	(38)	-	-	(821)
Reclassifications	(340)	-	-	340	-	-
<b>Gross Book Value at 31<sup>st</sup> March 2023</b>	<b>58,729</b>	<b>8,331</b>	<b>3,950</b>	<b>1,001</b>	<b>3,708</b>	<b>75,719</b>
<b>Accumulated Depreciation at April 1<sup>st</sup> 2022</b>	<b>(9)</b>	<b>(4,913)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,922)</b>
Depreciation Charge	(1,104)	(732)	(1)	-	-	(1,837)
Reversal of Depreciation On Revaluation Taken To The Revaluation Reserve	995	-	1	-	-	996
Reversal of Depreciation On Revaluation Taken To The Surplus/Deficit On The Provision Of Services	100	-	-	-	-	100
Disposals	18	373	-	-	-	391
<b>At 31<sup>st</sup> March 2023</b>	<b>-</b>	<b>(5,272)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,272)</b>
<b>Net Book Value at 31<sup>st</sup> March 2023</b>	<b>58,729</b>	<b>3,059</b>	<b>3,950</b>	<b>1,001</b>	<b>3,708</b>	<b>70,447</b>

The major Assets Under Construction at 31<sup>st</sup> March 2023 were:

- the Future High Streets Scheme development in Kidderminster. This major capital scheme is under way following the Government Grant of £20.51m awarded in December 2020. It is anticipated to reach completion by April 2024.
- Brinton Park Heritage Lottery Fund development. This capital scheme is progressing in close liaison with the Heritage Lottery Fund.
- Castle Road Temporary Accommodation Scheme. The scheme is progressing in partnership with PSP project management. Start on site anticipated for Autumn 2023.

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Comparative Movements in 2021-22:

	<b>Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation at April 1<sup>st</sup> 2021</b>	<b>59,829</b>	<b>8,179</b>	<b>4,165</b>	<b>244</b>	<b>831</b>	<b>73,248</b>
Additions And Enhancements	2,282	204	112	2,094	1,868	6,560
Revaluation Movements Recognised In The Revaluation Reserve	808	-	61	32	-	901
Revaluation Movements Recognised In The Surplus/Deficit On The Provision Of Services	(814)	-	(112)	(65)	-	(991)
Disposals	(370)	(610)	(146)	-	-	(1,126)
Reclassifications	1,067	-	-	(125)	(942)	-
<b>Gross Book Value at 31<sup>st</sup> March 2022</b>	<b>62,802</b>	<b>7,773</b>	<b>4,080</b>	<b>2,180</b>	<b>1,757</b>	<b>78,592</b>
<b>Accumulated Depreciation at April 1<sup>st</sup> 2021</b>	<b>-</b>	<b>(4,771)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,771)</b>
Depreciation Charge	(1,064)	(725)	(1)	-	-	(1,790)
Reversal of Depreciation On Revaluation Taken To The Revaluation Reserve	985	-	1	-	-	986
Reversal of Depreciation On Revaluation Taken To The Surplus/Deficit On The Provision Of Services	57	-	-	-	-	57
Disposals	13	583	-	-	-	596
<b>At 31<sup>st</sup> March 2022</b>	<b>(9)</b>	<b>(4,913)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,922)</b>
<b>Net Book Value at 31<sup>st</sup> March 2022</b>	<b>62,793</b>	<b>2,860</b>	<b>4,080</b>	<b>2,180</b>	<b>1,757</b>	<b>73,670</b>

Depreciation Methods:

All non-current assets are depreciated on a straight-line basis over a period of their useful economic life (see section 1.17 of the Accounting Policies) as follows:

<b>Asset Category</b>	<b>Life</b>
Offices, Leisure & Recreation and Museum	1-64
Depot & Workshops	19-39
Public Conveniences	14-19
Miscellaneous Community Assets	1-10
Vehicles, Plant & Machinery, Equipment & Lighting	1-10
ICT Systems	1-5

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The number and type of major non-current assets are:

<b>Asset Description</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Land, Properties and Vehicles:</b>		
Assets Under Construction	5	6
Car Parks	23	21
Cemetery Sites	2	2
Civic & Administrative Buildings	2	2
Leisure Centres (leasehold interest in Bewdley Leisure Centre)	2	2
Museums	1	1
Nature Reserves	3	3
Other Land & Buildings	33	33
Public Conveniences	4	-
Sports & Social Clubs	3	3
Sports Fields & Parks	15	13
Trading Estates & Enterprise Centres	7	7
Vehicles	73	73

The major items of capital expenditure in 2022-23 were:

<b>Scheme</b>	<b>£'000</b>
Future High Streets Fund, Kidderminster	1,710
Disabled Facilities/Housing Grants	1,144
Levelling Up Fund	790
Vehicle & Equipment Replacement Programme	753
ICT Strategy	532
Castle Road Development	139
Property Flood Grants	138
Other Capital Schemes (below £50k)	77
<b>Total Capital Expenditure</b>	<b>5,283</b>

The Council's Capital Programme was financed as follows:

<b>Type of Financing</b>	<b>£'000</b>
Grants	3,961
Prudential Borrowing	1,260
Application of Capital Receipts	62
<b>Total Financing</b>	<b>5,283</b>

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At 31<sup>st</sup> March 2023 the following major capital contracts had been entered into, with the following sums remaining to be paid.

<b>Description</b>	<b>£'000</b>
Future High Streets Fund	11,078
Disabled Facilities Grants/Housing Assistance Grants	492
Wyre Forest House – Construction Contract (including Retentions)*	211
Castle Road Temporary Accommodation Scheme	181
Local Authority Delivery Scheme Phase 3	107
Vehicle & Equipment Renewals	88
Solar Farm	51
ICT Strategy	37
Brinton Park HLF Scheme Consultancy	37

\*The contract for the construction of the Wyre Forest House was awarded to Thomas Vale Construction Limited early in 2011-12. The building became operational and was occupied in September 2012. The above relates to the remaining contractual commitments including retentions.

### Revaluations

Due to volatile market conditions post Covid, 100% of the Council's Land, Buildings, Community Assets and Surplus Assets have been revalued, ensuring the carrying value does not differ materially from the fair value. The current asset values used in the accounts are based on valuations provided by Avison Young, Independent Valuers. The valuations of assets carried at current value are analysed in the table below. This table does not include other items contained within the Council's Asset Register such as Vehicles, Plant and Equipment, Intangible Assets or Assets under Construction as these assets are carried at Depreciated Historical Cost and are not, therefore, subject to revaluation.

The fair value of surplus properties has been measured using a market approach, that takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market yields, the covenant strength for existing tenants, and data and market knowledge. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

Valuations of non-current assets carried at current value (fair value if surplus):

<b>Description</b>	<b>Land and Buildings £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Held for Sale £'000</b>	<b>Total £'000</b>
Valued in: 2022-23	58,729	3,950	1,001	250	<b>63,930</b>
Total	58,729	3,950	1,001	250	<b>63,930</b>

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**Note 15: Heritage Assets**

Reconciliation of the carrying value of heritage assets held by the Council, 2022-23.

	Art Collection £'000	Richard Eve Memorial and Museum Exhibits £'000	Total Heritage Assets £'000
<b>Cost or Valuation at April 1<sup>st</sup> 2022</b>	647	536	1,183
Net Revaluation Increases/(Decreases)	-	58	58
<b>Net Book Value at 31<sup>st</sup> March 2023</b>	647	594	1,241

Comparative information for 2021-22:

	Art Collection £'000	Richard Eve Memorial and Museum Exhibits £'000	Total Heritage Assets £'000
<b>Cost or Valuation at April 1<sup>st</sup> 2021</b>	656	534	1,190
Net Revaluation Increases/(Decreases)	(9)	2	(7)
<b>Net Book Value at 31<sup>st</sup> March 2022</b>	647	536	1,183

**Revaluations**

Heritage Assets are carried at their insurance values. A specialist valuation of the Richard Eve Memorial is carried out every two years; the last being by Robert Vaughan (Chartered Quantity Surveyor) as at 31<sup>st</sup> March 2023.

**Note 16: Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets, including both purchased licenses and software, are given a finite useful life based on assessments of the period that they are expected to be of use.

	2021-22 £'000	2022-23 £'000
Balance at Start of Year:		
Gross Carrying Amounts	3,008	1,794
Accumulated Amortisation	(2,547)	(1,388)
<b>Net Carrying Amount at Start of Year</b>	<b>461</b>	<b>406</b>
Purchases	92	320
Amortisation for period	(147)	(138)
Reduction in gross values for assets no longer in use	(1,306)	-
Accumulated depreciation written off for assets no longer in use	1,306	-
<b>Net Carrying Amount at End of Year</b>	<b>406</b>	<b>588</b>
Comprising:		
Gross Carrying Amount	1,794	2,115
Accumulated Amortisation	(1,388)	(1,527)
<b>Net Carrying Amount at End of Year</b>	<b>406</b>	<b>588</b>

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**Note 17: Financial Instruments (Including Nature and Extent of Risks)**

**Categories of Financial Instruments**

	<b>Non-Current</b>		<b>Current</b>	
	<b>31<sup>st</sup> March 2022 £'000</b>	<b>31<sup>st</sup> March 2023 £'000</b>	<b>31<sup>st</sup> March 2022 £'000</b>	<b>31<sup>st</sup> March 2023 £'000</b>
<b>Financial Assets</b>				
<b>Investments</b>				
Fair Value through profit and loss			2,000	
Amortised Cost – Investments (Principal)			14,000	26,000
Amortised Cost – Investments (Accrued Interest)			8	209
Amortised Cost - Cash and cash equivalents			17,001	15,461
Amortised Cost - Cash and cash equivalents (Accrued Interest)				10
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>33,009</b>	<b>41,680</b>
Amortised cost - Debtors			1,573	1,066
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>34,582</b>	<b>42,746</b>
<b>Financial liabilities</b>				
Amortised cost - Borrowing	(32,164)	(34,194)	(2,355)	(240)
Amortised Cost - Creditors			(2,783)	(1,734)
<b>Total Financial Liabilities</b>	<b>(32,164)</b>	<b>(34,194)</b>	<b>(5,138)</b>	<b>(1,974)</b>

Short-term debtors and creditors in the above table include only those balances which the Council considers are receivable under a contractual arrangement, as per the Code and will therefore differ from the figures in the Balance Sheet.

**Income, Expense, Gains and Losses**

The income and expenditure recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments valued at amortised cost comprise:

	<b>31<sup>st</sup> March</b>	
	<b>2022 £'000</b>	<b>2023 £'000</b>
Interest income	77	1,081
Interest expense	(989)	(987)
<b>Total</b>	<b>(912)</b>	<b>94</b>

**The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)**

There are no financial liabilities or financial assets carried on the balance sheet that are not measured at Fair Value (but for which Fair Value disclosures are required).



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The fair values of Financial Assets are as follows:

	<b>31<sup>st</sup> March 2022</b>		<b>31<sup>st</sup> March 2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and Cash Equivalents	19,001	19,001	15,471	15,471
Add back: Overdraft/(Cash at Bank)	(196)	(196)	(321)	(321)
Short-term Deposits	14,008	14,008	26,209	26,209
<b>Total Temporary Investments</b>	<b>32,813</b>	<b>32,813</b>	<b>41,359</b>	<b>41,359</b>

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

As at 31st March 2023 the Council held no financial assets for which Level 1 valuations will apply and £41.359m financial assets for which Level 2 valuations will apply. All the financial assets are valued at amortised cost.

As at 31st March 2023 the Council held £34.194m financial liabilities for which Level 2 valuations will apply. The financial liabilities are held with the Public Works Loan Board (PWLB) and Market lenders. All of these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses both premature repayment rates and new borrowing rates to discount the future cash flows as detailed below:

- For PWLB loans payable, new loan rates from the PWLB have been applied to provide the fair value;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value.

The fair values of Financial Liabilities are as follows:

	<b>31<sup>st</sup> March 2022</b>		<b>31<sup>st</sup> March 2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Market Debt	2,015	2,020	2,030	1,970
PWLB Loan – Maturity	32,164	27,234	32,164	24,093
<b>Total Borrowing</b>	<b>34,179</b>	<b>29,254</b>	<b>34,194</b>	<b>26,063</b>

The fair value of PWLB loans of £24.093m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. When interest rates rise significantly above the rates secured for its current loans, the Council could repay the loans to the PWLB who would offer a discount for early redemption. The exit price for the PWLB loans including the discount would be £27.382m at 31<sup>st</sup> March 2023. However, replacement debt would be more expensive to service.

#### **Nature and Extent of Risk Arising from Financial Instruments**

The Council's Treasury Management activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

#### **Overall Procedures for Managing Risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### **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 within the Treasury Management Strategy that is approved by Full Council each year and available on the Council website.

#### **Credit Risk Management Practices**

The credit criteria in respect of financial assets held by the Council are based on the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies and a number of relevant overlays are detailed below:

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

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### Notes to the Accounts

The Council has determined that there is no significant credit risk to financial instruments since initial recognition. The historic risk of default at 31<sup>st</sup> March 2023 was 0.012% (0.010% at 31<sup>st</sup> March 2022), as provided by Link Group, therefore no adjustment has been made to the carrying value of the investments.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of 25% or 50% for Government backed institutions or £5m (with specific approval by the Head of Resources) of total investments with any financial institution or group cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31<sup>st</sup> March 2023 that this was likely to crystallise.

#### Credit Risk Exposure

The risk of credit exposure from the Council's customers arises from the possibility that debts raised by the Council are not collected. The Council's standard credit terms are 14 days from invoice date for its trade debtors. The authority has the following exposure to credit risk at 31<sup>st</sup> March 2023. These are analysed by age as shown in the table below:

Age of Debt	31 <sup>st</sup> March	
	2022 £'000	2023 £'000
Less than three months	1,102	1,340
Three to six months	54	99
Six months to one year	81	107
More than one year	297	430
Total	1,534	1,976

The Council has an impairment allowance of £626k in place to mitigate against this risk (£521k in 2021-22).

#### Liquidity risk

The Council manages its liquidity position through its risk management procedures above (the setting and approval of prudential indicators, non-treasury indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for 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.

The maturity analysis of financial assets is as follows:

	31 <sup>st</sup> March	
	2022 £'000	2023 £'000
Less than one year	32,813	41,359
Total	32,813	41,359

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Notes to the Accounts

However, the Council maintains a significant debt and investment portfolio and whilst the cash flow procedures above are considered by reference to the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period being 100% and zero respectively:

	31 <sup>st</sup> March	
	2022 £'000	2023 £'000
Less than one year	2,355	240
Between one and two years	-	3,036
Between two and five years	2,012	2,006
Between five and ten years	6,033	6,041
Between ten and fifteen years	5,038	4,030
Between fifteen and twenty years	3,022	3,022
Between twenty and twenty-five years	-	-
Over twenty-five years	16,059	16,059
<b>Total</b>	<b>34,519</b>	<b>34,434</b>

### Market risk

#### Interest rate risk

The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowing at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

According to this assessment strategy, at 31<sup>st</sup> March 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest receivable on variable rate investments	465

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**2. Price risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**3. Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

**4. Transfers of Financial Assets**

There have been no transfers of financial assets during the year.

**Note 18: Debtors**

<b>Short Term Debtors</b>	<b>31<sup>st</sup> March</b>	
	<b>2022 £'000</b>	<b>2023 £'000</b>
Trade Receivables	1,573	1,066
Prepayments	397	498
Local Taxation including Major Precepting Authorities	6,007	4,823
Other Receivable Amounts	248	441
<b>Total Net Debtors at Year End</b>	<b>8,225</b>	<b>6,828</b>

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**Note 19: Debtors for Local Taxation**

<b>Debtors for Local Taxation</b> (Memorandum – gross debtors)	<b>31<sup>st</sup> March</b>	
	<b>2022</b> <b>£'000</b>	<b>2023</b> <b>£'000</b>
Council Tax:		
Current year	1,785	2,141
More than one year	3,805	3,962
NNDR:		
Current year	879	927
More than one year	1,065	992
<b>Total Gross Debtors for Local Taxation</b>	<b>7,534</b>	<b>8,022</b>

**Note 20: Cash and Cash Equivalents**

Cash and Cash Equivalents comprises:

<b>Cash and Cash Equivalents</b>	<b>2021-22</b> <b>£'000</b>	<b>2022-23</b> <b>£'000</b>
Cash held by the Authority	2	3
Bank current accounts	194	318
Short-term deposits with banks/building societies	18,805	15,150
<b>Total Balance at Year End</b>	<b>19,001</b>	<b>15,471</b>

**Note 21: Assets Held for Sale**

<b>Assets Held for Sale</b>	<b>2021-22</b> <b>£'000</b>	<b>2022-23</b> <b>£'000</b>
Balance at Start of Year	250	250
Balance at Year End	250	250

Assets included in the Held for Sale category are those which were being actively marketed/have contracts for disposal agreed at the balance sheet date. It is the Council's intention to market the other surplus properties in due course.

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**Note 22: Creditors**

<b>Creditors</b>	<b>31<sup>st</sup> March</b>	
	<b>2022 £'000</b>	<b>2023 £'000</b>
Government Departments	8,528	6,708
Local Authorities	936	2,148
Sundry Creditors	2,383	1,658
Council Taxpayers (overpayments/receipts in advance)	146	148
Business Rates (overpayments/receipts in advance)	1,019	589
Receipts in Advance	9,776	3,111
Contractors and Other Deposits	136	122
<b>Total Balance at Year End</b>	<b>22,924</b>	<b>14,484</b>

<b>Creditors – Summary</b>	<b>31<sup>st</sup> March</b>	
	<b>2022 £'000</b>	<b>2023 £'000</b>
Trade payables	2,783	1,734
Other payables	20,141	12,750
<b>Total Balance at Year End</b>	<b>22,924</b>	<b>14,484</b>

**Note 23: Provisions**

<b>Description of Provision</b>	<b>1<sup>st</sup> April 2022 £'000</b>	<b>Provided in Year £'000</b>	<b>Payments in Year £'000</b>	<b>31<sup>st</sup> March 2023 £'000</b>
Business Rates Appeals	1,363	-	(602)	761
Other Miscellaneous	-	132	-	132
<b>Total</b>	<b>1,363</b>	<b>132</b>	<b>(602)</b>	<b>893</b>

The Collection Fund holds a provision for backdated revaluations arising from Business Rates Retention. The Council share is shown above.

**Note 24: Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

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**Note 25: Unusable Reserves**

Summary of Unusable Reserves

	<b>31<sup>st</sup> March</b>	
	<b>2022 £'000</b>	<b>2023 £'000</b>
Revaluation Reserve	20,755	18,747
Capital Adjustment Account	13,511	12,578
Pensions Reserve	(59,795)	(9,361)
Collection Fund Adjustment Account	(3,205)	1,738
Accumulated Absences Account	(280)	(190)
<b>Total Unusable Reserves</b>	<b>(29,014)</b>	<b>23,512</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

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

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

<b>Revaluation Reserve</b>	<b>2022 £'000</b>	<b>2023 £'000</b>
<b>Balance at 1<sup>st</sup> April</b>	19,432	20,755
Revaluation Gains	3,379	2,851
Revaluation reductions written off against prior balances	(1,499)	(4,374)
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	1,880	(1,523)
Excess Current Value Depreciation over Historic Cost Depreciation	(240)	(244)
Balances written out following disposal	(317)	(241)
<b>Balance at 31<sup>st</sup> March</b>	<b>20,755</b>	<b>18,747</b>



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**Capital Adjustment Account**

The Capital Adjustment Account reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The account also contains revaluation gains accumulated on property, plant and equipment before 1<sup>st</sup> April 2007, the date that the revaluation reserve was created to hold such gains.

<b>Capital Adjustment Account</b>	<b>2022 £'000</b>	<b>2023 £'000</b>
<b>Balance at 1<sup>st</sup> April</b>	10,620	13,511
Capital Receipts Applied	2,235	62
Depreciation	(1,936)	(1,975)
Revaluation Adjustments	(936)	(2,276)
Direct Revenue Financing	60	-
Appropriation of Minimum Revenue Provision	1,212	1,302
Revenue Expenditure Funded From Capital Under Statute	(1,130)	(2,060)
Disposal of Non-Current Assets	(530)	(431)
Capital Grants	5,091	3,961
Repayment of Loan Debt	(1,732)	-
Revaluation Reserve	557	484
<b>Balance at 31<sup>st</sup> March</b>	<b>13,511</b>	<b>12,578</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. As a partner to Worcestershire Regulatory Services (WRS), the net position on the Pension Reserves includes this Council's share.

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<b>Pensions Reserve</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
<b>Balance at 1<sup>st</sup> April</b>	(62,504)	(59,795)
Adjustment to WRS* Opening Balance**		6
	(62,504)	(59,789)
Remeasurements of the net defined benefit (liability and asset)	4,701	52,542
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	(5,819)	(5,108)
Employer's pension contributions and direct payments to pensioners payable in the year	3,827	2,994
<b>Balance at 31<sup>st</sup> March</b>	<b>(59,795)</b>	<b>(9,361)</b>

\*Worcestershire Regulatory Services

\*\*Recalculation of the share of WRS liability from 15.15% in 2021-22 to 15.11% in 2022-23

### **Collection Fund Adjustment Account**

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

<b>Collection Fund Adjustment Account</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
<b>Balance at 1<sup>st</sup> April</b>	(7,641)	(3,205)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	4,436	4,943
<b>Balance at 31<sup>st</sup> March</b>	<b>(3,205)</b>	<b>1,738</b>

### **Accumulated Absences Account**

The Accumulated Absences 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, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

<b>Accumulated Absences Account</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
<b>Balance at 1<sup>st</sup> April</b>	(330)	(280)
Reversal of Opening Balance	330	280
Amounts accrued at the end of the current year	(280)	(190)
<b>Balance at 31<sup>st</sup> March</b>	<b>(280)</b>	<b>(190)</b>

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**Note 26: Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

<b>Cash Flow Statement – Operating Activities</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Interest received	(77)	(881)
Interest paid	990	842
<b>Net cash flows from operating activities</b>	<b>913</b>	<b>(39)</b>

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

<b>Cash Flow Statement – Operating Activities</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Depreciation	1,936	1,975
Downward re-valuations	936	2,276
Increase/(decrease) in creditors	4,073	(6,790)
(Increase)/decrease in debtors	2,543	(313)
(Increase)/decrease in inventories	(41)	56
Movement in pension liability	4,355	4,451
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	530	431
Other non-cash items charged to the net surplus or deficit on the provision of services	(725)	(469)
<b>Total</b>	<b>13,607</b>	<b>1,617</b>

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

<b>Cash Flow Statement – Operating Activities</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Proceeds from short-term and long-term investments	(65)	102
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(626)	(407)
Any other items for which the cash effects are investing or financing cash flows	(5,921)	(4,362)
<b>Total</b>	<b>(6,612)</b>	<b>(4,667)</b>

**Note 27: Cash Flow Statement – Investment Activities**

<b>Cash Flow Statement – Investment Activities</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	(6,654)	(3,223)
Purchase of short-term and long-term investments	(4,395)	(12,102)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	626	407
Proceeds from short-term and long-term investments	76	-
Other receipts from investing activities	9,805	14,759
<b>Net cash flows from investing activities</b>	<b>(542)</b>	<b>(159)</b>

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**Note 28: Cash Flow Statement – Financing Activities**

<b>Cash Flow Statement – Financing Activities</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Cash receipts of short and long-term borrowing	60	2,000
Repayments of short and long-term borrowing	(3,000)	(2,100)
Other payments for financing activities	2,252	(125)
<b>Net cash flows from financing activities</b>	<b>(688)</b>	<b>(225)</b>

**Note 29: Members' Allowances and Expenses**

Members' allowances and expenses paid during the year were £227,323 (£223,421 in 2021-22). Further information is provided on the Council's website.

**Note 30: Officers' Remuneration**

The following table details the full year remuneration of Senior Officers who serve or have served on the Corporate Leadership team for all, or part of the year, and whose full-time equivalent salary is more than £50,000 per year:

Position	Year	Salary (including fees & allowances)  £	Compensation for loss of Office  £	Expenses Allowances*  £	Total Remuneration excluding pension contributions  £	Pension Contributions  £	Total Remuneration including pension Contributions  £
Chief Executive	2022-23	120,760	-	458	121,218	21,978	143,196
	2021-22	115,890	-	72	115,962	21,092	<b>137,054</b>
Solicitor to the Council	2022-23	46,586	-	-	46,586	7,949	54,535
	2021-22	50,365	-	16	50,381	***140,105	<b>190,486</b>
Head of Community and Environment	2022-23	66,548	-	395	66,943	12,112	<b>79,055</b>
	2021-22	66,476	-	-	66,476	12,062	<b>78,538</b>
Head of North Worcestershire Economic Development and Regeneration	2022-23	72,750	-	-	72,750	13,241	85,991
	2021-22	66,415	-	34	66,449	12,088	<b>78,537</b>
Head of Strategic Growth	2022-23	66,548	-	-	66,548	12,112	78,660
	2021-22	57,731	-	52	57,783	10,507	<b>68,290</b>
Head of Resources and S151 Officer	2022-23	70,107	-	-	70,107	12,760	82,867
	2021-22	55,528	-	-	55,528	10,106	<b>65,634</b>
Head of Revenues, Benefits and Customer Services	2022-23	59,194	-	-	59,194	10,773	69,967
	2021-22	50,840	-	-	50,840	9,253	<b>60,093</b>
Corporate Director: Economic Prosperity and Place	2022-23	-	-	-	-	-	-
	2021-22	58,697	42,776	-	101,473	**184,757	<b>286,230</b>
Corporate Director: Resources	2022-23	-	-	-	-	-	-
	2021-22	58,697	42,776	38	101,511	**177,971	<b>279,482</b>

On 12<sup>th</sup> May 2021 Council agreed the implementation of a revised management restructure. The Corporate Director: Economic, Prosperity and Place and the Corporate Director: Resources were made redundant from 31<sup>st</sup> December 2021. The Corporate Management Team from 1<sup>st</sup> January 2022 are:

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Chief Executive (head of paid service)  
Solicitor to the Council (monitoring officer)  
Head of Resources (section 151 Officer confirmed at Council on 8<sup>th</sup> December 2021)  
Head of Strategic Growth  
Head of North Worcestershire Economic Development and Regeneration  
Head of Community and Environment  
Head of Revenues, Benefits & Customer Services

- \* All mileage is reimbursed at 40p per mile which is below the HMRC approved rate of 45p per mile for cars and vans.
- \*\* The pension contribution includes pension actuarial costs on loss of office in 2021-22.
- \*\*\* The pension contribution for the Solicitor to the Council in 2021-22 included pension actuarial costs agreed as part of flexible retirement.

The Pension contributions detailed above only include the employer's contributions directly attributable to the post holder.

Other officers whose remuneration (excluding employer pension contributions) for the year exceeded £50,000:

<b>Total Remuneration (excluding employer's contributions)</b>	<b>2021-22</b>	<b>2022-23</b>
£50,000 - £54,999	-	4
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-

In addition to the above salaries, the Elections Returning Officer (Chief Executive) received £587 remuneration, and mileage allowance (includes pension contributions) as appropriate, for his role in the Bewdley Town Council and Stourport Town Council By-Elections.

(Elections etc in 2022-23 relate to Parish Councils)

The numbers of exit packages with total cost per band and total cost of the compulsory redundancies and other departures are set out in the table below:

<b>(a) Exit package cost band (including special payments)</b>	<b>(b) Number of compulsory redundancies</b>		<b>(c) Number of other departures agreed</b>		<b>(d) Total number of exit packages by cost band</b>		<b>(e) Total cost of exit packages in each band (excluding WRS)</b>	
	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22 £</b>	<b>2022-23 £</b>
£0 - £20,000	3	1	-	-	3	1	22,147	3,920
£20,001 - £40,000	2	-	-	-	2	-	45,111	-
£40,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £200,000	2	-	-	-	2	-	250,476	-
£200,001 - £300,000	2	-	-	-	2	-	426,913	-
<b>Total</b>	9	1	-	-	9	1	744,647	3,920

The total cost of £744,647 in 2021-22 included compulsory redundancy costs and Actuarial strain charged to the Council's Comprehensive Income and Expenditure Statement in that year.

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**Note 31: External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and non-audit services provided by the Council's External Auditors:

<b>Fees payable to the Council's External Auditors</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Fees payable to Grant Thornton relating to external audit services carried out by the appointed auditor for the year	41	45
Agreed Audit Fee Variation for 2019-20 to 2021-22	29	3
Fees payable in respect of other services provided by Grant Thornton during the year* paid in arrears	12	14
<b>Total</b>	<b>82</b>	<b>62</b>

\* The fees paid for other services related to the Housing Benefit Grant Certification Fee.

**Note 32: Grant Income**

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

<b>Grant Income</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	243	464
Lower Tier Services Grant	121	130
One Off Services Grant	-	196
NNDR Levy Redistribution	-	24
Covid 19 Business Rates Relief Grant	4,214	3,105
Covid 19 Local Authority Support Grant	748	-
Covid 19 Sales, Fees and Charges	234	-
Covid 19 Local Tax Income Guarantee	32	-
<b>Subtotal</b>	<b>5,592</b>	<b>3,919</b>
WFDC Council Tax Income	9,073	9,422
Business Rates Retention	(154)	1,329
Capital Grants Applied	3,997	1,926
<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>18,508</b>	<b>16,596</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	20,178	19,671
Housing Benefit Admin	409	404
Covid Support Grants	1,391	50
Other Grants:		
Chief Executive & Solicitor to the Council	23	27
Resources	526	729
Community and Environmental Services	342	602
Strategic Growth & North Worcestershire Economic Development and Regeneration	1,985	3,538
<b>Total Grant Income Credited to Services</b>	<b>24,854</b>	<b>25,021</b>

Total Grant income credited to services includes government grants & contributions of £22.558m (as per Note 8) along with grants & contributions from other organisations.

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**Note 33: Related Party Transactions**

The Council is required to disclose material transactions with related parties. A related party is a body or individual that has the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader 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 significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Significant grants received from Government Departments are set out in Note 32. Grant receipts outstanding at 31<sup>st</sup> March 2023 are shown in Note 18.

**Members**

Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022-23 is shown in Note 29. The Council maintains a Register of Members' Interests in compliance with the Localism Act 2011, available for inspection on the Council's website.

Members also sit on several other outside bodies where transactions of less than £10k were made in 2022-23 to:

- District Councils' Network
- Age UK, Bromsgrove, Redditch and Wyre Forest
- Wolverley & Cookley Parish Council
- Stourport Forward
- Elizabeth Mills Day Centre

Major transactions over £10k for 2022-23 where Councillors or Officers were also members of outside bodies are shown in the table below:

Organisation	Total Income £'000	Total Expenditure £'000	Income due at 31/03/2023 £'000	Expenditure due at 31/03/2023 £'000
<b>Other Public Bodies</b>				
Worcestershire County Council	3034	403	18	71
Kidderminster Town Council	189	232	-	-
Stourport Town Council	13	5	-	-
Bewdley Town Council	2	14	-	-
<b>Other Bodies</b>				
Wyre Forest Citizens Advice Bureau	-	279	-	5
Kidderminster & District Youth Trust	1	114	-	18
PSP Wyre Forest LLP	-	59	-	-
Wyre Forest Nightstop & Mediation	-	19	-	5
West Mercia PCC	35	29	-	-
Local Government Association	-	12	-	-
Stourport Sports Club	2	15	-	-

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**Officers**

The Community Strategic Projects Manager and the Community and Environment Strategic Manager were board Members of Stourport Sports Club Limited during 2022-2023.

**Operations Jointly Controlled by the Council**

The Council works in partnership with various Councils/Organisations on a number of services, either as host itself or where the service is hosted by another Council and full details of these arrangements are shown in note 1.14 in the Accounting Policies. The tables below set out the movements in 2022-23.

**Services Hosted by WFDC**

Service	Council	Value of Service in 2022-23 £'000	Payment due from WFDC at 31/03/2023 £'000	Receipt due to WFDC at 31/03/2023 £'000
North Worcestershire Economic Development and Regeneration	Redditch Borough Council	240	-	115
	Bromsgrove District Council	192	-	66
North Worcestershire Water Management	Redditch Borough Council	67	-	34
	Bromsgrove District Council	62	-	32
North Worcestershire Civil Contingencies and Resilience	Redditch Borough Council	6	-	5
	Bromsgrove District Council	6	-	5

**Services Hosted by Other Councils**

Service	Host Council	Value of Service in 2022-23 £'000	Payment due from WFDC at 31/03/2023 £'000	Receipt due to WFDC at 31/03/2023 £'000
Worcestershire Regulatory Services	Bromsgrove District Council	534	12	8
North Worcestershire Building Control	Bromsgrove District Council	163	-	-
Payroll	Redditch Borough Council	60	60	-
Car Park Administration Service	Wychavon District Council	65	-	-



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**Note 34: Capital Expenditure and Capital Financing**

<b>Capital Expenditure and Capital Financing</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
<b>Opening Capital Financing Requirement</b>	40,319	41,236
Operational Assets	3,052	1,272
Non-operational Assets	3,602	1,951
Revenue Expenditure Funded from Capital Under Statute	1,130	2,060
Development Loan (repaid in year)	1,731	-
Capital Receipts	(2,235)	(62)
Government Grants and other Contributions	(5,091)	(3,961)
Sums Set Aside from Revenue	(1,272)	(1,302)
<b>Closing Capital Financing Requirement</b>	<b>41,236</b>	<b>41,194</b>
Explanation of movements in the year:		
Increase in underlying requirement to borrow (unsupported by Government financial assistance)	(917)	(42)
<b>Increase in Capital Financing Requirement</b>	<b>(917)</b>	<b>(42)</b>

**Note 35: Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Worcestershire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Discretionary post-retirement benefits upon early retirement are an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. There are no assets within the pension plan built up to meet these pension liabilities. Where applicable, the obligation relating to unfunded benefits of £430k is reflected in the Wyre Forest District Council columns within this disclosure note.

Worcestershire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Committee of Worcestershire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

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

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**Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made as part of the budget setting process is based on the cash payable in the year, so the real cost of post-employment /retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the table that follows have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The Council is a partner in Worcestershire Regulatory Services, governed by the Joint Committee. Staff were transferred to the host authority – Bromsgrove District Council on a fully funded basis. The shared service was admitted to the pensions fund as a ‘ghost body’; as such any liability or surplus that accrues is the responsibility of the partners of the shared service. The Council's share of the overall deficit as defined by the partnership legal agreement is currently 15.11% (15.15% in 2021-22) and this is reflected in the note below:

	WFDC		Share of WRS	
	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Service cost comprising:				
Current Service Cost	3,033	3,288	171	152
Past Service Costs (including Curtailments)	1,311	-	-	-
Administration expenses	30	32	2	2
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	1,232	1,581	40	52
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,606</b>	<b>4,901</b>	<b>213</b>	<b>206</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined liability comprising:				
Return on plan assets (excluding the amount included in net interest expense)	(3,748)	90	(31)	83
Actuarial (gains) and losses arising on changes in actuary assumptions	(775)	(50,537)	(147)	(2,178)
<b>Total remeasurement recognised in Other Comprehensive Income</b>	<b>(4,523)</b>	<b>(50,447)</b>	<b>(178)</b>	<b>(2,095)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,083</b>	<b>(45,546)</b>	<b>35</b>	<b>(1,889)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	1,850	1,988	142	125
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>				
Employers' contributions payable to scheme	3,321	2,483	71	81
Discretionary retirement benefits payable to pensioners	435	430	-	-

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**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	WFDC		Share of WRS	
	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000
Present value of defined benefit obligation	155,167	107,435	6,112	4,159
Fair value of plan assets	(97,292)	(98,019)	(4,192)	(4,214)
<b>Sub Total</b>	<b>57,875</b>	<b>9,416</b>	<b>1,920</b>	<b>(55)</b>
Advance payment of Pension Contributions	(2,338)	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>55,537</b>	<b>9,416</b>	<b>1,920</b>	<b>(55)</b>

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

	WFDC		Share of WRS	
	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000
Opening fair value of scheme assets	92,185	97,292	4,063	4,192
Adjustment to opening balance for WRS**	-	-	-	(11)
	92,185	97,292	4,063	4,181
Interest Income	1,930	2,698	86	117
Remeasurement gain/(loss)				
- return on plan assets, excluding amount included in net interest expense	3,748	(90)	31	(83)
Administration expenses	(30)	(32)	(2)	(2)
Contributions from employer	3,756	2,913	71	81
Contributions from employees into scheme	477	507	28	26
Benefits Paid	(4,774)	(5,269)	(85)	(106)
<b>Closing fair value of scheme assets</b>	<b>97,292</b>	<b>98,019</b>	<b>4,192</b>	<b>4,214</b>

WRS - Worcestershire Regulatory Services

\*\*Recalculation of the share of WRS liability from 15.15% in 2021-22 to 15.11% in 2022-23

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**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

	<b>WFDC</b>		<b>Share of WRS</b>	
	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Opening balance at 1 <sup>st</sup> April	152,733	155,167	6,019	6,112
Adjustment to opening balance for WRS**	-	-	-	(17)
	152,733	155,167	6,019	6,095
Current Service cost	3,033	3,288	171	152
Interest cost	3,162	4,279	126	170
Contributions from scheme participants	477	507	28	26
Remeasurement (gains) and losses- Actuarial (gains)/losses arising from:				
experience (gain)/losses	386	8,670	14	397
changes in financial assumptions	-	(56,715)	(114)	(2,478)
demographic assumptions	(1,161)	(2,492)	(47)	(97)
Past Service Cost/Curtailments	1,311	-	-	-
Benefits paid	(4,774)	(5,269)	(85)	(106)
<b>Closing balance at 31<sup>st</sup> March</b>	<b>155,167</b>	<b>107,435</b>	<b>6,112</b>	<b>4,159</b>

\*\*Recalculation of the share of WRS liability from 15.15% in 2021-22 to 15.11% in 2022-23

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**Local Government Pension Scheme assets comprised:**

Fair value of scheme assets	WFDC		Share of WRS	
	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000
Cash:				
Cash instruments*	-	74		3
Cash accounts*	-	667		29
Net current assets*	-	705		30
Sub-total cash	-	1,446		62
Alternatives:				
UK Infrastructure*	4,584	5,699	218	227
European Infrastructure*	3,056	3,799	145	152
US Infrastructure*	2,547	3,166	121	126
UK Stock Options*	407	507	19	20
Overseas Stock Options*	(204)	(253)	(10)	(10)
Corporate Private Debt*	1,528	1,900	72	76
Sub-total alternatives	11,918	14,818	565	591
Property:				
UK*	4,966	7,720	235	308
Overseas*	451	702	21	28
Sub-total Property	5,417	8,422	256	336
Equities:				
UK quoted	111	101	3	2
Overseas quoted	23,823	21,903	585	509
PIV UK Managed Funds*	13,407	12,327	329	287
PIV UK Managed Funds (Overseas equities) *	38,892	35,758	954	832
PIV Overseas Managed Funds*	776	713	19	17
Sub-total equities	77,009	70,802	1,890	1,647
Bonds:				
UK Government Fixed	1,576	1,353	792	844
LGPS Central Global Pooled Funds	1,372	1,178	689	734
Sub-total bonds	2,948	2,531	1,481	1,578
<b>Total Assets</b>	<b>97,292</b>	<b>98,019</b>	<b>4,192</b>	<b>4,214</b>

All scheme assets have quoted prices in active markets except those marked \*.

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including life expectancy and salary levels etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme effective from 1<sup>st</sup> April 2023.

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The significant assumptions used by the actuary have been:

	WFDC		WRS	
	2021-22	2022-23	2021-22	2022-23
<b>Long term expected rate of return on assets in the scheme</b>				
<b>Life Expectancy:</b>				
Longevity at 65 of current pensioners				
Male	22.6yrs	22.0yrs	22.6yrs	22.0yrs
Female	25.0yrs	24.2yrs	25.0yrs	24.2yrs
Longevity at 65 of future pensioners				
Male	24.1yrs	23.3yrs	24.1yrs	23.3yrs
Female	27.0yrs	26.1yrs	27.0yrs	26.1yrs
<b>Financial assumptions</b>				
Rate of Inflation (CPI)	3.40%	2.70%	3.30%	2.70%
Rate of increase in salaries	4.90%	4.20%	4.80%	4.20%
Rate of increase in pensions	3.50%	2.80%	3.40%	2.80%
Discount Rate on liabilities	2.80%	4.80%	2.80%	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The sensitivity analysis which considers the impact on an increase/decrease in investment returns does not impact on the defined benefit obligation (pension liability), but on the plan assets. However, movement on the level of plan assets will impact on the pension fund deficit, so it has been included for information.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumptions 2022-23	
	WFDC £'000	Share of WRS £'000
<b>Liabilities</b>		
Longevity (increase in 1 year)	2,257	83
Increase in longevity increases liability		
Rate of inflation (increase by 0.25%)	4,001	182
Increase in inflation increases liability		
Rate of increase in salaries (increase by 0.25%)	570	34
Increase in salaries increases liability		
Rate for discounting scheme liabilities (increase by 0.5%)	(7,460)	(337)
Increase in discount decreases liability		
<b>Assets</b>		
Change in 2022-23 investment returns (increase by 1%)		
Increase in investment returns increases assets	971	42

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#### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 12 years from the last pension valuation on 31<sup>st</sup> March 2022. Funding levels are monitored on an annual basis.

The scheme takes into account the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide certain benefits in relation to service after 31<sup>st</sup> March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2022-23 (15 years 2021-22). For Worcestershire Regulatory Services the weighted average duration is 18 years (19 years 2021-22).

#### **Note 36: Contingent Liabilities**

The account with the Wyre Forest House construction contractor continues to remain outstanding because of a number of unresolved issues. The potential exists for a contractor's claim against the Council for prolongation of the contract time scale, so a contingent liability exists in relation to this major capital project.

The Council continues to have a contingent liability in respect of the potential level of exposure to future claims relating to its liability from Municipal Mutual (MMI), its former insurers. There is a contingent liability for payment of future claims that may come forward.

#### **Note 37: Trust Funds**

Wyre Forest District Council acts as trustee of the Bewdley Museum Trust and retains the shop profits partially to offset the gross expenditure incurred in running the Museum. There is, therefore, no income or expenditure accruing directly to the Trust. A new Trust, the Bewdley Heritage Trust, was registered with the Charity Commission on 25<sup>th</sup> April 2022, as the Council seeks to explore alternative delivery models to safeguard Bewdley Museum.

#### **Note 38: Interests in Companies and Other Entities**

PSP Wyre Forest LLP was incorporated by Companies House on 22nd March 2017, under registration number OC416505. This limited liability partnership with PSP Facilitating Limited (PSPF) was established in order to unlock more challenging property proposals. The LLP is a 50/50 partnership (£1 Member's Capital for each party representing initial funding contribution) with profits also shared equally. The decision-making process must be unanimous, and the initial term is for 10 years subject to termination provisions. There is a group relationship with PSP Wyre Forest LLP. The total transactions in year totalled £29k.

The Council does not have any other material interests in another entity that has the nature of subsidiaries, associates or joint ventures that require it to prepare group accounts.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Notes to the Accounts

#### Note 39: Events after the Balance Sheet Reporting Period

The Head of Resources and S151 Officer confirms that there were the following non-adjusting Post Balance Sheet Events (PBSE) identified at 31<sup>st</sup> May 2023, the date that the pre-audit Statement of Accounts 2022-23 was approved:

The Council was notified on 26<sup>th</sup> May 2023 that PSP wished to dissolve PSP Wyre Forest LLP. The Partnership documentation sets out a process for dissolution. This process will take up to 12 months to complete. The LLP is currently considered dormant by the Council and were expecting the company to be filed as dormant at the next financial year end.

High inflation and increased interest rates continue to have an impact on the viability of major capital projects. It was necessary to submit project adjustment requests to DLUHC during 2022-23 to reduce or amend the scope of the significant grant funded projects currently underway. The inflation figures release in May 2023 (at 8.9%) were higher than the market had anticipated. This will put additional strain on cash limited project resources. It is more likely that alternative or internal resources will need to be identified in order to deliver the outcomes in the original grant bids.

The high inflation figures released in May 2023 make it more likely that the Bank of England will either increase rates further or maintain high rates for longer. This will have a significant impact on the timing of any decisions to borrow. The additional investment income received is expected to off-set any increase in the cost of borrowing.

#### Note 40: Going Concern Disclosure

The Statement of Accounts is prepared on a going concern basis, on the assumption that it will continue in existence into the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to significantly curtail the scale of operations. The CIPFA Code (paragraph 2.1.2.9) confirms that local authority accounts must be prepared on a going concern basis.

Our balances at 31<sup>st</sup> March 2023 compared to prior years are as follows:

Comparison of Balance of Reserves	General Reserves including £1.65m Working Balance (£1.5m at 31/03/22)	Earmarked Reserves Note 13	Total General Fund Balance Note 6
	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> March 2023 carried forward</b>	<b>5,118</b>	<b>13,244</b>	<b>18,362</b>
<b>Balance at 31<sup>st</sup> March 2022 carried forward</b>	<b>5,341</b>	<b>15,366</b>	<b>20,707</b>

Worst case scenario planning has been undertaken and the Head of Resources and S151 Officer has concluded that the Council has sufficient headroom, (including e.g. access to borrowing, General Fund reserve, cashflow and remaining government grant funding) over the next 12 months to manage the financial position – therefore management consider that the adoption of the going concern basis remains appropriate.



# Wyre Forest District Council – Draft Statement of Accounts 2022-23

## The Collection Fund Account

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

2021-22 Business Rates £'000	2021-22 Council Tax £'000	2021-22 Total £'000		2022-23 Business Rates £'000	2022-23 Council Tax £'000	2022-23 Total £'000
<b>Income</b>						
-	(65,812)	(65,812)	Council Tax Receivable	-	(69,196)	(69,196)
(20,560)	-	(20,560)	Business Rates Receivable	(24,793)	-	(24,793)
(2,744)	-	(2,744)	Appeals settled against Provision	(1,504)	-	(1,504)
<b>(23,304)</b>	<b>(65,812)</b>	<b>(89,116)</b>	<b>Total Income</b>	<b>(26,297)</b>	<b>(69,196)</b>	<b>(95,493)</b>
<b>Expenditure</b>						
<b>Precepts, Demands and Shares:</b>						
6,215	-	6,215	Central Government	6,652	-	6,652
2,867	44,653	47,520	Worcestershire County Council	1,198	47,845	49,043
137	2,913	3,050	Hereford and Worcester Fire Authority	133	3,062	3,195
-	7,986	7,986	Office of the Police and Crime Commissioner for West Mercia	-	8,555	8,555
4,469	7,432	11,901	Wyre Forest District Council	5,322	7,858	13,180
-	1,458	1,458	Parish/Town Councils	-	1,586	1,586
<b>Charges to the Collection Fund:</b>						
388	63	451	Write Offs and Increase in Allowance for Impairment	441	454	895
974	-	974	Increase/(Decrease) in Provision for Appeals	-	-	-
130	-	130	Cost of Collection Allowance	131	-	131
5	-	5	Disregarded Amounts	6	-	6
15,185	64,505	79,690	Total Expenditure	13,883	69,360	83,243
(8,119)	(1,307)	(9,426)	(Surplus)/Deficit for the Year	(12,414)	164	(12,250)
<b>16,002</b>	<b>1,686</b>	<b>17,688</b>	<b>(Surplus)/Deficit b/fwd as at 1<sup>st</sup> April</b>	<b>7,883</b>	<b>379</b>	<b>8,262</b>
<b>7,883</b>	<b>379</b>	<b>8,262</b>	<b>(Surplus)/Deficit c/fwd as at 31<sup>st</sup> March</b>	<b>(4,531)</b>	<b>543</b>	<b>(3,988)</b>
<b>Allocation of (Surplus)/Deficit:</b>						
3,942	-	3,942	Central Government	(2,266)	-	(2,266)
709	268	977	Worcestershire County Council	(408)	379	(29)
79	18	97	Hereford and Worcester Fire Authority	(45)	25	(20)
-	41	41	Office of the Police and Crime Commissioner for West Mercia	-	65	65
3,153	52	3,205	Wyre Forest District Council	(1,812)	74	(1,738)
<b>7,883</b>	<b>379</b>	<b>8,262</b>		<b>(4,531)</b>	<b>543</b>	<b>(3,988)</b>

**Notes to the Collection Fund Account**

**Note 1: General**

The Collection Fund Statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government. The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund. Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant major precepting bodies in the subsequent financial year. Deficits, likewise, are proportionately charged to the relevant major precepting bodies in the following year. For Wyre Forest, the Council Tax major precepting bodies are Worcestershire County Council (WCC), the Office of the Police and Crime Commissioner for West Mercia (PCC) and the Hereford and Worcester Fire Authority (H&WFA).

Business Rates surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned in the subsequent financial year in their respective proportions. To help mitigate the risk of fluctuations in Business Rates income, Wyre Forest District Council (WFDC) remained a member of the Worcestershire Business Rates Pool (WBRP) for 2022-23. Separate accounts are maintained that form part of the WCC Accounts and are not reflected in the WFDC Collection Fund Accounts.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

**Note 2: National Non-Domestic Rates (NNDR) (Business Rates Retention)**

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The Business Rates Retention Scheme, introduced in 2013-14, aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Local authorities retain a proportion of the total collectable rates due.

The business rates shares payable for 2022-23 were estimated before the start of the financial year as £11.928m to Central Government (£14.272m in 2021-22), £2.147m to WCC (£2.569m in 2021-22), £0.239m to H&WFA (£0.285m in 2021-22) and £9.543m to WFDC (£11.418 in 2021-22). These sums have been paid in 2022-23 and charged to the collection fund in year. WFDC draft share of the Pool retained levy for 2022-23 was £292k, although this is an estimated figure and is subject to the remaining district councils submitting their year-end information to WCC.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and, as such, are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The source data is primarily the hereditaments on our local list, the list of cases in the Check, Challenge, Appeal process and commentary and analysis in professional journals.

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The Non-Domestic rateable value of the Council's area at 31<sup>st</sup> March 2023 was £74,509,670 (31<sup>st</sup> March 2022 - £74,288,258), based upon the 2017 rating list. The standard national multiplier for 2022-23 was 51.2p (51.2p in 2021-22) and 49.9p for qualifying Small Businesses (49.9p in 2021-22).

The net income from business rate payers collected in 2022-23 was £26.297m; an increase on the sum collected in 2021-22 (£23.304m). Income in 2021-22 was lower due to the impact of some government funded Covid-19 reliefs which extended into 2021-22. The Council has been compensated for the loss in income resulting from the granting of Covid reliefs via grant received from DLUHC.

### Note 3: Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are based on estimates of the income required from the Collection Fund by this Council, WCC, PCC, H&WFA and Town/Parish Councils within Wyre Forest for the forthcoming year and dividing this by the Council Tax base. The basic amount of Council Tax for a band D property (excluding Town & Parish Councils), £1,965.18 for 2022-23 (£1,896.04 in 2021-22) is multiplied by the proportion specified for the particular band to give an individual amount due. Council Tax written off in the year amounted to £381,493 (£331,302 in 2021-22).

The Council taxbase, is based upon the number of dwellings in each valuation band on the listing produced by the Valuation Office Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2022-23 was 34,220 (33,780 in 2021-22).

Valuation Band	Number of Dwellings Per Valuation List	Adjustment, Disabled Banding Appeals, Discounts & Exemptions	Full Charge Equivalent	Ratio to Band D Charge	Band D Equivalent
Band A	11,628	4,575.49	7,052.51	6/9	4,701.67
Band B	11,666	2,754.73	8,911.27	7/9	6,930.99
Band C	11,544	1,673.26	9,870.74	8/9	8,774.00
Band D	6,295	572.18	5,722.82	1	5,722.82
Band E	3,485	226.09	3,258.91	11/9	3,983.12
Band F	1,763	117.13	1,645.87	13/9	2,377.37
Band G	1,245	48.77	1,196.23	15/9	1,993.72
Band H	128	(0.53)	128.53	2	257.06
Total	47,754	9,967.12	37,786.88		34,740.75
Less Allowance for Non-Collection					520.75
District Tax Base					34,220.00

Income from Council Tax in 2022-23 was £69.196m (£65.812m in 2021-22).

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### Note 4: Collection Fund Surpluses and Deficits

The Council Tax deficit of £0.543m at 31<sup>st</sup> March 2023 will be recovered in subsequent financial years from this Council, WCC, PCC and H&WFA in proportion to the value of the respective precepts and demands made by the four Authorities on the Collection Fund.

The Business Rates surplus of £4.531m at 31<sup>st</sup> March 2023 will be adjusted accordingly in subsequent financial years between this Council, Central Government, WCC and H&WFA in proportion to the value of the respective shares of the Business Rates Retention Scheme.

### Note 5: Significant Precepts/Demands on the Collection Fund

The significant precepts and demands on the Collection Fund in 2022-23, excluding surplus/deficits, are as follows:

	<b>Council Tax £'000</b>	<b>NNDR £'000</b>
Worcestershire County Council	47,798	2,147
Office of the Police and Crime Commissioner for West Mercia	8,543	-
Hereford and Worcester Fire Authority	3,059	239
Wyre Forest District Council (Council Tax includes parishes)	9,434	9,543
Central Government	-	11,928

### Note 6: Allowance for Impairment

The Collection Fund account provides for bad debts on arrears on the basis of prior years' experience and current collection rates.

<b>2021-22</b>			<b>2022-23</b>	
<b>Council Tax £'000</b>	<b>NNDR £'000</b>		<b>Council Tax £'000</b>	<b>NNDR £'000</b>
1,090	919	Allowance for Impairment as at 1 <sup>st</sup> April	898	987
(255)	(320)	Past Years Write Offs	(378)	(289)
63	388	Increase in Year	454	415
898	987	Allowance for Impairment as at 31 <sup>st</sup> March	974	1,113

The Wyre Forest District Council share is as follows:

<b>2021-22</b>			<b>2022-23</b>	
<b>Council Tax £'000</b>	<b>NNDR £'000</b>		<b>Council Tax £'000</b>	<b>NNDR £'000</b>
123	395	Wyre Forest District Council Share of Allowance for Impairment as at 31 <sup>st</sup> March	134	445

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### Note 7: Provision for NNDR Appeals

The Collection Fund account provides for NNDR appeals against the rateable value set by the VOA not settled at 31<sup>st</sup> March 2023.

	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Provision for Appeals as at 1 <sup>st</sup> April	5,177	3,406
Appeals settled/withdrawn in year	(2,745)	(1,504)
Increase/(Reduction) in Provision	974	-
Provision for Appeals as at 31 <sup>st</sup> March	3,406	1,902

The Wyre Forest District Council share is as follows:

	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>
Wyre Forest District Council Share of Appeals as at 31 <sup>st</sup> March	1,363	761

## Glossary Of Financial Terms

### Accounting Policies

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

### Accruals

Income and expenditure are shown in the accounts in the period they are earned or incurred, not as money is received or paid. All entries shown are therefore in respect of the financial year to which the set of accounts relate.

### Actuary

An expert on pension scheme assets and liabilities.

### Amortised Cost

A charge to the Comprehensive Income and Expenditure Statement (CIES) that spreads the cost of an intangible asset over a number of years in line with the council's accounting policies.

### Asset

Something the council owns – for example a building, some cash or money owed to it.

### Asset Register

Each local authority is required to compile a register of all its capital assets (examples include premises, vehicles, equipment and computer systems). Each asset must be professionally valued, generally at replacement cost, at least every five years. Capital charges for the use of assets are calculated on the values contained in the asset register.

### Audit Opinion

The auditor's opinion on whether the council's accounts show a true and fair view of its financial affairs. If the auditors are satisfied with the accounts, they will issue an unqualified audit opinion.

### Balance Sheet

A year-end statement prepared by all public and private sector organisations, which shows the net assets controlled by the organisation and how these have been funded. The balance sheet is known as the statement of financial position under International Financial Reporting Standards (IFRS).

### Budget

A statement detailing the council's financial policy over a specified period of time.

### Capital Adjustment Account

This reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them

### Capital Expenditure

Expenditure on acquisition, construction or improvement of assets (property, plant and equipment) which have a value to the authority for more than one year e.g. Land and buildings.

### Capital Programme

The authority's plan of capital expenditure on capital schemes/projects for current and future financial years, including details on the funding of the programme.

### Capital Receipts

Income from the sale of capital assets, such as land or buildings, which may also be available to finance other items of capital (but not revenue) expenditure.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Code of Practice on Local Authority Accounting (the Code)**

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

### **Comprehensive Income and Expenditure Statement**

A statement of the council's net revenue costs in the year and how this cost was financed by government grant and taxpayers.

### **Contingent Liability**

A possible or present obligation which is difficult to quantify, or which may not come to pass (a liability which cannot be reasonably estimated and may or may not be incurred depending on the outcome of a future event).

### **Council Tax**

A tax collected by the district council which is payable at the same rate by each household in the same valuation band in the same area. There are eight council tax bands and how much each household pays depends upon the value of the homes. The majority of council tax income is distributed to precepting authorities.

### **Council Taxbase**

The council taxbase of an area is equal to the number of band D equivalent properties. To calculate this, the council counts the number of properties in each band and works out an equivalent number of band d properties. For example, one band H property is equivalent to two band D properties; because it attracts twice as much tax.

### **Council Tax Discounts and Exemptions**

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council tax is not charged for certain properties, known as exempt properties, such as those lived in only by students.

### **Council Tax Reduction Scheme**

A locally determined scheme which sets the system to calculate amounts deducted from the bills of working age council tax payers. The scheme sets the maximum discount that can be given, so there is a minimum percentage of the council tax bill that all tax payers must pay. This was 20% in 2022-23 and will reduce to 10% for 2023-24.

### **Counterparty Report**

List of approved financial institutions the council can invest surplus funds with. This is based on credit ratings criteria approved by council within the Treasury Management Policy.

### **Creditors**

Amounts owed by the district council for work done, goods or services received but for which payment has not been made by the end of the accounting period.

### **Current Asset or Liability**

An asset or liability the council expects to hold for less than one year.

### **Debtors**

Amounts due to the district council but unpaid by the end of the accounting period.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Depreciation**

The measure of the cost or revalued amount of the benefits of an asset that have been consumed/used during the financial year. Consumption includes wear and tear, age and obsolescence.

### **Direct Revenue Financing**

Revenue resources used to finance capital expenditure.

### **Discounted Cash Flow**

A method of assessing investments taking into account the expected accumulation of interest.

### **Earmarked Reserves**

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

### **Expenditure and Funding Analysis**

The expenditure and funding analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates.

### **Fair Value**

The amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's length transaction.

### **Fees and Charges**

In addition to income from the council tax, retained business rates and grants from government, local authorities charge for numerous services including car parking.

### **Finance Lease**

An arrangement whereby the party leasing the asset has most or all of the use of an asset, and the lease payments are akin to repayments on a loan.

### **Financial Instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include borrowings, loans receivable and investments.

### **Financial Regulations and Standing Orders**

The rules and procedures that the council's financial affairs are operated within.

### **Financial Statements**

Another term for the statement of accounts.

### **Going Concern**

The assumption that the services of the council will continue to operate for the foreseeable future.

### **Government Grants**

Payments by central government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally.



## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Housing Benefit (see also note on Universal Credit)**

This scheme provides financial assistance towards the domestic rent payments of tenants in registered social landlord or privately owned accommodation, whose incomes fall below prescribed amounts. The district council is reimbursed by the government for 100% of the cost as well as a government contribution towards the cost of administering housing benefit.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet arising from obsolescence or physical damage such as a major fire or a significant reduction in market value.

### **International Financial Reporting Standards (IFRS)**

The accounting standards introduced from 2010-11. They constitute a standardised way of describing financial performance so that financial statements are understandable and comparable across international boundaries.

### **Inventories**

Previously referred to as stock – items purchased and paid for but not yet used.

### **Liability**

Something the council owes – for example an overdraft, a loan, or a bill it has not yet paid.

### **Liquid Investments**

These are assets that are readily converted into cash without significant loss, e.g. Short term investments.

### **Movement in Reserves Statement (MiRS)**

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

### **National Non-Domestic Rates (Business Rates) (NNDR)**

A business tax collected locally by district councils.

### **Net Present Value**

Provides an estimate of the value of payments in the future in today's terms, as at the balance sheet date.

### **New Burdens**

A new burden is defined as any central government policy or initiative which increases the cost of providing local authority services.

### **Non-current Assets**

A tangible asset which is intended to be used for several years, such as a vehicle or building, previously referred to as fixed assets.

### **Non-Operational Assets**

Council assets not directly used in the provision of services, such as surplus assets.

### **Operating Leases**

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Operational Assets**

Council owned fixed assets used to deliver services, such as buildings and equipment.

### **Outturn**

Actual income and expenditure.

### **Precept**

This is the amount of council tax income that county councils, police and crime commissioners, fire authorities and parish/town councils need to provide their services. The amounts for all local authorities providing services in an area appear on one council tax bill which is issued by the district council.

### **Provisions**

These are monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g., Provision for bad debts.

### **Prudential Code for Capital Finance in Local Authorities**

The Chartered Institute of Public Finance and Accountancy (CIPFA) developed a professional code of practice to support local authorities in taking capital investment decisions. The key objectives of the code are to ensure, within a clear framework, that local authorities' capital investment decisions are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

### **Quantitative Easing**

Quantitative easing (QE) is a monetary policy whereby a central bank buys government bonds or other financial assets in order to inject money into the economy to expand economic activity.

### **Rateable Value**

A value placed on all non-domestic properties subject to business rates to which a uniform rate poundage is applied to arrive at rates payable. The value is based on a notional rent that property could be expected to yield after deducting the cost of repairs.

### **Reserves**

These are monies set aside to meet the cost of specific future expenditure.

### **Revaluation Reserve**

Revaluation reserve – this records the unrealised net gains from revaluations made after 1<sup>st</sup> April 2007.

### **Revenue Balances**

The accumulated surplus or deficit of income over expenditure.

### **Revenue Expenditure**

This is expenditure incurred on the day to day provision of services and consists principally of pay costs, capital charges and general running expenses in respect of the financial year.

### **Revenue Expenditure funded from Capital under Statute**

Capital expenditure for which no tangible fixed asset exists is now classified as revenue expenditure funded from capital under statute and is charged to the comprehensive income and expenditure statement.

## **Wyre Forest District Council – Draft Statement of Accounts 2022-23**

### **Support Services**

The provision of services by the central divisions of the council in respect of finance, personnel, legal, policy, administration, information technology and property.

### **True and Fair**

It is the aim of the accounts to show a true and fair view of the council's financial position, i.e., they should faithfully represent what has happened in practice.

### **Universal Credit (see also definition of Housing Benefit above)**

Universal credit is a payment to help low income working age households with living costs and has replaced the following benefits:

- Child tax credit
- Housing benefit (see separate definition above)
- Income support
- Income-based jobseeker's allowance (JSA)
- Income-related employment and support allowance (ESA)
- Working tax credit

No new claims for housing benefit can be made, with the following exceptions:

- Pension age claimants
- Claimants living in specified accommodation (supported housing)
- Claimants moving to temporary housing (homeless)

The existing housing benefit caseload for working age claims is due to be migrated to universal credit with an estimated completion timetable of 2028.

### **Unrealised Gains and Losses**

Gains and losses may be realised or unrealised. Unrealised gains and losses are gains and losses that the council has recognised in its accounts, but which are potential as they have not been realised. An example of a gain that is recognised but not realised is where the value of assets has increased. The gain is realised when the asset is sold.

### **Virement**

The authorised transfer of an underspend in one budget head to another head.

## Wyre Forest District Council – Draft Statement of Accounts 2022-23

### List of commonly used Acronyms

Acronym	Description/Definition
<b>AGS</b>	Annual Governance Statement – this provides an overview of the Governance arrangements within the Council, along with any potential weaknesses.
<b>BID</b>	Business Improvement District - a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.
<b>CFR</b>	Capital Financing Requirement – measures the authority's underlying need to borrow, or finance by other long-term liabilities, its capital expenditure.
<b>CIES</b>	Comprehensive Income and Expenditure Statement – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice rather than the amount to be funded from taxation.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy – the institute that sets the accounting rules and guidance for Local Government.
<b>CLT</b>	Corporate Leadership Team of Wyre Forest District Council.
<b>DLUHC</b>	Department for Levelling Up, Housing and Communities - central government department which has the responsibility for Local Government. This replaced the Ministry of Housing, Communities and Local Government.
<b>DMO</b>	UK Debt Management Office - The DMO is legally and constitutionally part of HM Treasury (HMT) and, as an executive agency, it operates at arm's length from Ministers.
<b>DRC</b>	Depreciated Replacement Cost – valuation method used within the Statement of Accounts relating to the Replacement Cost less any accrued depreciation.
<b>DWP</b>	Department for Works and Pensions – largest central government department which amongst its responsibilities are Benefits payments.
<b>FHSF</b>	Future High Streets Fund – central government funding to renew and reshape town centres and high streets to drive growth and future sustainability.
<b>FTE</b>	Full-time equivalent – relates to employee numbers.
<b>GDPR</b>	General Data Protection Regulation - the GDPR applies to 'personal data' meaning any information relating to an identifiable person who can be directly or indirectly identified in particular by reference to an identifier.
<b>HMRC</b>	His Majesty's Revenue and Customs – central government organisation responsible for the administration and collection of national taxes including VAT.
<b>IAS</b>	International Accounting Standard – these provide detailed guidance on the application of IFRS.
<b>IASB</b>	International Accounting Standards Board – governing body of expertise on accounting standards.
<b>IFAC</b>	International Federation of Accountants – the global organisation for the accountancy profession.
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards – international framework to ensure common approach to the production of Statement of Accounts across the world.
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee – operates in the same way as CIPFA within England, and often works in partnership with CIPFA on accounting guidance through a Joint Committee.
<b>LATC</b>	Local Authority Trading Company - companies that are free to operate commercially but remain wholly owned by the parent local authority. As a trading organisation, they can provide their services to a much wider market than a council department and, crucially, they can generate income, to be ploughed back into the LATC itself or the wider council.

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<b>Acronym</b>	<b>Description/Definition</b>
<b>LEP</b>	Local Enterprise Partnership - partnerships of businesses, local authorities and universities that support private sector growth and job creation.
<b>LGA</b>	Local Government Association – the body that represents Local Government nationally, this body has a key lobbying role with central government.
<b>LLP</b>	Limited Liability Partnership.
<b>LUF</b>	Levelling up Fund – the governments major regeneration initiative for providing grants to support capital investment projects across Great Britain.
<b>MCC</b>	Material change in circumstances appeals – a business rate challenge can be lodged with the where there has been physical change to a property or in the locality affecting its value.
<b>MIRS</b>	Movement in Reserves Statement – represents the changes in the Council's financial resources.
<b>MRP</b>	Minimum Revenue Provision – this represents the minimum which authorities must repay on their debts each year.
<b>NDR or NNDR</b>	National Non-Domestic Rates – sometimes called business rates – these are collected by Local Authorities and are the way that those who occupy non-domestic property contribute towards the cost of local services.
<b>PBSE</b>	Post Balance Sheet Event – an event taking place after the Balance Sheet event that may either be noted or adjusted in the accounts depending on its relevance.
<b>PPE</b>	Property Plant and Equipment – IFRS terminology for fixed assets.
<b>PWLB</b>	Public Works Loan Board – this is a central government body which makes loans to local government and other prescribed public bodies from the National Loans Fund.
<b>S151</b>	Section 151 – this refers to Section 151 of the Local Government Act 1972 where it states that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.
<b>SOLACE</b>	Society of Local Authority Chief Executives – professional organisation for Chief Executives and Senior Managers within Local Government.
<b>VFM</b>	Value for Money – this represents a formal review by the auditors on whether the Council is delivering Value for Money to its residents. This opinion forms part of the overall audit certificate.
<b>WBRP</b>	Worcestershire Business Rates Pool - Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. At 31 <sup>st</sup> March 2023 the members of the WBRP were Worcestershire County Council (Lead Authority), Wyre Forest District Council, Wychavon District Council, Worcester City Council, Malvern Hills District Council, Redditch Borough Council, Bromsgrove District Council and Hereford and Worcester Fire Authority. This Pool will be replaced by the Herefordshire and Worcestershire Business Rates Pool that will come into effect from 1 <sup>st</sup> April 2023.